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

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2020

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For transition period from to

Commission File Number: 000-19756

PDL BIOPHARMA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3023969**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

932 Southwood Boulevard
Incline Village, Nevada 89451
(Address of principal executive offices and Zip Code)

(775) 832-8500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	**Trading symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	PDLI	The Nasdaq Stock Market LLC

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 such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ *Accelerated filer* ☒ *Non-accelerated filer* ☐ *Smaller reporting company* ☐ *Emerging growth company* ☐

If an emerging growth company, indicated by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

As of July 31, 2020, there were 113,982,229 shares of the registrant's Common Stock outstanding.

PDL BIOPHARMA, INC.
2020 Form 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PDL BIOPHARMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Product revenue, net	$ 4,099	$ 5,268	$ 8,115	$ 10,004
Lease revenue	359	1,308	1,436	2,532
Service revenue	690	846	1,582	1,612
Royalties from Queen et al. patents	—	6	—	9
License and other	63	30	73	(3)
Total revenues	5,211	7,458	11,206	14,154
Operating expenses				
Cost of product revenue (excluding intangible asset amortization)	2,639	4,929	5,499	8,729
Amortization of intangible assets	335	344	637	662
Severance and retention	3,579	—	22,313	—
General and administrative	9,719	8,695	22,471	17,005
Sales and marketing	1,237	1,861	2,487	3,435
Research and development	1,465	886	3,321	1,796
Total operating expenses	18,974	16,715	56,728	31,627
Operating loss from continuing operations	(13,763)	(9,257)	(45,522)	(17,473)
Non-operating expense, net				
Interest and other income, net	69	1,650	582	3,524
Interest expense	(312)	(2,984)	(786)	(5,939)
Loss on extinguishment of convertible notes	—	—	(606)	—
Total non-operating expense, net	(243)	(1,334)	(810)	(2,415)
Loss from continuing operations before income taxes	(14,006)	(10,591)	(46,332)	(19,888)
Income tax benefit from continuing operations	(1,077)	(2,575)	(14,144)	(3,422)
Net loss from continuing operations	(12,929)	(8,016)	(32,188)	(16,466)
(Loss) income from discontinued operations before income taxes (including loss on classification as held for sale of $16,143 and $28,904 for the three and six months ended June 30, 2020, respectively)	(44,277)	4,830	(58,112)	23,517
Income tax (benefit) expense of discontinued operations	(6,878)	1,328	(7,961)	4,948
(Loss) income from discontinued operations	(37,399)	3,502	(50,151)	18,569
Net (loss) income	(50,328)	(4,514)	(82,339)	2,103
Less: Net loss attributable to noncontrolling interests	(357)	(95)	(645)	(158)
Net (loss) income attributable to PDL's shareholders	$ (49,971)	$ (4,419)	$ (81,694)	$ 2,261
Net (loss) income per share - basic				
Net (loss) from continuing operations	$ (0.11)	$ (0.07)	$ (0.26)	$ (0.13)
Net (loss) income from discontinued operations	(0.32)	0.03	(0.42)	0.15
Net (loss) income attributable to PDL's shareholders	$ (0.43)	$ (0.04)	$ (0.68)	$ 0.02
Net (loss) income per share - diluted				
Net (loss) from continuing operations	$ (0.11)	$ (0.07)	$ (0.26)	$ (0.13)
Net (loss) income from discontinued operations	(0.32)	0.03	(0.42)	0.15
Net (loss) income attributable to PDL's shareholders	$ (0.43)	$ (0.04)	$ (0.68)	$ 0.02
Weighted-average shares outstanding				
Basic	115,908	118,285	119,402	123,484
Diluted	115,908	118,285	119,402	123,484

See accompanying notes.

PDL BIOPHARMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net (loss) income	$ (50,328)	$ (4,514)	$ (82,339)	$ 2,103
Other comprehensive loss, net of tax				
Total other comprehensive loss, net of tax	—	—	—	—
Comprehensive (loss) income	(50,328)	(4,514)	(82,339)	2,103
Less: Comprehensive loss attributable to noncontrolling interests	(357)	(95)	(645)	(158)
Comprehensive (loss) income attributable to PDL's shareholders	$ (49,971)	$ (4,419)	$ (81,694)	$ 2,261

See accompanying notes.

PDL BIOPHARMA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	June 30, 2020	December 31, 2019
	(unaudited)	(Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 105,446	$ 168,982
Accounts receivable, net	6,154	6,559
Notes receivable	52,598	52,583
Inventory	12,633	8,061
Assets held for sale (Note 2)	289,426	70,366
Prepaid and other current assets	29,291	7,344
Total current assets	495,548	313,895
Property and equipment, net	3,039	2,560
Notes receivable, long-term	636	827
Intangible assets, net	12,550	13,186
Long-term assets held for sale (Note 2)	—	377,491
Other assets	8,883	9,247
Total assets	$ 520,656	$ 717,206
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,524	$ 2,675
Accrued liabilities	14,498	11,923
Liabilities held for sale (Note 2)	18,213	31,095
Total current liabilities	36,235	45,693
Convertible notes payable	13,507	27,250
Liabilities held for sale, long-term (Note 2)	—	120
Other long-term liabilities	50,913	50,865
Total liabilities	100,655	123,928
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, 10,000 shares authorized; no shares issued and outstanding	—	—
Common stock, par value $0.01 per share, 350,000 shares authorized; 113,945 and 124,303 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	1,139	1,243
Additional paid-in capital	(66,164)	(78,875)
Retained earnings	485,493	670,832
Total PDL stockholders' equity	420,468	593,200
Noncontrolling interests	(467)	78
Total stockholders' equity	420,001	593,278
Total liabilities and stockholders' equity	$ 520,656	$ 717,206

See accompanying notes.

PDL BIOPHARMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	PDL Stockholders' Equity						
	Common Stock		Treasury Stock	Additional Paid-In Capital	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2019	124,302,616	$ 1,243	$ —	$ (78,875)	$ 670,832	$ 78	$ 593,278
Issuance of common stock, net of forfeitures	1,781,197	18	—	(18)	—	—	—
Stock-based compensation expense	—	—	—	14,453	—	—	14,453
Repurchase and retirement of common stock	(5,564,841)	(56)	(2,244)	—	(17,978)	—	(20,278)
Transfer of subsidiary shares to non-controlling interest	—	—	—	683	—	100	783
Extinguishment of convertible notes	—	—	—	(3,911)	—	—	(3,911)
Capped call transactions	—	—	—	801	—	—	801
Comprehensive loss:							
Net loss	—	—	—	—	(31,723)	(288)	(32,011)
Total comprehensive loss	—	—	—	—	—	—	(32,011)
Balance at March 31, 2020	120,518,972	1,205	(2,244)	(66,867)	621,131	(110)	553,115
Issuance of common stock, net of forfeitures	183,903	2	—	458	—	—	460
Stock-based compensation expense	—	—	—	245	—	—	245
Repurchase and retirement of common stock	(6,758,147)	(68)	2,244	—	(21,267)	—	(19,091)
Noncash liquidating distribution	—	—	—	—	(64,400)	—	(64,400)
Comprehensive loss:							
Net loss	—	—	—	—	(49,971)	(357)	(50,328)
Total comprehensive loss	—	—	—	—	—	—	(50,328)
Balance at June 30, 2020	113,944,728	$ 1,139	$ —	$ (66,164)	$ 485,493	$ (467)	$ 420,001

	PDL Stockholders' Equity						
	Common Stock		Treasury Stock	Additional Paid-In Capital	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2018	136,512,522	$ 1,365	$ (2,103)	$ (98,030)	$ 828,547	$ —	$ 729,779
Issuance of common stock, net of forfeitures	764,785	8	—	(8)	—	—	—
Stock-based compensation expense	—	—	—	1,169	—	—	1,169
Repurchase and retirement of common stock	(13,460,164)	(135)	613	—	(44,831)	—	(44,353)
Transfer of subsidiary shares to non-controlling interest	—	—	—	—	—	572	572
Comprehensive income:							
Net income	—	—	—	—	6,680	(63)	6,617
Total comprehensive income	—	—	—	—	—	—	6,617
Balance at March 31, 2019	123,817,143	1,238	(1,490)	(96,869)	790,396	509	693,784
Issuance of common stock, net of forfeitures	37,996	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	2,175	—	—	2,175
Repurchase and retirement of common stock	(8,185,970)	(81)	944	—	(26,897)	—	(26,034)
Transfer of subsidiary shares to non-controlling interest	—	—	—	229	—	(216)	13
Comprehensive loss:							
Net loss	—	—	—	—	(4,419)	(95)	(4,514)
Total comprehensive loss	—	—	—	—	—	—	(4,514)
Balance at June 30, 2019	115,669,169	$ 1,157	$ (546)	$ (94,465)	$ 759,080	$ 198	$ 665,424

See accompanying notes.

PDL BIOPHARMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities		
Net (loss) income	$ (82,339)	$ 2,103
Less: (Loss) income from discontinued operations	(50,151)	18,569
Net loss from continuing operations	(32,188)	(16,466)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of convertible notes conversion option and debt issuance costs	485	3,876
Accreted interest on convertible note principal	38	—
Amortization of intangible assets	637	662
Amortization of right-of-use assets	370	362
Change in fair value of derivative assets	73	(3)
Loss on extinguishment of convertible notes	606	—
Other amortization and depreciation	867	1,509
Loss on disposal of property and equipment	316	—
Stock-based compensation expense	18,000	3,210
Deferred income taxes	(158)	9,353
Changes in assets and liabilities:		
Accounts receivable	582	(3,532)
Prepaid and other current assets	(21,944)	5,614
Inventory	(5,991)	(1,138)
Other assets	67	406
Accounts payable	843	1,078
Accrued liabilities	3,360	1,155
Other long-term liabilities	266	167
Net cash (used in) provided by operating activities - continuing operations	(33,771)	6,253
Net cash used in operating activities - discontinued operations	1,688	(14,428)
Cash flows from investing activities		
Purchase of intangible assets	—	(1,700)
Purchase of property and equipment	(235)	(163)
Net cash used in investing activities - continuing operations	(235)	(1,863)
Net cash provided by (used in) investing activities - discontinued operations	24,966	(27,274)
Cash flows from financing activities		
Proceeds from the exercise of stock options	461	—
Repurchase of convertible notes	(18,845)	—
Net receipts for capped call transactions	801	—
Payment of contingent consideration	—	(1,071)
Repurchase of Company common stock	(39,374)	(71,266)
Net settlement of stock-based compensation awards	(3,462)	—
Net cash used in financing activities - continuing operations	(60,419)	(72,337)
Net cash used in financing activities - discontinued operations	(359)	—
Net decrease in cash and cash equivalents	(68,130)	(109,649)
Cash and cash equivalents at beginning of the period	193,451	394,590
Cash and cash equivalents at end of the period	125,321	284,941
Less: Cash and cash equivalents of discontinued operations	19,875	28,447
Cash and cash equivalents of continuing operations at end of period	$ 105,446	$ 256,494
Supplemental cash flow information		
Cash (refunded) paid for income taxes	$ (4)	$ 3,980
Cash paid for interest	$ 298	$ 4,591
Supplemental schedule of non-cash investing and financing activities		
Noncash liquidating distribution	$ 64,400	$ —
Assets held for sale reclassified from other assets to intangible assets	$ —	$ 1,811

See accompanying notes.

1. Summary of Significant Accounting Policies

Basis of Presentation

Throughout its history, the mission of PDL BioPharma, Inc. and its subsidiaries (collectively, the "Company" or "PDL") has been to improve the lives of patients by aiding in the successful development of innovative therapeutics and healthcare technologies. PDL was founded in 1986 as Protein Design Labs, Inc. when it pioneered the humanization of monoclonal antibodies, enabling the discovery of a new generation of targeted treatments that have had a profound impact on patients living with different cancers as well as a variety of other debilitating diseases. In 2006, the Company changed its name to PDL BioPharma, Inc.

Historically, the Company generated a substantial portion of its revenues through license agreements related to patents covering the humanization of antibodies, which it refers to as the Queen et al. patents. In 2012, the Company began providing alternative sources of capital through royalty monetizations and debt facilities, and, in 2016, the Company began acquiring commercial-stage products and launching specialized companies dedicated to the commercialization of these products. In 2019, and as a further evolution of the Company's strategy, it began to enter into strategic transactions involving innovative late clinical-stage or early commercial-stage therapeutics. Consistent with this strategy, on April 10, 2019, the Company entered into a securities purchase agreement with Evofem Biosciences, Inc. ("Evofem"), pursuant to which it invested $60.0 million in a private placement of securities structured in two tranches. Overall, the Company consummated eighteen transactions, nine of which are active and outstanding.

In September 2019, the Company engaged financial and legal advisors and initiated a review of its strategy. In December 2019, the Company announced that it decided to halt the execution of its growth strategy, cease additional strategic transactions and investments and instead pursue a formal process to unlock value by monetizing its assets and returning net proceeds to stockholders (the "monetization strategy"). Pursuant to the Company's monetization strategy, the Company does not expect to enter into any additional strategic investments. The Company further announced in December 2019 that it would explore a variety of potential transactions in connection with the monetization strategy, including a whole Company sale, divestiture of assets, spin-offs of operating entities, merger opportunities or a combination thereof. Over the subsequent months, the Company's Board of Directors (the "Board") and management analyzed, together with outside financial and legal advisors, how to best capture value pursuant to the monetization strategy and best return the value of the assets in its portfolio to its stockholders.

During the first quarter of 2020, the Board approved a plan of complete liquidation (the "Plan of Liquidation") and passed a resolution to seek stockholder approval at its next Annual Meeting of Stockholders to dissolve the Company as permitted by the General Corporation Law of the State of Delaware (the "DGCL"). In the event the proposal is approved by stockholders and the Board concludes that the whole Company sale process is unlikely to maximize the value that can be returned to the stockholders from our monetization process, the Company intends to file a Certificate of Dissolution with the Secretary of State of Delaware after monetizing its key assets and then proceed to wind-down and dissolve the Company in accordance with the DGCL. The Company has not set a definitive timeline to file for dissolution and intends to pursue its monetization strategy in a disciplined and cost-effective manner seeking to maximize returns to stockholders.

Pursuant to the Company's monetization strategy, the Company began a comprehensive program to market and sell its investments. During the quarter ended March 31, 2020, the Company's Pharmaceutical segment and the royalty right assets within the Income Generating Assets segment met the criteria to be classified as held for sale. Those investments are reported as discontinued operations on the Condensed Consolidated Statements of Operations and as Assets and Liabilities held for sale on the Condensed Consolidated Balance Sheets. See Note 21, *Subsequent Events*, for additional information about the Pharmaceutical segment.

During the quarter ended June 30, 2020, the Evofem common stock held within the Strategic Positions segment was distributed to the Company's stockholders and as a result the Strategic Positions segment and all investments included in the segment met the criteria to be classified as discontinued operations. Therefore, the Strategic Positions segment is also presented as discontinued operations on the Condensed Consolidated Statements of Operations. While the Company cannot provide a definitive timeline for the liquidation process, it has been targeting the end of 2020 for completing the monetization or other distribution of its key assets. However, the Company recognizes that the duration and extent of the public health issues related to the COVID-19 pandemic make it possible, and perhaps probable, that the timing may be delayed.

The accompanying unaudited Condensed Consolidated Financial Statements of PDL have been prepared in accordance with Generally Accepted Accounting Principles (United States) ("GAAP") for interim financial information. The financial statements include all adjustments (consisting only of normal recurring adjustments), that management of the Company believes are necessary for a fair statement of the periods presented. These interim financial results are not necessarily indicative of results expected for the full fiscal year.

The accompanying unaudited Condensed Consolidated Financial Statements and related financial information should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes thereto for the fiscal year ended December 31, 2019, included in its Annual Report on Form 10-K (the "2019 Form 10-K"), filed with the Securities and Exchange Commission ("SEC") on March 11, 2020 and the Company's Current Report on Form 8-K, filed with the SEC on June 29, 2020, which revises and re-casts certain historical financial information included in the 2019 Form 10-K to present the Pharmaceutical segment and the royalty right assets within the Income Generating Assets segment as discontinued operations for all periods presented. The Condensed Consolidated Balance Sheet at December 31, 2019, included herein, has been derived from the audited Consolidated Financial Statements at that date, as adjusted to conform with the financial statement presentation as of and for the three and six months ended June 30, 2020 as discussed in Note 2, *Discontinued Operations Classified as Assets Held for Sale*, but does not include all disclosures required by GAAP.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes to the Condensed Consolidated Financial Statements. The accounting estimates that require management's most significant, difficult and subjective judgments include, assets and liabilities held for sale, including the valuation of royalty rights - at fair value, product revenue recognition and allowances for customer rebates, the valuation of notes receivable and inventory, the assessment of recoverability of intangible assets and their estimated useful lives, the valuation and recognition of stock-based compensation, the recognition and measurement of current and deferred income tax assets and liabilities, and the valuation of warrants to acquire shares of common stock. Furthermore, the impact on accounting estimates and judgments on the Company's financial condition and results of operations due to COVID-19 has introduced additional uncertainties. Actual results could differ from those estimates.

The Condensed Consolidated Financial Statements included herein include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Based on the composition of its investment portfolio, the Company historically structured its operations in four segments designated as Medical Devices, Strategic Positions, Pharmaceutical and Income Generating Assets. During the second quarter of 2020, and in connection with the distribution of shares of Evofem common stock to stockholders, the Company determined that Strategic Positions was no longer an operating segment. Following is a summary of the Company's segments including those that have been classified as discontinued operations:

- The Company's Medical Devices segment consists of revenue derived from the LENSAR® Laser System sales made by the Company's subsidiary, LENSAR, Inc. ("LENSAR"), which may include equipment, Patient Interface Devices ("PIDs" or "consumables"), procedure licenses, training, installation, warranty and maintenance agreements.
- The Company's Strategic Positions segment consisted of an investment in Evofem, which included shares of common stock and warrants to purchase shares of common stock. During the second quarter of 2020, the Company distributed its shares of common stock in Evofem to the Company's stockholders at which time the segment ceased to be a reportable segment. The Company continues to hold warrants to purchase shares of Evofem's common stock. Evofem is a publicly-traded commercial-stage biopharmaceutical company committed to developing and commercializing innovative products to address unmet needs in women's sexual and reproductive health. Evofem is leveraging its proprietary Multipurpose Vaginal pH Regulator (MVP-R™) platform for Phexxi™ (L-lactic acid, citric acid and potassium bitartrate) for hormone-free birth control.
- The Company's Pharmaceutical segment consisted of revenue derived from branded prescription medicine products sold under the name Tekturna® and Tekturna HCT® in the United States and Rasilez® and Rasilez HCT® in the rest of the world and an authorized generic form of Tekturna sold in the United States (collectively, the "Noden Products").

The branded prescription Noden Products were acquired from Novartis Pharma AG ("Novartis") in July 2016 (the "Noden Transaction") by the Company's wholly-owned subsidiary, Noden Pharma DAC ("Noden DAC"). The Company, through its wholly-owned subsidiary, Noden Pharma USA Inc. ("Noden USA") launched its authorized generic form of Tekturna in the United States in March 2019.

- The Company's Income Generating Assets segment consists of revenue derived from (i) notes and other long-term receivables, (ii) equity investments and (iii) royalties from issued patents in the United States and elsewhere covering the humanization of antibodies ("Queen et al. patents"). As noted above, the royalty rights assets previously included in the Income Generating Assets segment are classified as held for sale and are reported as discontinued operations.

The worldwide spread of coronavirus, or COVID-19, has created significant uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of COVID-19 and the extent to which COVID-19 impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict. If the financial markets or the overall economy are impacted for an extended period, the Company's liquidity, revenues, supplies and intangibles may be adversely affected.

Significant Accounting Policies

Assets Held for Sale

Assets and liabilities are classified as held for sale when all of the following criteria for a plan of sale have been met: (1) management, having the authority to approve the action, commits to a plan to sell the assets; (2) the assets are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the assets have been initiated; (4) the sale of the assets is probable and is expected to be completed within one year; (5) the assets are being actively marketed for a price that is reasonable in relation to their current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. When all of these criteria have been met, the assets and liabilities are classified as held for sale in the balance sheet. Assets classified as held for sale are reported at the lower of their carrying value or fair value less costs to sell. Depreciation and amortization of assets ceases upon designation as held for sale. The assets and liabilities held for sale are recorded on the Company's Condensed Consolidated Balance Sheets as Assets held for sale and Liabilities held for sale, respectively.

Discontinued Operations

Discontinued operations comprise those activities that were disposed of during the period or which were classified as held for sale at the end of the period, represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes and represent a strategic shift that has or will have a major effect on the Company's operations and financial results. The profits and losses are presented on the Condensed Consolidated Statements of Operations as discontinued operations. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

Severance and retention

After the Company announced its monetization strategy, it recognized that its ability to execute on its plan and optimize returns to its stockholders depended to a large extent on its ability to retain the necessary expertise to effectively transact with respect to its assets. On December 21, 2019, the Compensation Committee of the Board adopted a Wind Down Retention Plan in which the Company's executive officers and other employees who are participants in the Company's Severance Plan are eligible to participate. Under the Wind Down Retention Plan, participants are eligible to earn a retention benefit in consideration for their continued employment with the Company. The Wind Down Retention benefits are equivalent to previously disclosed compensation payments contemplated in connection with a change in control under the Company's existing Severance Plan. Under the Wind Down Retention Plan, payment of the retention benefit to any participant will occur upon termination of the participant's employment with the Company either by the Company without cause or by the participant for good reason. The retention benefit, if paid, would be in lieu of (and not in addition to) any other severance compensation that could become payable to the participant under the Company's Severance Plan. In connection with the adoption of the Wind Down Retention Plan, a severance liability is being recorded over the remaining service period for the participating employees. As of June 30,

2020, the Company has recorded a severance liability of $6.0 million. Expenses associated with severance payments and accruals are reflected in Severance and retention on the Company's Condensed Consolidated Statements of Operations.

The Wind Down Retention Plan also provides that, consistent with the existing terms of the Company's Amended and Restated 2005 Equity Incentive Plan (the "Equity Plan"), the vesting of all outstanding equity awards held by participants as of the date the Wind Down Retention Plan was adopted will be accelerated upon the earlier of: (i) a termination of the participant's employment with the Company either by the Company without cause or by the participant for good reason or (ii) the consummation of a change in control (as defined in the Equity Plan) of the Company. In addition, the post-termination exercise period for all outstanding stock options will be extended until their expiration date. In connection with the Board adopting the Plan of Liquidation in the first quarter of 2020, all of the outstanding and unvested stock options and restricted stock granted to the Company's employees and executive officers, with the exception of certain outstanding awards under the 2016/20 Long-Term Incentive Plan, accelerated and vested under the change in control definition in the Equity Plan. The expense associated with the accelerated vesting, totaling $15.7 million is reported as Severance and retention on the Company's Condensed Consolidated Statements of Operations.

For a discussion of other accounting policies, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. Summarized below are the accounting pronouncements and policies adopted subsequent to December 31, 2019 in addition to those described above.

Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new guidance amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses. The Company adopted ASU No. 2016-13 on January 1, 2020 using a modified retrospective approach. The adoption of this standard did not have a material impact on the Company's consolidated financial statements. As a consequence of adopting ASU 2016-13, the Company's accounts receivable accounting policy has been updated, as follows:

Accounts and Notes Receivable

The Company makes estimates of the collectability of accounts receivable. In doing so, the Company analyzes historical bad debt trends, customer credit worthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of the allowance for credit losses. Amounts are charged off against the allowance for credit losses when the Company determines that recovery is unlikely and the Company ceases collection efforts. The Company applies the practical expedient for its collateral-dependent notes receivable. Estimated credit losses are based on the fair value of the collateral (less costs to sell, as applicable).

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement*. The new guidance modifies disclosure requirements related to fair value measurement. The Company adopted ASU No. 2018-13 on January 1, 2020. The adoption did not have an effect on the Consolidated Financial Statements on the adoption date and no adjustment to prior year Consolidated Financial Statements was required.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software*. The new guidance reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Company adopted ASU No. 2018-15 on January 1, 2020 using the prospective transition option. The adoption did not have an effect on the Consolidated Financial Statements on the adoption date and no adjustment to prior year Consolidated Financial Statements was required.

Recently Issued Accounting Pronouncements

In April 2020, the FASB issued a staff question-and-answer document, "Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic" (the "COVID-19 Q&A"), to address certain frequently-asked questions pertaining to lease concessions arising from the effects of the COVID-19 pandemic. Existing lease guidance requires entities to determine if a lease concession was a result of a new arrangement reached with the lessee (which would be addressed

under the lease modification accounting framework) or if a lease concession was under the enforceable rights and obligations within the existing lease agreement (which would not fall under the lease modification framework). The COVID-19 Q&A clarifies that entities may elect to not evaluate whether lease-related relief granted in light of the effects of COVID-19 is a lease or obligations of the lease. This election is available for concessions that result in the total payments required by the modified contract being substantially the same or less than the total payments required by the original contract.

As a result of the COVID-19 pandemic, LENSAR entered into agreements with 22 customers through which LENSAR agreed to waive monthly rental and minimum monthly license fees ranging from one to four months for an aggregate of $0.9 million of revenue, consisting of $0.5 million in Product revenue, $0.3 million in Lease revenue, and $0.1 million in Service revenue. In return for these concessions the related contracts were extended by the same number of months waived. No amounts of accounts receivable or notes receivable were deemed uncollectible due to COVID-19 during the quarter ended June 30, 2020; however, the Company considered the effects of COVID-19 in estimating its credit losses for the period.

In December 2019, the FASB issued ASU 2019-12, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. For public companies, the amendments in ASU No. 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

2. Discontinued Operations Classified as Assets and Liabilities Held for Sale

In February 2020, the Company’s board of directors approved the Plan of Liquidation and passed a resolution to seek stockholder approval at the Company’s next Annual Meeting of Stockholders to dissolve the Company under Delaware state law in the event that the Board concludes that a whole Company sale is unlikely to maximize the value that can be returned to the stockholders. The Company has not set a definitive timeline for the liquidation and intends to pursue the liquidation strategy in a disciplined and cost-effective manner seeking to maximize returns to stockholders. As a result of these actions and subsequent efforts to monetize the Company’s key assets, as well as the sale of these key assets representing a strategic shift in the operations of the Company, the assets held for sale and discontinued operations criteria were met for the Company’s royalty assets (Income Generating Assets segment) and its subsidiary Noden (Pharmaceutical segment) during the first quarter of 2020. The discontinued operations criteria were met for the Company’s investment in Evofem (Strategic Positions segment) during the second quarter of 2020 after the Company distributed all of its shares of common stock of Evofem to the Company’s stockholders. The historical financial results of the investment in Evofem, royalty assets and Noden are reflected in the Company’s consolidated financial statements as discontinued operations for all periods presented, and assets and liabilities were retrospectively reclassified as assets and liabilities held for sale.

Components of amounts reflected in (Loss) income from discontinued operations on the Company's Condensed Consolidated Statement of Operations are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Revenues				
Product revenue, net	$ 8,167	$ 10,415	$ 23,198	$ 30,375
Royalty rights - change in fair value	(16,304)	(40,399)	(6,910)	(28,142)
Total revenues	(8,137)	(29,984)	16,288	2,233
Operating expenses				
Cost of product revenue (excluding intangible asset amortization)	4,901	7,419	13,682	16,429
Amortization of intangible assets	—	1,254	389	2,507
General and administrative	2,151	1,788	4,565	3,940
Sales and marketing	81	212	198	1,368
Research and development	—	—	—	(41)
Total operating expenses	7,133	10,673	18,834	24,203
Operating loss from discontinued operations	(15,270)	(40,657)	(2,546)	(21,970)
Non-operating (expense) income, net				
Equity affiliate - change in fair value	(12,864)	45,487	(26,662)	45,487
Loss on classification as held for sale	(16,143)	—	(28,904)	—
Total non-operating (expense) income, net	(29,007)	45,487	(55,566)	45,487
(Loss) income from discontinued operations before income taxes	(44,277)	4,830	(58,112)	23,517
Income tax (benefit) expense from discontinued operations	(6,878)	1,328	(7,961)	4,948
(Loss) income from discontinued operations	$ (37,399)	$ 3,502	$ (50,151)	$ 18,569

The carrying amounts of the major classes of assets reported as "Assets held for sale" on the Company's Condensed Consolidated Balance Sheets consist of the following:

(in thousands)	**June 30, 2020**	**December 31, 2019**
Cash and cash equivalents [1]	$ 19,875	$ 24,469
Accounts receivable, net	7,114	6,993
Inventory	29,485	31,712
Prepaid and other current assets	7,357	7,192
Property and equipment, net	2,949	2,960
Royalty rights - at fair value	234,242	266,196
Investment in equity affiliate	—	82,267
Intangible assets, net	9,723	10,112
Other assets	7,083	15,956
Less: Estimated remaining cost to sell and fair value adjustment	(28,402)	—
Total assets held for sale [2]	$ 289,426	$ 447,857

[1] Cash and cash equivalents represent balances maintained by Noden, which will remain with the buyer upon consummation of the sale of the Noden business and applied to the commitment with Novartis as further described in Note 13, *Commitments and Contingencies* and in Note 21, *Subsequent Events*.

[2] The assets of the disposal groups classified as held for sale are classified as current on the June 30, 2020 Balance Sheet because it is probable that the sales will occur and the proceeds will be collected within one year.

The carrying amounts of the major classes of liabilities reported as "Liabilities held for sale" on the Company's Condensed Consolidated Balance Sheets consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Accounts payable	$ 3,017	$ 14,695
Accrued liabilities	15,196	16,400
Other long-term liabilities	—	120
Total liabilities held for sale [1]	$ 18,213	$ 31,215

[1] The liabilities of the disposal groups classified as held for sale are classified as current on the June 30, 2020 Balance Sheet because it is probable that the sales will occur and the proceeds will be collected within one year.

3. Investment in Evofem Biosciences, Inc.

On April 10, 2019, the Company entered into a securities purchase agreement with Evofem and two other purchasers pursuant to which the Company purchased $60.0 million of Evofem securities in a private placement. The transaction was structured in two tranches.

The first tranche closed on April 11, 2019, pursuant to which the Company invested $30.0 million to purchase 6,666,667 shares of Evofem common stock at $4.50 per share and was also issued warrants to purchase up to 1,666,667 shares of Evofem common stock. The warrants are exercisable beginning six months after the issuance date for a period of seven years from the issuance date at an exercise price of $6.38 per share.

The second tranche closed on June 10, 2019, pursuant to which the Company invested an additional $30.0 million to purchase 6,666,667 additional shares of Evofem common stock at $4.50 per share and was also issued warrants to purchase up to an additional 1,666,667 shares of Evofem common stock with the same terms as the warrants issued in the first tranche.

On May 21, 2020, the Company announced that it had completed the distribution of all of the Company's 13,333,334 shares of common stock of Evofem to the Company's stockholders, which represented approximately 26.7% of the outstanding shares of Evofem common stock as of the close of business on May 15, 2020. The distribution was recorded as a noncash distribution of $64.4 million, reducing retained earnings. Following the distribution, PDL continues to hold warrants to purchase up to 3,333,334 shares of Evofem common stock. As of June 30, 2020, the Evofem warrants were valued at $5.3 million and are classified as "Assets held for sale" on the Company's Condensed Consolidated Balance Sheet. The Evofem common stock and the Evofem warrants are included in "Long-term assets held for sale" on the Company's December 31, 2019 Condensed Consolidated Balance Sheet. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

For the three and six months ended June 30, 2020, the Company recorded a loss of $6.5 million and $17.9 million, respectively, in (Loss) income from discontinued operations before income taxes on the Company's Condensed, Consolidated Statements of Operations for the change in fair value of the Evofem common stock.

For the three and six months ended June 30, 2020, the Company recorded an unrealized loss of $6.3 million and $8.8 million, respectively, for the change in fair value of the Evofem warrants. These losses are included in (Loss) income from discontinued operations before income taxes on the Company's Condensed, Consolidated Statements of Operations.

The latest Evofem financial statements can be found on their corporate website at www.evofem.com or filed with the SEC at www.sec.gov.

4. Cash and Cash Equivalents

As of June 30, 2020 and December 31, 2019, the Company had invested its excess cash balances primarily in cash and money market funds. The fair values of cash equivalents approximate their carrying values due to the short-term nature of such financial instruments.

The following table summarizes the Company's cash and cash equivalents by significant investment category reported as cash and cash equivalents as of June 30, 2020 and December 31, 2019:

(in thousands)	June 30, 2020	December 31, 2019
Cash [1]	$ 23,527	$ 37,718
Money market funds	81,919	131,264
Total	$ 105,446	$ 168,982

[1] The amounts above exclude $19.8 million and $24.5 million of cash at Noden classified as held for sale as of June 30, 2020 and December 31, 2019, respectively. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

5. Inventories

Inventories consisted of the following:

(in thousands)	June 30, 2020	December 31, 2019
Raw materials	$ 4,381	$ 3,739
Work in process	1,612	1,170
Finished goods	6,640	3,152
Total inventory [1]	$ 12,633	$ 8,061

[1] The amounts above exclude $29.5 million and $31.7 million of inventory at Noden classified as held for sale as of June 30, 2020 and December 31, 2019, respectively. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

6. Fair Value Measurements

The fair value of the Company's financial instruments are estimates of the amounts that would be received if the Company were to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The assets and liabilities are categorized and disclosed in one of the following three categories:

Level 1 – based on quoted market prices in active markets for identical assets and liabilities;

Level 2 – based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – based on unobservable inputs using management's best estimate and assumptions when inputs are unavailable.

Assets/Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The following table presents the fair value of the Company's financial instruments measured at fair value on a recurring basis by level within the valuation hierarchy:

	June 30, 2020				December 31, 2019			
(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Money market funds	$ 81,919	$ —	$ —	$ 81,919	$ 131,264	$ —	$ —	$ 131,264
Corporate securities[1]	—	—	—	—	82,267	—	—	82,267
Warrants[2]	—	5,431	—	5,431	—	14,152	—	14,152
Royalty rights - at fair value [3]	—	—	234,242	234,242	—	—	266,196	266,196
Total	$ 81,919	$ 5,431	$ 234,242	$ 321,592	$ 213,531	$ 14,152	$ 266,196	$ 493,879

[1] Corporate securities are classified as "Long-term assets held for sale" on the December 31, 2019 Condensed Consolidated Balance Sheet.

[2] Warrants consist of Evofem warrants, which are classified as held for sale and CareView Communications, Inc. ("CareView") warrants, classified as "Other assets" on the Condensed Consolidated Balance Sheets.

[3] Royalty rights - at fair value are included in "Assets held for sale" and "Long-term assets held for sale" on the Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively.

There have been no transfers between levels during the periods presented in the table above. The Company recognizes transfers between levels on the date of the event or change in circumstances that caused the transfer.

Money Market Funds - The fair values of cash equivalents approximate their carrying values due to the short-term nature of such financial instruments.

Corporate Securities - Corporate securities consisted of common stock shares of Evofem, a commercial-stage biopharmaceutical company listed on Nasdaq (EVFM). For additional information, see Note 2, *Discontinued Operations Classified as Assets Held for Sale*, and Note 3, *Investment in Evofem Biosciences, Inc.*

Warrants - Warrants consist of rights to purchase shares of common stock in Evofem and CareView, see Note 2, *Discontinued Operations Classified as Assets Held for Sale*, Note 3, *Investment in Evofem Biosciences, Inc.* and Note 7, *Notes and Other Long-Term Receivables.* The fair value of the warrants is estimated using recently quoted market prices of the underlying equity security and the Black-Scholes option pricing model.

Royalty Rights - At Fair Value

During the quarter ended March 31, 2020, it was determined that the Company's royalty assets met the criteria as an asset held for sale, see Note 2, Discontinued Operations Classified as Assets Held for Sale. Assets classified as held for sale are reported at the lower of their carrying value or fair value less costs to sale. The Company historically accounted for such royalty rights assets at fair value, which, as discussed below, primarily reflected the expected future cash to be received but did not consider the expected costs to sell the assets. The Company's royalty assets are comprised of several separate and distinct royalty rights, some of which have progressed further in the sales process and for which the Company has received a formal bid. For such assets, the resulting fair value less cost to sell reflects the bid based process discussed below. For the remaining royalty rights assets, the Company continues to estimate the fair value less cost to sell using the cash flow based model discussed below.

Assertio (Depomed) Royalty Agreement

On October 18, 2013, the Company entered into the Royalty Purchase and Sale Agreement (the "Assertio Royalty Agreement") with Assertio Therapeutics, Inc. (formerly known as Depomed, Inc.), and Depo DR Sub, LLC (together, "Assertio"), whereby the Company acquired the rights to receive royalties and milestones payable on sales of five Type 2 diabetes products licensed

by Assertio in exchange for a $240.5 million cash payment. Total consideration was $241.3 million, which was comprised of the $240.5 million cash payment to Assertio and $0.8 million in transaction costs.

The rights acquired include Assertio's royalty and milestone payments accruing from and after October 1, 2013: (a) from Santarus, Inc., which was subsequently acquired by Salix Pharmaceuticals, Inc., which itself was acquired by Valeant Pharmaceuticals International, Inc. ("Valeant"), which, in July 2018, changed its name to Bausch Health Companies Inc. ("Bausch Health") with respect to sales of Glumetza (metformin HCL extended-release tablets) in the United States; (b) from Merck & Co., Inc. with respect to sales of Janumet® XR (sitagliptin and metformin HCL extended-release tablets); (c) from Janssen Pharmaceutica N.V. with respect to potential future development milestones and sales of its approved fixed-dose combination of Invokana® (canagliflozin, a sodium glucose cotransporter 2 (SGLT2) inhibitor) and extended-release metformin tablets, marketed as Invokamet XR®; (d) from Boehringer Ingelheim and Eli Lilly ("Lilly") and Company with respect to potential future development milestones and sales of the investigational fixed-dose combinations of drugs and extended-release metformin subject to Assertio's license agreement with Boehringer Ingelheim, including its approved products, Jentadueto XR® and Synjardy XR®; and (e) from Bausch Health for sales of extended-release metformin tablets in Korea and Canada, respectively.

In February 2013, a generic equivalent to Glumetza was approved by the U.S. Food and Drug Administration ("FDA") and in August 2016, two additional generic equivalents to Glumetza were approved by the FDA. In February 2016, Lupin Pharmaceuticals, Inc., in August 2017, Teva Pharmaceutical Industries Ltd., and in July 2018, Sun Pharmaceutical, Inc. ("Sun") each launched a generic equivalent approved product. In May 2017, the Company received notification that a subsidiary of Valeant had launched an authorized generic equivalent product in February 2017, and the Company received royalties on such authorized generic equivalent product under the same terms as the branded Glumetza product, retroactive to February 2017. The Company continues to monitor whether the generic competition further affects sales of Glumetza and thus royalties on such sales paid to the Company, and the impact of the launched authorized generic equivalent. Due to the uncertainty around Bausch Health's marketing and pricing strategy, as well as Sun's recently launched generic product and limited historical demand data after generic market entrance, the Company may need to further evaluate future cash flows in the event of more rapid reduction or increase in market share of Glumetza and its authorized generic equivalent product and/or a further erosion in net pricing.

The Company determined that its royalty purchase interest in Depo DR Sub, LLC represented a variable interest in a variable interest entity. However, the Company did not have the power to direct the activities of Depo DR Sub, LLC that most significantly impact Depo DR Sub, LLC's economic performance and was not the primary beneficiary of Depo DR Sub, LLC; therefore, Depo DR Sub, LLC was not subject to consolidation by the Company.

On August 2, 2018, PDL Investment Holding, LLC ("PDLIH"), a wholly-owned subsidiary of the Company and assignee from the Company under the Assertio Royalty Agreement, entered into an amendment to the Assertio Royalty Agreement with Assertio. Pursuant to the amendment, PDLIH purchased all of Assertio's remaining interests in royalty and milestone payments payable on sales of Type 2 diabetes products licensed by Assertio for $20.0 million. Prior to the amendment, the Assertio Royalty Agreement provided that the Company would have received all royalty and milestone payments due under license agreements between Assertio and its licensees until the Company received payments equal to two times the cash payment it made to Assertio, or approximately $481.0 million, after which all net payments received by Assertio would have been shared equally between the Company and Assertio. Following the amendment, the Assertio Royalty Agreement provides that the Company will receive all royalty and milestone payments due under the license agreements between Assertio and its licensees. After the amendment, the Company elected to continue to follow the fair value option and carry the financial asset at fair value.

The Assertio Royalty Agreement terminates on the third anniversary following the date upon which the later of the following occurs: (a) October 25, 2021, or (b) at such time as no royalty payments remain payable under any license agreement and each of the license agreements has expired by its terms.

As of December 31, 2018, in conjunction with the amendment described above, the Company was provided the power to direct the activities of Depo DR Sub, LLC and is the primary beneficiary of Depo DR Sub, LLC; therefore, Depo DR Sub, LLC is subject to consolidation by the Company. As of June 30, 2020, Depo DR Sub, LLC did not have any assets or liabilities of value for consolidation with the Company.

The financial asset acquired represents a single unit of accounting. This financial asset is classified as a Level 3 asset within the fair value hierarchy, as the Company's valuation utilized significant unobservable inputs, including estimates as to the probability and timing of future commercialization for products not yet approved by regulatory agencies outside of the United

States. The estimated fair value of the financial asset acquired was determined by using a discounted cash flow analysis related to the expected future cash flows to be generated by each licensed product. The discounted cash flows are based upon expected royalties from sales of licensed products over approximately a nine-year period. The estimated fair value of the asset is subject to variation should those cash flows vary significantly from the Company's estimates. The Company periodically assesses the expected future cash flows and to the extent such payments are greater or less than its initial estimates, or the timing of such payments is materially different than the original estimates, the Company will adjust the estimated fair value of the asset. A third-party expert is engaged to assist management with the development of its estimate of the expected future cash flows, when deemed necessary. Should the expected royalties increase or decrease by 2.5%, the fair value of the asset could increase or decrease by $5.3 million, respectively. Significant judgment is required in selecting appropriate discount rates. The discount rates utilized range from 10% to 24%. Should these discount rates increase or decrease by 2.5%, the fair value of the asset could decrease by $16.6 million or increase by $19.4 million, respectively.

As of June 30, 2020, the Company's discounted cash flow analysis reflects its expectations as to the amount and timing of future cash flows up to the valuation date for the above described royalty streams.

As of June 30, 2020, the fair value of the asset acquired as reported in "Assets held for sale" on the Company's Condensed Consolidated Balance Sheet was $207.7 million and the maximum loss exposure was $207.7 million, which reflects an estimated remaining cost to sell of $4.5 million.

Viscogliosi Brothers Royalty Agreement

On June 26, 2014, the Company entered into a Royalty Purchase and Sale Agreement (the "VB Royalty Agreement") with Viscogliosi Brothers, LLC ("VB"), whereby VB conveyed to the Company the right to receive royalties payable on sales of a spinal implant that has received pre-market approval from the FDA held by VB and commercialized by Paradigm Spine, LLC ("Paradigm Spine"), in exchange for a $15.5 million cash payment, less fees. Paradigm Spine was acquired in March 2019 by RTI Surgical Holdings, Inc.

The royalty rights acquired include royalties accruing from and after April 1, 2014. Under the terms of the VB Royalty Agreement, the Company receives all royalty payments due to VB pursuant to certain technology transfer agreements between VB and Paradigm Spine until the Company has received payments equal to 2.3 times the cash payment made to VB, after which all rights to receive royalties will be returned to VB. VB's ability to repurchase the royalty right for a specified amount expired on June 26, 2018.

The estimated fair value of the royalty rights at June 30, 2020, was determined by using bids received during the Company's sale process. This asset is classified as a Level 3 asset, as the Company's valuation utilized significant unobservable inputs.

As of June 30, 2020, the Company's discounted cash flow analysis reflects its expectations as to the amount and timing of future cash flows up to the valuation date.

As of June 30, 2020, the fair value of the asset acquired as reported in "Assets held for sale" on the Company's Condensed Consolidated Balance Sheet was $4.3 million and the maximum loss exposure was $4.3 million, which reflects an estimated remaining cost to sell of $0.1 million.

University of Michigan Royalty Agreement

On November 6, 2014, the Company acquired a portion of all royalty payments of the Regents of the University of Michigan's ("U-M") worldwide royalty interest in Cerdelga® (eliglustat) for $65.6 million pursuant to the Royalty Purchase and Sale Agreement with U-M (the "U-M Royalty Agreement"). Under the terms of the U-M Royalty Agreement, the Company receives 75% of all royalty payments due under the U-M license agreement with Genzyme Corporation, a Sanofi company ("Genzyme") until expiration of the licensed patents, excluding any patent term extension. Cerdelga, an oral therapy for adult patients with Gaucher disease type 1, was developed by Genzyme. Cerdelga was approved in the United States in August 2014, in the European Union ("EU") in January 2015, and in Japan in March 2015. In addition, marketing applications for Cerdelga are under review by other regulatory authorities. While marketing applications have been approved in the United States, the EU and Japan, national pricing and reimbursement decisions are delayed in some countries.

The estimated fair value of the royalty right at June 30, 2020 was determined by using a discounted cash flow analysis related to the expected future cash flows to be received. This asset is classified as a Level 3 asset, as the Company's valuation utilized significant unobservable inputs, including estimates as to the probability and timing of future sales of the licensed product. The discounted cash flow was based upon expected royalties from sales of licensed product over approximately a two-year period. The estimated fair value of the asset is subject to variation should those cash flows vary significantly from the Company's estimates. An evaluation of those estimates, discount rate utilized and general market conditions affecting fair market value is performed in each reporting period. A third-party expert is engaged to assist management with the development of its estimate of the expected future cash flows, when deemed necessary. Should the expected royalties increase or decrease by 2.5%, the fair value of the asset could increase or decrease by $0.4 million, respectively. Significant judgment is required in selecting the appropriate discount rate. The discount rate utilized was approximately 12.8%. Should this discount rate increase or decrease by 2.5%, the fair value of this asset could decrease or increase by $0.4 million, respectively. As of June 30, 2020, the Company's discounted cash flow analysis reflects its expectations as to the amount and timing of future cash flows.

As of June 30, 2020, the fair value of the asset acquired as reported in "Assets held for sale" on the Company's Condensed Consolidated Balance Sheet was $17.1 million and the maximum loss exposure was $17.1 million, which reflects an estimated cost to sell of $0.4 million.

AcelRx Royalty Agreement

On September 18, 2015, the Company entered into a royalty interest assignment agreement (the "AcelRx Royalty Agreement") with ARPI LLC, a wholly-owned subsidiary of AcelRx Pharmaceuticals, Inc. ("AcelRx"), whereby the Company acquired the rights to receive a portion of the royalties and certain milestone payments on sales of Zalviso® (sufentanil sublingual tablet system) in the EU, Switzerland and Australia by AcelRx's commercial partner, Grünenthal, in exchange for a $65.0 million cash payment. Under the terms of the AcelRx Royalty Agreement, the Company receives 75% of all royalty payments and 80% of the first four commercial milestone payments due under AcelRx's license agreement with Grünenthal until the earlier to occur of (i) receipt by the Company of payments equal to three times the cash payments made to AcelRx and (ii) the expiration of the licensed patents. Zalviso received marketing approval by the European Commission in September 2015. Grünenthal launched Zalviso in the second quarter of 2016 and the Company started to receive royalties in the third quarter of 2016. On May 15, 2020, AcelRx received notice that the product marketer of Zalviso, Grünenthal GmbH, would exercise its right to terminate the license agreement with AcelRx, effective as of 180 days from the date of the notice. AcelRx is obligated to use commercially reasonable efforts to find a new license agreement under the terms no less favorable than those in the license with Grünenthal.

As of June 30, 2020, and December 31, 2019, the Company determined that its royalty rights under the AcelRx Royalty Agreement represented a variable interest in a variable interest entity. However, the Company does not have the power to direct the activities of ARPI LLC that most significantly impact ARPI LLC's economic performance and is not the primary beneficiary of ARPI LLC; therefore, ARPI LLC is not subject to consolidation by the Company.

The estimated fair value of the royalty right at June 30, 2020 was adjusted for the notification of the license agreement termination. This asset is classified as a Level 3 asset, as the Company's valuation utilized significant unobservable inputs.

As of June 30, 2020, the fair value of the asset acquired as reported in "Assets held for sale" on the Company's Condensed Consolidated Balance Sheet was zero and the maximum loss exposure was zero, which reflects an estimated cost to sell of zero.

Kybella Royalty Agreement

On July 8, 2016, the Company entered into a royalty purchase and sales agreement with an individual, whereby the Company acquired that individual's rights to receive certain royalties on sales of KYBELLA® by Allergan plc in exchange for a $9.5 million cash payment and up to $1.0 million in future milestone payments based upon product sales targets. The Company started to receive royalty payments during the third quarter of 2016.

The estimated fair value of the royalty right at June 30, 2020, was determined by using bids received during the Company's sale process. This asset is classified as a Level 3 asset, as the Company's valuation utilized significant unobservable inputs.

As of June 30, 2020, the Company's discounted cash flow analysis reflects its expectations as to the amount and timing of future cash flows up to the valuation date.

As of June 30, 2020, the fair value of the asset acquired as reported in "Assets held for sale" on the Company's Condensed Consolidated Balance Sheet was $0.2 million and the maximum loss exposure was $0.2 million, which reflects an estimated cost to sell of less than $0.1 million.

The following tables summarize the changes in Level 3 Royalty Right Assets and the gains and losses included in earnings for the six months ended June 30, 2020:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - Royalty Right Assets

(in thousands)		Royalty Rights - At Fair Value
Fair value as of December 31, 2019		$ 266,196
Total net change in fair value for the period		
Change in fair value of royalty rights - at fair value	(6,910)	
Proceeds from royalty rights	(25,044)	
Total net change in fair value for the period		(31,954)
Fair value as of June 30, 2020		$ 234,242

The table above does not include the aggregate remaining estimated cost to sell the royalty right assets of $5.0 million.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - Royalty Right Assets

(in thousands)	Fair Value as of December 31, 2019	Royalty Rights - Change in Fair Value	Fair Value as of June 30, 2020 [1]
Assertio	$ 218,672	$ (6,438)	$ 212,234
VB	13,590	(9,199)	4,391
U-M	20,398	(2,948)	17,450
AcelRx	12,952	(12,952)	—
KYBELLA	584	(417)	167
	$ 266,196	$ (31,954)	$ 234,242

[1] Excludes the aggregate remaining estimated costs to sell of $5.0 million.

Assets/Liabilities Measured and Recorded at Fair Value on a Nonrecurring Basis

The Company remeasures the fair value of certain assets and liabilities upon the occurrence of certain events. Such assets consist of long-lived assets, including property and equipment and intangible assets and the shares of Alphaeon Class A common stock, received in connection with the loans made to LENSAR by the Company prior to its acquisition of LENSAR. The Company's carrying value of the 1.7 million shares of Alphaeon common stock as of both June 30, 2020 and December 31, 2019 is $6.6 million based on an estimated per share value of $3.84, which was established by a valuation performed when the shares were acquired. The value of the Company's investment in Alphaeon is not readily determinable as Alphaeon's shares are not publicly traded. The Company evaluates the fair value of this investment by performing a qualitative assessment each reporting period. If the results of this qualitative assessment indicate that the fair value is less than the carrying value, the investment is written down to its fair value. There have been no such write downs since the Company acquired these shares. This investment is included in Other long-term assets. For additional information on the Alphaeon investment, see Note 6, *Notes and Other Long-Term Receivables*.

During the quarter ended March 31, 2020, it was determined that Noden met the criteria as an asset held for sale, see Note 2, *Discontinued Operations Classified as Assets Held for Sale*. Assets classified as held for sale are reported at the lower of carrying value or fair value less costs to sell. As a result of the Company's analysis of the fair value of Noden, the Company recorded a loss on classification as held for sale of $6.7 million during the quarter ended March 31, 2020 of which $1.8 million related to the estimated costs to sell Noden and $4.9 million related to the difference in carrying value versus fair value. The fair value calculation was made using a discounted cash flow model, utilizing a discount rate of approximately 19%, and included level 3 inputs. During the quarter ended June 30, 2020, the Company recorded an additional loss of $16.8 million related primarily to the difference in carrying value and fair value. The reduction in fair value reflects lower estimated sales proceeds as informed by the Company's ongoing sales process. At June 30, 2020, the fair value calculation was made using a discounted cash flow model, utilizing a discount rate of approximately 17%, and included level 3 inputs.

Assets/Liabilities Not Subject to Fair Value Recognition

The Company has two notes receivable assets with an aggregate carrying value of $52.1 million as of June 30, 2020 and December 31, 2019. The estimated fair value of these notes receivable of $57.3 million exceeded the carrying value as of December 31, 2019 and was substantially equivalent to the carrying values as of June 30, 2020. The notes receivable are classified as Level 3 in the fair value hierarchy. The Company determined its notes receivable assets are Level 3 assets as the Company's valuations utilized significant unobservable inputs, including estimates of future revenues, discount rates, expectations about settlement, terminal values, required yield and the value of underlying collateral. The Company engages third-party valuation experts when deemed necessary to assist in evaluating its investments and the related inputs needed to estimate the fair value of certain investments.

As of June 30, 2020 and December 31, 2019, the estimated fair value of the CareView note receivable was determined using a liquidation analysis. A liquidation analysis considers the asset side of the balance sheet and adjusts the value in accordance with the relative risk associated with the asset and the probable liquidation value. The asset recovery rates varied by asset. As of June 30, 2020 and December 31, 2019, the estimated fair value of the Wellstat Diagnostics and Hyperion Catalysis International, Inc. ("Hyperion") notes receivable were determined by using an asset approach and discounted cash flow model related to the underlying collateral and adjusted to consider estimated costs to sell the assets.

The CareView note receivable is secured by substantially all assets of, and equity interests in CareView. The Wellstat Diagnostics note receivable is secured by substantially all assets of Wellstat Diagnostics and is supported by a guaranty from the Wellstat Diagnostics Guarantors (as defined in Note 7, *Notes and Other Long-Term Receivables*).

On June 30, 2020, the carrying value of one of the Company's notes receivable assets differed from its estimated fair value. This is the result of inputs used in estimating the fair value of the collateral, including appraisals, projected cash flows of collateral assets and discount rates used when performing a discounted cash flow analysis.

The Company's liabilities not subject to fair value recognition consist of its 2021 and 2024 convertible notes. The fair values of the Company's convertible senior notes were determined using quoted market pricing and are classified as Level 2 in the fair value hierarchy. The aggregate carrying value of the convertible notes was $13.5 million and $27.3 million as of June 30, 2020 and December 31, 2019, respectively. The aggregate fair values of the convertible notes was $16.2 million and $33.9 million as of June 30, 2020 and December 31, 2019, respectively.

The following table represents significant unobservable inputs used in determining the estimated fair value of the Wellstat Diagnostics note receivable investment:

Asset	Valuation Technique	Unobservable Input	June 30, 2020	December 31, 2019
Wellstat Diagnostics				
Wellstat Guarantors intellectual property	*Income Approach*			
		Discount rate	12%	12%
		Undiscounted royalty amount	$26 million	$21 million
Settlement Amount	*Income Approach*			
		Discount rate	15%	15%
		Undiscounted settlement amount	$23 million	$28 million
Real Estate Property	*Market Approach*			
		Annual appreciation rate	—%	—%
		Estimated realtor fee	6%	6%
		Undiscounted market value	$16 million	$16 million

7. Notes and Other Long-Term Receivables

Notes and other long-term receivables included the following significant agreements:

Wellstat Diagnostics Note Receivable and Credit Agreement and Related Litigation

On November 2, 2012, the Company and Wellstat Diagnostics entered into a $40.0 million credit agreement pursuant to which the Company was to accrue quarterly interest payments at the rate of 5% per annum (payable in cash or in kind). In addition, the Company was to receive quarterly royalty payments based on a low double-digit royalty rate of Wellstat Diagnostics' net revenues, generated by the sale, distribution or other use of Wellstat Diagnostics' products, if any, commencing upon the commercialization of its products. A portion of the proceeds of the $40.0 million credit agreement were used to repay certain notes receivable which Wellstat Diagnostics entered into in March 2012.

In January 2013, the Company was informed that, as of December 31, 2012, Wellstat Diagnostics had used funds contrary to the terms of the credit agreement and breached Sections 2.1.2 and 7 of the credit agreement. The Company sent Wellstat Diagnostics a notice of default on January 22, 2013, and accelerated the amounts owed under the credit agreement. In connection with the notice of default, the Company exercised one of its available remedies and transferred approximately $8.1 million of available cash from a bank account of Wellstat Diagnostics to the Company and applied the funds to amounts due under the credit agreement. On February 28, 2013, the parties entered into a forbearance agreement whereby the Company agreed to refrain from exercising additional remedies for 120 days. During such forbearance period, the Company provided approximately $1.3 million to Wellstat Diagnostics to fund ongoing operations of the business. During the year ended December 31, 2013, approximately $8.7 million was advanced pursuant to the forbearance agreement.

On August 15, 2013, the Company entered into an amended and restated credit agreement with Wellstat Diagnostics. The Company determined that the new agreement should be accounted for as a modification of the existing agreement.

Except as otherwise described herein, the material terms of the amended and restated credit agreement are substantially the same as those of the original credit agreement, including quarterly interest payments at the rate of 5% per annum (payable in cash or in kind). In addition, the Company was to continue to receive quarterly royalty payments based on a low double-digit royalty rate of Wellstat Diagnostics' net revenues. However, pursuant to the amended and restated credit agreement: (i) the principal amount was reset to approximately $44.1 million, which was comprised of approximately $33.7 million original loan principal and interest, $1.3 million term loan principal and interest and $9.1 million forbearance principal and interest; (ii) the specified internal rates of return increased; (iii) the default interest rate was increased; (iv) Wellstat Diagnostics' obligation to provide certain financial information increased in frequency to monthly; (v) internal financial controls were strengthened by requiring Wellstat Diagnostics to maintain an independent, third-party financial professional with control over fund disbursements; (vi) the Company waived the existing events of default; and (vii) the owners and affiliates of Wellstat

Diagnostics were required to contribute additional capital to Wellstat Diagnostics upon the sale of an affiliate entity. The amended and restated credit agreement had an ultimate maturity date of December 31, 2021 (but has subsequently been accelerated as described below).

In June 2014, the Company received information from Wellstat Diagnostics showing that it was generally unable to pay its debts as they became due, constituting an event of default under the amended and restated credit agreement.

On August 5, 2014, the Company delivered a notice of default to Wellstat Diagnostics, which accelerated all obligations under the amended and restated credit agreement and demanded immediate payment in full in an amount equal to approximately $53.9 million, (which amount, in accordance with the terms of the amended and restated credit agreement, included an amount that, together with interest and royalty payments already made to the Company, would generate a specified internal rate of return to the Company), plus accruing fees, costs and interest, and demanded that Wellstat Diagnostics protect and preserve all collateral securing its obligations.

On August 7, 2014, the Company delivered a notice to each of the guarantors of Wellstat Diagnostics' obligations to the Company (collectively, the "Wellstat Diagnostics Guarantors") under the credit agreement, which included a demand that the guarantors remit payment to the Company in the amount of the outstanding obligations. The guarantors include certain affiliates and related companies of Wellstat Diagnostics, including Wellstat Therapeutics and Wellstat Diagnostics' stockholders.

On September 24, 2014, the Company filed an ex-parte petition for appointment of receiver with the Circuit Court of Montgomery County, Maryland, which was granted on the same day. Wellstat Diagnostics remained in operation during the period of the receivership with incremental additional funding from the Company. On May 24, 2017, Wellstat Diagnostics transferred substantially all of its assets to the Company pursuant to a credit bid. The credit bid reduced the outstanding balance of the loan by an immaterial amount.

On September 4, 2015, the Company filed in the Supreme Court of New York a motion for summary judgment in lieu of complaint which requested that the court enter judgment against certain of the Wellstat Diagnostics Guarantors for the total amount due on the Wellstat Diagnostics debt, plus all costs and expenses including lawyers' fees incurred by the Company in enforcement of the related guarantees. On September 23, 2015, the Company filed in the same court an ex parte application for a temporary restraining order and order of attachment of the Wellstat Diagnostics Guarantor defendants' assets. Although the court denied the Company's request for a temporary restraining order at a hearing on September 24, 2015, it ordered that assets of the Wellstat Diagnostics Guarantor defendants should be held in *status quo ante* and only used in the normal course of business.

On July 29, 2016, the Supreme Court of New York granted the Company's motion for summary judgment and held that the Wellstat Diagnostics Guarantor defendants are liable for all "Obligations" owed by Wellstat Diagnostics to the Company. After appeal by the Wellstat Diagnostics Guarantor defendants on February 14, 2017, the Appellate Division of the Supreme Court of New York reversed on procedural grounds a portion of the Memorandum of Decision granting the Company summary judgment in lieu of complaint, but affirmed the portion of the Memorandum of Decision denying the Wellstat Diagnostics Guarantor defendants' motion for summary judgment in which they sought a determination that the guarantees had been released. As a result, the litigation has been remanded to the Supreme Court of New York to proceed on the Company's claims as a plenary action. On June 21, 2017, the Supreme Court of New York ordered the Company to file a Complaint, which was filed by the Company on July 20, 2017. The Wellstat Diagnostics Guarantors filed their answer on August 9, 2017, including counterclaims against the Company alleging breach of contract, breach of fiduciary duty, and tortious interference with prospective economic advantage.

On October 14, 2016, the Company sent a notice of default and reference to foreclosure proceedings to certain of the Wellstat Diagnostics Guarantors which are not defendants in the New York action, but which are owners of real estate assets over which a deed of trust in favor of the Company securing the guarantee of the loan to Wellstat Diagnostics had been executed. On March 2, 2017, the Company sent a second notice to foreclose on the real estate assets, and noticed the sale for March 29, 2017. The sale was taken off the calendar by the trustee under the deed of trust and has not been re-scheduled yet. On March 6, 2017, the Company sent a letter to the Wellstat Diagnostics Guarantors seeking information in preparation for a UCC Article 9 sale of some or all of the intellectual property-related collateral of the Wellstat Diagnostics Guarantors. The Wellstat Diagnostics Guarantors did not respond to the Company's letter, but on March 17, 2017, filed an order to show cause with the Supreme Court of New York to enjoin the Company's sale of the real estate or enforcing its security interests in the Wellstat Diagnostics Guarantors' intellectual property during the pendency of any action involving the guarantees at issue. On February 6, 2018, the

Supreme Court of New York issued an order from the bench which enjoins the Wellstat Diagnostics Guarantors from selling, encumbering, removing, transferring or altering the collateral pending the outcome of the proceedings before it. The Supreme Court of New York also issued an order precluding the Company from foreclosing on certain of the Wellstat Diagnostics Guarantors' collateral pending the outcome of the proceedings before it. In September of 2018, discovery in the New York action was completed. Summary judgment motions were filed by Wellstat Diagnostics and the Company in 2018 and a hearing was held on May 22, 2019. On September 11, 2019, the Supreme Court of New York granted the Company's summary judgment motion, the court holding that the guarantees executed by the Wellstat Diagnostics Guarantors are valid and enforceable, and that the Wellstat Diagnostics Guarantors are liable for the amount owed under the loan agreement. The court ordered a damages inquest before a special referee to calculate the amount owed under the loan agreement between Wellstat Diagnostics and the Company. On September 12, 2019, the Wellstat Diagnostics Guarantors filed a notice of appeal in relation to the court's decision. On September 17, 2019, the Wellstat Diagnostics Guarantors requested a stay of the enforcement of the New York Supreme Court's decision pending their appeal of the decision, which was denied on November 21, 2019. A damages hearing was scheduled to begin before a judicial hearing officer on December 17, 2019. At the request of the judicial hearing officer, the parties agreed to mediate their dispute prior to the commencement of the damages hearing. As a result, no decision has been made by the hearing officer with respect to the amount of damages owed to the Company.

In an unrelated litigation, Wellstat Therapeutics filed a lawsuit against BTG International, Inc. for breach of contract (the "BTG Litigation"). In September 2017, the Delaware Chancery Court found in favor of Wellstat Therapeutics and awarded a judgment of $55.8 million in damages, plus interest. In October 2017, the Company filed a motion with the Supreme Court of New York requesting a pre-judgement attachment of the award. In June 2018, the Delaware Supreme Court largely affirmed the September 2017 decision of the Delaware Chancery Court, including the $55.8 million awarded in judgment. In August of 2018, in a letter to the Company's counsel, Wellstat Diagnostics Guarantors' counsel confirmed that the Wellstat Diagnostics Guarantors are preserving the BTG Litigation judgment award proceeds consistent with the New York Court's prior directions.

On October 22, 2015, certain of the Wellstat Diagnostics Guarantors filed a separate complaint against the Company in the Supreme Court of New York seeking a declaratory judgment that certain contractual arrangements entered into between the parties subsequent to Wellstat Diagnostics' default, and which relate to a split of proceeds in the event that the Wellstat Diagnostics Guarantors voluntarily monetize any assets that are the Company's collateral, is of no force or effect. This case has been joined for all purposes, including discovery and trial, and consolidated with the pending case filed by the Company. The Wellstat Diagnostic Guarantors filed a summary judgment motion with regard to this case, which was also heard by the court at the hearing on May 22, 2019. The court, in its September 11, 2019 decision, denied in its entirety the Wellstat Diagnostics Guarantors' motion for summary judgment.

Effective April 1, 2014, and as a result of the event of default, the Company determined the loan to be impaired and it ceased to accrue interest revenue. At that time and as of June 30, 2020, it has been determined that an allowance on the carrying value of the note was not necessary, as the Company believes the value of the collateral securing Wellstat Diagnostics' obligations is in-line with the carrying value of the asset and is sufficient to enable the Company to recover the current carrying value of $50.2 million. The Company continues to closely monitor the timing and expected recovery of amounts due, including litigation and other matters related to Wellstat Diagnostics Guarantors' assets. There can be no assurance that an allowance on the carrying value of the notes receivable investment will not be necessary in a future period depending on future developments.

Hyperion Agreement

On January 27, 2012, the Company and Hyperion (which is also a Wellstat Diagnostics Guarantor) entered into an agreement whereby Hyperion sold to the Company the royalty streams accruing from January 1, 2012 through December 31, 2013 due from Showa Denko K.K. ("SDK") related to a certain patent license agreement between Hyperion and SDK dated December 31, 2008. In exchange for the lump sum payment to Hyperion of $2.3 million, in addition to any royalties from SDK, the Company was to receive two equal payments of $1.2 million on March 5, 2013 and March 5, 2014. The first payment of $1.2 million was paid on March 5, 2013, but the second payment that was due on March 5, 2014 has not been made by Hyperion. Effective as of such date and as a result of the event of default, the Company ceased to accrue interest revenue. As of June 30, 2020, the estimated fair value of the collateral was determined to be in excess of the carrying value. There can be no assurance of realizing value from such collateral in the event of the Company's foreclosure on the collateral.

CareView Credit Agreement

On June 26, 2015, the Company entered into a credit agreement with CareView, under which the Company made available to CareView up to $40.0 million in loans comprised of two tranches of $20.0 million each, subject to CareView's attainment of specified milestones relating to the placement of CareView Systems. On October 7, 2015, the Company and CareView entered into an amendment of the credit agreement to modify certain definitions related to the first and second tranche milestones and the Company funded the first tranche of $20.0 million, net of fees, based on CareView's attainment of the first milestone, as amended. The second $20.0 million tranche was not funded due to CareView's failure to achieve the related funding milestones and there is no additional funding obligation due from the Company. Outstanding borrowings under the credit agreement bear interest at the rate of 13.5% per annum and are payable quarterly in arrears.

As part of the original credit agreement, the Company received a warrant to purchase approximately 4.4 million shares of common stock of CareView at an exercise price of $0.45 per share. The Company has accounted for the warrant as a derivative asset with an offsetting credit as debt discount. At each reporting period the warrant is marked to market for changes in fair value.

In connection with the October 2015 amendment of the credit agreement, the Company and CareView also agreed to amend the warrant to purchase common stock agreement by reducing the warrant's exercise price from $0.45 to $0.40 per share.

In February 2018, the Company entered into a modification agreement with CareView (the "February 2018 Modification Agreement") whereby the Company agreed, effective December 28, 2017, to modify the credit agreement before remedies could otherwise have become available to the Company under the credit agreement in relation to certain obligations of CareView that would potentially not be met, including the requirement to make principal payments. Under the February 2018 Modification Agreement, the Company agreed that (i) a lower liquidity covenant would be applicable and (ii) principal repayment would be delayed until December 31, 2018. In exchange for agreeing to these modifications, among other things, the exercise price of the Company's warrants to purchase 4.4 million shares of common stock of CareView was repriced from $0.40 to $0.03 per share and, subject to the occurrence of certain events, CareView agreed to grant the Company additional equity interests. As a result of the February 2018 Modification Agreement, the Company determined the loan to be impaired and it ceased to accrue interest revenue effective October 1, 2017.

In September 2018, the Company entered into an amendment to the February 2018 Modification Agreement with CareView whereby the Company agreed, effective as of September 28, 2018, that a lower liquidity covenant would be applicable. In December 2018, the Company further modified the loan by agreeing that (i) a lower liquidity covenant would be applicable, (ii) the first principal payment would be deferred until January 31, 2019, and (iii) the scheduled interest payment due December 31, 2018 would be deferred until January 31, 2019. In December 2018, and in consideration of the further modification to the credit agreement, the Company completed an impairment analysis and determined that the note was impaired and recorded an impairment loss of $8.2 million. For additional information see Note 6, *Fair Value Measurements*. As of March 31, 2019, the principal repayment and interest payments were deferred until April 30, 2019. The principal repayment and interest payment were subsequently deferred until May 15, 2019 under additional amendments. In May 2019, and in consideration of additional capital raised by CareView, the Company further modified the loan by agreeing that (i) the first principal and interest payments would be deferred until September 30, 2019 and (ii) the remaining liquidity covenant would be removed. In September 2019, the Company further modified the loan by agreeing that the first principal and interest payments would be deferred, and (iii) the interest rate would be increased to 15.5%. Pursuant to further amendments to the February 2018 Modification Agreement in September 2019, December 2019, January 2020 and April 2020, the Company agreed to defer principal and interest payments until September 30, 2020.

In December 2019, and in consideration of the further modification to the credit agreement and February 2018 Modification Agreement, the Company updated its impairment analysis and determined that an additional impairment was necessary and recorded an impairment loss of $10.8 million. At June 30, 2020, the Company estimated the fair value of the warrant to be less than $0.1 million.

8. Leases

Lessor arrangements

The Company has operating leases for medical device equipment generated from its medical devices segment. The components of Lease revenue are as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	Classification	2020	2019	2020	2019
Operating lease income	Lease revenue	$ 359	$ 1,308	$ 1,436	$ 2,532

9. Intangible Assets

LENSAR

In April 2019, LENSAR acquired certain intellectual property from a third-party for $2.0 million in cash and contingent obligations to pay a $0.3 million milestone payment and royalties upon the completion of certain events, which were met prior to December 31, 2019.

In September 2019, LENSAR exclusively licensed certain intellectual property from a third-party for $3.5 million in cash for use in research and development activities. The amount was immediately expensed to Research and development expense.

The components of intangible assets as of June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020			December 31, 2019		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:						
Acquired products rights[1]	$ —	$ —	$ —	$ —	$ —	$ —
Customer relationships[1] [2] [3]	4,045	(1,079)	2,966	4,045	(884)	3,161
Acquired technology[2] [4]	11,500	(2,125)	9,375	11,500	(1,741)	9,759
Acquired trademarks[2]	570	(361)	209	570	(304)	266
	$ 16,115	$ (3,565)	$ 12,550	$ 16,115	$ (2,929)	$ 13,186

[1] The Company acquired certain intangible assets as part of the Noden transaction. Those intangible assets are excluded from the table above and included in “Assets held for sale.” See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

[2] The Company acquired certain intangible assets as part of its acquisition of LENSAR in May 2017. They are being amortized on a straight-line basis over a weighted-average period of 15 years. The intangible assets for customer relationships are being amortized using a double-declining method of amortization as such method better represents the economic benefits to be obtained.

[3] LENSAR acquired certain intangible assets for customer relationships resulting from its acquisition of Precision Eye Services, which are being amortized using a straight-line method over a period of 10 years.

[4] LENSAR acquired certain intangible assets from a third-party, which are being amortized on a straight-line basis over a period of 15 years.

For the three and six months ended June 30, 2020, amortization expense was $0.3 million and $0.6 million, respectively, and for the three and six months ended June 30, 2019, amortization expense was $0.3 million and $0.7 million, respectively.

Based on the intangible assets recorded at June 30, 2020, and assuming no subsequent additions to or impairment of the underlying assets, the remaining amortization expense is expected to be as follows (in thousands):

Fiscal Year	Amount
2020 (Remaining six months)	$ 613
2021	1,215
2022	1,124
2023	1,072
2024	1,060
Thereafter	7,466
Total remaining amortization expense	$ 12,550

10. Accrued Liabilities

Accrued liabilities consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Compensation	$ 4,013	$ 6,823
Severance	5,973	—
Deferred revenue	864	959
Interest	34	70
Legal	960	921
Accrued rebates, chargebacks and other revenue reserves	6	5
Other	2,648	3,145
Total [1]	$ 14,498	$ 11,923

[1] The amounts above exclude $15.2 million and $16.4 million of accrued liabilities at Noden classified as held for sale as of June 30, 2020 and December 31, 2019, respectively. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

As previously discussed, in February 2020 the Board approved the Plan of Liquidation. In addition, the Company has entered into severance agreements with its employees under the Wind Down Retention Plan. The total amount of severance expected to be incurred during 2020 is $13.0 million, of which $3.6 million and $6.6 million was expensed in the three and six months ended June 30, 2020, respectively. The severance amount paid in the three and six months ended June 30, 2020 was zero and $0.6 million, respectively. All severance costs are included in the Income Generating Assets segment, as all corporate personnel salary and benefit costs are allocated to this segment.

11. Convertible Senior Notes

		Principal Balance Outstanding	Carrying Value	
Description	Maturity Date	June 30, 2020	June 30, 2020	December 31, 2019
(in thousands)				
Convertible Senior Notes				
December 2021 Notes	December 1, 2021	$ 13,805	$ 12,601	$ 16,950
December 2024 Notes	December 1, 2024	1,000	906	10,300
Total		$ 14,805	$ 13,507	$ 27,250

December 2021 Notes

On November 22, 2016, the Company issued $150.0 million in aggregate principal amount, at par, of 2.75% Convertible Senior Notes due December 1, 2021 (the "December 2021 Notes") in an underwritten public offering, for net proceeds of $145.7 million. The December 2021 Notes are due December 1, 2021, and the Company pays interest at 2.75% on the December 2021 Notes semiannually in arrears on June 1 and December 1 of each year, beginning June 1, 2017.

In September 2019, the Company entered into privately negotiated exchange agreements with certain holders of approximately $86.1 million aggregate principal amount of outstanding December 2021 Notes. The Company exchanged $86.1 million aggregate principal of December 2021 Notes for an identical principal amount of 2.75% Convertible Senior Notes due December 1, 2024 (the "December 2024 Notes"), plus a cash payment of $70.00 for each $1,000 principal amount tendered ("September Exchange Transaction"). See "December 2024 Notes" below. The terms of the remaining December 2021 Notes remained unchanged. The September Exchange Transaction qualified as a debt extinguishment and the Company recognized a loss on exchange of the convertible notes of $3.9 million in the third quarter of 2019.

Upon the occurrence of a fundamental change, as defined in the indenture entered into in connection with the December 2021 Notes (the "December 2021 Notes Indenture"), holders have the option to require the Company to repurchase their December 2021 Notes at a purchase price equal to 100% of the principal, plus accrued interest.

The December 2021 Notes are convertible under any of the following circumstances at any time prior to the close of business on the business day immediately preceding June 1, 2021 (or at any time beginning on June 1, 2021 until the close of business on the second scheduled trading day immediately preceding the stated maturity):

- During any fiscal quarter (and only during such fiscal quarter) commencing after the fiscal quarter ended June 30, 2017, if the last reported sale price of Company common stock for at least 20 trading days (whether or not consecutive), in the period of 30 consecutive trading days, ending on, and including, the last trading day of the immediately preceding fiscal quarter, exceeds 130% of the conversion price for the notes on each applicable trading day;
- During the five business-day period immediately after any five consecutive trading-day period, which the Company refers to as the measurement period, in which the trading price per $1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of Company common stock and the conversion rate for the notes for each such trading day; or
- Upon the occurrence of specified corporate events as described in the December 2021 Notes Indenture.

The initial conversion rate for the December 2021 Notes was 262.2951 shares of the Company's common stock per $1,000 principal amount of December 2021 Notes, equivalent to an initial conversion price of approximately $3.81 per share of common stock, subject to adjustments upon the occurrence of certain specified events as set forth in the December 2021 Notes Indenture. After the distribution by the Company of its stock in Evofem to the PDL stockholders in May 2020, the conversion rate for the December 2021 Notes was increased to 316.5801 shares of the Company's common stock per $1,000 principal amount of December 2021 Notes equating to a conversion price of $3.16 per share of common stock.

In accordance with the accounting guidance for convertible debt instruments that may be settled in cash or other assets on conversion, the Company was required to separately account for the liability component of the instrument in a manner that reflects the market interest rate for a similar nonconvertible instrument at the date of issuance. As a result, the Company separated the principal balance of the December 2021 Notes between the fair value of the debt component with the remainder of the consideration being allocated to the equity component. Using an assumed borrowing rate of 9.5%, which represented the estimated market interest rate for a similar nonconvertible instrument available to the Company on the date of issuance, the Company recorded a debt discount of $4.3 million, allocated $23.8 million to Additional paid-in capital for the conversion feature and allocated $12.8 million to deferred tax liability. The debt discount, including the conversion feature and issuance costs allocated to debt, which remained after amortization and the effect of the September Exchange Transaction, is being amortized to interest expense over the term of the December 2021 Notes and increases interest expense during the term of the December 2021 Notes from the 2.75% cash coupon interest rate to an effective interest rate of 9.7%. As of June 30, 2020, the remaining discount amortization period is 1.4 years.

On December 17, 2019, the Company repurchased $44.8 million in aggregate principal amount of its December 2021 Notes for $39.9 million in cash and 3.5 million shares of its common stock in privately negotiated transactions (the "December Exchange Transaction"). It was determined that the repurchase of the principal amount should be accounted for as a partial extinguishment of the December 2021 Notes. As a result, a loss on extinguishment of $2.5 million was recorded at closing of the transaction.

During the six months ended June 30, 2020, the Company repurchased $5.4 million in aggregate principal amount of its December 2021 notes for $6.0 million in cash. It was determined that the repurchase of the principal amount should be accounted for as a partial extinguishment of the December 2021 Notes. As a result, a loss on extinguishment of $0.1 million was recorded at closing of the transaction.

The carrying value and unamortized discount of the December 2021 Notes as of June 30, 2020 and December 31, 2019 were as follows:

(in thousands)	June 30, 2020	December 31, 2019
Principal amount of the December 2021 Notes	$ 13,805	$ 19,170
Unamortized discount of liability component	(1,204)	(2,220)
Net carrying value of the December 2021 Notes	$ 12,601	$ 16,950

Interest expense for the December 2021 Notes included in the Company's Condensed Consolidated Statements of Operations was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2020	2019	2020	2019
Contractual coupon interest	$ 95	$ 1,032	$ 218	$ 2,063
Amortization of debt issuance costs	2	20	25	40
Amortization of debt discount	13	138	10	276
Amortization of conversion feature	185	1,794	419	3,560
Total	$ 295	$ 2,984	$ 672	$ 5,939

As of June 30, 2020, the December 2021 Notes are not convertible.

Capped Call Transaction

In connection with the offering of the December 2021 Notes, the Company entered into a privately-negotiated capped call transaction with an affiliate of the underwriter of such issuance. The aggregate cost of the capped call transaction was $14.4 million. The capped call transaction is generally expected to reduce the potential dilution upon conversion of the December 2021 Notes and/or partially offset any cash payments the Company is required to make in excess of the principal amount of converted December 2021 Notes in the event that the market price per share of the Company's common stock, as measured under the terms of the capped call transaction, is greater than the strike price of the capped call transaction. This initially corresponded to the approximate $3.81 per share conversion price of the December 2021 Notes and was subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the December 2021 Notes. The cap price of the capped call transaction was initially $4.88 per share subject to certain adjustments under the terms of the capped call transaction. Upon the distribution by the Company of its stock in Evofem to the PDL stockholders in May 2020, the cap price was adjusted to $4.04 per share. The Company will not be required to make any cash payments to the option counterparty upon the exercise of the options that are a part of the capped call transaction, but the Company will be entitled to receive from it an aggregate amount of cash and/or number of shares of the Company's common stock, based on the settlement method election chosen for the related convertible senior notes, with a value equal to the amount by which the market price per share of the Company's common stock, as measured under the terms of the capped call transaction, is greater than the strike price of the capped call transaction during the relevant valuation period under the capped call transaction, with such number of shares of the Company's common stock and/or amount of cash subject to the cap price.

The Company evaluated the capped call transaction under authoritative accounting guidance and determined that it should be accounted for as separate transaction and classified as a net reduction to Additional paid-in capital within stockholders' equity with no recurring fair value measurement recorded.

In connection with the September 2019 Exchange Transaction, the Company unwound a portion of the capped call entered into when the December 2021 Notes were issued, as they were no longer scheduled to mature in 2021. In connection with the December Exchange Transaction, the Company unwound a corresponding portion of the capped call related to the notes and repurchased 1.6 million shares of its common stock from the counterparty. In connection with the repurchases of the December 2021 Notes in the six months ended June 30, 2020, the Company unwound a corresponding portion of the capped call related to the notes.

December 2024 Notes

On September 17, 2019, in connection with the September Exchange Transaction, the Company exchanged $86.1 million aggregate principal of December 2021 Notes for an identical aggregate original principal amount of December 2024 Notes, plus a cash payment of $70.00 for each $1,000 principal amount exchanged, totaling approximately $6.0 million. The December 2024 Notes are due December 1, 2024, and the Company pays interest at 2.75% on the December 2024 Notes semiannually in arrears on June 1 and December 1 of each year, beginning December 1, 2019. The original principal of the December 2024 Notes will accrete at a rate of 2.375% per year ("Accretion Interest") commencing September 17, 2019 through the maturity of the December 2024 Notes. The accreted principal amount of the December 2024 Notes is payable in cash upon maturity and is included in Other long-term liabilities on the Company's Condensed Consolidated Balance Sheets.

Upon the occurrence of a fundamental change, as defined in the indenture entered into in connection with the December 2024 Notes (the "December 2024 Notes Indenture"), holders have the option to require the Company to repurchase their December 2024 Notes at a purchase price equal to 100% of the accreted principal amount of such December 2024 Notes, plus accrued interest on the original principal amount thereon.

The December 2024 Notes are convertible under any of the following circumstances at any time prior to the close of business on the business day immediately preceding June 1, 2024 (or at any time beginning on June 1, 2024 until the close of business on the second scheduled trading day immediately preceding the stated maturity):

- During any fiscal quarter (and only during such fiscal quarter) commencing after the fiscal quarter ended December 31, 2019, if the last reported sale price of Company common stock for at least 20 trading days (whether or not consecutive), in the period of 30 consecutive trading days, ending on, and including, the last trading day of the immediately preceding fiscal quarter, exceeds 130% of the conversion price for the notes on each applicable trading day;
- During the five business-day period immediately after any five consecutive trading-day period, which the Company refers to as the measurement period, in which the trading price per $1,000 original principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of Company common stock and the conversion rate for the notes for each such trading day;
- Upon the occurrence of specified corporate events or upon a redemption of the notes, in each case as described in the December 2024 Notes Indenture; or
- On or after June 1, 2024, at the option of the holder prior to the second scheduled trading day preceding December 1, 2024.

In accordance with the terms of the December 2024 Notes Indenture, the Company has the right, but not the obligation, to redeem all or any portion of the December 2024 Notes that is equal to $1,000 original principal amount or an integral multiple of $1,000 prior to their scheduled maturity on a redemption date beginning on or after December 1, 2021 and on or before the 60th scheduled trading day before December 1, 2024, for a cash purchase price equal to the redemption price, but only if the last reported sale price of Company common stock exceeds 128% of the conversion price for the December 2024 Notes on (i) each of at least 20 trading Days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the trading day immediately before the redemption notice date for such redemption; and (ii) the trading day immediately before such redemption notice date. The redemption price for the December 2024 Notes called for redemption is equal to the then accreted principal amount of such December 2024 Notes plus accrued but unpaid interest on the original principal amount thereon. The calling of any December 2024 Notes for redemption will constitute a make-whole fundamental change with

respect to such notes, entitling the holders who convert such December 2024 Notes called for redemption prior to the applicable redemption date to receive an increase in the applicable conversion rate, as described in the December 2024 Notes Indenture.

The initial conversion rate for the December 2024 Notes was 262.2951 shares of the Company's common stock per $1,000 original principal amount of December 2024 Notes, equivalent to an initial conversion price of approximately $3.81 per share of common stock, subject to adjustments upon the occurrence of certain specified events as set forth in the December 2024 Notes Indenture. After the distribution by the Company of its stock in Evofem to the PDL stockholders, the conversion rate for the December 2024 Notes is 316.5801 shares of the Company's common stock per $1,000 principal amount of December 2024 Notes equating to a conversion price of $3.16 per share of common stock.

In accordance with the accounting guidance for an extinguishment of convertible debt instruments with a cash conversion feature, the Company was required to allocate the fair value of the consideration transferred between the liability component and the equity component. To calculate the fair value of the debt immediately prior to derecognition, the carrying value was recalculated in a manner that reflected the estimated market interest rate for a similar nonconvertible instrument at the date of issuance. Using an assumed borrowing rate of 7.05% the Company calculated the fair value of the debt representing the amount allocated to the liability component of the December 2024 Notes with the remainder of the consideration allocated to the equity conversion feature, to reflect the reacquisition of the embedded conversion option. The conversion feature together with the fees allocated to the debt are accounted for as a debt discount. As a result of the September Exchange Transaction, the Company recorded a total debt discount of $9.4 million, which included the cash conversion feature of $8.1 million and the debt issuance fees of $1.3 million, charged $5.5 million to Additional paid-in capital ($13.5 million charge to Additional paid-in capital representing the reduction to the 2021 equity component, partially offset by the $8.1 million allocated to equity for the 2024 notes) and recorded $1.2 million to deferred tax liability. The net amount charged to Additional paid-in capital represents the difference between the consideration paid for the September Exchange Transaction and the fair value of the convertible debt prior to the extinguishment.

The Accretion Interest and debt discount, including the conversion feature and issuance costs allocated to debt, are being amortized to interest expense over the term of the December 2024 Notes which increases interest expense during the term of the December 2024 Notes from the 2.75% cash coupon interest rate to an effective interest rate of 7.5%. As of June 30, 2020, the remaining discount amortization period is 4.4 years.

On December 17, 2019, in connection with the December Exchange Transaction, the Company repurchased $74.6 million in aggregate principal amount of its December 2024 Notes for $58.0 million in cash and 9.9 million shares of its common stock in privately negotiated transactions, resulting in a loss on extinguishment of $2.1 million.

During the six months ended June 30, 2020 the Company repurchased $10.5 million in aggregate principal amount of its December 2024 notes for $12.9 million in cash, resulting in a loss on extinguishment of $0.5 million.

The carrying value, accretion and unamortized discount of the December 2024 Notes as of June 30, 2020 and December 31, 2019 were as follows:

(in thousands)	**June 30, 2020**	**December 31, 2019**
Principal amount of the December 2024 Notes	$ 1,000	$ 11,500
Unamortized discount of liability component	(94)	(1,200)
Net carrying value of the December 2024 Notes	$ 906	$ 10,300

Interest expense for the December 2024 Notes included in the Company's Condensed Consolidated Statements of Operations was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2020	2019	2020	2019
Contractual coupon interest	$ 7	$ —	$ 44	$ —
Accretion interest on outstanding principal	5	—	38	—
Amortization of debt issuance costs	1	—	5	—
Amortization of conversion feature	4	—	27	—
Total	$ 17	$ —	$ 114	$ —

Capped Call Transaction

In connection with the issuance of the December 2024 Notes in the September Exchange Transaction, the Company entered into a privately-negotiated capped call transaction with an affiliate of the underwriter of such issuance. The aggregate cost of the capped call transaction was $4.5 million. The capped call transaction is generally expected to reduce the potential dilution upon conversion of the December 2024 Notes and/or partially offset any cash payments the Company is required to make in excess of the principal amount of converted December 2024 Notes in the event that the market price per share of the Company's common stock, as measured under the terms of the capped call transaction, is greater than the strike price of the capped call transaction. This initially corresponded to the approximate $3.81 per share conversion price of the December 2024 Notes subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the December 2024 Notes. The cap price of the capped call transaction was initially $4.88 per share subject to certain adjustments under the terms of the capped call transaction. Upon the distribution by the Company of its stock in Evofem to the PDL stockholders in May 2020, the cap price was adjusted to $4.04 per share. The Company will not be required to make any cash payments to the option counterparty upon the exercise of the options that are a part of the capped call transaction, but the Company will be entitled to receive from it an aggregate amount of cash and/or number of shares of the Company's common stock, based on the settlement method election chosen for the related convertible senior notes, with a value equal to the amount by which the market price per share of the Company's common stock, as measured under the terms of the capped call transaction, is greater than the strike price of the capped call transaction during the relevant valuation period under the capped call transaction, with such number of shares of the Company's common stock and/or amount of cash subject to the cap price.

The Company evaluated the capped call transaction under authoritative accounting guidance and determined that it should be accounted for as a separate transaction and classified as a net reduction to Additional paid-in capital within stockholders' equity with no recurring fair value measurement recorded. In connection with the December Exchange Transaction, the Company unwound a corresponding portion of the capped call related to the notes and repurchased 1.6 million shares of its common stock from the counterparty. In connection with the repurchases of the December 2024 Notes in the six months ended June 30, 2020, the Company unwound a corresponding portion of the capped call entered into when the December 2024 Notes were issued.

12. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Uncertain tax positions	$ 38,295	$ 37,574
Deferred tax liabilities	1,414	1,571
Accrued lease guarantee	10,700	10,700
Other	504	1,020
Total [(1)]	$ 50,913	$ 50,865

(1) The amounts above exclude $0.1 million of Other long-term liabilities at Noden classified as held for sale as of December 31, 2019. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

13. Commitments and Contingencies

Lease Guarantee

In connection with the spin-off by the Company of Facet Biotech Corporation ("Facet"), the Company entered into amendments to the leases for the Company's former facilities in Redwood City, California, under which Facet was added as a co-tenant, and a Co-Tenancy Agreement, under which Facet agreed to indemnify the Company for all matters related to the leases attributable to the period after the spin-off date. In April 2010, Abbott Laboratories acquired Facet and later renamed the entity AbbVie Biotherapeutics, Inc. ("AbbVie"). If AbbVie were to default under its lease obligations, the Company could be held liable by the landlord as a co-tenant and, thus, the Company has in substance guaranteed the payments under the lease agreements for the Redwood City facilities. As of June 30, 2020, the total lease payments for the duration of the guarantee, which runs through December 2021, are approximately $16.9 million.

The Company prepared a discounted, probability weighted cash flow analysis to calculate the estimated fair value of the lease guarantee as of the spin-off. The Company was required to make assumptions regarding the probability of Facet's default on the lease payment, the likelihood of a sublease being executed and the times at which these events could occur. These assumptions are based on information that the Company received from real estate brokers and the then-current economic conditions, as well as expectations of future economic conditions. The fair value of this lease guarantee was charged to Additional paid-in capital upon the spin-off and any future adjustments to the carrying value of the obligation will also be recorded in Additional paid-in capital.

The Company has recorded a liability of $10.7 million on its Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, related to this guarantee. In future periods, the Company may adjust this liability for any changes in the ultimate outcome of this matter that are both probable and estimable.

Purchase Obligations

Noden DAC and Novartis entered into a supply agreement pursuant to which Novartis will manufacture and supply to Noden DAC a bulk tableted form of the Noden Products and active pharmaceutical ingredient ("API"). In May 2019, Noden DAC and Novartis entered into an amended supply agreement pursuant to which Novartis will supply to Noden DAC a bulk tableted form of the Noden Products through 2020 and API through June 2021. While the supply agreement provides that the parties will agree to reasonable accommodations with respect to changes in firm orders, the Company expects that Noden DAC will meet the requirements of the supply agreement, unless otherwise negotiated. The supply agreement may be terminated by either party for material breach that remains uncured for a specified time period. Under the terms of the amended supply agreement, Noden DAC is committed to purchase certain quantities of bulk product and API that would amount to approximately $37.4 million through June 2021, which is guaranteed by the Company. On July 30, 2020 we announced the signing of a definitive agreement for the sale of 100% of the outstanding stock in Noden Pharma DAC and Noden Pharma USA. Upon closing, the Company will be released of its guarantee to Novartis in connection with Noden's supply agreement. See Note 21, *Subsequent Events*, for additional information.

LENSAR entered into various supply agreements for the manufacture and supply of certain components. The supply agreements commit LENSAR to a minimum purchase obligation of approximately $5.3 million, of which $3.9 million is due

over the next twelve months. The Company has guaranteed up to $1.0 million of this commitment. LENSAR expects to meet these requirements.

PDL Parental Financial Support for LENSAR

On July 17, 2020, the Company announced that LENSAR confidentially submitted a registration statement on Form 10 to the Securities and Exchange Commission relating to a potential spin-off as a stand-alone publicly-traded company. The Company continues to pursue various strategic alternatives for LENSAR in addition to a spin-off.

On June 19, 2020, in connection with the confidential Form 10 filing for the potential spin-off, the Company issued a letter to LENSAR's management and board of directors committing financial support to LENSAR up to $20.0 million through June 20, 2021.

14. Stockholders' Equity

Stock Repurchase Program

On September 24, 2018, the Company announced that the Board authorized the repurchase of issued and outstanding shares of the Company's common stock having an aggregate value of up to $100.0 million pursuant to a share repurchase program. The repurchases under the share repurchase program were made from time to time in the open market or in privately negotiated transactions and were funded from the Company's working capital. All shares of common stock repurchased under this share repurchase program were retired and restored to authorized but unissued shares of common stock. The Company repurchased 31.0 million shares of its common stock under the share repurchase program for an aggregate purchase price of $100.0 million, or an average cost of $3.22 per share, including trading commissions. This program was completed in July 2019.

On December 9, 2019, the Company announced that the Board authorized the repurchase of issued and outstanding shares of the Company's common stock and convertible notes up to an aggregate value of $200 million. On December 16, 2019, the Company announced that the Board approved a $75 million increase to the aforementioned $200 million repurchase program to acquire outstanding PDL common stock and convertible notes. Repurchases under the Board authorized repurchase program can be made from time to time in the open market or in privately negotiated transactions and funded from the Company's working capital. The amount and timing of such repurchases will depend upon the price and availability of shares or convertible notes, general market conditions and the availability of cash. Repurchases may also be made under a trading plan under Rule 10b5-1, which would permit shares or convertible notes to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. On December 17, 2019, the Company entered into a 10b5-1 plan. This plan was terminated on May 31, 2020. All shares of common stock repurchased under this share repurchase program are expected to be retired and restored to authorized but unissued shares of common stock. All convertible notes repurchased under the program will be retired. During the year ended December 31, 2019, the Company repurchased $44.8 million in aggregate principal amount of 2021 Convertible Notes and $74.6 million in aggregate principal amount of 2024 Convertible Notes for consideration consisting of a cash payment of $97.9 million and the issuance of 13.4 million shares of the Company's common stock. During the six months ended June 30, 2020, the Company repurchased $5.4 million in aggregate principal amount of 2021 Convertible Notes and $10.5 million in aggregate principal amount of 2024 Convertible Notes for cash payments totaling $18.8 million. As of June 30, 2020 the Company repurchased 12.3 million shares of its common stock under the share repurchase program for an aggregate purchase price of $39.4 million, or an average cost of $3.20 per share, including trading commissions. This repurchase program may be suspended or discontinued at any time without notice.

15. Stock-Based Compensation

The Company grants restricted stock awards and stock options pursuant to the stockholder approved Equity Plan. On February 7, 2020, the Board approved the Plan of Liquidation, which accelerated the vesting of a significant portion of the Company's outstanding equity awards pursuant to provisions in the Wind Down Retention Plan.

The Wind Down Retention Plan further provides for equitable adjustments to outstanding stock options held by participants to ensure such participants realize the same benefits provided to shareholders in the event one or more cash dividends or other distributions become payable to shareholders. Consistent with the existing terms of the Equity Plan, in the event one or more cash dividends or other distributions are paid to shareholders, the exercise price of outstanding stock options will be reduced on

a dollar-for-dollar basis to reflect the per share value of such dividends or distribution; provided that such exercise price will not be reduced below the par value of the shares subject to the option. Furthermore, in the event that the Company declares a cash dividend or other distribution that exceeds the difference between the exercise price of an outstanding stock option and the par value of the underlying shares, the holder of such stock option will be entitled to receive from the Company, in lieu of such equitable adjustment, a cash payment in an amount equal to the number of shares subject to such stock option multiplied by the per share amount of the cash dividend that exceeds the difference between exercise price of the outstanding option and the par value of the underlying shares (a "true-up payment"). In May 2020, in accordance with this provision and in conjunction with the Evofem distribution, the exercise prices of the outstanding option awards was decreased by $0.58 per share.

The following table summarizes the Company's stock option and restricted stock award activity during the six months ended June 30, 2020:

	Stock Options		Restricted Stock Awards	
(in thousands, except per share amounts)	Number of Shares Outstanding	Weighted Average Exercise Price	Number of Shares Outstanding	Weighted Average Grant-date Fair Value Per Share
Balance at December 31, 2019	12,613	$ 2.55	1,013	$ 3.53
Granted	37	$ 2.49	2,878	$ 3.08
Exercised / vested	(176)	$ 2.61	(2,746)	$ 3.12
Forfeited / canceled	(728)	$ 3.08	(1,089)	$ 3.39
Balance at June 30, 2020	11,746	$ 2.56	56	$ 3.20

16. Revenue from Contracts with Customers

Revenue

Nature of Goods and Services

The following is a description of principal activities - separated by reportable segments - from which the Company generates its revenue. For more detailed information about reportable segments, see Note 17, *Segment Information*.

Medical Devices

Product and Service Revenue Recognition

Product and Service revenue are recognized from our Medical Device segment. Revenue is recognized from the sale of products and services when the company transfers control of such promised products and services. The amount of revenue recognized reflects the consideration we expect to be entitled to receive in exchange for these products and services. A five-step model is utilized to achieve the core principle and includes the following steps: (1) identify the customer contract; (2) identify the contract's performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when the distinct performance obligations are satisfied.

We principally derive our revenue from the sale and lease of the LENSAR Laser System and the sale of other related products and services, including PIDs, procedure licenses, and extended warranty service agreements. A procedure license represents a one-time right to utilize the LENSAR Laser System surgical application in connection with a surgery procedure. Without separately procuring procedure licenses granted by us, either together with the purchase of the LENSAR Laser System or under separate subsequent contracts, the customer does not have the right to use the surgical software application to perform surgical procedures. Typically, returns are not allowed.

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Judgement is required to determine the level of interdependency between the LENSAR Laser System and the sale of other related products and services. We evaluate each product or service promised in a

contract to determine whether it represents a distinct performance obligation. A performance obligation is distinct if (1) the customer can benefit from the product or service on its own or with other resources that are readily available to the customer and (2) the products or service is separately identifiable from other promises in the contract.

For contracts involving the sale or lease of the LENSAR Laser System, our performance obligations generally include the LENSAR Laser System, PID, procedure license, and extended warranty service agreements. In addition, our customer contracts contain provisions for installation and training services, which are not assessed as performance obligations as they are determined to be immaterial promises in the context of the contract and are required for a customer to use the LENSAR Laser System.

We have determined that the LENSAR Laser System, PID and procedure license are each capable of being distinct because they are each sold separately and the customer can benefit from these products with the other readily available resources that are sold by us. In addition, we have determined each are separately identifiable because the LENSAR Laser System, PID and procedure license (1) are not highly interdependent or interrelated; (2) do not modify or customize one another; and (3) we do not provide a significant service of integrating the promised goods into a bundled output. This is because we are able to fulfill each promise in the contract independently of the others. That is, we would be able to fulfill our promise to transfer the LENSAR Laser System even if the customer did not purchase a PID or procedure license and we would be able to fulfill our promise to provide the PID or the procedure license even if the customer acquired the LENSAR Laser System separately.

The extended warranty, unlike our standard product warranty, is a performance obligation because it provides an incremental service that is beyond ensuring the product delivered will be consistent with stated contractual specifications.

When a contract contains multiple performance obligations, revenue is allocated to each performance obligation based on its relative standalone selling price.

We recognize revenue as the performance obligations are satisfied by transferring control of the product or service to a customer as described below. We record a contract liability, or deferred revenue, when we have an obligation to provide a product or service to the customer and payment is received or due in advance of our performance.

Product revenue. We recognize revenue for the sale of the products at a point in time when control is transferred to customers.

Equipment. LENSAR Laser System sales are recognized as Product revenue when the Company transfers control of the system. This usually occurs after the customer signs a contract, LENSAR installs the system, and LENSAR performs the requisite training for use of the system for direct customers. LENSAR Laser System sales to distributors are recognized as revenue upon shipment.

PID and procedure licenses. The LENSAR Laser System requires both a PID and a procedure license to perform each procedure. We recognize Product revenue for PIDs when the company transfers control of the PID. We recognize Product revenue for procedure licenses, which represents a one-time right to utilize the LENSAR Laser System surgical software application, at the point in time when control of the procedure is transferred to the customer. Control transfers at the time a customer receives the license key. For the sale of PIDs and procedure licenses, the Company may offer volume discounts to certain customers. To determine the amount of revenue that should be recognized at the time control over these products transfers to the customer, the Company estimates the average per unit price, net of discounts.

Service revenue. We offer an extended warranty that provides additional maintenance services beyond the standard limited warranty. We recognize Service revenue from the sale of extended warranties over the warranty period on a ratable basis. Customers have the option of renewing the warranty period, which is considered a new and separate contract.

Lease Revenue

Lease revenue is recognized from our Medical Device segment. For LENSAR Laser System operating leases, we recognize Lease revenue over the length of the lease. For additional information regarding accounting for leases, see Note 1, *Summary of Significant Accounting Policies—Revenue Recognition* and Note 8, *Leases* to our financial statements included in this information statement.

We lease equipment to customers under operating lease arrangements. At contract inception we perform an evaluation to determine if a lease arrangement conveys the right to control the use of an identified asset. To the extent such rights of control are conveyed, we further make an assessment as to the applicable lease classification. The identification of specified assets and determination of appropriate lease classification may require the use of management judgement.

Some of our operating leases include a purchase option for the customer to purchase the leased asset at the end of the lease arrangement, subject to a new contract. We do not believe the purchase price qualifies as a bargain purchase option.

For lease arrangements with lease and non-lease components where we are the lessor, we allocate the contract's transaction price (including discounts) to the lease and non-lease components on a relative standalone selling price which requires judgments. For those leases with variable lease payments, the variable lease payment is typically based upon use of the leased equipment or the purchase of procedure licenses and PIDs used with the leased equipment.

For operating leases, rental income is recognized on a straight-line basis over the lease term as lease revenue. Depreciation expense associated with the leased equipment under operating lease arrangements is reflected in cost of lease in the statements of operations.

Pharmaceutical

The Company's Pharmaceutical segment consists of revenue derived from the Noden Products. Noden's revenue is included in (Loss) income from discontinued operations.

The Pharmaceutical segment principally generates revenue from products sold to wholesalers and distributors. Customer orders are generally fulfilled within a few days of receipt resulting in minimal order backlog. Contractual performance obligations are usually limited to transfer of the product to the customer. The transfer occurs either upon shipment or upon receipt of the product in certain countries outside the United States after considering when the customer obtains control of the product. In addition, in some countries outside of the United States, the Company sells product on a consignment basis where control is not transferred until the customer resells the product to an end user. At these points, customers are able to direct the use of and obtain substantially all of the remaining benefits of the product.

Sales to customers are initially invoiced at contractual list prices. Payment terms are typically 30 to 90 days based on customary practice in each country. Revenue is reduced from the list price at the time of recognition for expected chargebacks, discounts, rebates, sales allowances and product returns, which are collectively referred to as gross-to-net adjustments. These reductions are attributed to various commercial agreements, managed healthcare organizations and government programs such as Medicare, Medicaid, and the 340B Drug Pricing Program containing various pricing implications such as mandatory discounts, pricing protection below wholesaler list price and other discounts when Medicare Part D beneficiaries are in the coverage gap. These various reductions in the transaction price have been estimated using either a most likely amount, in the case of prompt pay discounts, or expected value method for all other variable consideration and have been reflected as liabilities and are settled through cash payments, typically within time periods ranging from a few months to one year. Significant judgment is required in estimating gross-to-net adjustments considering legal interpretations of applicable laws and regulations, historical experience, payer channel mix, current contract prices under applicable programs, unbilled claims, processing time lags and inventory levels in the distribution channel.

For licenses that are bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front license fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition.

Disaggregation of Revenue

The Company disaggregates its revenue from contracts with customers by segment and geographic location as the Company believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic

factors. In the following tables, revenue is disaggregated by segment and primary geographical market for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
(in thousands)	Medical Devices	Pharmaceutical [1]	Medical Devices	Pharmaceutical [1]
Primary geographical markets:				
North America	$ 1,757	$ 4,198	$ 2,203	$ 3,038
Europe	633	4,104	705	5,454
Asia	2,399	(135)	3,093	1,923
Other	1	—	66	—
Total revenue from contracts with customers [2]	$ 4,790	$ 8,167	$ 6,067	$ 10,415

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
(in thousands)	Medical Devices	Pharmaceutical [1]	Medical Devices	Pharmaceutical [1]
Primary geographical markets:				
North America	$ 4,484	$ 8,384	$ 4,287	$ 15,176
Europe	1,556	9,863	1,722	11,036
Asia	3,519	4,951	5,362	4,163
Other	137	—	185	—
Total revenue from contracts with customers[2]	$ 9,696	$ 23,198	$ 11,556	$ 30,375

[1] The revenue from the Company's Pharmaceutical segment for the three and six months ended June 30, 2020 and 2019 is included in (Loss) income from discontinued operations. For additional information, see Note 2, *Discontinued Operations Classified as Assets held for sale.*

[2] The tables above do not include lease revenue from the Company's Medical Devices segment for the three months ended June 30, 2020 and 2019, of $0.4 million and $1.4 million, respectively and $1.5 million and $2.6 million, for the six-month periods ended June 30, 2020 and 2019, respectively. For additional information, see Note 8, *Leases.*

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

(in thousands)	June 30, 2020	December 31, 2019
Receivables, net	$ 6,154	$ 10,377
Contract assets	$ 4,069	$ 3,512
Contract liabilities	$ 5,230	$ 4,024

Receivables, Net—Receivables, net, include amounts billed and due from customers. The amounts due are stated at their net estimated realizable value and are classified as current or noncurrent based on the timing of when the Company expects to receive payment. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables, collateral to the extent applicable and reflects the possible impact of current conditions and reasonable forecasts not already reflected in historical loss information. Receivables, net for the Company's Pharmaceutical

segment are classified as a current asset and included in Assets held for sale. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

Contract Assets—The Company's contract assets represent revenue recognized for performance obligations completed before an unconditional right to payment exists, and therefore invoicing or associated reporting from the customer regarding the computation of the net product sales has not yet occurred. The Company's contract assets are only attributable to the Pharmaceutical segment, and as such these contract assets are classified as current in Assets held for sale in the Company's Condensed Consolidated Balance Sheets.

(in thousands)	Medical Devices	Pharmaceutical	Total
Contract assets at December 31, 2019	$ —	$ 3,512	$ 3,512
Contract assets recognized	—	(4,765)	(4,765)
Payments received	—	5,322	5,322
Contract assets at June 30, 2020	$ —	$ 4,069	$ 4,069

Contract Liabilities—The Company's contract liabilities consist of deferred revenue for products sold to customers for which the performance obligation has not been completed by the Company. The Company classifies Medical Devices deferred revenue as current or noncurrent based on the timing of when it expects to recognize revenue. The noncurrent portion of deferred revenue is included in Other long-term liabilities in the Company's Condensed Consolidated Balance Sheets. The Pharmaceutical deferred revenue is classified as a current liability and included in Liabilities held for sale.

(in thousands)	Medical Devices	Pharmaceutical	Total
Contract liabilities at December 31, 2019	$ 1,075	$ 2,949	$ 4,024
Contract liabilities recognized	540	2,175	2,715
Amounts recognized into revenue	(695)	(814)	(1,509)
Contract liabilities at June 30, 2020	$ 920	$ 4,310	$ 5,230

Transaction Price Allocated to Future Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

(in thousands)	Six Months Ended December 31, 2020	Thereafter	Total
Medical device sales	$ 3,052	$ 7,259	$ 10,311
Pharmaceutical product sales	$ 191	$ 3,443	$ 3,634

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with original expected lengths of one year or less or (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for the products delivered or services performed.

17. Segment Information

Information regarding the Company's segments for the three and six months ended June 30, 2020 and 2019 is as follows:

Revenues by segment

(in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Medical Devices	$ 5,148	$ 7,422	$ 11,133	$ 14,148
Strategic Positions	—	—	—	—
Pharmaceutical	—	—	—	—
Income Generating Assets	63	36	73	6
Total revenues	$ 5,211	$ 7,458	$ 11,206	$ 14,154

The table above excludes revenues related to discontinued operations. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

(Loss) income by segment

(in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Medical Devices	$ (2,559)	$ (1,678)	$ (4,670)	$ (2,893)
Strategic Positions [1]	(4,823)	19,044	(15,723)	19,044
Pharmaceutical [1]	(14,475)	(345)	(16,542)	5,300
Income Generating Assets [1]	(22,773)	(21,440)	(39,418)	(19,190)
Total	(44,630)	(4,419)	(76,353)	2,261
Change in fair value of warrants not allocated to segments [2]	(5,341)	—	(5,341)	—
Net (loss) income attributable to PDL's shareholders	$ (49,971)	$ (4,419)	$ (81,694)	$ 2,261

[1] The (Loss) income by segment presented above includes amounts related to both continuing and discontinued operations. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

[2] The change in fair value of warrants not allocated to segments presented above includes the amounts related to the change in fair value of the Evofem warrants after the distribution of the Evofem common stock to PDL stockholders on May 21, 2020. The Strategic Positions segment ceased to be a reporting segment as of this date.

Information regarding the Company's segments as of June 30, 2020 and December 31, 2019 is as follows:

Long-lived assets by segment

(in thousands)	June 30, 2020	December 31, 2019
Medical Devices	$ 2,974	$ 2,435
Strategic Positions	—	—
Pharmaceutical [1]	2,949	2,960
Income Generating Assets	64	125
Total long-lived assets [1]	$ 5,987	$ 5,520

[1] The amounts above include Property and Equipment in the Pharmaceutical segment classified as Assets held for sale. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

The operations for the Medical Devices segment are primarily located in the United States and the operations for the Pharmaceutical segment are primarily located in Italy, Ireland and the United States.

18. Concentration of Credit Risk

Product Line Concentration

The percentage of total revenue recognized, which individually accounted for 10% or more of the Company's total revenues in one or more of the periods presented below, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020 [1]	**2019 [1]**	**2020 [1]**	**2019 [1]**
LENSAR	99%	100%	99%	100%

[1] The amounts above exclude product sales in the Company's Pharmaceutical segment and royalty rights in the Income Generating Assets segment, each of which is included in the Statements of Operations as (Loss) income from discontinued operations. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information.

19. Income Taxes

Income tax benefit from continuing operations for the three months ended June 30, 2020 and 2019, was $1.1 million and $2.6 million, respectively, and for the six months ended June 30, 2020 and 2019, was $14.1 million and $3.4 million, respectively, which in the current period resulted primarily from anticipated use of net operating loss carrybacks as allowed by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Company's effective tax rate for the current period differs from the U.S. federal statutory rate of 21% due primarily to the effect of state income taxes, non-deductible executive compensation and the tax provisions of the CARES Act.

The uncertain tax positions did not change during the six months ended June 30, 2020 and 2019.

The Company's income tax returns are subject to examination by U.S. federal, foreign, state and local tax authorities for tax years 2000 forward. The Company is currently under audit by the California Franchise Tax Board (the "CFTB") for the tax years 2009 through 2015 and the Internal Revenue Service (the "IRS") for the tax year 2016. The timing of the resolutions to these audits and the amount to be ultimately paid, if any, is uncertain. Final resolution of these complex matters could have a material impact on our Condensed Consolidated Financial Statements. The Company believes its accrual for income tax liabilities is appropriate based on past experience, interpretations of tax law and judgments; however, the outcome of these audits could result in the payment of tax amounts that substantially differ from the amounts the Company has reserved resulting in incremental expense or a reversal of the Company's reserves in a future period. At this time, the Company does not anticipate a material change in the unrecognized tax benefits related to the CFTB or IRS audits that would affect the effective tax rate or deferred tax assets over the next 12 months.

20. Net (Loss) Income per Share

Net (Loss) Income per Basic and Diluted Share	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(in thousands, except per share amounts)				
Numerator				
Net loss from continuing operations	$ (12,929)	$ (8,016)	$ (32,188)	$ (16,466)
(Loss) income from discontinued operations	$ (37,399)	$ 3,502	$ (50,151)	$ 18,569
Less: Net loss attributable to noncontrolling interests	$ (357)	$ (95)	$ (645)	$ (158)
Net (loss) income attributable to PDL's stockholders used to compute net (loss) income per basic and diluted share	$ (49,971)	$ (4,419)	$ (81,694)	$ 2,261
Denominator				
Total weighted-average shares used to compute net (loss) income attributable to PDL's stockholders, per basic share	115,908	118,285	119,402	123,484
Shares used to compute net (loss) income attributable to PDL's stockholders, per diluted share	115,908	118,285	119,402	123,484
Net (loss) income per share - basic:				
Continuing operations	$ (0.11)	$ (0.07)	$ (0.26)	$ (0.13)
Discontinued operations	(0.32)	0.03	(0.42)	0.15
Net (loss) income attributable to PDL's stockholders per basic share	$ (0.43)	$ (0.04)	$ (0.68)	$ 0.02
Net (loss) income per share - diluted:				
Continuing operations	$ (0.11)	$ (0.07)	$ (0.26)	$ (0.13)
Discontinued operations	(0.32)	0.03	(0.42)	0.15
Net (loss) income attributable to PDL's stockholders per diluted share	$ (0.43)	$ (0.04)	$ (0.68)	$ 0.02

The Company computes net (loss) income per diluted share using the sum of the weighted-average number of common and common equivalent shares outstanding. Common equivalent shares used in the computation of net (loss) income per diluted share include shares that may be issued pursuant to outstanding stock options and restricted stock awards in each case, on a weighted-average basis for the period they were outstanding, including, if applicable, the underlying shares using the treasury stock method.

The December 2021 Notes and the December 2024 Notes allow for the settlement entirely or partially in cash, and are accounted for under the treasury stock method. Under the treasury stock method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. The effect of which, for diluted earnings per share purposes, is that only the number of shares of common stock that would be necessary to settle such excess, if the Company elected to settle such excess in shares, are included in the computation.

December 2021 Notes and December 2024 Notes Capped Call Potential Dilution

In November 2016, the Company issued $150.0 million in aggregate principal of the December 2021 Notes. The Company entered into an Exchange Transaction in September 2019 through which it exchanged a portion of the December 2021 Notes for the December 2024 Notes with a later maturity of December 2024. Both the notes that mature in December 2021 and those that mature in December 2024 provide in certain situations for the conversion of the outstanding principal amount into shares of the Company's common stock at a predefined conversion rate. In conjunction with the issuance of the December 2021 Notes and the issuance of the December 2024 Notes pursuant to the Exchange Transaction, the Company entered into capped call transactions with a hedge counterparty. The capped call transactions are expected generally to reduce the potential dilution, and/or offset, to an extent, the cash payments the Company may choose to make in excess of the principal amount, upon conversion

of the December 2021 Notes or the December 2024 Notes. The Company has excluded the capped call transaction from the net (loss) income per diluted share computation as such securities would have an anti-dilutive effect and those securities should be considered separately rather than in the aggregate in determining whether their effect on net (loss) income per diluted share would be dilutive or anti-dilutive. For additional information regarding the conversion rates and the capped call transaction related to the Company's December 2021 Notes and December 2024 Notes, see Note 11, *Convertible Senior Notes*.

Anti-Dilutive Effect of Restricted Stock Awards and Stock Options

For the three months ended June 30, 2020 and 2019, the Company excluded approximately 0.1 million and 1.1 million shares underlying restricted stock awards, respectively, and for the six months ended June 30, 2020 and 2019, the Company excluded approximately 0.1 million and 0.8 million shares underlying restricted stock awards, respectively, in each case calculated on a weighted-average basis, from its net (loss) income per diluted share calculations because their effect was anti-dilutive.

For the three months ended June 30, 2020 and 2019, the Company excluded approximately 11.7 million and 12.7 million shares underlying outstanding stock options, respectively, and for the six months ended June 30, 2020 and 2019, the Company excluded approximately 11.7 million and 10.4 million shares underlying outstanding stock options, respectively, in each case calculated on a weighted-average basis, from its net (loss) income per diluted share calculations because their effect was anti-dilutive.

21. Subsequent Events

Noden

On July 30, 2020, the Company signed a definitive agreement for the sale of the Noden subsidiaries to Stanley Capital. The total value of the transaction will result in payments to the Company of up to $48.3 million in cash. After taking into account the expected adjustments for transaction expenses, indebtedness and working capital, payments to the Company are expected to be approximately $12.0 million in connection with the closing of the transaction. The agreement provides for an additional $33.0 million to be paid to the Company in twelve equal quarterly installments from January 2021 to October 2023. The agreement also provides the Company with the potential for two additional contingent payments totaling $3.3 million. Upon closing, the Company will be released of its guarantee to Novartis in connection with Noden's supply agreement.

PDL Parental Financial Support for LENSAR

On August 4, 2020, PDL issued a new parental support letter to LENSAR's management and board of directors committing financial support to LENSAR up to $20.0 million through August 5, 2021. This letter replaced the letter dated June 19, 2020 discussed in Note 13, *Commitments and Contingencies*.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, including any statements concerning our monetization strategy, plan of liquidation, potential dissolution, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "intends," "plans," "believes," "anticipates," "expects," "estimates," "predicts," "potential," "continue" or "opportunity," or the negative thereof or other comparable terminology. The forward-looking statements in this quarterly report are only predictions. Although we believe that the expectations presented in the forward-looking statements contained herein are reasonable at the time they were made, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct. These forward-looking statements, including with regards to our future financial condition and results of operations, are subject to inherent risks and uncertainties, including but not limited to the risk factors set forth below or incorporated by reference herein, and for the reasons described elsewhere in this Quarterly Report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this Quarterly Report on Form 10-Q are made as of the date hereof. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

OVERVIEW

Throughout our history, our mission has been to improve the lives of patients by aiding in the successful development of innovative therapeutics and healthcare technologies. PDL BioPharma was founded in 1986 as Protein Design Labs, Inc. when it pioneered the humanization of monoclonal antibodies, enabling the discovery of a new generation of targeted treatments that have had a profound impact on patients living with different cancers as well as a variety of other debilitating diseases. In 2006, we changed our name to PDL BioPharma, Inc.

In September 2019, we engaged financial and legal advisors and initiated a review of our strategy. This review was completed in December 2019. At such time, we disclosed that we planned to halt the execution of our growth strategy, cease making additional strategic transactions and investments and instead pursue a formal process to unlock the value of our portfolio by monetizing our assets and ultimately distributing net proceeds to stockholders (the "monetization strategy"). Pursuant to our monetization strategy, we do not expect to enter into any additional strategic investments. We further announced in December 2019 that we would explore a variety of potential transactions in connection with the monetization strategy, including a whole Company sale, divestiture of our assets, spin-offs of operating entities, merger opportunities or a combination thereof. Over the subsequent months, our board of directors (the "Board") and management analyzed, together with our outside financial and legal advisors, how to best capture value pursuant to our monetization strategy and best return the significant intrinsic value of the assets in our portfolio to the stockholders.

In February 2020, the Board approved a plan of complete liquidation (the "Plan of Liquidation") of our assets and passed a resolution to seek stockholder approval to dissolve the Company at our next Annual Meeting of Stockholders as permitted by the General Corporation Law of the State of Delaware (the "DGCL"). In the event the proposal is approved by stockholders and the Board concludes that a whole Company sale is unlikely to maximize the value that can be returned to the stockholders from our monetization process, we intend to file a Certificate of Dissolution with the Secretary of State of Delaware after monetizing our key assets and then proceed to wind-down and dissolve the Company in accordance with the DGCL.

Pursuant to our monetization strategy, we are exploring a variety of potential transactions, including a whole Company sale, divestiture of assets, spin-offs of operating entities, merger opportunities or a combination thereof. In addition, we have analyzed, and continue to analyze, the optimal mechanisms for returning value to stockholders in a tax-efficient manner, including via share repurchases, cash dividends and other distributions of assets. We have not set a definitive timeline and intend to pursue monetization in a disciplined and cost-effective manner to maximize returns to stockholders. We recognize, however, that accelerating the timeline, while continuing to optimize asset value, could increase returns to stockholders due to

reduced general and administrative expenses as well as provide faster returns to stockholders. While, as noted herein, we are cognizant that an accelerated timeline may provide greater and faster returns to our stockholders, we also recognize that the duration and extent of the public health issues related to the COVID-19 pandemic make it possible, and perhaps probable, that the timing of the sale of all or substantially all of the Company's assets, including the key assets, and therefore the timing of the dissolution, may require additional time to execute. We will continue to assess the market for our assets so as to determine the appropriate time to sell each of the assets of the Company.

Historically, we generated a substantial portion of our revenues through the license agreements related to patents covering the humanization of antibodies, which we refer to as the Queen et al. patents. In 2012, we began providing alternative sources of capital through royalty monetization and debt facilities, and, in 2016, we began acquiring commercial-stage products and launching specialized companies dedicated to the commercialization of these products. In 2019, we entered into a securities purchase agreement with Evofem, pursuant to which we invested $60.0 million in a private placement of securities. These investments provided funding for Evofem's pre-commercial activities for Phexxi™, its investigational, non-hormonal, on-demand prescription contraceptive gel for women. Overall, we consummated a number of transactions, of which the following are active and included in continuing operations:

Investment	Investment Type	Segment	Deployed Capital [2] *(in millions)*	
LENSAR, Inc. ("LENSAR")	Converted equity and loan	Medical Devices	$	47.0
CareView communications, Inc. ("CareView")	Debt	Income Generating Assets	$	20.0
Wellstat Diagnostics, LLC ("Wellstat Diagnostics") [1]	Royalty/debt hybrid	Income Generating Assets	$	44.0

[1] Also known as Defined Diagnostic, LLC. The Wellstat Diagnostics investment also includes our note receivable with Hyperion Catalysis International, Inc. ("Hyperion").

[2] Excludes transaction costs.

Our Medical Devices segment consists of revenue derived from the sale and lease of the LENSAR® Laser System, which may include equipment, Patient Interface Devices ("PIDs"), procedure licenses, training, installation, warranty and maintenance agreements. Our Strategic Positions segment consisted of an investment in Evofem. Our Evofem investment includes warrants to purchase shares of common stock. Our Income Generating Assets segment consists of revenue derived from (i) notes and other long-term receivables, (ii) equity investments and (iii) royalties from issued patents in the United States and elsewhere covering the humanization of antibodies, which we refer to as the Queen et al. patents.

Medical Devices

LENSAR

LENSAR is a commercial-stage medical device company focused on designing, developing and marketing an advanced femtosecond laser system for the treatment of cataracts and the management of pre-existing or surgically induced corneal astigmatism. LENSAR's femtosecond laser uses proprietary advanced imaging and laser technology to customize planning and treatments, allowing faster visual recovery and improved outcomes, as compared to conventional cataract surgery, a more manual procedure combined with ultrasound, referred to as phacoemulsification. LENSAR has developed the LENSAR® Laser System, which is the only femtosecond cataract laser built specifically for refractive cataract surgery. LENSAR has over 95 granted patents in the United States and the rest of the world and over 55 pending patent applications in the United States and rest of the world.

Cataract surgery is the highest volume surgical procedure performed worldwide; prior to the COVID-19 pandemic, 30 million surgeries were projected to be completed in 2020, the majority of which were expected to use conventional phacoemulsification techniques. LENSAR is currently focusing its research and development efforts on a next-generation, integrated workstation, ALLY, which combines an enhanced femtosecond laser with a phacoemulsification system in a compact, mobile workstation that is designed to allow surgeons to perform a femtosecond laser assisted cataract procedure in a single operating room using a single device. LENSAR's recent acquisitions of certain intellectual property uniquely position LENSAR to develop a system that can perform all cataract surgeries in a single platform. LENSAR expects this combination product would be a meaningful

advancement and will provide significant administrative and financial benefit to a surgeon's practice at a cost less than the cost of our current system.

The LENSAR® Laser System offers cataract surgeons automation and customization for their astigmatism treatment planning and other essential steps of the refractive cataract surgery procedure with the highest levels of precision, accuracy, and efficiency. These features assist surgeons in managing their astigmatism treatment plans for optimal overall visual outcomes.

The LENSAR® Laser System has been cleared by the Food and Drug Administration ("FDA") for anterior capsulotomy, lens fragmentation, corneal and arcuate incisions. The LENSAR Laser with Augmented Reality™ provides an accurate 3-D model of the relevant anatomical features of each patient's anterior segment, allowing precise laser delivery and enhanced surgical confidence in performing accurate corneal incisions, precise size, shape and location of free-floating capsulotomies, and efficient lens fragmentation for all grades of cataracts. The LENSAR® Laser System - fs 3D (LLS-fs 3D) with Streamline™ includes the integration with multiple pre-operative diagnostic devices, utilizing automated Iris Registration with automatic cyclorotation adjustment. IntelliAxis-C™ (corneal) and IntelliAxis-L™ (lens capsule) markers provide the surgeon tools for simple and precise alignment without errors associated with manually transposing the preoperative data, and marking the eye for incisions and implantation of Toric IOLs as well as treatment planning tools for precision guided laser treatments. The corneal incision-only mode, expanded remote diagnostics capabilities, additional pre-programmable preferences, thoughtful ergonomics, and up to 20 seconds faster laser treatment times with Streamline™ allow for seamless integration and maximum surgical efficiency with patient comfort.

Strategic Positions

Evofem

We invested $60.0 million in Evofem in the second quarter of 2019, representing approximately a 27% ownership interest in the company as of March 31, 2020. The transaction was structured in two tranches. The first tranche comprised $30.0 million, which was funded on April 11, 2019. We invested an additional $30.0 million in a second tranche on June 10, 2019, alongside two existing Evofem stockholders, who each invested an additional $10.0 million. On May 21, 2020 the Company announced that it had completed the distribution of all of the Company's 13,333,334 shares of common stock of Evofem to our stockholders, which represented approximately 26.7% of the outstanding shares of Evofem common stock as of the close of business on May 15, 2020. Following the Distribution, we continue to hold warrants to purchase up to 3,333,334 shares of Evofem common stock.

Evofem is a commercial-stage biopharmaceutical company committed to developing and commercializing innovative products to address unmet needs in women's sexual and reproductive health. Evofem is leveraging its proprietary Multipurpose Vaginal pH Regulator (MVP-R™) platform for its first commercial product Phexxi™ (L-lactic acid, citric acid and potassium bitartrate) for hormone-free birth control. On May 22, 2020 Phexxi™ was approved by the U.S. Food and Drug Administration for the prevention of pregnancy in women who choose to use on demand methods for their contraceptive needs.

As of June 30, 2020, the Strategic Positions segment was classified as discontinued operations.

Pharmaceutical

Noden

On July 1, 2016, our subsidiary, Noden Pharma DAC, entered into an asset purchase agreement ("Noden Purchase Agreement") whereby it purchased from Novartis Pharma AG ("Novartis") the exclusive worldwide rights to manufacture, market, and sell the Noden Products and certain related assets and assumed certain related liabilities (the "Noden Transaction"). Noden Pharma DAC and Noden Pharma USA, Inc., together, and including their respective subsidiaries represent deployed capital of $191.2 million.

Tekturna (or Rasilez outside of the United States) contains aliskiren, a direct renin inhibitor, for the treatment of hypertension. While indicated as a first line treatment, it is more commonly used as a third line treatment in those patients who are intolerant of angiotensin-receptor blockers ("ARBs") or angiotensin converting enzyme inhibitors ("ACEIs"). Studies indicate that approximately 12% of hypertension patients are ARB/ACEI intolerant. Tekturna and Rasilez are not indicated for use with ARBs and ACEIs in patients with diabetes or renal impairment and are contraindicated for use by pregnant women. In March

2019, we launched an authorized generic ("AG") form of Tekturna, aliskiren hemifumarate 150 mg and 300 mg tablets with the same drug formulation as Tekturna. The AG is distributed by Prasco, LLC d/b/a Prasco Laboratories.

Tekturna HCT is a combination of aliskiren and hydrochlorothiazide, a diuretic, for the treatment of hypertension in patients not adequately controlled by monotherapy and as an initial therapy in patients likely to need multiple drugs to achieve their blood pressure goals. It is not indicated for use with ACEIs and ARBs in patient with diabetes or renal impairment, or for use in patients with known anuria or hypersensitivity to sulfonamide derived drugs and is contraindicated for use by pregnant women.

The Noden Products are protected by multiple patents worldwide, which specifically cover the composition of matter, the pharmaceutical formulations and methods of production. In the United States, the FDA Orange Book for Tekturna lists U.S. Patent No. 8,617,595, which covers certain compositions comprising aliskiren, together with other formulation components, and will expire on February 19, 2026. The FDA Orange Book for Tekturna HCT lists U.S. patent Nos. 8,618,172, which expires on July 13, 2028 and 9,023,893, which expires March 3, 2022, which patents cover certain compositions comprising aliskiren and hydrochlorothiazide, together with other formulation components. In Europe, European patent No. 678 503B (the "'503B Patent") expired in 2015. However, numerous Supplementary Protection Certificates ("SPCs") have been granted which are based on the '503B Patent and which provide for extended protection. These SPCs generally expired in April of 2020. European Patent Publication Number 2 305 232, which covers certain pharmaceutical compositions comprising aliskiren and HCT, will expire in December 2021.

On July 30, 2020, we announced the signing of a definitive agreement for the sale of 100% of the outstanding stock in our wholly owned subsidiaries Noden Pharma DAC and Noden Pharma USA. The total value of the transaction will result in payments to us of up to $48.25 million in cash.

Income Generating Assets

We have pursued income generating assets when such assets can be acquired on terms that we believe allow us to increase return to our stockholders. The income generating assets typically consist of (i) notes and other long-term receivables, (ii) royalty rights and hybrid notes/royalty receivables, (iii) equity investments and (iv) royalties from the Queen et. al patents. While we currently maintain a portfolio of income generating assets, our intention is to no longer pursue these transactions and instead focus on our monetization strategy.

Investment	Investment Type	Deployed Capital [3] *(in millions)*	
Assertio [1]	Royalty	$	260.5
U-M	Royalty	$	65.6
AcelRx	Royalty	$	65.0
VB	Royalty	$	15.5
KYBELLA®	Royalty	$	9.5
CareView	Debt	$	20.0
Wellstat Diagnostics [2]	Royalty/debt hybrid	$	44.0

(1) Formerly Depomed, Inc.

(2) Also known as Defined Diagnostic, LLC. The Wellstat Diagnostics investment also includes our note receivable with Hyperion Catalysis International, Inc. ("Hyperion").

(3) Excludes transaction costs.

Royalty Rights - At Fair Value

We have entered into various royalty purchase agreements with counterparties, whereby the counterparty conveys to us the right to receive royalties that are typically payable on sales revenue generated by the sale, distribution or other use of the counterparties' products.

Our royalty rights are classified as held for sale. We record the royalty rights at fair value using discounted cash flows related to the expected future cash flows to be received less estimated selling costs. We use significant judgment in determining our valuation inputs, including estimates as to the probability and timing of future sales of the licensed product. A third-party expert is generally engaged to assist us with the development of our estimate of the expected future cash flows. The estimated fair value of the asset is subject to variation should those cash flows vary significantly from our estimates. At each reporting period, an evaluation is performed to assess those estimates, discount rates utilized and general market conditions affecting fair market value.

At June 30, 2020, we had a total of five royalty rights transactions outstanding.

Notes and Other Long-Term Receivables

We have entered into credit agreements with borrowers across the healthcare industry, under which we made available cash loans to be used by the borrower. Obligations under these credit agreements are typically secured by a pledge of substantially all the assets of the borrower and any of its subsidiaries. At June 30, 2020, we had two note receivable transactions outstanding.

Equity Investments

In the past, we have received equity instruments, including shares of stock or warrants to acquire shares of stock, in connection with credit agreements we entered into with borrowers in the healthcare industry. Our investment objective with respect to these equity investments is to maximize our return through capital appreciation and, when appropriate, to capture the value through optimally timed exit strategies. At June 30, 2020, we had one equity investment outstanding, Alphaeon Class A common stock, received in connection with the loans made to LENSAR by the Company prior to its acquisition of LENSAR.

Royalties from Queen et al. patents and know-how

We have been issued patents in the United States and elsewhere, covering the humanization of antibodies, which we refer to as our Queen et al. patents. Our Queen et al. patents, for which final patent expiry was in December 2014, covered, among other things, humanized antibodies, methods for humanizing antibodies, polynucleotide encoding in humanized antibodies and methods of producing humanized antibodies.

We previously entered into licensing agreements under our Queen et al. patents with numerous entities that are independently developing or have developed humanized antibodies. Under our licensing agreements, we are entitled to receive a flat-rate royalty based upon our licensees' net sales of covered antibodies, although the royalties under these agreements have substantially ended.

Solanezumab is a Lilly-licensed humanized monoclonal antibody being tested in a study of older individuals who may be at risk of memory loss and cognitive decline due to Alzheimer's disease. Lilly has characterized the study as an assessment of whether an anti-amyloid investigational drug in older individuals who do not yet show symptoms of Alzheimer's disease cognitive impairment or dementia can slow memory loss and cognitive decline. The study will also test whether solanezumab treatment can delay the progression of Alzheimer's disease related brain injury on imaging and other biomarkers. If solanezumab is approved and commercialized pursuant to this clinical trial or another, we would be entitled to receive a royalty based on a "know-how" license for technology provided in the design of this antibody. The 2% royalty on net sales is payable for 12.5 years after the product's first commercial sale. The above described study is currently in Phase 3 testing with results expected in July of 2022.

Economic and Industry-wide Factors

Various economic and industry-wide factors are relevant to our business, including changes to laws and interpretation of those laws that protect our intellectual property rights, our licensees' ability to obtain or retain regulatory approval for products licensed under our patents, fluctuations in foreign currency exchange rates, the ability to attract, retain and integrate qualified personnel, as well as overall global economic conditions. We actively monitor economic, industry and market factors affecting our business; however, we cannot predict the impact such factors may have on our future results of operations, liquidity and cash flows.

On March 11, 2020, the World Health Organization declared a global pandemic, as the outbreak of a novel strain of coronavirus spread throughout the world. The outbreak of COVID-19 has disrupted our business operations and has adversely impacted LENSAR. Actions taken to mitigate coronavirus have had and are expected to continue to have an adverse impact on the geographical areas in which LENSAR operates. Cataract surgery is typically considered an elective surgery and as such the majority of LENSAR's customers are not utilizing the LENSAR Laser Systems as they normally would at this time. LENSAR has also experienced minor supply chain disruptions. The full extent to which the COVID-19 outbreak will impact the Company's business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and the estimates of the impact on the Company's business may change based on new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law at the end of March 2020 and contains numerous forms of economic stimulus, including SBA guaranteed loans and certain income tax provisions. The tax provisions of the CARES Act, among other things, allows for a five year carryback of net operating losses for tax years 2018-2020.

See also the risk factors included herein in "Item 1A. Risk Factors" and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in subsequent filings for additional factors that may impact our business and results of operations.

Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements. The accounting estimates that require management's most significant, difficult and subjective judgments include the valuation of royalty rights - at fair value, assets and liabilities held for sale, product revenue recognition and allowance for customer rebates and allowances, the valuation of notes receivable and inventory, the assessment of recoverability of intangible assets and their estimated useful lives, the valuation and recognition of stock-based compensation, the recognition and measurement of current and deferred income tax assets and liabilities, and the valuation of warrants to acquire shares of common stock. Furthermore, the impact on accounting estimates and judgments on the Company's financial condition and results of operations due to COVID-19 has introduced additional uncertainties. We base our estimates, where possible, on our historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

During the quarter ended March 31, 2020, we reclassified our Pharmaceutical segment and the royalty right assets within the Income Generating Assets segment to assets held for sale. During the quarter ended June 30, 2020, we distributed the shares of Evofem common stock within the Strategic Positions segment and reclassified the financial results of that segment as discontinued operations and the remaining assets are reclassified as held for sale. Assets and liabilities are classified as held for sale when all of the following criteria for a plan of sale have been met: (1) management, having the authority to approve the action, commits to a plan to sell the assets; (2) the assets are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the assets have been initiated; (4) the sale of the assets is probable and is expected to be completed within one year; (5) the assets are being actively marketed for a price that is reasonable in relation to their current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. When all of these criteria have been met, the assets (and liabilities) are classified as held for sale in the balance sheet for the current and comparative reporting periods. Assets classified as held for sale are reported at the lower of their carrying value or fair value less costs to sell. Depreciation and amortization of assets ceases upon designation as held for sale. The assets and liabilities held for sale are recorded on our Condensed Consolidated Balance Sheets as Assets held for sale and Liabilities held for sale, respectively. The profits and losses are presented on the Condensed Consolidated Statements of Operations as discontinued operations for the current and prior periods.

During the six months ended June 30, 2020, there have not been any other significant changes to our critical accounting policies and estimates from those presented in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended

December 31, 2019, that are of significance, or potential significance, to us. Summarized below are the accounting pronouncements and policies adopted subsequent to December 31, 2019.

Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new guidance amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses. The Company adopted ASU No. 2016-13 on January 1, 2020 using a modified retrospective approach. The adoption of this standard did not have a material impact on the Company's consolidated financial statements. As a consequence of adopting ASU 2016-13, the Company's accounts receivable accounting policy has been updated, as follows:

Accounts and Notes Receivable

The Company makes estimates of the collectability of accounts receivable. In doing so, the Company analyzes historical bad debt trends, customer credit worthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of the allowance for credit losses. Amounts are charged off against the allowance for credit losses when the Company determines that recovery is unlikely and the Company ceases collection efforts. The Company applies the practical expedient for its collateral-dependent notes receivable. Estimated credit losses are based on the fair value of the collateral (less costs to sell, as applicable).

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement*. The new guidance modifies disclosure requirements related to fair value measurement. The Company adopted ASU No. 2018-13 on January 1, 2020. The adoption did not have an effect on the Consolidated Financial Statements on the adoption date and no adjustment to prior year Consolidated Financial Statements was required.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software*. The new guidance reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Company adopted ASU No. 2018-15 on January 1, 2020 using the prospective transition option. The adoption did not have an effect on the Consolidated Financial Statements on the adoption date and no adjustment to prior year Consolidated Financial Statements was required.

Recently Issued Accounting Pronouncements

In April 2020, the FASB issued a staff question-and-answer document, "Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic" (the "COVID-19 Q&A"), to address certain frequently-asked questions pertaining to lease concessions arising from the effects of the COVID-19 pandemic. Existing lease guidance requires entities to determine if a lease concession was a result of a new arrangement reached with the lessee (which would be addressed under the lease modification accounting framework) or if a lease concession was under the enforceable rights and obligations within the existing lease agreement (which would not fall under the lease modification framework). The COVID-19 Q&A clarifies that entities may elect to not evaluate whether lease-related relief granted in light of the effects of COVID-19 is a lease or obligations of the lease. This election is available for concessions that result in the total payments required by the modified contract being substantially the same or less than the total payments required by the original contract.

As a result of the COVID-19 pandemic, LENSAR entered into agreements with 22 customers through which LENSAR agreed to waive monthly rental and minimum monthly license fees ranging from one to four months for an aggregate of $0.9 million of revenue, consisting of $0.5 million in Product revenue, $0.3 million in Lease revenue, and $0.1 million in Service revenue. In return for these concessions the related contracts were extended by the same number of months waived. No amounts of accounts receivable or notes receivable were deemed uncollectible due to COVID-19 during the quarter ended June 30, 2020; however, the Company considered the effects of COVID-19 in estimating its credit losses for the period.

In December 2019, the FASB issued ASU 2019-12, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. For public companies, the amendments in ASU No. 2019-12 are effective

for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

Operating Results

As noted above, during the quarter ended March 31, 2020, we reclassified our Pharmaceutical segment and the royalty right assets within the Income Generating Assets segment to assets held for sale. When the held for sale criteria have been met, depreciation and amortization of those assets is suspended and the profits and losses are presented on the Condensed Consolidated Statements of Operations as discontinued operations. During the quarter ended June 30, 2020, we distributed the Evofem common stock and reclassified the investment as a discontinued operation. The operating results presented below are segregated between continuing operations and discontinued operations. Results from the prior year comparative period are classified consistently with the current year presentation.

Three and six months ended June 30, 2020, compared to three and six months ended June 30, 2019

Revenues

(dollars in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change from Prior Year %	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change from Prior Year %
Revenues						
Product revenue, net[1]	$ 4,099	$ 5,268	(22%)	$ 8,115	$ 10,004	(19%)
Lease revenue	359	1,308	(73%)	1,436	2,532	(43%)
Service revenue	690	846	(18%)	1,582	1,612	(2%)
Royalties from Queen et al. patents	—	6	*N/M*	—	9	*N/M*
License and other	63	30	110%	73	(3)	*N/M*
Total revenues	$ 5,211	$ 7,458	(30%)	$ 11,206	$ 14,154	(21%)

N/M Not meaningful

[1] Our Product revenue, net, Lease revenue, and Service revenue consists entirely of revenue from our Medical Devices segment. We record Product revenue, net from our LENSAR product sales which include LENSAR® Laser Systems, disposable consumables, procedure licenses, training, and installation. We record Lease revenue from the lease of LENSAR® Laser Systems. We record Service revenue from warranty and maintenance services.

Product sales for our Pharmaceutical segment are included in (Loss) income from discontinued operations and are net of estimated product returns, pricing discounts, including rebates offered pursuant to mandatory federal and state government programs, chargebacks, prompt pay discounts, distribution fees and co-pay assistance for product sales each period. See Note 2, *Discontinued Operations Classified as Assets Held for Sale*, for additional information on our Pharmaceutical product sales.

Three Months Ended June 30, 2020

Total revenues were $5.2 million for the three months ended June 30, 2020, compared with $7.5 million for the three months ended June 30, 2019. Our total revenues decreased by 30%, or $2.2 million, for the three months ended June 30, 2020, when compared to the same period of 2019. The decrease was driven by the impact of the COVID-19 pandemic on the Medical Devices segment and the associated decline in elective surgical procedures in North America and the rest of the world.

Six Months Ended June 30, 2020

Total revenues were $11.2 million for the six months ended June 30, 2020, compared with $14.2 million for the six months ended June 30, 2019. Our total revenues decreased by 21%, or $2.9 million, for the six months ended June 30, 2020, when

compared to the same period of 2019. The decrease was primarily driven by the impact of the COVID-19 pandemic on the Medical Devices segment and the associated decline in elective surgical procedures.

Operating Expenses

(dollars in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change from Prior Year %	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change from Prior Year %
Cost of product revenue, (excluding intangible amortization)	$ 2,639	$ 4,929	(46)%	$ 5,499	$ 8,729	(37)%
Amortization of intangible assets	335	344	(3)%	637	662	(4)%
General and administrative	9,719	8,695	12%	22,471	17,005	32%
Severance and retention	3,579	—	*N/M*	22,313	—	*N/M*
Sales and marketing	1,237	1,861	(34)%	2,487	3,435	(28)%
Research and development	1,465	886	65%	3,321	1,796	85%
Total operating expenses	$ 18,974	$ 16,715	14%	$ 56,728	$ 31,627	79%
Percentage of total revenues	364 %	224 %		506 %	223 %	

N/M Not meaningful

Three Months Ended June 30, 2020

Total operating expenses were $19.0 million for the three months ended June 30, 2020, compared with $16.7 million for the three months ended June 30, 2019. Our operating expenses increased 14%, or $2.3 million, for the three month period ended June 30, 2020, when compared to the three month period ended June 30, 2019. The increase was primarily a result of:

- higher general and administrative expenses, primarily due to increased professional fees,
- higher research and development in our Medical Devices segment as LENSAR pursues its next generation, integrated workstation, ALLY™, which combines an enhanced femtosecond laser with a phacoemulsification system in a compact, mobile workstation, partially offset by
- lower cost of product revenue, due to decreased sales in our Medical Devices segment for the above-noted reasons, and
- lower sales and marketing expenses in our Medical Devices segment.

General and administrative expenses for the three months ended June 30, 2020 and 2019 are summarized in the table below:

(in thousands)	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Medical Devices	Income Generating Assets	Total	Medical Devices	Income Generating Assets	Total
Compensation	$ 1,017	$ 2,241	$ 3,258	$ 987	$ 4,336	$ 5,323
Salaries and Wages (including taxes)	*601*	*1,364*	*1,965*	*453*	*1,543*	*1,996*
Bonuses (including accruals)	*318*	*646*	*964*	*247*	*724*	*971*
Equity	*98*	*231*	*329*	*287*	*2,069*	*2,356*
Asset management	—	2,363	2,363	—	234	234
Business development	—	242	242	—	468	468
Accounting and tax services	946	1,155	2,101	37	679	716
Other professional services	176	428	604	428	462	890
Other	409	742	1,151	271	793	1,064
Total general and administrative[(1)]	$ 2,548	$ 7,171	$ 9,719	$ 1,723	$ 6,972	$ 8,695

(1) No general and administrative operating expenses were attributable to the Pharmaceutical or Strategic Positions segments for the three months ended June 30, 2020 or 2019. See *Assets held for sale and discontinued operations* below, for additional information on our Pharmaceutical segment.

Six Months Ended June 30, 2020

Total operating expenses were $56.7 million for the six months ended June 30, 2020, compared with $31.6 million for the six months ended June 30, 2019. Our operating expenses increased 79%, or $25.1 million, for the six month period ended June 30, 2020, when compared to the six-month period ended June 30, 2019. The increase was primarily a result of:

- provisions under our Wind-Down Retention Plan, which, as a result of the adoption of the Plan of Liquidation, accelerated the vesting of outstanding stock awards for employees in the first quarter of 2020,
- higher general and administrative expenses of $5.5 million, or 32% from the prior period, primarily due to increased professional fees, and
- higher research and development expenses in our Medical Devices segment, partially offset by
- lower cost of product revenue, due to decreased sales in our Medical Devices segment.

After we announced our monetization strategy, we recognized that our ability to execute on our plan and optimize returns to our stockholders depended to a large extent on our ability to retain the necessary expertise to effectively transact with respect to our assets. On December 21, 2019, the Compensation Committee of the Board adopted the Wind Down Retention Plan in which our executive officers and other employees who are participants in our Severance Plan are eligible to participate. Under the Wind Down Retention Plan, participants are eligible to earn a retention benefit in consideration for their continued employment with the Company. The Wind Down Retention benefits are equivalent to previously disclosed compensation payments contemplated in connection with a change in control under our existing Severance Plan. Under the Wind Down Retention Plan, payment of the retention benefit to any participant will occur upon termination of the participant's employment with the Company either by the Company without cause or by the participant for good reason. The retention benefit, if paid, would be in lieu of (and not in addition to) any other severance compensation that could become payable to the participant under our Severance Plan. In connection with the adoption of the Wind Down Retention Plan, a severance liability is being recorded over the remaining service period for the participating employees. As of June 30, 2020, we recorded a severance liability of $6.0 million. Expenses associated with severance payments and accruals are reflected in Severance and retention on our Condensed Consolidated Statements of Operations.

The Wind Down Retention Plan also provides that, consistent with the existing terms of the our Amended and Restated 2005 Equity Incentive Plan (the "Equity Plan"), the vesting of all outstanding equity awards held by participants as of the date the Wind Down Retention Plan was adopted will be accelerated upon the earlier of: (i) a termination of the participant's employment with the Company either by the Company without cause or by the participant for good reason or (ii) the consummation of a change in control (as defined in the Equity Plan) of the Company. In addition, the post-termination exercise period for all outstanding stock options will be extended until their expiration date. In connection with the Board adopting the Plan of Liquidation in the first quarter of 2020, all of the outstanding and unvested stock options and restricted stock granted to our employees, executive officers and directors, with the exception of certain outstanding awards under the 2016/20 Long-Term Incentive Plan, accelerated and vested under the change in control definition in the Equity Plan. The expense associated with the accelerated vesting, totaled $15.7 million and is also reflected in Severance and retention on our Condensed Consolidated Statements of Operations.

General and administrative expenses for the six months ended June 30, 2020 and 2019 are summarized in the table below:

(in thousands)	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Medical Device	Income Generating Assets	Total	Medical Device	Income Generating Assets	Total
Compensation	$ 2,000	$ 7,314	$ 9,314	$ 1,943	$ 7,784	$ 9,727
Salaries and Wages (including taxes)	*1,216*	*3,583*	*4,799*	*972*	*3,190*	*4,162*
Bonuses (including accruals)	*602*	*1,486*	*2,088*	*570*	*1,429*	*1,999*
Equity	*182*	*2,245*	*2,427*	*401*	*3,165*	*3,566*
Asset management	—	3,800	3,800	—	684	684
Business development	—	527	527	—	597	597
Accounting and tax services	1,501	2,335	3,836	40	1,648	1,688
Other professional services	292	1,966	2,258	702	508	1,210
Other	930	1,806	2,736	854	2,245	3,099
Total general and administrative [1]	$ 4,723	$ 17,748	$ 22,471	$ 3,539	$ 13,466	$ 17,005

[1] No general and administrative expenses were attributable to the Pharmaceutical or Strategic Positions segment for the six months ended June 30, 2020 or 2019. See *Assets held for sale and discontinued Operations* below, for additional information on our Pharmaceutical segment.

Non-operating Expense, Net

(dollars in thousands)	Three Months Ended June 30,		Change from Prior	Six months ended June 30,		Change from Prior
	2020	2019	Year %	2020	2019	Year %
Interest and other income, net	$ 69	$ 1,650	(96%)	$ 582	$ 3,524	(83%)
Interest expense	(312)	(2,984)	(90%)	(786)	(5,939)	(87%)
Loss on extinguishment of convertible notes	—	—	*N/M*	(606)	—	*N/M*
Total non-operating expense, net	$ (243)	$ (1,334)	(82%)	$ (810)	$ (2,415)	(66%)

N/M Not meaningful

Three Months Ended June 30, 2020

Net non-operating expense decreased for the three months ended June 30, 2020, as compared to the same period in 2019, primarily due to:

- lower interest expense in conjunction with the extinguishment of a substantial portion of our convertible notes, partially offset by
- a decrease in Interest and other income due to lower cash balances in the current period.

Six Months Ended June 30, 2020

Net non-operating expense decreased for the six months ended June 30, 2020, as compared to the same period in 2019, primarily due to:

- lower interest expense in conjunction with the extinguishment of a substantial portion of our convertible notes, partially offset by
- lower Interest and other income due to lower cash balances in the current period, and
- a loss on extinguishment of convertible notes recorded in the six months ended June 30, 2020 with no comparable amount in the prior year period.

Income Taxes

Income tax benefit from continuing operations for the three months ended June 30, 2020 and 2019, was $1.1 million and $2.6 million, respectively, and for the six months ended June 30, 2020 and 2019, was $14.1 million and $3.4 million, respectively, which resulted primarily from anticipated use of net operating loss carrybacks as allowed by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Our effective tax rate for the current period differs from the U.S. federal statutory rate of 21% due primarily to the effect of state income taxes, non-deductible executive compensation and the tax provisions of the CARES Act.

The uncertain tax positions did not change during the six months ended June 30, 2020 and 2019.

Our income tax returns are subject to examination by U.S. federal, foreign, state and local tax authorities for tax years 2000 forward. We are currently under audit by the California Franchise Tax Board (the "CFTB") for the tax years 2009 through 2015 and the Internal Revenue Service (the "IRS") for the tax year 2016. The timing of the audit resolution and the amount to be ultimately paid, if any, is uncertain. Final resolution of these complex matters could have a material impact on our Condensed Consolidated Financial Statements. We believe our accrual for income tax liabilities is appropriate based on past experience, interpretations of tax law and judgments; however, the outcome of these audits could result in the payment of tax amounts that substantially differ from the amounts we have reserved resulting in incremental expense or a reversal of the reserves in a future period. At this time, we do not anticipate a material change in the unrecognized tax benefits related to the CFTB or IRS audits that would affect the effective tax rate or deferred tax assets over the next 12 months.

Assets held for sale and discontinued operations

The Pharmaceutical segment, the royalty right assets in the Income Generating Assets segment and the Evofem investment in the Strategic Positions segment have been classified as held for sale and reported as discontinued operations. The operating results from discontinued operations are presented separately in the Company's Condensed Consolidated statements of Operations as discontinued operations. Components of amounts reflected in (Loss) income from discontinued operations are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Product revenue, net	$ 8,167	$ 10,415	$ 23,198	$ 30,375
Royalty rights - change in fair value	(16,304)	(40,399)	(6,910)	(28,142)
Total revenues	(8,137)	(29,984)	16,288	2,233
Operating expenses				
Cost of product revenue (excluding intangible asset amortization)	4,901	7,419	13,682	16,429
Amortization of intangible assets	—	1,254	389	2,507
General and administrative	2,151	1,788	4,565	3,940
Sales and marketing	81	212	198	1,368
Research and development	—	—	—	(41)
Total operating expenses	7,133	10,673	18,834	24,203
Operating loss from discontinued operations	(15,270)	(40,657)	(2,546)	(21,970)
Non-operating (expense) income, net				
Equity affiliate - change in fair value	(12,864)	45,487	(26,662)	45,487
Loss on classification as held for sale	(16,143)	—	(28,904)	—
Total non-operating (expense) income, net	(29,007)	45,487	(55,566)	45,487
(Loss) income from discontinued operations before income taxes	(44,277)	4,830	(58,112)	23,517
Income tax (benefit) expense from discontinued operations	(6,878)	1,328	(7,961)	4,948
(Loss) income from discontinued operations	$ (37,399)	$ 3,502	$ (50,151)	$ 18,569

Three Months Ended June 30, 2020

Loss from discontinued operations for the three months ended June 30, 2020 was $37.4 million, a $40.9 million decrease from the $3.5 million of income recognized for the three months ended June 30, 2019. The unfavorable change was primarily a result of:

- A $58.4 million change in the fair value of our equity affiliate from an unrecognized gain of $45.5 million in the three months ended June 30, 2019 as compared to a $12.9 million unrecognized loss in the three months ended June 30, 2020.
- A $16.8 million loss recorded in the three months ended June 30, 2020 associated with reducing the estimated fair value of Noden as informed by ongoing negotiations for the disposition of the entity.
- A $2.2 million, or 22%, decline in revenue from our Pharmaceutical segment for the three months ended June 30, 2020 as compared to the same period in the prior year. The decrease in revenue from our Pharmaceutical segment is primarily due to lower net revenues in the United States. The decrease in revenue from our Pharmaceutical segment in the United States for the three months ended June 30, 2020 is due to the increased sales of our authorized generic and lower sales of our branded drug as compared to the second quarter of 2019.

These amounts were partially offset by:

- Revenue from our royalty right assets of negative $16.3 million in the three months ended June 30, 2020 as compared with a negative $40.4 million for the three months ended June 30, 2019. The difference was primarily due to a larger decrease in fair value in the second quarter of 2019 primarily resulting from the $60.0 million AcelRx write-down as compared with a $22.9 million write down in the second quarter of 2020 for certain royalty assets as informed by bids received during our monetization process. The decrease in fair value reduced our estimated cost to sell the assets by $0.6 million in the second quarter of 2020.
- The royalty right assets in our Income Generating Assets segment generated cash flows of $11.5 million and a loss from the net change in fair value of $27.8 million in the three months ended June 30, 2020 compared with cash flows of $20.1 million and a loss in the net change in fair value of $60.5 million in the three month period ended June 30, 2019.

The following tables provides a summary of activity with respect to our royalty rights - change in fair value for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020		
(in thousands)	**Cash Royalties**	**Change in Fair Value**	**Royalty Rights - Change in Fair Value**
Assertio	$ 8,840	$ (3,278)	$ 5,562
VB	209	(9,405)	(9,196)
U-M	2,349	(1,556)	793
AcelRx	77	(13,153)	(13,076)
KYBELLA	—	(387)	(387)
Total	$ 11,475	$ (27,779)	$ (16,304)

	Three Months Ended June 30, 2019		
(in thousands)	**Cash Royalties**	**Change in Fair Value**	**Royalty Rights - Change in Fair Value**
Assertio	$ 18,415	$ 93	$ 18,508
VB	227	137	364
U-M	1,371	(780)	591
AcelRx	93	(59,974)	(59,881)
KYBELLA	—	19	19
Total	$ 20,106	$ (60,505)	$ (40,399)

Six Months Ended June 30, 2020

Loss from discontinued operations for the six months ended June 30, 2020 was $50.2 million, a $68.8 million decrease from the $18.6 million of income recognized for the six months ended June 30, 2019. The unfavorable change was primarily a result of:

- A $72.2 million change in the fair value of our equity affiliate from an unrecognized gain of $45.5 million in the six months ended June 30, 2019 as compared to a $26.7 million unrecognized loss in the six months ended June 30, 2020.
- A $23.5 million write down of our Pharmaceutical segment in the current year due to a decrease in the estimated fair value of the entity.
- A $7.2 million, or 24%, decline in revenue from our Pharmaceutical segment for the six months ended June 30, 2020, as compared to the same period in the prior year. The decrease in revenue from our Pharmaceutical segment reflects lower net revenues in the United States and the rest of the world. The decrease in revenue from our Pharmaceutical segment in the United States for the six months ended June 30, 2020 reflects the introduction of our authorized generic of Tekturna and a third-party generic of aliskiren late in the first quarter of 2019. The decrease in revenue for the rest of the world is due to lower sales volume of Rasilez in certain territories.

These amounts were partially offset by:

- Revenue from the royalty right assets in our Income Generating Assets segment for the six months ended June 30, 2020 of negative $6.9 million as compared with negative revenue of $28.1 million for the corresponding period of the prior year. The difference was primarily due to a larger decrease in fair value in the second quarter of 2019 resulting from the $60.0 million AcelRx write-down as compared to the current year six month period, which includes the fair value adjustments as informed by bids received during our monetization process.
- The royalty right assets generated cash flows of $25.0 million in the current period compared to $32.7 million in the prior period.

The following tables provides a summary of activity with respect to our royalty rights - change in fair value for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30, 2020		
(in thousands)	**Cash Royalties**	**Change in Fair Value**	**Royalty Rights - Change in Fair Value**
Assertio	$ 20,017	$ (6,438)	$ 13,579
VB	475	(9,199)	(8,724)
U-M	4,354	(2,948)	1,406
AcelRx	156	(12,952)	(12,796)
KYBELLA	42	(417)	(375)
Total	$ 25,044	$ (31,954)	$ (6,910)

	Six Months Ended June 30, 2019		
(in thousands)	**Cash Royalties**	**Change in Fair Value**	**Royalty Rights - Change in Fair Value**
Assertio	$ 29,383	$ (459)	$ 28,924
VB	494	265	759
U-M	2,638	(1,316)	1,322
AcelRx	161	(57,886)	(57,725)
KYBELLA	50	(1,472)	(1,422)
Total	$ 32,726	$ (60,868)	$ (28,142)

Net (Loss) Income Per Share

Net (loss) income per share for the three and six months ended June 30, 2020 and 2019, is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net (loss) income per share - basic:				
Continuing operations	$ (0.11)	$ (0.07)	$ (0.26)	$ (0.13)
Discontinued operations	(0.32)	0.03	(0.42)	0.15
Net (loss) income attributable to PDL's stockholders per basic share	$ (0.43)	$ (0.04)	$ (0.68)	$ 0.02
Net (loss) income per share - diluted:				
Continuing operations	$ (0.11)	$ (0.07)	$ (0.26)	$ (0.13)
Discontinued operations	(0.32)	0.03	(0.42)	0.15
Net (loss) income attributable to PDL's stockholders per diluted share	$ (0.43)	$ (0.04)	$ (0.68)	$ 0.02

Weighted-average basic and diluted shares used in the computation of Net (loss) income per share are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Basic	115,908	118,285	119,402	123,484
Diluted	115,908	118,285	119,402	123,484

Liquidity and Capital Resources

We have previously financed our operations primarily through royalty and other license-related revenues, public and private placements of debt and equity securities, interest income on invested capital and cash generated from pharmaceutical and medical device product sales. We plan to continue to finance our operations in the near term primarily through existing cash and cash proceeds from our monetization efforts and our royalty rights assets and medical device product sales until such assets are disposed.

In September 2019, we engaged financial and legal advisors and initiated a review of our strategy. In December 2019, we disclosed that we planned to halt the execution of our growth strategy, cease making additional strategic transactions and investments and pursue a formal process to unlock the value of our portfolio by monetizing our assets and ultimately returning net proceeds to our stockholders. Over the subsequent months, our Board and management analyzed, together with its outside financial and legal advisors, how to best capture value pursuant to its monetization strategy and best return the significant intrinsic value of the assets in its portfolio to the stockholders. In February 2020, our Board approved a plan of complete liquidation of our assets and passed a resolution to seek stockholder approval to dissolve the Company under Delaware law at its next annual meeting of the stockholders. In the event that our Board concludes that the whole Company sale process is unlikely to maximize the value that can be returned to the stockholders from our monetization process, we would, if approved by the stockholders, file a certificate of dissolution in Delaware and proceed to wind-down and dissolve the Company in accordance with Delaware law. Pursuant to its monetization strategy, we are exploring a variety of potential transactions, including a whole Company sale, divestiture of assets, spin-offs of operating entities, merger opportunities or a combination thereof. In addition, we have analyzed, and continue to analyze, the optimal mechanisms for returning value to stockholders in a tax-efficient manner, including via share repurchases, cash dividends and other distributions of assets. We have not set a definitive timeline and intend to pursue monetization in a disciplined and cost-effective manner to maximize returns to stockholders. We recognize, however, that accelerating the timeline, while continuing to optimize asset value, could increase returns to stockholders due to reduced general and administrative expenses as well as provide faster returns to stockholders. While we are cognizant that an accelerated timeline may provide greater and faster returns to our stockholders, we also

recognize that the duration and extent of the public health issues related to the COVID-19 pandemic make it possible, and perhaps probable, that the timing of the sale of all or substantially all of the our assets, including the key assets, and therefore the timing of the Dissolution, may require additional time to execute.

As a result of this monetization strategy, we expect to generate additional cash from the sale of one or more of the assets in our portfolio with the intention of managing the successful wind down of our business and distributing the remaining net proceeds to our stockholders.

Our future capital requirements are difficult to forecast and will depend upon many factors, including the type of distributions we make, the amount of net cash proceeds we receive, after transaction costs, and the time it takes to monetize our assets. Our future capital requirements will also depend on the amount of common stock and convertible notes we repurchase under our repurchase program.

The general cash needs of our Medical Devices, Strategic Positions, Pharmaceutical and Income Generating Assets segments can vary significantly.

- In our Medical Devices segment, the primary factor determining cash needs is the funding of operations, which we expect to continue to expand as the business grows, and enhancing our product offerings through the research and development of our next generation device which will integrate a femtosecond laser and a phacoemulsification system in a single, compact workstation. While we continue to pursue various strategic alternatives for LENSAR as part of our monetization efforts, as disclosed on July 17,2020, LENSAR has confidentially submitted a registration statement on Form 10 to the Securities and Exchange Commission relating to a potential spin-off as a stand-alone publicly-traded company. In connection with the filing of the Form 10, we have issued a letter to LENSAR's management and board of directors committing financial support to LENSAR up to $20.0 million through August 5, 2021. We believe that this commitment will adequately capitalize LENSAR and allow it to resume its growth trajectory and to successfully launch its next generation device.
- In our Pharmaceutical segment, cash needs have historically been driven primarily by material purchases. See further discussion below regarding this segment.
- The cash needs of our Income Generating Assets segment tend to be driven by legal and professional service fees required for operating a publicly traded company, as well as the funding of potential repurchases of our common stock and convertible notes.

On December 9, 2019, we announced that our Board authorized the repurchase of issued and outstanding shares of our common stock and convertible notes up to an aggregate value of $200.0 million pursuant to a share repurchase program. On December 16, 2019, we announced that our Board approved a $75.0 million increase to this repurchase program. Repurchases under this repurchase program can be made from time to time in the open market or in privately negotiated transactions and funded from our working capital. The amount and timing of such repurchases will depend upon the price and availability of shares or convertible notes, general market conditions and the availability of cash. Common stock and convertible note repurchases were also eligible to be made under a trading plan under Rule 10b5-1, which would permit shares and convertible notes to be repurchased when we might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. In consideration of the impact and uncertainty introduced by the COVID-19 pandemic on our monetization process, the 10b5-1 plan was terminated on May 31, 2020 and no common stock was repurchased after this date. All shares of common stock repurchased under our repurchase program were retired and restored to authorized but unissued shares of common stock. All convertible notes repurchased under the program will be retired.

As of June 30, 2020, we had repurchased $50.2 million in aggregate principal amount of December 2021 Notes and $85.0 million in aggregate principal amount of December 2024 Notes under the Board authorized program. As of June 30, 2020 approximately $14.8 million in aggregate principal amount of the convertible notes remain outstanding. Pursuant to the convertible note repurchase transactions and the unwinding of a portion of the capped call transaction entered into for the notes, we also repurchased 3.2 million shares of our common stock under this program directly from our capped call counterparty. We repurchased 12.3 million shares of our common stock under this repurchase program during the six months ended June 30, 2020, for an aggregate purchase price of $39.4 million, or an average cost of $3.20 per share, including trading commissions. This repurchase program may be suspended at any time without notice.

Our debt service obligations consist of interest payments and repayment of the remaining amount of our December 2021 Notes and December 2024 Notes. We may continue our efforts to repurchase the remaining outstanding convertible notes, which

could adversely affect the amount or timing of any distributions to our stockholders. We expect to finance such repurchases with cash on hand.

We had cash and cash equivalents in the aggregate of $105.4 million and $169.0 million as of June 30, 2020 and December 31, 2019, respectively, representing a decrease of $63.6 million. The decrease was primarily attributable to:

- the repurchase of common stock for $39.4 million,
- the net cash used for the repurchase of our convertible notes of $18.0 million, and
- cash used for operating activities of $33.8 million, partially offset by
- proceeds from royalty right payments of $25.0 million.

We believe that cash on hand and cash generated from future revenues and from asset sales, net of operating expenses, debt service and income taxes, will be sufficient to fund our operations until all net proceeds are distributed to our stockholders. Our continued success is dependent on our ability to execute on our planned strategy to monetize our assets, in order to return capital to our stockholders and service our remaining debt.

In addition, we have cash and cash equivalents at our Pharmaceutical segment of $19.8 million and $24.5 million as of June 30, 2020 and December 31, 2019, respectively. As noted above, on July 30, 2020, we entered into a definitive agreement for the sale of our Pharmaceutical segment. The cash and cash equivalents represent balances maintained by our Pharmaceutical segment and will remain with the buyer upon consummation of the sale and applied to the inventory commitment with Novartis. Upon closing, we will be released of our guarantee to Novartis under Noden's supply agreement.

The total value of the transaction will result in payments to us of up to $48.25 million in cash comprised of $12.0 million in connection with the closing of the transaction and an additional $33.0 million to be paid in twelve equal quarterly installments from January 2021 to October 2023. The agreement also provides the Company with the potential for two additional contingent payments totaling $3.3 million.

Off-Balance Sheet Arrangements

As of June 30, 2020, we did not have any off-balance sheet arrangements, as defined under SEC Regulation S-K Item 303(a)(4)(ii).

Contractual Obligations

Convertible Senior Notes

As of June 30, 2020, our outstanding notes consisted of notes due in December 2021 and December 2024, which in the aggregate totaled $14.8 million in principal.

We expect that our debt service obligations over the next several years will consist of interest payments and the repurchase or repayment of our December 2021 Notes and December 2024 Notes. We have actively repurchased the convertible senior notes in privately negotiated transactions and in the open market using cash on hand.

Guarantees

Redwood City Lease Guarantee

In connection with the spin-off of Facet Biotech Corporation ("Facet"), we entered into amendments to the leases for our former facilities in Redwood City, California, under which Facet was added as a co-tenant, and a Co-Tenancy Agreement, under which Facet agreed to indemnify us for all matters related to the leases attributable to the period after the spin-off date. In April 2010, Abbott Laboratories acquired Facet and later renamed the entity AbbVie Biotherapeutics, Inc. ("AbbVie"). If AbbVie were to default under its lease obligations, we could be held liable by the landlord as a co-tenant and, thus, we have in substance guaranteed the payments under the lease agreements for the Redwood City facilities. As of June 30, 2020, the total lease payments for the duration of the guarantee, which runs through December 2021, are approximately $16.9 million. For additional information regarding our lease guarantee, see Note 13, *Commitments and Contingencies*.

Purchase Obligation

Noden DAC and Novartis entered into a supply agreement pursuant to which Novartis will manufacture and supply to Noden DAC a bulk tableted form of the Noden Products and the active pharmaceutical ingredient ("API"). In May 2019, Noden DAC and Novartis entered into an amended supply agreement pursuant to which Novartis will supply to Noden DAC a bulk tableted form of the Noden Products through 2020 and API through June 2021. While the supply agreement provides that the parties will agree to reasonable accommodations with respect to changes in firm orders, we expect that Noden DAC will meet the requirements of the supply agreement, unless otherwise negotiated. The supply agreement may be terminated by either party for material breach that remains uncured for a specified time period. Under the terms of the amended supply agreement, Noden DAC is committed to purchase certain quantities of bulk product and API that would amount to approximately $37.4 million through June 2021, which is guaranteed by the Company. On July 30, 2020 we announced the signing of a definitive agreement for the sale of 100% of the outstanding stock in Noden Pharma DAC and Noden Pharma USA. Upon closing, we will be released of our guarantee to Novartis in connection with Noden's supply agreement.

LENSAR entered into various supply agreements for the manufacture and supply of certain components. The supply agreement commits LENSAR to a minimum purchase obligation of approximately $5.3 million, of which $3.9 million is due over the next twelve months. We have guaranteed up to $1.0 million of this commitment. We expect that LENSAR will meet this requirement.

PDL Parental Financial Support for LENSAR

On July 17, 2020, the Company announced that LENSAR confidentially submitted a registration statement on Form 10 to the Securities and Exchange Commission relating to a potential spin-off as a stand-alone publicly-traded company. We continue to pursue various strategic alternatives for LENSAR in addition to a spin-off.

On June 19, 2020, in connection with the confidential Form 10 filing for the potential spin-off, we issued a letter to LENSAR's management and board of directors committing financial support to LENSAR up to $20.0 million through June 20, 2021. This letter was replaced with a new letter issued on August 4, 2020 committing financial support to LENSAR up to $20.0 million through August 5, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2020, there have been no material changes in our market risk from that described in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management has evaluated, with the participation of the chief executive officer and the chief financial officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, management concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2020, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 13, *Commitments and Contingencies*, to our Notes to Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q is incorporated by reference herein.

Class Action Antitrust Lawsuit

On September 18, 2019, the City of Providence filed a civil antitrust suit on behalf of a putative class of payors in the Northern District of California against Bausch Health Companies, Inc., Salix Pharmaceuticals, Inc., Santarus, Inc., Assertio Therapeutics, Inc., Lupin Pharmaceuticals, Inc. and the Company, inter alia, alleging that a patent settlement agreement between Assertio and Lupin unlawfully restrained competition in an alleged market for Glumetza and its AB-rated generic equivalents sold in the United States. The plaintiffs claim that the settlement agreement violated the federal Sherman Act and various state antitrust laws. The Company was a named defendant by certain End Payor Plaintiffs ("EPPs") due to its purchase from Assertio in 2013 of a royalty asset based on sales of Glumetza. On January 21, 2020, the EPPs voluntarily dismissed their claims against the Company, without prejudice. The Company has agreed to toll the running of statute of limitations for a limited period of time and to respond to certain discovery requests, subject to reasonable objections.

ITEM 1A. RISK FACTORS

Except for the additional risk factors set forth below, there have been no material changes to the risk factors included in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

The COVID-19 outbreak may adversely impact our business.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and has spread to nearly every country and region in the world, including those in which we and our subsidiaries operate. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. In response to the growing spread of COVID-19 globally, we have closed our executive offices with our employees continuing their work remotely. For our Medical Devices segment, the respective commercial teams of certain of the third parties that act as our distributors in international markets have chosen or have been forced to take similar action, and those or other distributors may choose or be forced to take similar action in the future. Neither we, nor our distributors have significant experience operating with the majority of our respective work forces working from home, and this may disrupt standard operations for us or them, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our respective abilities to conduct business in the ordinary course. In addition, having our employees working from home may increase our cybersecurity risk, create data accessibility concerns and make us more susceptible to communication disruptions, any of which could adversely impact our business operations or delay necessary interactions with local and federal regulators, ethics committees, manufacturing sites, research or clinical trial sites and other important agencies and contractors. As the COVID-19 pandemic continues to spread around the globe, we may experience additional disruptions that could severely impact our business and the financial condition of our company and our subsidiaries.

Additionally, as part of our monetization strategy we are exploring and evaluating potential transactions, the success or timing of which may be impacted by the growing spread of COVID-19 globally. In order to successfully monetize our assets, we must identify and complete one or more transactions with third parties. The business and assets and the availability of potential buyers of our company or certain of our assets may be significantly impacted by public health issues or pandemics, including COVID-19. For example, many jurisdictions have imposed, or in the future may impose, "shelter-in-place" orders, quarantines or similar orders or restrictions to control the spread of COVID-19 by restricting non-essential activities, including the suspension of elective surgeries and various business operations. These types of orders and restrictions have resulted in a significant decrease in the number of and demand for non-essential or elective medical procedures, including cataract surgeries, since the outbreak of the pandemic and have had a significant negative impact on LENSAR's operations. Further, the uncertain severity and impact of COVID-19 could result in reduced demand for our assets by third parties or reduced values such parties may ascribe to our assets, as well as potentially affect our own ability to operate.

Even if we are able to identify potential transactions in furtherance of our monetization strategy, such buyers may be operationally constrained or unable to locate financing on attractive terms or at all, which risk may be heightened due to the uncertainty of COVID-19 and its impact. We are subject to increased risk that the growing spread of COVID-19 is affecting, and will continue to affect, both in the near term and in the future, the geographies of any third parties we identify as possible counterparties to any monetization transaction. If financing is unavailable to potential buyers of our company or assets, or if potential buyers are unwilling to engage in various transactions due to the uncertainty in the market, our ability to complete such acquisition would be significantly impaired.

Any negative impact on such third parties due to any of the foregoing events could cause costly delays and have a material adverse effect on our ability to return value to our stockholders, including our ability to realize full value from a sale or other disposition of our assets as part of our monetization strategy or significantly delaying such sales or other dispositions. Any such negative impacts could also reduce the amount of cash or other property we are able to distribute to our shareholders. In addition, if members of our management team were to be affected by COVID-19, this could significantly delay or impair our ability to execute our monetization strategy. The COVID-19 pandemic continues to rapidly evolve. The extent to which the COVID-19 may impact our business and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease; the development, effectiveness and availability of a vaccine;, the duration of the pandemic, travel restrictions and social distancing in the United States and other countries; voluntary and government imposed business closures or business disruptions; bankruptcies of our customers or potential customers and suppliers; and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

We may be unable to accurately forecast customer demand and our inventory levels.

We generally do not maintain large volumes of finished goods and anticipating demand for our products may be challenging as cataract surgeon demand and adoption rates can be unpredictable. For example, as use of our LENSAR Laser System is adopted by more cataract surgeons, we anticipate greater fluctuations in demand for our products, which makes demand forecasting more difficult. Our forecasts are based on management’s judgment and assumptions, each of which may introduce error into our estimates. Additionally, uncertainty regarding the severity, duration and future government responses to the COVID-19 pandemic increases the uncertainty of our forecasts. If we underestimate customer demand or if insufficient manufacturing capacity is available, we would miss revenue opportunities and potentially lose market share, damage our customer relationships and impact the potential value our stockholders could receive from the sale or other disposition of these assets. Conversely, if we overestimate customer demand, our excess or obsolete inventory may increase significantly, which would reduce our gross margin and adversely affect our financial results.

Our insurance policies are expensive and protect us only from some business risks, which leaves us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. Although we carry product liability insurance in the United States, we can give no assurance that such coverage will be available or adequate to satisfy any claims. Product liability insurance is expensive, subject to significant deductibles and exclusions, and may not be available on acceptable terms, if at all. If we are unable to obtain or maintain insurance at an acceptable cost or on acceptable terms with adequate coverage or otherwise protect against potential product liability claims, we could be exposed to significant liabilities. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could have a material adverse effect on our business, financial condition and results of operations. Defending a suit, regardless of its merit or eventual outcome, could be costly, could divert management’s attention from our business and might result in adverse publicity, which could result in reduced acceptance of our products in the market, product recalls or market withdrawals.

We do not carry specific hazardous waste insurance coverage, and our insurance policies generally exclude coverage for damages and fines arising from hazardous waste exposure or contamination. Accordingly, in the event of contamination or

injury, we could be held liable for damages or be penalized with fines in an amount exceeding our resources, and our clinical trials or regulatory approvals could be suspended.

We do not know, however, if we will be able to maintain existing insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would negatively affect our business, financial condition and results of operations.

Failure to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions or data corruption could materially disrupt our operations and adversely affect our business and operating results.

We rely on our information technology systems to effectively manage sales and marketing data, accounting and financial functions, inventory management, product development tasks, clinical data, customer service and technical support functions. Our information technology systems are vulnerable to damage or interruption from earthquakes, fires, floods and other natural disasters, terrorist attacks, power losses, computer system or data network failures, security breaches, data corruption and cyber-based attacks, including malicious software programs or other attacks, which have been attempted against us in the past. In addition, a variety of our software systems are cloud-based data management applications, hosted by third-party service providers whose security and information technology systems are subject to similar risks.

The failure to protect either our or our service providers' information technology infrastructure could disrupt our entire operation or result in decreased sales and leases of our products, increased overhead costs, product shortages, loss or misuse of proprietary or confidential information, intellectual property or sensitive or personal information, all of which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to the risk of natural disasters, adverse weather events and other catastrophic events, and to interruption by manmade problems such as terrorism.

Our business is vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors and similar events. The third-party systems and operations on which we rely are subject to similar risks. For example, a significant natural disaster, such as an earthquake, fire or flood, could have an adverse effect on our business, financial condition and operating results, and our insurance coverage may be insufficient to compensate us for losses that may occur.

Acts of terrorism could also cause disruptions in our businesses, consumer demand or the economy as a whole. We may not have sufficient protection or recovery plans in some circumstances, such as if a natural disaster affects locations that store a significant amount of our inventory. Any such damage or interruptions could negatively affect our ability to run our business, which could have an adverse effect on our business, financial condition, and operating results.

We may not be able to realize certain expected tax benefits.

During 2020, we have engaged and may continue to engage in certain transactions that may result in the recognition of ordinary tax losses. Such losses, through the recently enacted provisions of the CARES Act, could generate meaningful tax benefits to the Company as the CARES Act permits taxpayers to carry back five years any net operating losses arising in a taxable year beginning in 2018, 2019 or 2020. In connection with our monetization process, we expect to execute transactions that may result in ordinary tax losses that could be applied to prior tax years in which PDL was a substantial tax payor. There can be no assurance that such transactions will be completed or that such tax benefits will be realized as expected. Any failure to obtain such expected tax benefits under the CARES Act may increase our effective tax rate and reduce the funds available for distribution to our stockholders.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The following table contains information relating to the repurchases of our common stock made by us in the three months ended June 30, 2020 (in thousands, except per share amounts):

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of a Publicly Announced Program	Approximate Dollar Amount of Shares That May Yet be Purchased Under the Program [1]
April 1, 2020 to April 30, 2020	3,387	$ 3.03	9,721	$ 70,821
May 1, 2020 to May 31, 2020	2,602	$ 3.40	12,323	61,987
June 1, 2020 to June 30, 2020	—	$ —	12,323	61,987
Total for the three months ended June 30, 2020	5,989	$ 3.19	12,323	$ 61,987

[1] The approximate dollar amount of shares that may yet be purchased under the share repurchase program was reduced by the cash and PDL common stock issued as consideration to repurchase the convertible notes in December 2019 and the cash used to repurchase the convertible notes in the first quarter of 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Title
3.1	Restated Certificate of Incorporation effective March 23, 1993 (incorporated by reference to Exhibit 3.1 to Annual Report on Form 10-K filed March 31, 1993)
3.2	Certificate of Amendment of Certificate of Incorporation effective August 21, 2001 (incorporated by reference to Exhibit 3.3 to Annual Report on Form 10-K filed March 14, 2002)
3.3	Certificate of Amendment of Certificate of Incorporation effective January 9, 2006 (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed January 10, 2006
3.4	Certificate of Designation, Preferences and Rights of the Terms effective August 25, 2006 (incorporated by reference to Exhibit 3.4 to Registration Statement on Form 8-A filed September 6, 2006)
3.5	Third Amended and Restated Bylaws effective December 4, 2014 (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed December 9, 2014)
3.6	Certificate of Amendment of Restated Certificate of Incorporation effective May 22, 2013 (incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 filed June 21, 2013)
10.1#†	Share Purchase Agreement between Bartleby Limited and the Company, dated as of July 30, 2020
31.1#	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2#	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1#+	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Filed herewith.

† Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10). The omitted information is not material and would likely cause competitive harm to the Company if publicly disclosed.

+ This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 7, 2020

PDL BIOPHARMA, INC. (REGISTRANT)

/s/ DOMINIQUE MONNET

Dominique Monnet

President and Chief Executive Officer (Principal Executive Officer)

/s/ EDWARD A. IMBROGNO

Edward A. Imbrogno

Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit __

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

SHARE PURCHASE AGREEMENT

between

Bartleby Limited (in the process of changing its name to CAT Capital Bidco Limited)

as "Buyer"

and

PDL BioPharma, Inc.

as "Seller"

dated as of July 30, 2020

CONTENTS

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this "Agreement"), dated as of July 30, 2020, by and between Bartleby Limited (in the process of changing its name to CAT Capital Bidco Limited), a private limited company incorporated in Ireland with registered number 670323 whose registered office is at 1st Floor, 118 Baggot Street Lower, Saint Peter's, Dublin, Ireland ("Buyer") and PDL BioPharma, Inc., a Delaware corporation ("Seller"). All capitalized terms used but not defined herein shall have the meanings specified in Article I.

RECITALS

WHEREAS, Seller owns one hundred percent (100%) of the issued and outstanding share capital of Noden Pharma Designated Activity Company, an Irish designated activity company limited by shares ("Noden DAC") on a fully diluted basis, and the capital stock of Noden Pharma USA, Inc., a Delaware corporation ("Noden USA" and, together with Noden DAC and Noden Schweiz, the "Acquired Companies" and each, individually, an "Acquired Company");

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of Seller's right, title and interest in and to one hundred percent (100%) of the issued and to be issued share capital and capital stock of Noden DAC and Noden USA on a fully diluted basis (the "Shares");

WHEREAS, all Management Options (as defined herein) that were outstanding and unexercised were cancelled and extinguished as of July 8, 2020;

WHEREAS, immediately prior to the Closing, Seller shall recapitalize its $66.1 million note payable from Noden DAC in exchange for 661,000,000 newly issued ordinary shares, nominal value $0.10 per share, of Noden DAC on the terms set forth in Schedule C (the "Intercompany Recapitalization");

WHEREAS, concurrently with this Agreement and as a material inducement for Buyer and Seller to enter into this Agreement, the Novartis Letter has been executed, to be effective as of the Closing;

WHEREAS, concurrently with the execution of this Agreement, and as a condition to the willingness of Seller to enter into this Agreement, (a) Buyer has delivered to Seller the guarantee (the "Limited Guarantee ") executed by the Investor, dated as of the date hereof and (b) Buyer and the Investor have executed and delivered the Equity Commitment Letter, dated as of the date hereof;

WHEREAS, the board of directors of each of Noden DAC and Noden USA has unanimously (i) declared that the transactions contemplated by this Agreement and the applicable Ancillary Agreements are fair, advisable and in the best interests of the applicable Acquired Company, and (ii) approved this Agreement and the applicable Ancillary Agreements and the transactions contemplated hereby and thereby, in each case, upon the terms and subject to the conditions set forth herein; and

WHEREAS, the parties desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.01 Certain Defined Terms.

For purposes of this Agreement:

“Acquired Companies Intellectual Property” means all Intellectual Property owned by the Acquired Companies.

“Acquired Companies IP Agreements” means all (a) licenses of Intellectual Property to the Acquired Companies from any third party, and (b) licenses of Intellectual Property by the Acquired Companies to third parties.

“Acquired Companies Products” means any molecule or other biologic related to the diagnosis, prevention or treatment of hypertension that is being developed or otherwise commercialized by or on behalf of the Acquired Companies as of the date hereof or as of the Closing Date, including as set forth on Schedule A.

“Action” means any Claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

“Affiliate” means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person. As used in this definition, “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by contract or otherwise.

“Alternative Proposal” means any bona fide proposal or offer made by any Person in a transaction or series of transactions for (i) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation, disposition or similar transaction involving directly or indirectly the Acquired Companies, the Acquired

Companies Products or the Business; (ii) the acquisition, directly or indirectly, by any Person of all or substantially all of the Assets outside the Ordinary Course of Business; or (iii) the acquisition by any Person of any Shares.

“Ancillary Agreements” means the Novartis Letter, the Equity Commitment Letter, the Limited Guarantee, the Senior Facilities Agreement, the Seller Security Documents, the Intercreditor Agreement and each other agreement, certificate and document required to be delivered by any of the parties pursuant to the terms of this Agreement.

“Antitrust Laws” means any Laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

“Assets” means the assets and properties of the Acquired Companies.

“Binding Agreement” means a definitive agreement duly executed and delivered by all the parties thereto, creating legal, valid and binding obligations on each of the parties thereto (and not any letter of intent, memorandum of understanding or similar documentation with no or limited binding provisions).

“Business” means the business operations of the Acquired Companies as of the date hereof.

“Business Day” means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in Los Angeles, California, London, England or Dublin, Ireland.

“Cash and Cash Equivalents” means (a) the aggregate unrestricted cash on hand or at a bank or other financial institution and all other cash equivalents that are immediately convertible to cash as at the Reference Time without deduction or penalty less (b) the aggregate amount of outstanding checks, drafts, and ACH transactions for which any of the Acquired Companies is liable that have not yet cleared as of the determination date.

“Change of Control” means a transaction or a series of transactions pursuant to which Buyer, directly or indirectly, sells or otherwise transfers, whether by merger or the acquisition of equity interests or assets or a similar transaction, the majority of the Shares or all or substantially all of the Assets or the Business to a Person that is not an Affiliate of Buyer (for the avoidance of doubt, an acquisition or buy-out led by the management of the Acquired Companies shall be considered a “similar transaction” so long as it otherwise would constitute a “Change of Control”).

“Claim” means any claim, counterclaims, cross-claims, demand, proceeding, cause of action (in law or in equity), suits, debts, Liens, agreements, promises, Liabilities of any nature whatsoever (including but not limited to, direct, indirect, consequential, exemplary, special or punitive), whether known or unknown, suspected or unsuspected, fixed or contingent, and whether founded in tort, contract, statute, common law, administrative regulation, or any duties arising thereunder or otherwise (including contribution).

“Closing Cash” means the Cash and Cash Equivalents of the Acquired Companies as of the Reference Time.

“Closing Cash Excess” means the amount, if any, by which the Minimum Closing Cash is less than the Closing Cash.

“Closing Cash Shortage” means the amount, if any, by which the Minimum Closing Cash is greater than the Closing Cash.

“Closing Indebtedness” means the Indebtedness of the Acquired Companies as of the Reference Time.

“Closing Net Working Capital” means the Net Working Capital as of the Reference Time.

“Closing Net Working Capital Overage” means the amount, if any, by which the Closing Net Working Capital is greater than the Target Net Working Capital.

“Closing Net Working Capital Shortage” means the amount, if any, by which the Closing Net Working Capital is less than the Target Net Working Capital.

“Code” means the Internal Revenue Code of 1986, as amended.

“Companies Act” means the Companies Act 2014 of Ireland and all orders, statutory instruments and regulations made thereunder and intended to be construed as one with the Companies Act 2014 of Ireland.

“Confidential Investor Memorandum” means Project Nugget – Confidential Investor Memorandum, dated March 2020.

“Contract” means any legally binding agreement, contract, license, statements of work, work orders, purchase orders, obligation, undertaking or instrument (whether written or oral), including all amendments thereto.

“Debt Financing Documents” means the agreements, documents and certificates expressly contemplated by the Debt Financing, including without limitation: (a) all credit agreements, loan documents, purchase agreements, underwriting agreements, indentures, debentures, notes, intercreditor agreements and security documents pursuant to which the Debt Financing will be governed; (b) officer, secretary, solvency and perfection certificates, legal opinions, corporate organizational documents, good standing certificates, lien searches, and resolutions contemplated by the Senior Facilities Agreement or requested by the Buyer or its financing sources; (c) all documentation and other information required by bank regulatory authorities under applicable “know-your-customer” and anti-money laundering rules and regulations, including the Patriot Act; and (d) agreements, documents or certificates that facilitate the creation, perfection or enforcement of liens securing the Debt Financing (including original copies of all certificated

securities (with transfer powers executed in blank), control agreements, surveys, title insurance, landlord consent and access letters) as are requested by Buyer or its financing sources.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory is the subject of any Sanction.

“Disclosure Schedule” means the disclosure schedule delivered with and attached hereto.

“EBITDA” means net income before interest expense, taxes based on income and profits, depreciation and amortization for the applicable period, each as determined in accordance with GAAP, as in effect at the time of determination.

“Environmental Claim” means any Action, order, demand or notice by any Governmental Authority or any other Person alleging actual or potential liability (including actual or potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, attorneys’ fees, or penalties) arising out of, based on or resulting from or relating to (a) the presence, Release or threatened Release of, or exposure to, any Materials of Environmental Concern at any location, whether or not owned or operated by the Seller or any of the Acquired Companies, or (b) circumstances forming the basis of any violation or alleged violation of any Environmental, Health and Safety Laws.

“Environmental, Health and Safety Laws” means any Law, Contract or Governmental Order relating to (a) pollution or the protection of the environment, (b) human health and safety, or (c) employee health and safety, including any of the foregoing relating to the presence or Releases or threatened Releases of Materials of Environmental Concern into ambient air, vapor, surface water, ground water, land surface or subsurface strata, and natural resources or otherwise relating to the manufacture, generation, processing, marketing, labeling, registration, notification, packaging, import, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environmental Concern, or recordkeeping, notification, disclosure, or reporting requirements regarding Materials of Environmental Concern, or to the preservation of the environment or mitigation of adverse effects on or to human health or the environment.

“Family” means, with respect to any individual, (i) the individual, (ii) her or his spouse, (iii) any other natural person who is related to her or him or her or his spouse through blood or marriage, and (iv) any other natural person who resides with her or him.

“FDA” means the United States Food and Drug Administration or any successor agency thereto.

“Financing Conditions” means (a) with respect to the Debt Financing, the conditions precedent set forth in Part 1 of Schedule 2 of the Senior Facilities Agreement, and (b) with respect to the Equity Financing, the conditions precedent to Buyer’s obligations set forth in the Equity Commitment Letter.

“Financing Failure Event” means any of the following (a) the commitments with respect to all or any portion of the Financing expiring or being terminated, (b) for any reason, all or any portion

of the Financing becoming unavailable, (c) a breach or repudiation or threatened or anticipated breach or repudiation by any party to the Commitment Letters, (d) it becoming reasonably foreseeable that any of the events set forth in clauses (a) through (c) shall occur, or (e) any party to a Commitment Letter or any Affiliate or agent of such Person shall allege that any of the events set forth in clauses (a) through (c) has occurred.

"FRS102" means the generally accepted accounting principles in Ireland including the standards issued by the Financial Reporting Council in the United Kingdom and the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

"GAAP" means the generally accepted accounting principles in the United States, including standards and interpretation issued or adopted by the Financial Accounting Standards Board, as in effect as of the Reference Time (except as otherwise expressly provided herein).

"Government Official" means any officer, director or employee of any Governmental Authority or immediate relative of any of the foregoing including any government officer or employee, any officer or employees of any government-controlled entity, any employee of a government-owned or -controlled (in whole or in part) business, any Person acting in an official capacity for or on behalf of any Governmental Authority.

"Governmental Authority" means any federal, state, local or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Healthcare Laws" means the Federal Food, Drug, and Cosmetic Act, as amended, at 21 U.S.C. §§ 301 et seq. and its implementing regulations and guidances, the Public Health Service Act (42 U.S.C. § 201 et seq.), Medicare (Title XVIII of the Social Security Act) and Medicaid (Title XIX of the Social Security Act), the Federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the Stark Anti-Self-Referral Law (42 U.S.C. §§ 1395nn), the Anti-Inducement Law (42 U.S.C. § 1320a-7a(a)(5)), the civil False Claims Act (31 U.S.C. §§ 3729 et seq.), the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)), the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information Technology for Economic and Clinical Health Act (42 U.S.C. §§ 17921 et seq.), the exclusion Laws (42 U.S.C. § 1320a-7), all regulations or guidance promulgated pursuant to such Laws, all Laws and Governmental Orders administered by the FDA and similar Governmental Authorities outside the United States, and any other foreign, federal, or state Law that regulates the design, development, testing, studying, manufacturing, processing, storing, importing or exporting, licensing, labeling or packaging, advertising, distributing or marketing of pharmaceuticals or biologics, or that is related to kickbacks, patient or program charges, recordkeeping, claims process, documentation requirements, medical necessity, referrals, the hiring of employees or acquisition of services or supplies from those who have been excluded from government health

care programs, quality, safety, privacy, security, licensure, accreditation or any other aspect of providing health care services (but excluding any Environmental, Health and Safety Laws).

“Indebtedness” of any Person means, without duplication, (a) all indebtedness for borrowed money including borrowings from any bank, financial institution or other entity (including, for the avoidance of doubt, Seller and its Affiliates, including for the avoidance of doubt the Noden USA Payable); (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables and accrued liabilities entered into in the Ordinary Course of Business to the extent included in Net Working Capital); (c) all reimbursement or payment obligations with respect to surety instruments; (d) all obligations evidenced by notes, loan stock, bonds, debentures, commercial paper or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all capitalized lease obligations; (g) an amount equal to all accrued but unpaid Tax liabilities (other than deferred Tax liabilities, pre-paid VAT and normal course operating tax assets) of the Acquired Companies and their subsidiaries attributable to any taxable period (or portion thereof) ending on or before the Closing Date; (h) any liabilities related to the cancelling and/or vesting of Management Options (including any compensation outstanding to employees in relation to their cancellation or vesting) as at the Reference Time; (i) any amounts incurred in relation to redundancy payments made in Ireland (but specifically excluding any amounts arising out of Buyer’s actions after Closing); (j) any severance payment obligations triggered by events occurring prior to the Closing but not yet paid (whether or not due and payable as of the Closing); (k) any unfunded or underfunded Liabilities pursuant to any pension or non-qualified deferred compensation plan or arrangement (including the Pension Scheme) and any earned but unpaid compensation (including salary, bonuses and paid time off) for any period prior to the Closing Date; all guaranty obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (k) above; and (n) all accrued but unpaid interest and other charges, including prepayment fees or penalties, premiums, breakage costs, hedge termination costs or any other charges or costs relating to the discharge of any of the items referred to in clauses (a) through (m) above. For the avoidance of doubt, the Outstanding Closing Novartis Balance shall not be considered Indebtedness.

“Intellectual Property” means all United States and foreign (a) patents and patent applications, including supplementary protection certificates and similar rights; (b) trademarks, service marks, trade names, and trade dress, together with the goodwill of the business associated exclusively therewith (whether registered or unregistered), (c) internet domain names, (d) copyrights, including copyrights in computer software or arising from works made for hire, works of authorship, moral rights, compilations, databases, data collections or other collections of information, and (e) confidential information, trade secrets, know-how and data.

“Inventory” means all raw materials, works in process, byproducts, finished goods and production, packaging and other materials and supplies related to the Business, including any such items consigned to others.

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[***]

[***]

[***]

“Law” means any federal, state, local, foreign, provincial or similar statute, law, ordinance, directive, regulation, rule, code, requirement or rule of law (including common law).

“Leased Real Property” means any real property leased, subleased or occupied under any occupancy agreement by the Acquired Companies as lessor, lessee or occupant.

“Liability” means any and all liabilities and obligations of any kind or nature, whether known or unknown, accrued or fixed, absolute or contingent, matured or unmatured, or determined or determinable.

“Liens” means all liens, mortgages, easements, charges, restrictions, claims, security interests, pledges, options or other encumbrances of any nature.

“Loss” means any loss, damage, Claim, cost and expense, interest, award, judgment, fine or penalty (including reasonable attorneys’ fees and expenses) actually suffered or incurred, except for punitive damages unless paid to a third party.

[***]

[***]

“Management Options” means all options, whether vested or unvested, to acquire or subscribe for ordinary shares of Noden DAC granted or awarded to any Person (whether a current or former employee, consultant, director or otherwise) pursuant to the Share Incentive Plan.

“Material Adverse Effect” means any event, circumstance, change or effect that has, or is reasonably expected to have, a material adverse effect on (i) the ability of Seller and the Acquired Companies to consummate the transactions contemplated hereby, or (ii) the Business, Assets, results of operations or condition (financial or otherwise) of the Acquired Companies, taken as a whole; provided, however, that none of the following, either alone or in combination, shall be considered in determining whether there has been a “Material Adverse Effect”: (a) events, circumstances, changes or effects that generally affect the industry or markets in which the Acquired Companies operate (including legal and regulatory changes), (b) any change in

national or international political, economic or social conditions or the securities markets, including events, circumstances, changes or effects caused by any outbreak or escalation of war, act of foreign enemies, hostilities, terrorist activities, global health conditions (including any epidemic, pandemic, or disease outbreak (including the COVID-19 virus)) or acts of nature, (c) any failure by the Acquired Companies to meet any estimates or expectations of the Acquired Companies' revenue, earnings or other financial performance or results of operations for any period or any failure by the Acquired Companies to meet any internal budgets, projections, plans or forecasts of its revenues, earnings or other financial performance or results of operations (it being understood that the underlying cause of such decline, change or failure may be taken into account when determining whether a "Material Adverse Effect" has occurred or would be reasonably likely to occur), (d) changes or effects arising from or related to the announcement of this Agreement and the identity of Buyer, (e) any changes in Laws or accounting requirements or principles or the interpretations thereof, and (f) the performance of the Acquired Companies of expressly required obligations of this Agreement, or (y) any written request by Buyer except, in the cases of clauses (a), (b), (c) and (e), to the extent the effects of such change, effect, circumstance or event are disproportionately adverse to the business, assets, operations or condition (financial or otherwise) of the Acquired Companies, taken as a whole, as compared to other companies in the industry in which the Acquired Companies operate.

"Material Amendment" means any amendment, change or modification to the Novartis Supply Agreement other than as expressly contemplated in the Novartis Letter.

"Material Interest" means direct or indirect ownership of voting securities or other voting interests representing at least 5% of the outstanding voting power of a Person, equity securities or other equity interests representing at least 5% of the outstanding equity securities or equity interests in a Person or, if a Person is a trust, beneficial interests in such Person.

"Materials of Environmental Concern" means any hazardous waste, as defined by 42 U.S.C. Section 6903(5), any hazardous substance as defined by 42 U.S.C. Section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. Section 9601(33), any toxic substance, petroleum and petroleum products, by-products, derivatives or wastes, pesticide, herbicide, fungicide, biocide, insecticide, oil, asbestos or asbestos-containing materials or products, polychlorinated biphenyls (PCBs) or materials containing same, polyfluoroalkyl substances, lead or lead-based paints or materials, radon, fungus, mold or hazardous material or any other waste, material, chemical or substance regulated, or for which standards of conduct or liability may be imposed, under any Environmental, Health and Safety Laws due to its hazardous, radioactive, noxious, toxic or harmful properties or characteristics.

"Minimum Closing Cash" means $19,300,000.

"NDA Assignment Agreement" means the assignment agreement, in the form attached hereto as Exhibit G.

"Net Working Capital" as of the Reference Date means, without duplication, (a) the combined current Assets of the Acquired Companies excluding Inventory, deferred cost Inventory,

advances under any employee scheme, Cash and Cash Equivalents (provided, that the full amount of the Closing Cash Excess shall be counted as an Asset), minus (b) the combined current Liabilities or appropriate trading Liabilities (to the extent not included in current Liabilities or in Indebtedness) of the Acquired Companies. For the avoidance of doubt, Net Working Capital (i) shall include (x) all bonus accruals for employees for the year ended 31 December 2020 as a current Liability, which shall be calculated on a pro-rata basis assuming that the maximum performance targets for the year have been met, together with any other transaction related one-off payments or accruals (including any associated Taxes and associated social security costs), (y) (1) [***] and (2) the pre-paid VAT paid by the Acquired Companies, as of the Closing Date as a current Asset, and (z) [***] and (ii) shall exclude (w) any current or non-current, deferred or non-deferred Tax Assets (other than as provided in preceding clause (i)(y) of this definition of "Net Working Capital") or Liabilities, including pre-paid federal or state Taxes; (x) the Outstanding Closing Novartis Balance, including any inventory of the Acquired Companies from Novartis or accounts payable relating to Novartis; (y) Contract assets, and (z) [***].

"Noden USA Payable" means that certain intercompany payable owed by Noden USA to Seller in the amount of $3,505,718.00.

"Non-Recourse Parties" means, with respect to any Person, such Person's past, current or future Related Persons, equityholders, agents, employees, incorporators, advisors, representatives, successors and assigns.

"Novartis" means Novartis Pharma AG, a company organized under the laws of Switzerland.

"Novartis Letter" means the payoff letter, in the form attached hereto as Exhibit B.

"Novartis Payment VAT" means any VAT payable in respect of the payment pursuant to Section 2.02(b) for the Outstanding Closing Novartis Balance.

"Novartis Supply Agreement" means that Supply Agreement, dated May 24, 2016, as amended from time to time, by and between Noden DAC and Novartis.

"Noden Schweiz" means Noden Pharma Schweiz GmbH, a Swiss company and wholly-owned subsidiary of Noden DAC.

"Obligor" means Obligor, as defined in the Senior Facilities Agreement (or after entry into a Replacement Financing, the corresponding terms used in such Replacement Financing).

"OFAC" means the Office of Foreign Assets Control.

"Ordinary Course of Business" means any action taken by the Acquired Companies if such action is taken in the ordinary course of operations and business consistent with past practice.

“Organizational Documents” means (i) articles or certificate of incorporation, bylaws, memorandum or articles of association, shareholders or stockholders agreements, registration rights agreements, voting agreements, investor rights agreements, regulations or similar governing instruments, (ii) minutes of board meetings, shareholder meetings or similar meetings and written resolutions of the board or shareholders, and (iii) in respect of Noden DAC, the beneficial ownership register and statutory books and registers of Noden DAC.

“Outside Date” means August 24, 2020.

“Outstanding Closing Novartis Balance” means the amount set forth on Schedule B.

“Pension Scheme” means the defined contribution pension scheme operated by Noden DAC for and in respect of its employees.

“Permit” means any license, franchise, permit, certification, approval, registration or authorization of or from any Governmental Authority.

“Permitted Buyer Financial Indebtedness” means Financial Indebtedness (i) that is secured by any asset of the Obligors on a senior basis to the Liens securing the Post-Closing Payments so long as the Net Leverage Ratio (determined pro forma for incurrence and drawing in full of any proposed Financial Indebtedness and the proposed use of proceeds therefrom and without counting the proceeds of proposed Financial Indebtedness) does not exceed (x) on or prior to June 30, 2022, 4.25:1.00 and (y) from and after July 1, 2022, 4.50:1.00 and (ii) that is secured by any asset of the Obligors on a senior basis to, or on a pari passu basis with, the Liens securing the Post-Closing Payments so long as the Total Net Leverage Ratio (determined pro forma for incurrence and drawing in full of any proposed Financial Indebtedness and the proposed use of proceeds therefrom and without counting the proceeds of proposed Financial Indebtedness) does not exceed (x) on or prior to June 30, 2022, 5.25:1.00 and (y) from and after July 1, 2022, 5.50:1.00. All capitalized terms used in this definition that are not otherwise defined in this Agreement (including any component definitions thereof), shall have the meanings assigned to such terms in the Senior Facilities Agreement.

“Permitted Liens” means (a) statutory Liens for current Taxes not yet due or delinquent or the validity or amount of which is being contested in good faith by appropriate proceedings and for which adequate accruals or reserves have been established, (b) mechanics’, materialmen’s, carriers’, workers’, repairers’, warehousemen’s and other similar Liens arising or incurred in the Ordinary Course of Business relating to obligations as to which there is no default on the part of the Acquired Companies, or the validity or amount of which is being contested in good faith by appropriate proceedings and for which adequate accruals or reserves have been established, or pledges, deposits or other Liens securing the performance of bids, trade contracts, leases or statutory obligations (including workers’ compensation, unemployment insurance or other social security legislation), (c) Liens imposed or promulgated by Law with respect to real property and improvements, including zoning, entitlement, conservation restriction and other land use and environmental regulations by Governmental Authorities which do not materially interfere with the present use of the Assets, (d) all covenants, conditions, restrictions, easements, charges,

rights-of-way, licenses or claims of the same, whether or not shown by the public records, and other Liens and similar matters which do not materially interfere with the present use of the Assets, (e) boundary line disputes, overlaps, encroachments and other matters, whether or not of record, which would be disclosed by an accurate survey or personal inspection which do not materially impair the occupancy or current use of the Assets, (f) rights of parties in possession which do not materially impair the occupancy or current use of the Assets, and (g) title to any portion of the premises lying within the right of way or boundary of any public road or private road which do not materially impair the occupancy or current use of the Assets.

“Person” means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

“Post-Closing Payments” means, individually and collectively, the Additional Quarterly Payments due to Seller pursuant to Section 2.07, the Contingent Consideration due to Seller pursuant to Section 2.08, and the [***] due to Seller pursuant to Section 2.09.

“Pre-Closing Tax Period” means any Tax period ending on or before the Closing Date and that portion of any Straddle Period ending on the Closing Date.

“Privacy Laws” means any Law related to the protection, privacy and security of sensitive personal information, including without limitation, HIPAA and associated regulations; all state and local data privacy and security Laws dealing with data security and the protection of personal information; the Sarbanes-Oxley corporate financials regulations; the information collection, reporting, and safeguarding requirements of the FDA regulations; Payment Card issuers (PCI) credit card data security standards; the European Economic Area national data protection legislation consistent with the Data Protection Directive 95/46/EC issued by the European Commission; and all other similar federal, state and foreign Laws, rules, and regulations concerning the privacy and security of information.

“Purchase Price” means an amount equal to $31,800,000, minus (i) the Closing Cash Shortage, if any, plus (ii) the Closing Net Working Capital Overage, if any, minus (iii) the Closing Net Working Capital Shortage, if any, minus (iv) the Closing Indebtedness, minus (v) Transaction Expenses.

“Real Property Leases” means any lease, sublease or occupancy agreement (including any option to purchase contained therein together with all consents, amendments, supplements, letter agreements, guaranties and other modifications thereof or thereto) pursuant to which any Acquired Company leases as lessee, sublessee, licensee or tenant any Leased Real Property.

“Reference Balance Sheet” means the consolidated balance sheets of the Acquired Companies as of the Reference Statement Date.

“Reference Statement Date” means March 31, 2020.

“Reference Time” means 12:00 a.m., British Summer Time, on the day the Closing occurs.

“Refinancing” means the raising of capital, whether equity or indebtedness (including convertible indebtedness) on arm’s length terms from third parties that are not Affiliates of Buyer to either (i) finance a Specified Transaction, or (ii) finance the capital structure of the Acquired Companies and Buyer following consummation of a Specified Transaction.

“Related Person” means (a) with respect to an individual (i) each member of her or his Family, (ii) any Person directly or indirectly controlled by her or him or one or more members of her or his Family, or (iii) any Person with respect to which he or she or one or more members of his or her Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity) or (iv) his legal, financial or other professional adviser of such individual and (b) with respect to a Person other than an individual, (i) any Affiliate of such Person, (ii) any Person that holds a Material Interest in such Person, (iii) each Person that serves as a director, officer, partner, member executor, or trustee of such Person (or in a similar capacity), (iv) any Person in which such Person holds a Material Interest, and (v) any Person with respect to which such Person serves as a general partner or a trustee (or in a similar capacity).

“Release” means any release, spill, emission, overflow, leaking, pumping, pouring, placing, dumping, emptying, discharge, disposing, arranging for disposal, abandoning, deposit, injection, escaping, leaching, seepage, infiltration or migration, whether intentional or accidental, authorized or unauthorized, into the environment or into or out of any property, including the disposal or abandonment of barrels, containers, tanks or other receptacles.

“Sanction(s)” means any sanction or similar restriction or penalty imposed or administered by any Governmental Authority.

“Section 82 Requirements” means the requirements of Section 82 of the Companies Act with respect to the provision of financial assistance;

“Securities Act” means the Securities Act of 1933, as amended.

“Seller Lease Guarantees” means those certain guarantees, dated October 1, 2016 and August 1, 2017, provided by Seller to [***].

“Separate Acquired Company Tax Return” means any Tax Return of or including an Acquired Company (including any consolidated, combined or unitary return) that does not include Seller or any its Affiliates other than the Acquired Companies.

“Share Incentive Plan” means the share incentive plan of Noden DAC as approved by the board of directors of Noden DAC on 29 June 2016 and adopted in final form on 12 October 2016.

“Specified Transaction” means (i) the transaction set forth on Annex B-1, (ii) the direct or indirect acquisition by Buyer of (x) a Person who is not an Affiliate of Buyer or (y) any business,

division or similar operations from a Person who is not an Affiliate of Buyer, in each case, by merger or the acquisition of equity interests or assets or similar transactions, in each case, if (a) such acquisition is listed on Annex B-2 or is in furtherance of the specialty pharmaceutical products platform that Buyer intends to create and develop through its acquisition of the Acquired Companies, (b) such acquired Person or business generated an actual EBITDA of at least $15,000,000 in the twelve (12) months immediately preceding the consummation of such acquisition, and (c) a Refinancing is consummated in connection with such acquisition, or (iii) a Change of Control (provided, however, that a Change of Control for purposes of this definition shall not include a sale or transfer of stock or equity of any of Buyer's direct or indirect parent entities or other equityholders).

"Straddle Period" means any Tax period beginning before or on and ending after the Closing Date.

"Summary Approval Procedure" means the validation procedure required in connection with the Section 82 Requirements as set out in Chapter 7, Part 4, sections 200 – 211 of the Companies Act.

"Target Net Working Capital" means $0.

"Tax" or "Taxes" means any taxes, assessments, fees, and other governmental charges imposed by any Governmental Authority, including any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty, or addition thereto.

"Tax Contest" means any audit, other administrative proceeding or inquiry or judicial proceeding involving Taxes.

"Tax Returns" means any and all returns, reports and forms (including declarations, amendments, schedules, information returns or attachments thereto) required to be filed with a Governmental Authority with respect to Taxes.

"Total Net Leverage Ratio" means the Net Leverage Ratio; provided that, solely for purposes of this definition, Borrowings (which is a component definition of Net Leverage Ratio) shall include, without duplication, the Post-Closing Payments and any other Financial Indebtedness of the Obligors that is secured by any asset of the Obligors on a senior basis to, or on a pari passu basis with, the Liens securing the Post-Closing Payments. All capitalized terms used in this definition that are not otherwise defined in this Agreement (including any component definitions thereof), shall have the meanings assigned to such terms in the Senior Facilities Agreement.

"to the Knowledge of Seller" or similar terms used in this Agreement mean the knowledge of Alan Markey, Ciara Walsh, Michael Conlan and Loretta Cunningham, after reasonable inquiry.

"Transaction Expenses" means the following amounts incurred by or on behalf of the Acquired Companies to the extent remaining unpaid at the Reference Time or incurred as a consequence of Closing, (i) all amounts due to attorneys, accountants, financial advisors and other professional service providers, including their Affiliates, and all other expenses incurred in connection with the sale of the Acquired Companies, the negotiation of this Agreement and the consummation of the transactions contemplated hereby, (ii) any change in control bonus, transaction bonus, severance, retention or commission payments or other similar compensation payable to any current or former officer, director, employee, independent contractor, or other representative of the Acquired Companies before, at or after the Closing which, in each such case, is contingent upon, or is triggered or accelerated by reason of or in connection with, the execution of this Agreement or the consummation of the transactions contemplated hereby, whether alone or in combination with other events or the passage of time, and any severance payments that are triggered by a termination of employment which occurs on or prior to the Closing, (iii) the employer portion of any payroll, social security, unemployment or other employer Taxes associated with the amounts payable under clause (ii), and (iv) all documented and reasonable out-of-pockets costs and expenses not to exceed $25,000 incurred in connection with the review and negotiation of that certain Amended and Restated Limited Partnership Agreement, dated as of the hereof, in respect of Global Specialty Pharma L.P., by and among Stanley Capital GP Limited, as general partner, CAT L.P., as carry partner, the Persons set forth in Schedule 1 thereto, as limited partners, and Stanley Capital Limited, as Stanley Capital. For clarity, "Transaction Expenses" shall not include any current Liabilities to the extent included in the calculation of Closing Net Working Capital or Closing Indebtedness.

"VAT" means (a) Irish value added tax, (b) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112), and (c) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (b) above or imposed elsewhere, and for the avoidance of doubt shall include any value added tax or tax of a similar nature imposed in Switzerland.

"W&I Policy" means the warranty and insurance policy purchased by Buyer.

Section 1.02 Definitions.

The following terms have the meanings set forth in the Sections set forth below:

Acquired Companies	Recitals
Acquired Companies Licenses	Section 4.18(b)
Acquired Companies Shares	Section 4.01(a)
Acquired Company	Recitals
Additional Quarterly Payments	Section 2.07
Additional Security Documents	Section 2.09
Agreement	Preamble
Asset Allocation	Section 2.11

Auditor Section 2.06(c)
Buyer Preamble
Buyer Cure Period Section 10.01(e)
Buyer Employees Section 6.12(b)
Buyer Indemnified Parties Section 9.01
Closing Section 2.03(a)
Closing Date Section 2.03(a)
Commitment Letters Section 5.05
Consideration Allocation Section 2.11
Contingent Consideration Section 2.08
Debenture Section 2.09
Debt Facilities Amendment Section 2.10(e)
Debt Financing Section 5.05
Determination Date Section 2.06(c)
Disputed Amounts Section 2.06(c)
Equity Commitment Letter Section 5.05
Equity Financing Section 5.05
ERISA Section 4.13(a)
Estimated Closing Statement Section 2.06(a)
Estimated Purchase Price Section 2.06(a)
Existing Noden DAC Shares Section 4.01(a)
FDA Fraud Policy Section 4.18(d)
Final Closing Statement Section 2.06(b)
Financial Statements Section 4.05
Financing Section 5.05
Fundamental Representations Section 9.01
Indemnified Party Section 9.03
Indemnifying Party Section 9.03
Insurance Policies Section 4.21
Intercompany Amounts Section 6.06(b)
Intercompany Recapitalization Recitals
Intercreditor Agreement Section 2.09
Irish Stamp Taxes Section 8.03
IRS Section 4.13(c)
KPMG Section 2.06(c)
Lender Section 5.05
Limited Guarantee Recitals
Material Contracts Section 4.16
New Noden DAC Shares Section 4.01(b)
Noden CH Shares Section 4.01(a)
Noden DAC Recitals
Noden DAC Shares Section 4.01(b)
Noden USA Recitals
Noden USA Shares Section 4.01(a)
Non-Disclosure Agreement Section 6.02(b))

Notice of Disagreement Section 2.06(c)
Parent Section 2.10(a)
Parent Security Section 2.10(a)
Plans Section 4.13(a)
POA Contracts Section 4.16(j)
Rebate Contracts Section 4.16(q)
Released Claims Section 6.14
Releasee Section 6.14
Releasees Section 6.14
Replacement Financing Section 2.10(e)
Restricted Activity Section 6.12(b)
Restricted Territory Section 6.12(b)
Section 338(h)(10) Election Section 8.01(c)
Section 338(h)(10) Election Forms Section 8.01(c)
Seller Preamble
Seller Cure Period Section 10.01(d)
Seller Representatives Section 6.12(a)
Seller Security Documents Section 2.09
Senior Facilities Agreement Section 5.05
Shares Recitals
TCA Section 1.01(l)
Terminating Buyer Breach Section 10.01(e)
Terminating Seller Breach Section 10.01(d)
Transaction Payments Section 5.05
Transfer Taxes Section 8.03
Workers Section 4.14(e)

Section 1.03 Interpretation and Rules of Construction.

In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(a) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated;
(b) the table of contents, titles and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;
(c) whenever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation”;
(d) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(e) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;
(f) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;
(g) references to a Person are also to its successors and permitted assigns;
(h) references to dollars or $ shall, unless otherwise stated herein, be to the legal currency of the United States;
(i) the terms "provided," "made available" and similar expressions, when used with reference to documents or other materials provided or made available to Buyer, refer to all documents and other materials copies of which have been made accessible to Buyer or its representatives (x) not less than three (3) Business Days prior to the date hereof through the data room, or (y) in Section 1.03(i) of the Disclosure Schedule; and
(j) whenever the words "day" or "days" are used in this Agreement, they are deemed to refer to calendar days unless expressly stated to be Business Days.

ARTICLE II.

PURCHASE AND SALE

Section 2.01 Purchase and Sale of the Shares.

Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller hereby agrees to sell, transfer, convey, assign and deliver to Buyer, and Buyer hereby agrees to purchase, acquire and accept from Seller, all of Seller's right, title and interest in and to the Shares, free and clear of all Liens on the Shares (except those arising under applicable securities laws), for the consideration described in Section 2.02 below.

Section 2.02 Purchase Price.

(a) *Payment to Seller.* In consideration for the sale and delivery of the Shares by Seller, Buyer shall pay, by wire of immediately available funds, the Purchase Price, as set forth and pursuant to Section 2.05, Section 2.06 and the Additional Quarterly Payments pursuant to Section 2.07.
(b) *Novartis Payment.* At the Closing, Noden DAC shall pay or cause to be paid, by wire of immediately available funds (which shall include a portion of the Purchase Price that is paid by Buyer to Noden DAC pursuant to Section 2.05(b), along with the Closing Cash up to the Minimum Closing Cash), an aggregate amount equal to the Outstanding Closing Novartis Balance to Novartis.
(c) *Novartis Payment VAT.* At the Closing or promptly thereafter, Buyer shall pay or cause to be paid, by wire of immediately available funds the Novartis Payment VAT.
(d) *Intercompany Payable*. Promptly following the Closing and in any event within forty-eight (48) hours after the Closing, Buyer shall pay or cause to be paid to Seller, the Noden USA Payable.

Section 2.03 Closing.

(a) Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of Latham & Watkins LLP, 650 Town Center Drive, Costa Mesa, California, 92626 on the second (2nd) Business Day following the satisfaction or waiver of the conditions to the obligations of the parties hereto set forth in Section 7.01 and Section 7.02 (other than the conditions, which by their nature are to be satisfied at the Closing) (the "Closing Date"), or at such other place (including electronically) or at such other time or on such other date as Seller and Buyer may mutually agree upon in writing (including a virtual electronic closing). Notwithstanding anything contained herein, in no event shall the Closing occur before August 13, 2020 without the prior consent of Buyer.

(b) Prior to the registration of the transfer of the Noden DAC Shares, Seller shall (i) use commercially reasonable efforts to co-operate in any manner reasonably requested by Buyer for the convening and conduct of general meetings of shareholders of Noden DAC, (ii) execute on a timely basis all shareholder resolutions, proxy forms, appointment of representatives, documents of consent to short notice and such other documents that Buyer may reasonably request, and (iii) generally act in all respects as the nominees and at the reasonable direction of Buyer in respect of the Noden DAC Shares and all rights and interests attached thereto.

(c) At the Closing, Seller shall procure that a meeting of the Board of Directors of Noden DAC is held in compliance with its Organizational Documents (including with respect to the provisions relating to the quorum requirements) at which: (i) the transfers of the Noden DAC Shares to the Buyer are approved (subject only to stamping), (ii) such Persons as Buyer may nominate are appointed as directors and auditors of the Acquired Companies with immediate effect, and (iii) the resignations referred to in Section 2.04(c) are accepted.

Section 2.04 Closing Deliveries by Seller.

At the Closing, Seller shall deliver or cause to be delivered to Buyer:

(a) a true and complete copy, certified by the Secretary of the Seller, of the resolutions duly and validly adopted by the Board of Directors of the Seller evidencing its authorization of the execution and delivery of this Agreement and the applicable Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby;

(b) duly executed transfer instruments of the Shares to Buyer, in form reasonably satisfactory to Buyer, together with the original share certificates representing the Noden DAC Shares;

(c) written resignations from each director of the Acquired Companies from their position with the Acquired Companies (and not from any other

position such individuals may have with Seller or Seller's other Affiliates) in the form attached hereto as Exhibit C, effective as of the Closing;

(d) a certificate of a duly authorized officer of Seller certifying as to the matters set forth in Section 7.02(a);

(e) a duly executed copy of the NDA Assignment Agreement;

(f) the statutory books, records, registers (complete and duly written up-to-date), common seal, and certificate of incorporation of Noden DAC, including the original board resolutions of the directors of Noden DAC approving: (i) the transactions contemplated by this Agreement and (ii) the termination of the Share Incentive Plan, together with the original cancellation and termination agreements entered into in connection with the termination of the Management Options;

(g) details of the Irish tax reference number of the Seller (including evidence reasonably satisfactory to Buyer allowing it to verify the accuracy of the number provided);

(h) as described in Step 1 of Schedule C, a validly executed Internal Revenue Service Form 8832 electing to treat Noden DAC as an entity that is disregarded as separate from its owner for U.S. federal income tax purposes, effective approximately 30 days prior to the Closing Date; and

(i) to Buyer, a duly executed copy of the Intercreditor Agreement and to the security agent in respect of the Parent Security, the SPA Assignment and the Debenture, any documentation, confirmation, instruction or approval required by the security agent in connection with the execution and delivery of the Parent Security, the SPA Assignment and the Debenture.

Section 2.05 Closing Deliveries by Buyer.

At the Closing, Buyer shall deliver:

(a) to Seller, by wire transfer of immediately available funds, a portion of the Purchase Price in an amount equal to the Purchase Price *minus the sum of* (i) the amount paid to Noden DAC pursuant to Section 2.05(b) and (ii) 50% of the Novartis Payment VAT;

(b) to Noden DAC, by wire transfer of immediately available funds, a portion of the Purchase Price in an amount equal to $19,300,000;

(c) to Seller, a true and complete copy, certified by the Secretary of Buyer, of the resolutions duly and validly adopted by the Board of Directors of Buyer evidencing its authorization of the execution and delivery of this Agreement and the applicable Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby;

(d) to Seller, a certificate of a duly authorized officer of Buyer certifying as to the matters set forth in Section 7.01(a);

(e) to Seller, duly executed copies of the Parent Security, the SPA Assignment, the Debenture and Intercreditor Agreement by it and its applicable Affiliates; and

(f) to Seller, duly executed copies of the Irish Buyer Lease Guarantees (for the avoidance of doubt, the acceptance of such Irish Buyer Lease Guarantees by the Irish Landlord shall not be required).

Section 2.06 Purchase Price Calculations and Adjustments.

(a) Estimated Closing Statement. Not later than three (3) Business Days prior to the Closing, the Seller shall deliver to Buyer a written closing statement (the "Estimated Closing Statement") setting forth the good faith estimate of the Purchase Price (the "Estimated Purchase Price") and each of the elements set forth therein, including the estimates for each of Closing Net Working Capital, Closing Indebtedness, Closing Cash and Transaction Expenses, together with documents supporting in reasonable detail such estimates. The Estimated Closing Statement shall include a consolidated balance sheet of the Acquired Companies as of the Reference Time, prepared on a consistent basis with the Reference Balance Sheet, including with regard to the application of GAAP, and substantially in the form of Annex A. To the extent treatment under the Reference Balance Sheet is inconsistent with the definitions contained in this Agreement, the definitions herein shall control. Seller shall (x) promptly provide any additional information reasonably requested by Buyer with respect to the calculations of each of the items required to be set forth in the Estimated Closing Statement, and (y) consider in good faith and address any reasonable and specific written comments provided by Buyer to such calculations; provided that in no event shall any of the above (A) constitute the agreement of Buyer to any such amounts or their calculations, or (B) extend the two (2)-Business Day period referred to in the first sentence of this Section 2.06(a).

(b) Final Closing Statement. As soon as reasonably practicable following the Closing Date, and in any event within forty-five (45) calendar days thereafter, Buyer shall deliver to Seller a written statement (the "Final Closing Statement") consisting of the calculations set forth in the Estimated Closing Statement. Any amounts determined pursuant to the Final Closing Statement shall be paid to either Seller or Buyer pursuant to Section 2.06(d). The Final Closing Statement shall include a consolidated balance sheet of the Acquired Companies as of the Reference Time, prepared on a consistent basis with the Reference Balance Sheet, including with regard to the application of GAAP, and substantially in the form of Annex A. To the extent treatment under the Reference Balance Sheet is inconsistent with the definitions contained in this Agreement, the definitions herein shall control.

(c) Disputes. Upon delivery of the Final Closing Statement, Buyer will provide to Seller full access to the books and records of the Acquired Companies, to the extent reasonably necessary for the review of the Final Closing Statement. If Seller disagrees with any amount set forth on the Final Closing Statement or any elements of the Purchase Price thereto, Seller shall notify Buyer of such disagreement in writing within forty-five

(45) days after its receipt of the Final Closing Statement, which notice shall set forth in reasonable detail the particulars of such disagreement ("Notice of Disagreement"). In the event that Seller does not provide a Notice of Disagreement within such forty-five (45)-day period, Seller shall be deemed to have accepted the Final Closing Statement delivered by Buyer, which shall be final, binding and conclusive for all purposes hereunder. In the event any such Notice of Disagreement is timely provided within such forty-five (45)-day period by Seller, Buyer and Seller shall negotiate in good faith for a period of forty-five (45) days (or such longer period as they may mutually agree) to resolve any disagreements with respect to the amounts set forth on the Final Closing Statement and identified in the Notice of Disagreement. If, at the end of such period, Buyer and Seller are unable to resolve such disagreements, then KPMG LLP ("KPMG"), or if KPMG is not available, then another independent accounting firm of recognized international standing as shall be mutually selected by Buyer and Seller (provided that such accounting firm shall have no existing relationship with Buyer, Seller or the Acquired Companies) (the "Auditor") shall resolve any amounts remaining in dispute ("Disputed Amounts"). Seller and Buyer shall direct the Auditor to resolve the Disputed Amounts, as promptly as practicable, but in any event within thirty (30) days after the date on which such Disputed Amounts are referred to the Auditor, based solely on written submissions provided by Buyer and Seller to the Auditor within ten (10) days following the Auditor's selection. The Auditor shall provide each party with a copy of all submissions made by the other party once the last submission is made by the first party and each party shall have the right to respond to the last submission made to the Auditor by the other party. The Auditor shall act as an expert and not as an arbitrator. The Auditor shall resolve only the Disputed Amounts raised in the Notice of Disagreement, shall make a determination within the range of values assigned to each such item in the Final Closing Statement and the Notice of Disagreement and shall finalize the calculation of the Closing Net Working Capital, Closing Indebtedness, Closing Cash, and Transaction Expenses based solely on the resolution of the Disputed Amounts (and not by independent review). The fees and expenses of the Auditor shall be paid by Buyer and Seller in proportion to the difference between the Auditor's determination of Closing Net Working Capital, Closing Indebtedness, Closing Cash and Transaction Expenses and the value claimed by Buyer and Seller. For example, if it is Buyer's position that the adjustment owed is $300, Seller's position that the adjustment owed is $100 and the Auditor's finding is that the adjustment owed is $250, then Buyer shall pay 25% (300-250 / 300-100) of the Auditor's fees and expenses and Seller shall pay 75% (250-100 / 300-100) of such fees and expenses. The determination of the Auditor shall be final, conclusive and binding on the parties, absent fraud or manifest error. The date on which the Final Closing Statement is finally determined (whether by the agreement of the

parties or by the Auditor, as applicable) in accordance with this Section 2.06(c) is referred as to the "Determination Date."

(d) Payment. If the Purchase Price, as finally determined pursuant to Section 2.06(c), exceeds the Estimated Purchase Price, then Buyer shall pay such excess to Seller within three (3) Business Days after the applicable Determination Date. If the Estimated Purchase Price exceeds the Purchase Price, as finally determined pursuant to Section 2.06(c), then Seller shall pay such excess to Buyer within three (3) Business Days after the applicable Determination Date.

Section 2.07 Additional Quarterly Payments. In addition to the amounts set forth in Section 2.05(a), Buyer shall pay Seller an additional amount equal to $33,000,000 in twelve (12) equal quarterly payments (such payments, collectively, "Additional Quarterly Payments"), which shall be paid in the amount of $2,750,000, paid at the first week of each fiscal quarter beginning in January 2021 and ending with final payment in October 2023; provided that if there is a Change of Control, the amount set forth in this Section 2.07, to the extent not previously paid, shall become due and payable within fifteen (15) Business Days of consummation of such transaction.

Section 2.08 Contingent Payment. In the event that Buyer or any of its Affiliates enters into a Binding Agreement with respect to a Specified Transaction at any time prior to the one (1) year anniversary of the Closing Date and such Specified Transaction is ultimately closed, Buyer shall pay Seller an amount equal to $2,500,000 (the "Contingent Consideration"). The Contingent Consideration shall be paid by wire transfer of immediately available funds in two equal installments, with the first installment payable on the last Business Day of the quarter in which the Specified Transaction is consummated and the second installment payable on the last Business Day of the quarter immediately following the quarter in which the Specified Transaction is consummated. Buyer shall not structure any acquisition in a manner that would disqualify such transaction as a Specified Transaction if the primary reason for doing so is to circumvent the provisions of this Section 2.08 or the definitions of "Specified Transaction", "Change of Control" or "Refinancing". For the avoidance of doubt, the Contingent Consideration shall be payable only once even if several Binding Agreements that would each qualify as a Specified Transaction have been entered into during the aforementioned twelve (12)-month period.

Section 2.09 [***] If and to the extent actually received by Buyer, the Acquired Companies or their respective Affiliates following Closing, Buyer shall pay, or shall cause to be paid, to Seller, within ten (10) days of the receipt thereof, an amount equal to (i) fifty percent (50%) of the [***], or any portion thereof actually received by Buyer after the Closing (which, for the avoidance of doubt shall not exceed $750,000), minus (ii) all out-of-pocket costs incurred to receive, or obtain payment of, the [***]. Buyer shall not take any actions to negate or otherwise delay payment of the [***]; provided, however, that in no event shall Buyer be required to incur any costs or obligations in order to receive, or obtain payment of, the [***].

Section 2.10 Seller Security Documents.

(a) At the Closing, Buyer shall deliver, or shall cause to be delivered, to Seller (i) an Irish law governed charge (the "Parent Security by CAT Capital

Midco Limited ("Parent") in favor of (among other secured parties) Seller (or a security agent acting on behalf of the applicable secured parties, including Seller) over intra-group receivables owed to it by any member of the Group (as defined in the Senior Facilities Agreement) (including the Initial Shareholder Loans (as defined in the Senior Facilities Agreement), and the shares held by it in Buyer, duly executed and delivered by Parent, as security for the payment by Buyer of, the Post-Closing Payments subject to the terms of the Intercreditor Agreement and in each case, in the form agreed with the Lender, (ii) an Irish law governed all-asset debenture (the "Debenture") by Buyer in favor of (amongst other secured parties) Seller (or a security agent acting on behalf of the applicable secured parties, including Seller), duly executed and delivered by Buyer, as security for the payment by Buyer of the Post-Closing Payments subject to the terms of the Intercreditor Agreement and in the form agreed with the Lender, (iii) a New York law governed assignment of this Agreement (the "SPA Assignment") by Buyer in favor of (among other secured parties) Seller (or a security agent acting on behalf of the applicable secured parties, including Seller), duly executed and delivered by Buyer, as security for the payment by Buyer of the Post-Closing Payments subject to the terms of the Intercreditor Agreement, in the form agreed with the Lender, and (iv) an English law governed intercreditor agreement in the form attached hereto as Exhibit D (the "Intercreditor Agreement", duly executed and delivered by Parent, Buyer and the Lender (or a security agent acting on behalf of such Lender).

(b) From and after the Closing Date until discharge in full of the Post-Closing Payments, Buyer shall deliver, or shall cause to be delivered, to Seller one or more security documents duly executed by Parent, Buyer or any other Obligor in favor of Seller (or a security agent acting on behalf of the applicable secured parties, including Seller) (such documents, the "Additional Security Documents") and, together with the Parent Security, the SPA Assignment and the Debenture, the "Seller Security Documents"), as security for the payment by Buyer of the Post-Closing Payments subject to the terms of the Intercreditor Agreement, to the extent such Persons are required to enter into such documents with, or otherwise provide such documents in favor of, the Lender (or a security agent acting on behalf of such Lender) pursuant to the terms of the Senior Facilities Agreement (or after entry into a Replacement Financing, such Replacement Financing), in each case, on or prior to the date set forth in the Senior Facilities Agreement (or after entry into a Replacement Financing, such Replacement Financing) for such delivery (and in any event, no later than the date that the corresponding document has been delivered to the Lender (or a security agent acting on behalf of such Lender)) and in each case, in the form agreed with the Lender; provided that, to the extent the Senior Facilities Agreement (or after entry into a Replacement Financing, such Replacement Financing) is amended, restated, supplemented or otherwise modified after the date of this Agreement and the effect of such amendment, restatement, supplement or

other modification is to add to the collateral security, or otherwise obligate Parent, Buyer or any other Person to provide additional collateral security, to secure the obligations under the Senior Facilities Agreement (or after entry into a Replacement Financing, such Replacement Financing) than the requirements set forth in the Senior Facilities Agreement as of the date of this Agreement (or after entry into a Replacement Financing, such Replacement Financing as of the date of effectiveness of such Replacement Financing), the obligations of Buyer under this clause (b) shall be expanded to also require such additional collateral security in favor of Seller (or a security agent acting on behalf of the applicable secured parties, including Seller).

(c) From and after the Closing Date until the discharge in full of the Post-Closing Payments, (i) no Obligor will, and each Obligor will ensure that none of its Subsidiaries will create or permit to subsist any Security or Quasi Security on or over the whole or any part its undertaking or assets (present or future) subject to Transaction Security, except for Transaction Security or Permitted Security, and (ii) Parent will not create or permit to subsist any Security or Quasi Security on or over the shares of Buyer or any receivables owed to it by any member of the Group except for Transaction Security. All capitalized terms used in this Section 2.10(c) that are not otherwise defined in this Agreement (including any component definitions thereof), shall have the meanings assigned to such terms in the Senior Facilities Agreement (or after entry into a Replacement Financing, the corresponding terms used in such Replacement Financing).

(d) From and after the Closing Date until the discharge in full of the Post-Closing Payments, neither Parent, Buyer nor any other Obligor, and each such Obligor shall ensure that none of its Subsidiaries will, incur or permit to subsist or remain outstanding any Financial Indebtedness that is secured by any assets of the Obligors, other than Permitted Buyer Financial Indebtedness. Notwithstanding the foregoing, such Permitted Buyer Financial Indebtedness shall only be permitted under this Section 2.10(d) to the extent the liens securing, and the relative rights of the lenders of, such Permitted Buyer Financial Indebtedness are subject to the terms of the Intercreditor Agreement (or such other intercreditor agreement as maybe entered into in connection with a Replacement Financing) if so required by the terms of the Senior Facilities Agreement (or after entry into a Replacement Financing, the corresponding terms used in such Replacement Financing). All capitalized terms used in this Section 2.10(d) that are not otherwise defined in this Agreement (including any component definitions thereof), shall have the meanings assigned to such terms in the Senior Facilities Agreement (or after entry into a Replacement Financing, the corresponding terms used in such Replacement Financing).

(e) The Seller acknowledges that Parent, Buyer or any other Obligor shall be permitted to amend, restate, supplement or otherwise modify the Senior Facilities Agreement (a "Debt Facilities Amendment") and/or refinance or replace in whole or in part the facilities made available pursuant to the Senior Facilities Agreement (such refinancing or replacement, a

"Replacement Financing") provided that: (i) any such Debt Facilities Amendment and/or Replacement Financing does not result in a breach by any Obligor of Section 2.10(c) or Section 2.10(d); and (ii) the Seller continues to benefit from: (x) Liens over substantially the same assets of Parent, Buyer and other Obligors as provided pursuant to the Seller Security Documents and on terms that are no worse in any material respect than the terms of the Seller Security Documents; and (y) the same ranking and rights in respect of such Liens as are provided to the Seller in respect of the Transaction Security under the Intercreditor Agreement (including where such rights are provided pursuant to such other intercreditor agreement as may be entered into in connection with a Replacement Financing). The Seller agrees to take such steps and actions as are necessary in order to effect the implementation of a Debt Facilities Amendment or Replacement Debt Financing which complies with this Section 2.10(e), including the release or termination of the Seller Security Documents and the Intercreditor Agreement and the simultaneous entry into applicable replacement security, intercreditor or such other required documentation or the giving instructions to any security agent acting on behalf of the applicable secured parties, including the Seller, to effect such releases and enter into such replacement security, intercreditor or such other required documentation.

(f) Upon discharge of the Post-Closing Payments in full, the Seller shall execute any documents, certificates, releases, confirmations, or other documentation reasonably requested by the Buyer or the security agent in connection with the Seller Security Documents.

(g) To the extent Buyer fails to timely make any payments to Seller in respect of the Post-Closing Payments or fails to comply with the requirements of any of Sections 2.10(b), 2.10(c) or 2.10(d) (which failure, in each case, is continuing), Seller may by written notice to Buyer:

(i) declare that all or part of the Post-Closing Payments then due, together with any other amounts accrued or payable by Buyer to Seller under this Agreement be immediately due and payable, at which time they shall become immediately due and payable;

(ii) declare that all or part of the Post-Closing Payments then due, be payable on demand, at which time they shall immediately become payable; and/or

(iii) exercise (or direct the security agent acting on behalf of the applicable secured parties, including Seller, to exercise in accordance with any relevant security documents or intecreditor arrangements) any or all of its rights, remedies, powers or discretions under this Agreement (including those provided under Section 11.14).

(h) If an Event of Default under Clause 25.7 (*Insolvency*) or Clause 25.8 (*Insolvency Proceedings*) of the Senior Facilities Agreement shall occur by reason of commencement of a proceeding in the US under the US

Bankruptcy Code in respect of a Borrower and/or a US Obligor, then without notice to, or the requirement for any act of, any Person then all of the Post-Closing Payments then due, together with any other amounts accrued or payable by Buyer to Seller under this Agreement at such time shall automatically become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are expressly waived. All capitalized terms used in this Section 2.10(h) that are not otherwise defined in this Agreement (including any component definitions thereof), shall have the meanings assigned to such terms in the Senior Facilities Agreement.

Section 2.11 Allocation of Purchase Price. The Purchase Price, the Post-Closing Payments, the payment of the Noden USA Payable pursuant to Section 2.02(d), and the covenant in Section 6.12(a) shall be allocated between Noden USA and Noden DAC (the "Consideration Allocation"). The Consideration Allocation shall be delivered by Seller to Buyer within thirty (30) days of finalizing the Final Closing Statement pursuant to Section 2.06(c). The portion of the Purchase Price, Additional Quarterly Payments, Contingent Consideration, and covenant in Section 6.12(a) allocated to (i) Noden DAC shall be further allocated among the assets of Noden DAC in accordance with Section 1060 of the Code and the U.S. Treasury Regulations promulgated thereunder (and any similar provision of state, local or non-U.S. Law, as appropriate) and (ii) Noden USA shall be further allocated among the assets of Noden USA in accordance with Sections 338 and 1060 of the Code and the U.S. Treasury Regulations promulgated thereunder (and any similar provision of state, local or non-U.S. Law, as appropriate) (collectively, the "Asset Allocation"). The Asset Allocation shall be delivered by Seller to Buyer within thirty (30) days of the finalization of the Final Closing Statement pursuant to Section 2.06(c). If Buyer disagrees with Seller's computation of the Consideration Allocation or the Asset Allocation, and notifies Seller of such disagreement in writing within thirty (30) days of Buyer's receipt thereof, Seller and Buyer shall work in good faith to resolve any disputes relating to the Consideration Allocation or Asset Allocation, as applicable. If Seller and Buyer are unable to resolve any such dispute, the matter will be submitted to an Auditor chosen in accordance with Section 2.06(c), and such Auditor shall make a final determination of the Consideration Allocation or Asset Allocation, as applicable (in accordance with any relevant provisions of Section 2.06(c)), and such Consideration Allocation or Asset Allocation shall be final and binding upon Buyer and Seller. Buyer and Seller (and their respective Affiliates) shall file all Tax Returns consistent with the Consideration Allocation and the Asset Allocation (each as finally determined in accordance with the provisions of this Section 2.11), including IRS Forms 8883 and 8594 and any similar forms required by applicable state and local Tax Laws; provided, however, that nothing contained herein shall prevent Buyer or Seller (or their respective Affiliates) from settling any proposed deficiency or adjustment by any taxing authority based upon or arising out of the Consideration Allocation or Asset Allocation, and none of Buyer, Seller or their respective Affiliates shall be required to litigate before any court any proposed deficiency or adjustment by any taxing authority challenging such Company Allocation or Asset Allocation.

Section 2.12 Withholding. Buyer will be entitled to deduct and withhold from the consideration otherwise payable to Seller pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to Taxes. If, pursuant to this Section 2.12,

Buyer intends to make a deduction or withholding with respect to Taxes, it shall provide written notice to Seller of the basis and amount of such deduction or withholding not less than five (5) Business Days in advance of the due date for the relevant payment. Each of Buyer and Seller shall, and shall cause their respective Affiliates and agents to, cooperate as reasonably requested by the other party, to minimize the amount of any Tax required by applicable Law to be withheld with respect to a payment hereunder. To the extent that amounts are so withheld and paid over to the appropriate Governmental Authority, such withheld amounts will be treated for all purposes of this Agreement as having been paid to Seller in respect of which such deduction and withholding was made by Buyer.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES CONCERNING SELLER

Except as disclosed in the Disclosure Schedule, which Disclosure Schedule shall disclose exceptions to the representations and warranties organized according to the corresponding sections of this Agreement, provided that, other than with respect to the Fundamental Representations, Section 4.05 or Section 4.06 (which are qualified only by the items specifically set forth on the corresponding Schedule), any disclosure in the Disclosure Schedule relating to one section or subsection shall also apply to other sections and subsections to the extent that it is reasonably apparent on its face that such disclosure would also be relevant to, apply to or qualify such other sections and subsections notwithstanding the omission of a reference or cross-reference thereto, Seller hereby represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date (except as to such representations and warranties that address matters as of a particular date, which are given only as of such date), the following:

Section 3.01 Organization, Authority and Qualification of Seller.

Seller is a corporation, duly organized, validly existing and in good standing under the Laws of the State of Delaware and has the requisite corporate power and authority to own or lease its Assets and to conduct its business as it is now being conducted. Seller has all necessary authority and legal capacity to enter into this Agreement and all applicable Ancillary Agreements, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement and all applicable Ancillary Agreements have been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer or any applicable counterparty), they constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with its terms, subject as to enforcement, to (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect affecting creditors' rights generally and (ii) general principles of equity.

Section 3.02 Ownership of Shares.

Seller is the sole legal and beneficial owner of the Shares, free and clear of all Liens.

Section 3.03 No Conflict.

Assuming that all consents, approvals, authorizations and other actions described in Section 3.04 and Section 4.04 have been obtained and all filings and notifications described therein made, and except as may result from any facts or circumstances relating solely to Buyer, the execution, delivery and performance of this Agreement and the applicable Ancillary Agreements by Seller do not (a) conflict with or violate any Law or Governmental Order applicable to Seller, (b) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, acceleration or cancellation of, any note, bond, mortgage or indenture, lease, sublease, license, permit, franchise or other Contract to which Seller is a party or create any Liens on any of the assets or properties of Seller, or (c) conflict with the Organizational Documents of Seller, except in the case of clauses (a) and (b), as would not materially and adversely affect the ability of Seller to carry out its obligations under, and to consummate the transactions contemplated by this Agreement.

Section 3.04 Governmental Consents and Approvals.

The execution, delivery and performance of this Agreement and the applicable Ancillary Agreements by Seller do not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority or any other Person, except (a) as described in Section 3.04 and Section 4.04 of the Disclosure Schedule, or (b) where failure to obtain such consent, approval, authorization, or to make such filing or notification, would not prevent or materially delay the consummation by Seller of the transactions contemplated by this Agreement.

Section 3.05 Litigation and Governmental Orders.

No Action by or against Seller is pending or, to the Knowledge of Seller, threatened, which could affect the legality, validity or enforceability of this Agreement or any of the applicable Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

Section 3.06 Brokers.

Other than Torreya Partners, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES CONCERNING THE ACQUIRED COMPANIES

Except as disclosed in the Disclosure Schedule delivered on the date of this Agreement, which Disclosure Schedule shall disclose exceptions to the representations and warranties organized according to the corresponding sections of this Agreement, provided that, other than with respect to the Fundamental Representations, Section 4.05 or Section 4.06 (which are qualified only by the items specifically set forth on the corresponding Schedule), any disclosure in the Disclosure Schedule relating to one section or subsection shall also apply to other sections

and subsections to the extent that it is reasonably apparent on its face that such disclosure would also be relevant to, apply to or qualify such other sections and subsections notwithstanding the omission of a reference or cross-reference thereto, Seller hereby represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date (except as to such representations and warranties that address matters as of a particular date, which are given only as of such date), the following:

Section 4.01 Capitalization.

(a) As of the date hereof, Noden USA is authorized to issue two classes of stock and the total number of shares which Noden USA is authorized to issue is 19,900 shares of common stock, par value $0.01 per share, and 100 shares of preferred stock, par value $0.01 per share (collectively, "Noden USA Shares"), of which 9,400 shares of common stock and 100 shares of preferred stock are issued and outstanding as of the date of this Agreement. Noden USA Shares are uncertificated. The authorized share capital of Noden DAC is $110,000,000.00 divided into 1,000,000,000 ordinary shares, nominal value $0.10 per share, and 1,000,000,000 preferred shares, nominal value $0.01 per share, of which 9,400 ordinary shares of $0.10 each and 10,000,000 preferred shares of $0.01 each are issued as of the date of this Agreement (collectively, "Existing Noden DAC Shares"). Noden Schweiz has an outstanding and issued share capital of CHF 20,000 divided into 200 fully paid up with a nominal value of CHF 100.00 each (collectively, "Noden CH Shares" and, together with Noden USA Shares, Existing Noden DAC Shares, and as of the Closing, the New Noden DAC Shares, the "Acquired Companies Shares"). All of the issued and outstanding Acquired Companies Shares are duly authorized, validly issued, fully paid and nonassessable, and have been issued in compliance with all applicable Laws. No Acquired Companies Shares are held in treasury or are authorized or reserved for issuance. There are no accrued but unpaid dividends payable by the Acquired Companies on any Acquired Companies Shares.

(b) Noden DAC will have issued an additional 661,000,000 ordinary shares of $0.10 each (the "New Noden DAC Shares" and, together with the Existing Noden DAC Shares, the "Noden DAC Shares") upon consummation of the Intercompany Recapitalization.

(c) As of the Closing Date, Noden DAC will have a total issued share capital of 661,009,400 ordinary shares of $0.10 each and 10,000,000 preferred shares of $0.01 each. As of the Closing Date, all of the New Noden DAC Shares are duly authorized, validly issued, fully paid and nonassessable, and have been issued in compliance with all applicable Laws and there are no accrued but unpaid dividends payable by Noden DAC on any New Noden DAC Shares.

(d) All Noden CH Shares are owned by Noden DAC, who is the sole shareholder of Noden Schweiz.

(e) Except as set forth in Section 4.01(e) of the Disclosure Schedule, the Acquired Companies do not sponsor or maintain any stock option plan or

any other plan or agreement providing for any equity or equity-linked compensation to any Person. Except as set forth in Section 4.01(e) of the Disclosure Schedule, there are no outstanding subscriptions, options, warrants, rights (including "phantom" stock rights), preemptive rights or other Contracts or statutory rights, including any right of conversion or exchange under any outstanding security instrument or agreement, obligating the Acquired Companies to issue, transfer, redeem or sell (or caused to be issued, transferred, redeemed or sold) any shares of capital stock of any of the Acquired Companies or to grant, extend or enter into any option, warrant, call right or similar right with respect thereto.

(f) No Acquired Companies Shares have been issued subject to a repurchase option on the part of the Acquired Companies, risk of forfeiture or other similar condition.

(g) The Acquired Companies are not a party or subject to any Contract and there is no Contract between or among any other Persons which affects, restricts or relates to voting, giving of any written consent, or dividend right with respect to or the transferability of any shares of capital stock of the Acquired Companies, including any voting trust agreement or proxy. No debt securities of the Acquired Companies are issued and outstanding.

(h) Immediately following the Closing, Buyer will own 100% of the Acquired Companies Shares, free and clear of all Liens.

(i) A true, complete and accurate copy of the Share Incentive Plan and each individual option agreement, arrangement and commitment relating thereto have been made available to Buyer. The Share Incentive Plan has been terminated in accordance with its terms and there is no Person (whether a current or former employee, consultant, director or otherwise) who is entitled to participate under the terms of the Share Incentive Plan or who has any subsisting rights or obligations relating thereto or who has claimed to be entitled to any of the foregoing. All Awards (as such term is defined in the Share Incentive Plan) and all options under the Share Incentive Plan (in each case whether vested or unvested) have been irrevocably and unconditionally lapsed and forfeited or irrevocably and unconditionally surrendered, cancelled and terminated, and in each case are extinguished and expired in full compliance with the terms of the Share Incentive Plan and the individual option agreement, arrangement and commitment relating thereto. No Person (whether a current or former employee, consultant, director or otherwise) has any right or entitlement (whether actual or contingent) to call for or make any Claim or demand relating to, or in respect of any interest in, the exercise, acceleration of vesting, or grant of any Award (as such term is defined in the Share Incentive Plan) or other option, or the present or future issue, allotment or transfer of any share capital or equity securities of Noden DAC under the Share Incentive Plan, any option or other agreement, arrangement or commitment, and no Person (whether a current or former employee, consultant, director or otherwise) has claimed to be entitled to any of the foregoing. Section 4.01(i) of the Disclosure Schedule sets forth a true, accurate and complete list of each Person (whether a current or former

employee, consultant, director or otherwise) who previously held any interest in any option (or any other Award) under the Share Incentive Plan and the information set out therein in respect of each such Person and each such option is true, accurate and complete.

Section 4.02 Organization, Authority and Qualification of the Acquired Companies.

(a) Noden USA is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has the requisite corporate power and authority to own or lease its Assets and to conduct its business as it is now being conducted. Noden DAC is a designated activity company limited by shares duly organized, validly existing and in good standing under the Laws of Ireland and has the requisite capacity to own or lease its Assets and to conduct its business as it is now being conducted. Noden Schweiz is a corporation duly organized, validly existing and in good standing under the Laws of Switzerland. The Acquired Companies are duly licensed or qualified to do business and are in good standing in each jurisdiction in which the Assets owned or leased by them or the operation of the Business makes such licensing or qualification necessary, except to the extent that the failure to be so licensed, qualified or in good standing would not adversely affect the ability of Seller to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement.

(b) Seller has delivered to Buyer true, correct and complete copies of the Organizational Documents of each of the Acquired Companies. The books and records of the Acquired Companies (i) have been maintained in all material respects in accordance with applicable Law and the Organizational Documents of the applicable Acquired Company, and (ii) are in possession of the applicable Acquired Company.

Section 4.03 No Conflict.

Assuming that all consents, approvals, authorizations and other actions described in Section 3.04 and Section 4.04 have been obtained and all filings and notifications described therein made, except as may result from any facts or circumstances relating solely to Buyer, the execution, delivery and performance of this Agreement and the applicable Ancillary Agreements by Seller or the Acquired Companies does not (a) violate, conflict with or result in the breach of the Organizational Documents of the Acquired Companies, (b) conflict with or violate any Law or Governmental Order applicable to the Acquired Companies, the Assets or the Business, or (c) except as set forth in Section 4.03 of the Disclosure Schedule, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, acceleration or cancellation of, any note, bond, mortgage or indenture, lease, sublease, license, permit, franchise or other Contract to which any of the Acquired Companies is a party or by which any of the Assets is bound, except, in the case of clauses (b) and (c), as would not materially and adversely affect the ability of Seller or any Acquired Company to carry out its

obligations under, and to consummate the transactions contemplated by, this Agreement or the applicable Ancillary Agreements.

Section 4.04 Governmental Consents and Approvals.

The execution, delivery and performance of this Agreement and the applicable Ancillary Agreements by Seller or the Acquired Companies does not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority, except (a) as described in Section 3.04 and Section 4.04 of the Disclosure Schedule, or (b) where failure to obtain such consent, approval, authorization, or to make such filing or notification, would not prevent or materially delay the consummation by Seller or any of the Acquired Companies, as applicable, of the transactions contemplated by this Agreement or applicable the Ancillary Agreements.

Section 4.05 Financial Information.

Seller has delivered to Buyer copies of the following, which are attached to Section 4.05 of the Disclosure Schedule: (a) the unaudited consolidated balance sheet, statement of income and cash flows of the Acquired Companies, including the Reference Balance Sheet, for the period from January 1, 2017 to and as at the Reference Statement Date, (b) the unaudited monthly consolidated balance sheet and statement of income of the Acquired Companies for the periods ended April 30, 2020 and May 31, 2020 (such statements referenced in clauses (a) and (b), the "Financial Statements"), and (c) certain financial information of the Acquired Companies as set forth on pages 35 to 42 of the Confidential Investor Memorandum. The Financial Statements and the financial information of the Acquired Companies as set forth on pages 35 to 42 of Confidential Investor Memorandum have been prepared, in all material respects, in accordance with GAAP or FRS102, as applicable, applied on a consistent basis without any material change in the accounting policies, methods and underlying assumptions used throughout the Financial Statements, and all applicable Laws and are based on the books and records of the applicable Acquired Company; provided, that in the event of a conflict between any information set forth in the Financial Statements and the information set forth on pages 35 to 42 of the Confidential Investor Memorandum, the information set forth on pages 35 to 42 of the Confidential Investor Memorandum shall govern. The Financial Statements present fairly in all material respects the financial condition and results of operations of the Acquired Companies for the respective periods covered thereby, except as otherwise set forth in Section 4.05 of the Disclosure Schedule.

Section 4.06 Absence of Undisclosed Material Liabilities.

There are no material Liabilities of the Acquired Companies, other than Liabilities (a) reflected or reserved against on the Financial Statements or the notes thereto, (b) set forth in Section 4.06 of the Disclosure Schedule, or (c) incurred since the Reference Statement Date in the Ordinary Course of Business and, to the extent required by GAAP, included in the Closing Net Working Capital calculation. The Acquired Companies are not party to any off-balance sheet agreement or arrangement.

Section 4.07 Absence of Certain Changes or Events.

Since the Reference Statement Date, except as set forth in Section 4.07 of the Disclosure Schedule, the Business has been conducted in all material respects in the Ordinary Course of Business, and there has not been (i) any event or development that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) any damage, destruction or loss, whether or not covered by insurance, that would, individually or in the aggregate, reasonably be expected to have a material impact on the Acquired Companies, the Business or the Assets, (iii) any change in accounting methods, principles or practices affecting the Acquired Companies, except as required by GAAP, or (iv) any event, action or development that, if occurring between the date of this Agreement and the Closing, would require the consent of Buyer pursuant to Section 6.01 (other than Section 6.01(e)).

Section 4.08 Compliance with Laws.

(a) The Acquired Companies and their respective officers, directors, managers, direct or indirect equity holders, members, employees, agents, representatives or consultants (solely in their respective capacities as such), are, and since December 31, 2016 have been, in compliance in all material respects with all applicable Laws. Neither the Acquired Companies nor the Seller have received any notice of any violation of any applicable Law since December 31, 2016. Neither the Acquired Companies nor the Seller are in default with respect to any Governmental Order applicable to the Business or the Assets.

(b) Neither the Acquired Companies nor the Seller, nor any of their respective directors, officers, employees, owners (whether direct, indirect, or beneficial), agents, Affiliates or Persons acting or purporting to act for or on behalf of any of the foregoing has, directly or indirectly, (i) made, offered or promised to make, or authorized the making of, any unlawful payment to any Person, or caused to be made, offered or promised to be made, or authorized the making of, any unlawful payment to any Person, (ii) given, offered or promised to give, or authorized the giving of, any unlawful gift, gratuity, kickback, political or charitable contribution or other unlawful thing of value or advantage to any Person, or caused to be given, offered, promised or authorized the giving of, any unlawful gift, gratuity, kickback, political or charitable contribution or other unlawful thing of value or advantage to any Person, (iii) requested or received, or caused to be requested or received, any unlawful payment, gift, gratuity, kickback, political or charitable contribution or other unlawful thing of value or advantage, (iv) engaged or caused to be engaged any action in furtherance of any offer, gift, payment, promise to pay or authorization of the payment of any money or any other thing of value or advantage to any Government Official, or to any Person while knowing that all or some portion of the money or other thing of value would be offered, given, paid or promised to a Government Official, for purposes of inducing or influencing a Government Official to do or refrain from doing any official act or to secure any improper advantage, (v) offered, promised, or given, or caused to be offered, promised or given, anything of value, directly or

indirectly, to a customer to induce or reward the improper performance of the customer's function or the breach of a duty owed by the customer to his or her employer, (vi) engaged, caused to be engaged, or served as a Government Official, or engaged or caused to be engaged at the request of a Government Official, any Person as an employee, intern, agent, or otherwise, or (vii) established, maintained, or caused to be established or maintained any unlawful fund of corporate monies or other properties.

(c) Neither the Acquired Companies nor any manager, director, officer, employee, agent or representative of the Acquired Companies, is Person that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals or any similar list enforced by any Governmental Authority, or (iii) located, organized or resident in a Designated Jurisdiction.

(d) Neither the Acquired Companies nor the Seller (with respect to the Business and Assets) (i) have any investment in or engage in any dealing or transaction with any Person in violation of any applicable Sanctions, or (ii) engage in any activity that could cause the Acquired Companies, the Business or the Assets to become subject to Sanctions.

(e) Neither the Acquired Companies nor the Seller has filed any voluntary disclosures with any Governmental Authority regarding possible violations of Sanctions.

Section 4.09 Litigation and Governmental Orders.

There are, and since December 31, 2016 have been, no Actions pending or, to the Knowledge of Seller, threatened against the Acquired Companies, the Business, or any of the Acquired Companies' officers, directors, managers, direct or indirect equity holders, members, employees, agents, representatives or consultants (in their respective capacities as such) and neither the Acquired Companies nor their Assets or the Business are, or since December 31, 2016 have been, subject to any Governmental Order. Except as set forth in Section 4.09 of the Disclosure Schedule, neither the Acquired Companies nor Seller (with respect to the Business or Assets) are, and since December 31, 2016 have been, engaged, in any Actions to recover damages or to seek injunctive, cease and desist or other specific performance relief. The Acquired Companies do not have any remaining Liability for any Action resolved or otherwise terminated since December 31, 2016. Except as set forth in Section 4.09 of the Disclosure Schedule, all Actions set forth in Section 4.09 of the Disclosure Schedule have been properly reported under the applicable insurance policy of Seller or the Acquired Companies and the applicable carrier has confirmed full coverage for such Actions. Neither the Acquired Companies nor Seller have any plans to initiate any Actions with respect to the Business or Assets.

Section 4.10 Permits.

All material Permits that are held in connection with the operation of the Business or ownership of Assets are listed in Section 4.10 of the Disclosure Schedule and constitute all the Permits required or advisable under applicable Law for the operation of the Business or ownership of Assets, except where the failure to have such Permits would not reasonably be

expected to have a material impact on the Acquired Companies, the operation of the Business or the ownership of Assets. All of the Permits held by or on behalf of, or issued to, the Acquired Companies are, and since December 31, 2016 have been, in full force and effect, and the Acquired Companies are, and since December 31, 2016 have been, in compliance with each such Permit held by or issued to them, except where the failure to be effective or to so comply would not reasonably be expected to have a material impact on the Acquired Companies, the operation of the Business or the ownership of Assets. The Acquired Companies or any Person holding a Permit on their behalf, as applicable, are not in default or breach of any Permit, except where the failure to be effective or to so comply would not reasonably be expected to have a material impact on the Acquired Companies, the operation of the Business or the ownership of Assets, and there is no Action pending, or to the Knowledge of Seller, threatened to revoke, suspend, withdraw or terminate any Permit listed in Section 4.10 of the Disclosure Schedule. Neither any Acquired Company nor the Seller has received any notice of any violation of any Permit listed on (or should have been listed on) Section 4.10 of the Disclosure Schedule. All Permits are renewable by their terms or in the Ordinary Course of Business.

Section 4.11 Intellectual Property.

(a) Section 4.11(a) of the Disclosure Schedule sets forth a true and complete list of all issued patents and patent applications, including supplementary protection certificates and similar rights, all registered trademarks and trademark applications, all registered copyrights and all registered Internet domain names included in the Acquired Companies Intellectual Property. To the Knowledge of Seller, no Person is engaging in any activity that infringes any Acquired Companies Intellectual Property or rights to Intellectual Property granted to the Acquired Companies under Acquired Companies IP Agreements in any material respect. To the Knowledge of Seller, the Acquired Companies are not infringing upon, misappropriating or otherwise violating any Intellectual Property rights of any Person. There is no pending or, to the Knowledge of Seller, threatened claim or assertion that the conduct of the Business as currently conducted or the use of any Acquired Companies Intellectual Property or rights to Intellectual Property granted to the Acquired Companies under Acquired Companies IP Agreements infringes, misappropriates or otherwise violates the Intellectual Property of any third party.

(b) The Acquired Companies own all Acquired Companies Intellectual Property free and clear of all Liens, other than as disclosed on Section 4.11(b) of the Disclosure Schedule, and otherwise possess a valid right or license to use all Intellectual Property that is not Acquired Companies Intellectual Property and that is currently used in the conduct of the Business. The Acquired Companies will continue to own all Acquired Companies Intellectual Property and license or have the right to use such Intellectual Property immediately following the Closing Date to the same extent as prior to the Closing Date. The Acquired Companies Intellectual Property and Intellectual Property to which the Acquired Companies possess a valid right or license to use constitute all Intellectual Property rights necessary and sufficient to operate the Business.

(c) There has been no Action (including any interference, opposition, reissue, re-examination, inter partes review, or post grant review) asserted or threatened challenging the validity, enforceability, scope, inventorship, or ownership of any Acquired Companies Intellectual Property (in each case, other than rejections, objections or other similar challenges in any office actions made by the applicable intellectual property office in the ordinary course of the prosecution of Intellectual Property applications for registration) and to the Knowledge of Seller, there are no facts, circumstances, or conditions that could reasonably be expected to form the basis for such an Action.

(d) The Acquired Companies have taken commercially reasonable measures to protect the confidentiality of their respective trade secrets and other confidential information of any Person to whom the Acquired Companies has a confidentiality obligation.

Section 4.12 Real Property.

(a) No Acquired Company owns or has in the past owned any real property. Section 4.12(a) of the Disclosure Schedule lists the street address of each parcel of Leased Real Property. The Acquired Companies have a valid and subsisting leasehold interest in such Leased Real Property. Seller has delivered to Buyer true and complete copies of all Real Property Leases. The originals of the Real Property Leases are in the possession of the Acquired Companies. The Acquired Companies have not subleased, licensed or otherwise granted any Person any right or interest of any nature (including the right to use or occupy) in any Leased Real Property or any portion thereof. Each Real Property Lease is in full force and effect in all material respects and represents a valid and binding obligation of the Acquired Companies.

(b) No Person other than the Acquired Companies is entitled to occupy the Leased Real Properties (or any part thereof) and none of the Leased Real Properties (or any part thereof) is affected by, or the subject of any Contract relating to the occupation or use thereof by any Person other than the Acquired Companies. To Seller's Knowledge, no Leased Real Property (or any part thereof) is affected by or likely to be affected by, any burden or right of any nature which adversely affects (i) the present use of such Leased Real Property (or any part thereof) or (ii) the title to or value of any of any Real Property Leases and there is no Contract to give or create any of the foregoing and no Person has claimed to be entitled to any of the foregoing.

(c) No right, easement or privilege required for the full use and enjoyment of any Leased Real Property is undocumented or held precariously by the applicable Acquired Company the withdrawal or cessation of which would adversely affect the occupation or use of such Leased Real Property (or any part thereof) for the purposes for which it is now used or the extent of such use or which affects or might in the future affect the value of such Leased Real Property or any part thereof.

(d) The Acquired Companies have not carried out or procured the carrying out of any works or development (including fit out works) at the Leased Real Properties.

Section 4.13 Employee Benefit Matters

(a) Section 4.13(a) of the Disclosure Schedule lists each material "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and each other compensation plan, program or Contract that is maintained, sponsored or contributed to by the Acquired Companies for the benefit of their current or former employees and with respect to which the Acquired Companies have any obligation, other than any governmental plan or program to which a Person is required by Law to contribute or which requires mandatory payment of social insurance charges or Taxes or similar contributions to a governmental fund with respect to the wages of an employee (collectively, the "Plans"). Seller has made available to Buyer a true and complete copy of each Plan.

(b) Except as would not be reasonably expected to have a material impact on the Acquired Companies or the Business, each Plan has been operated in compliance with its terms and the requirements of all applicable Laws. Except as set forth in Section 4.13(b) of the Disclosure Schedule, no material Action is pending or, to the Knowledge of Seller, threatened, with respect to any Plan (other than claims for benefits in the Ordinary Course of Business).

(c) Each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the United States Internal Revenue Service (the "IRS"), or has pending or has time remaining in which to file an application for such a determination from the IRS.

(d) No Plan is, and the Acquired Companies have no obligation in respect of, a "multiemployer plan" within the meaning of Section 3(37) of ERISA or a "pension plan" under Section 3(2) of ERISA that is subject to Title IV of ERISA.

(e) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise) would, as of the Closing, reasonably be expected to give rise to any "excess parachute payment" under Section 280G of the Code.

(f) All contributions and expenses which under the Pension Scheme have become payable as of the date of this agreement or the Closing, as the case may be, have been duly and punctually paid.

(g) All benefits payable under the Pension Scheme on the death of a member thereof while in employment of Noden DAC (other than a refund of contributions with interest where appropriate) are fully insured under insurance policies with a life assurance carrier in the Republic of Ireland at

rates and on other terms typically charged by life assurance carriers in the Republic of Ireland for individuals in good health.

(h) No Actions (other than routine Claims for benefits) have been made or are pending in respect of the Pension Scheme by or against the trustees of the Pension Scheme, or any Acquired Company.

(i) There is no Action about benefits payable under the Pension Scheme and there are no circumstances which could give rise to any such Action under the Pension Scheme.

(j) Each Acquired Company has at all times duly complied with all its obligations under applicable Laws with respect to access to and the operation of the Pension Scheme.

Section 4.14 Labor Matters.

(a) The Acquired Companies are not a party to any collective bargaining agreement with respect to its employees with any labor organization, group or association, nor, to the Knowledge of Seller, have there been any attempts to organize the employees of the Acquired Companies during the two (2)-year period prior to the date of this Agreement. As of the date of this Agreement, there is no labor strike, slowdown or work stoppage pending against the Acquired Companies.

(b) Section 4.14(b) of the Disclosure Schedule sets forth, in respect of each employee and director of Noden DAC, (i) full name, (ii) date of commencement of service, (iii) title, (iv) whether active or on leave, (v) notice requirements for termination, and (vi) all remuneration payable and other benefits and privileges currently or customarily provided (including any severance payments, rights to participate in the Pension Scheme and health insurance benefits) to such Persons.

(c) No gratuitous payment or benefit has been made or promised by the Acquired Companies in connection with the actual or proposed termination or suspension of employment or variation of any employment Contract of any present or former director or employee of Noden DAC.

(d) No Acquired Company is required under applicable Law or has otherwise agreed to make any redundancy payment to any Person.

(e) Section 4.14(e) of the Disclosure Schedule sets forth anonymized details of all workers, consultants, agency workers or other individuals, other than employees (hereinafter referred to as "Workers") who are providing services to any Acquired Company.

(f) All Workers are engaged by the Acquired Companies as non-employees, whether as independent contractors, agency workers or otherwise and whether through an intermediary company, individually or otherwise, and no former or current Worker has been, is or could be deemed to be employed by an Acquired Company by the applicable Governmental Authority.

(g) No Person has any right to transfer to Noden DAC or any replacement service provider of Noden DAC the employment of any individual as a result of the application of the European Communities (Protection of

Employees on Transfer of Undertakings) Regulations 2003 or any other applicable Law or by virtue of any other Contract.

Section 4.15 Taxes.

Except for the matters disclosed in Section 4.15 of the Disclosure Schedule:

(a) All income and other material Tax Returns required to have been filed by any Acquired Company have been timely filed (taking into account any extension of time to file granted or obtained), and all such Tax Returns are complete and accurate in all material respects. All material Taxes owed by any Acquired Company or for which any Acquired Company may otherwise be liable have been timely paid in full. No Acquired Company is currently the beneficiary of any extension of time within which to file any Tax Return.

(b) The aggregate amount of the unpaid Tax liabilities of the Acquired Companies for all Pre-Closing Tax Periods will not exceed the aggregate amount of the unpaid Tax liabilities of the Acquired Companies as reflected on the Financial Statements as of the Reference Statement Date (excluding any reserves for deferred Taxes), as adjusted for the operations and transactions in the Ordinary Course of Business for the period from the Reference Statement Date to and including the Closing Date consistent with the past practice of the Acquired Companies.

(c) Each Acquired Company has withheld and timely paid all material Taxes required to have been withheld and paid by it and all such payments have been properly reported to Governmental Authorities in accordance with applicable Law.

(d) There is no Claim against any Acquired Company for any Taxes, and no assessment, deficiency, or adjustment has been asserted, proposed, or to the Knowledge of Seller, threatened with respect to any Taxes or Tax Return of or with respect to any Acquired Company that has not been satisfied by payment, settlement or withdrawal. No audits, assessments or other Actions by a Governmental Authority for or relating to any Liability in respect of Taxes of any Acquired Company are being conducted, pending, or to the Knowledge of Seller, threatened.

(e) No claim has ever been made by an authority in a jurisdiction where any Acquired Company does not file Tax Returns that such entity is or may be subject to taxation in that jurisdiction.

(f) No extension of the statute of limitations in respect of Taxes of any Acquired Company is currently in effect with respect to a Tax assessment or deficiency, nor has any request been made in writing for any such extension or waiver.

(g) None of the Assets are subject to any Lien arising in connection with any failure or alleged failure to pay any Tax, other than Permitted Liens.

(h) No Acquired Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) beginning after the Closing Date as a result of

any: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date filed or made on or prior to the Closing Date; (ii) "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (iii) intercompany transaction or any excess loss account described in Treasury Regulations under Code Section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law) entered into or created on or prior to the Closing Date; (iv) installment sale or open transaction disposition made on or prior to the Closing Date; (v) cash method of accounting or long-term contract method of accounting utilized prior to the Closing Date; (vi) prepaid amount received on or prior to the Closing Date; or (vii) election under Section 108(i) of the Code.

(i) No Acquired Company has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement.

(j) No Acquired Company is a party to or bound by any Tax allocation, sharing or indemnity agreements, in each case other than commercial agreements entered into in the Ordinary Course of Business, no significant purpose of which is related to Taxes. No Acquired Company has any liability for the Taxes of any Person (other than Taxes of Seller or its subsidiaries) under Treasury Regulations Section 1.1502-6 (or any corresponding provisions of state, local or foreign Tax Law), or as a transferee or successor, or by Contract or otherwise, in each case other than pursuant to a commercial agreement entered into in the Ordinary Course of Business, no significant purpose of which is related to Taxes.

(k) No Acquired Company has participated (within the meaning of Treasury Regulations Section 1.6011-4(c)(3)) in any "listed transaction" within the meaning of Treasury Regulations Section 1.6011-4(b) (and all predecessor regulations).

(l) The shares of Noden DAC do not derive, directly or indirectly, their value or the greater part of their value from the assets specified in paragraphs (a) to (c) of Section 980(2) of the Irish Taxes Consolidation Act 1997 ("TCA") and are not shares to which paragraph (e) of the said Section 980(2) of the TCA applies.

Section 4.16 Certain Contracts.

Section 4.16 of the Disclosure Schedule lists each of the following Contracts, except for POA Contracts and Rebate Contracts, of the Acquired Companies, excluding any Plans (such Contracts being "Material Contracts"):

(a) all collective bargaining Contracts with any labor union or labor organization applicable to employees of the Acquired Companies;
(b) all Contracts relating to Indebtedness;
(c) all Contracts that the Acquired Companies reasonably expect to result in total annual payments to third parties by the Acquired Companies in excess of $20,000 in 2020 or with total aggregate payments in excess of $50,000 during the term of the Contract;
(d) all material Acquired Companies IP Agreements other than click-wrap or shrink-wrap licenses or other licenses for software that are generally commercially available;
(e) all Contracts that (i) limit or purport to limit the ability of any Acquired Company or any of their Affiliates to compete in any line of business or with any Person or in any geographic area or during any period of time, (ii) limit or purport to limit the ability of any Acquired Company or any of their Affiliates to hire or solicit any Person, or (iii) contain exclusivity obligations;
(f) any Contract under which any Acquired Company is subject to a "most favored nation," or similar pricing and delivery arrangements or that have a "cost savings," minimum volume commitment or any other similar performance or financial goals, or involves the payment by any Acquired Company of amounts that include "take or pay" requirements or output terms or similar pricing or delivery arrangements;
(g) any Contract that grants any right of first refusal or right of first offer or similar right that limits or purports to limit the ability of Seller or the Acquired Companies, as applicable, to own, operate, sell, transfer, pledge or otherwise dispose of any Assets or the Business;
(h) all partnership, joint venture or other similar Contracts relating to any of the Acquired Companies or the Business;
(i) any Contract involving a sharing of revenues, profits, losses, costs, or liabilities by the Acquired Companies with any other Person;
(j) any Contract granting a power of attorney with respect to the Acquired Companies or the Business that is material to the operation of the Business or ownership of the Assets ("POA Contracts");
(k) all Contracts or series of related Contracts that relate(s) to the disposition or acquisition of any business, capital stock or assets or properties or any merger or business combination within the past four years, (other than acquisitions or dispositions of supplies, inventory or products in the Ordinary Course of Business);
(l) all Contracts that provide for the settlement of any Action or threatened Action, (i) in each case involving (x) payments or consideration by any Acquired Company in excess of $10,000 or (y) any injunctive or equitable relief, or (ii) with any ongoing Liability of any Acquired Company;
(m) all Contracts with any Governmental Authority or any instrumentality of any such Governmental Authority;
(n) all Contracts with (i) an officer or other employee of any Acquired Company or (ii) a consultant or independent contractor pursuant to which

any Acquired Company is or could become obligated to make payments in excess of $3,000;

(o) all Contracts involving a change of control or retention bonus, "stay bonus" or any similar arrangement or providing for the grant or acceleration of any benefit payable to any employee or other individual service provider upon a change of control;

(p) all Contracts providing for payment upon the severance of any employee or other individual service provider;

(q) all Contracts pursuant to which any Acquired Company agrees to provide any rebates or partial refunds to a third party ("Rebate Contracts");

(r) all Real Property Leases;

(s) any Contract for distribution of Acquired Company Products; and

(t) all Contracts that are required to be listed in Section 4.22 of the Disclosure Schedule.

Seller has delivered to Buyer true, correct and complete copies of all Material Contracts. Except for such exceptions as have not and would not reasonably be expected to have a material impact on the Business, (i) each Material Contract is valid and binding on the Acquired Companies and, to the Knowledge of Seller, the counterparties thereto, and is in full force and effect, (ii) upon consummation of the transactions contemplated by this Agreement, except to the extent that any consents set forth in Section 3.04 and Section 4.04 of the Disclosure Schedule are not obtained, each Material Contract shall continue in full force and effect in accordance with its terms without penalty or other adverse consequence, (iii) each of the Acquired Companies, as applicable, and to the Knowledge of Seller, each other party to the applicable Material Contract, has performed, in all material respects, all their respective obligations required to be performed under such Material Contract, (iv) the Acquired Companies, and to the Knowledge of Seller, any of the other parties to the applicable Material Contract, are not and are not reasonably expected to be in material breach of, or material default under, any Material Contract, and (v) neither the Acquired Companies nor any other party to any Material Contract has requested any termination, amendment or modification to, or any waiver or similar treatment under, any Material Contracts.

Section 4.17 Environmental Matters. The Acquired Companies are, and since December 31, 2016 have been, in material compliance with all applicable Environmental, Health and Safety Laws (which compliance includes, but is not limited to, the possession of all Permits and other authorizations required under applicable Environmental, Health and Safety Laws, and compliance with the terms and conditions thereof) and neither Seller nor any of the Acquired Companies has received any written communication, whether from a Governmental Authority or other Person, alleging that the Acquired Companies are not in such compliance, and there are no past or present actions, activities, circumstances, conditions, or incidents that would reasonably be expected to prevent or interfere with such compliance in the future.

(a) The Acquired Companies, the Assets and the Business are not subject to any pending or, to the Knowledge of Seller, threatened Environmental Claim, nor has Seller or any of the Acquired Companies received any written notice of material Liability, violation, noncompliance, enforcement or investigation from any Governmental Authority pursuant to Environmental, Health and Safety Laws that remains pending or

unresolved, and there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the Release of, or exposure of any Person to, any Materials of Environmental Concern which could reasonably be expected to give rise to an Environmental Claim or a material Liability with respect to or affecting the Acquired Companies, the Business or, to the Knowledge of Seller, the Assets or any of the properties and assets (whether real, personal or mixed) formerly owned by the Acquired Companies or their predecessors or formerly operated by the Acquired Companies or their predecessors.

(b) Neither Seller nor any of the Acquired Companies has provided an indemnity with respect to, expressly assumed or undertaken any Liability, including any corrective, investigatory or remedial obligation of any other Person relating to any Environmental, Health and Safety Laws.

(c) Neither Seller nor any of the Acquired Companies is required by any Environmental, Health and Safety Law or by virtue of the transactions set forth herein and contemplated hereby, or as a condition to the effectiveness of any transactions contemplated hereby, (i) to perform a site assessment for Materials of Environmental Concern, (ii) to remove or remediate Materials of Environmental Concern, (iii) to give notice to or receive approval from any Governmental Authority or other Person, (iv) to record or deliver to any Person any disclosure document or statement pertaining to environmental matters, or (v) to alter, modify, renew, change or update any Permit required under applicable Environmental, Health and Safety Laws.

Section 4.18 Regulatory Matters.

(a) Except as would not have a material impact on the Business, (i) the Acquired Companies are, and since December 31, 2016 have been, in compliance with all Healthcare Laws applicable to the Acquired Companies and the Business, (ii) the research, development, design, manufacture and testing of the Acquired Companies Products by or on behalf of the Acquired Companies is being, and since December 31, 2016 have been, conducted in compliance with all applicable Healthcare Laws and (iii) the Acquired Companies are, and since December 31, 2016 have been, in compliance with all registration and listing requirements to the extent required by applicable Healthcare Laws.

(b) Except as would not have a material impact on the Business, each of the Acquired Companies (i) holds, and since December 31, 2016 have held, such Permits necessary or advisable for the design, development, pre-clinical and clinical testing of the Acquired Companies Products in any jurisdictions where it currently conducts such activities with respect to each Acquired Company Product (collectively, the "Acquired Companies Licenses") and (ii) is, and since December 31, 2016 has been, in compliance with all terms and conditions of any Acquired Company License.

(c) Since December 31, 2016, there have been no adverse regulatory Actions taken (or, to the Knowledge of Seller, threatened) by any Governmental Authority with respect to any of the Acquired Companies Products or any facilities where such Acquired Companies Products are tested.

(d) The Acquired Companies are not, and since December 31, 2016 have not been, the subject of any pending or, to the Knowledge of Seller, threatened investigation regarding the Acquired Companies or the Acquired Companies Products, by the FDA pursuant to its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" Final Policy set forth in 56 Fed. Reg. 46,191 (September 10, 1991) and any amendments thereto ("FDA Fraud Policy"), or otherwise. Neither the Acquired Companies, nor, to the Knowledge of Seller, any officer or employee of the Acquired Companies has made an untrue statement of material fact to any Governmental Authority, or failed to disclose a material fact required to be disclosed to any Governmental Authority, that, at the time such disclosure was made, would reasonably be expected to provide a basis for any Governmental Authority to invoke the FDA Fraud Policy or any similar policy in any country. Neither the Acquired Companies nor, to the Knowledge of Seller, any officer or employee of the Acquired Companies, has been convicted of any crime for which such Person could be excluded from participating in the federal health care programs under Section 1128 of the Social Security Act of 1935, as amended, or any similar Law. The Acquired Companies have not received any written notice that any of their employees is included on the List of Excluded Individuals/Entities maintained by the Office of Inspector General of the United States Department of Health and Human Services.

Section 4.19 Research, Development, Manufacturing and Marketing Rights.

Except as pursuant to any Material Contract set forth in Section 4.19 of the Disclosure Schedule, the Acquired Companies have not granted rights pursuant to any Contract to conduct research on, develop, manufacture, produce, assemble, license, market, or sell their products (including the Acquired Companies Products) to any other Person and are not prohibited by any Contract entered into by the Acquired Companies from exclusively developing, manufacturing, assembling, distributing, marketing or selling their products (including the Acquired Companies Products). Since December 31, 2016, no product liability claims have been received in writing by the Acquired Companies or Seller with respect to any products of the Acquired Companies (including any Acquired Companies Products) and, to the Knowledge of Seller, no such claims have been threatened. There is no Governmental Order outstanding against the Acquired Companies relating to product liability claims. Since December 31, 2016, the Acquired Companies have not either voluntarily or involuntarily initiated, conducted or issued, or caused to be initiated, conducted or issued, any recall, field notification, field correction, market withdrawal or replacement, warning, "dear doctor" letter, investigator notice, safety alert or other notice or action relating to an alleged lack of safety, lack of efficacy, adulteration, misbranding or lack of regulatory compliance of any Acquired Company Product.

Section 4.20 Privacy and Data Security.

Seller has provided true and correct copies of all material privacy policies adopted by the Acquired Companies in connection with the Business and currently in effect. The Acquired Companies are in and have been in material compliance with all applicable Privacy Laws since December 31, 2016. No personal information handled by the Acquired Companies has been lost, inappropriately accessed, misappropriated or misused. None of the Acquired Companies has experienced a material breach or lapse in security since December 31, 2016.

Section 4.21 Insurance.

Section 4.21 of the Disclosure Schedule sets forth a true, correct and complete list of all insurance policies currently maintained in favor of the Acquired Companies, the Business or the Assets (collectively, the "Insurance Policies"). Each Insurance Policy is in full force and effect and no Acquired Company has received any written notice from any insurer under any Insurance Policy terminating, canceling, revoking or amending any such policy. Each Acquired Company is in material compliance with the terms of all Insurance Policies held by such Acquired Company. All premiums on any Insurance Policies due and payable as of the date hereof have been paid. There is no material claim by any Acquired Company pending under any Insurance Policies as to which coverage has been questioned, denied, or disputed by the issuers or underwriters of such policies. The Insurance Policies are of the type and in amounts adequate to insure against the risks to which the Acquired Companies, the Business and the Assets are normally exposed.

Section 4.22 Related Persons Transactions.

Except as disclosed in Section 4.22 of the Disclosure Schedule, no Related Person of the Acquired Companies or the Seller (a) is a party to any Contract between any of the Acquired Companies (or that otherwise relates to the Business), on the one hand, and such Related Person, on the other hand, (b) has an obligation to any of the Acquired Companies for borrowed money or any accrued interest or prepayment premiums related thereto or (c) holds of record or beneficially owns, directly or indirectly, any securities of any Person that has a has a landlord-tenant, vendor, distributor, customer, service provider, consulting, creditor, supplier, licensee, licensor, competitor, representative or other business relationship with any of the Acquired Companies (or the Business). No Acquired Company has paid any dividend or distribution or made any other payment to any Related Person from and after the Reference Statement Date.

Section 4.23 Inventory.

All Inventory, whether or not reflected in the Financial Statements, consists of a quality and quantity usable and salable in the Ordinary Course of Business, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to the extent required by GAAP. All such Inventory is owned by the Acquired Companies free and clear of all Liens (other than Permitted Liens). The quantities of each item of Inventory are consistent in all material respects with the operation of the Business in the Ordinary Course of Business over similar periods in the past and are reasonable in the present circumstances of the Acquired Companies. The balance of active pharmaceutical ingredient aliskiren (API)

(including finished goods) due to be supplied by Novartis as of the date hereof pursuant to the terms of the Novartis Supply Agreement, as amended by the Novartis Letter, is not less than 16.7 tonnes.

Section 4.24 Sufficiency of Assets.

The Assets transferring by virtue of the purchase of the Shares constitute all that is material or necessary to operate the Business in the Ordinary Course of Business. No Acquired Company requires any support services from any Person in order for such Acquired Company to conduct the Business in the Ordinary Course of Business. Each Acquired Company (a) owns good, valid and marketable title, free and clear of all Liens (other than Permitted Liens), to all of its Assets, and (b) is not obligated under any Contract, or subject to any restriction, that presently materially impairs, has materially impaired, or would in the future materially impair each such Acquired Company's right, title or interest in or to any of its respective Assets. The Acquired Companies do not have any Assets or Liabilities that do not relate to the Business.

Section 4.25 Bank Accounts. Section 4.25 of the Disclosure Schedule sets forth a true, complete and accurate list of the names and locations of all banks and other financial institutions and depositories at which the Acquired Companies maintains accounts of any type (including lock-box accounts) or safe deposit boxes, the account number of each such account, the type of account, the number of each such safe deposit box and the current authorized signatory or signatories on each such account or safe deposit box and the names of all Persons authorized to draw on, or who otherwise have access to, such accounts or such safety deposit boxes.

Section 4.26 Minimum Closing Cash. The Acquired Companies have Cash and Cash Equivalents at least equal to the Minimum Closing Cash.

Section 4.27 Brokers.

Other than Torreya Partners, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Acquired Companies.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as of the date hereof and as of the Closing Date (except as to such representations and warranties that address matters as of a particular date, which are given only as of such date) the following:

Section 5.01 Organization and Authority of Buyer.

Buyer is a private limited company duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all necessary limited company power and authority to enter into this Agreement and the applicable Ancillary Agreements, to carry out its obligations hereunder and thereunder and to consummate the transactions

contemplated hereby and thereby. Buyer is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification necessary, except to the extent that the failure to be so licensed, qualified or in good standing would not adversely affect the ability of Buyer to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the applicable Ancillary Agreements. The execution and delivery of this Agreement and the applicable Ancillary Agreements by Buyer, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of Buyer. This Agreement has been, and all applicable Ancillary Agreements will be, duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller or the applicable counterparty thereto) this Agreement and the applicable Ancillary Agreements constitute the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, subject as to enforcement, to (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect affecting creditors' rights generally and (ii) general principles of equity.

Section 5.02 No Conflict.

Assuming that all consents, approvals, authorizations and other actions described in Section 5.03 have been obtained and all filings and notifications described therein made, the execution, delivery and performance of this Agreement and the applicable Ancillary Agreements by Buyer do not and will not (a) violate, conflict with or result in the breach of the Organizational Documents of Buyer, (b) conflict with or violate any Law or Governmental Order applicable to Buyer or its assets, properties or businesses or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, lease, sublease, license, permit, franchise or other Contract to which Buyer is a party, except, in the case of clauses (b) and (c), as would not materially and adversely affect the ability of Buyer to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement or the applicable Ancillary Agreements.

Section 5.03 Governmental Consents and Approvals.

The execution, delivery and performance of this Agreement and the applicable Ancillary Agreements by Buyer do not and will not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority, except as described in Section 5.03 of the Disclosure Schedule.

Section 5.04 Investment Purpose.

Buyer is acquiring the Shares solely for the purpose of investment and not with a view to, or for offer or sale in connection with, any distribution thereof other than in compliance with all applicable Laws, including United States federal securities laws. Buyer agrees that the Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act and any applicable state securities laws, except

pursuant to an exemption from such registration under the Securities Act and such Laws. Buyer is able to bear the economic risk of holding the Shares for an indefinite period (including total loss of its investment), and (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

Section 5.05 Sufficient Funds.

At the Closing, Buyer will have sufficient cash, available lines of credit or other sources of funds immediately available to it, without requiring the prior consent, approval or other discretionary action of any third party, to consummate the transactions contemplated hereby, including the payment of: (i) the Purchase Price required under Section 2.05(a), and (ii) all fees and expenses to be paid by Buyer in connection with the transactions contemplated hereby (collectively, the "Transaction Payments"). Buyer has delivered to Seller a true and complete copy of: (i) an executed Senior Facilities Agreement, dated as of the date hereof and attached hereto as Exhibit E (as in effect on the date hereof, the "Senior Facilities Agreement"), from Metric MTS III Sàrl, a limited liability company (société à responsabilité limitée) incorporated in Luxembourg with registered number B244305 (the "Lender") pursuant to which, upon the terms and subject to the conditions set forth therein, the Lender has committed to lend the amounts set forth therein (the "Debt Financing") and (ii) an executed equity commitment letter, dated as of the date hereof and attached hereto as Exhibit F (the "Equity Commitment Letter" and, together with the Senior Facilities Agreement, the "Commitment Letters"), from the Investor pursuant to which, upon the terms and subject to the conditions set forth therein, the Investor has committed to invest the amounts set forth therein (the "Equity Financing" and, together with the Debt Financing, the "Financing"). The Commitment Letters are in full force and effect and have not been withdrawn, rescinded or terminated, or otherwise amended, supplemented or modified in any respect. The Commitment Letters, in the forms so delivered, are legal, valid, binding and enforceable obligations of Buyer and the Investor and the Lender, as applicable (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally and general principles of equity). Buyer expressly acknowledges that Buyer's ability to obtain financing (including the Financing) is not a condition to the obligations of Buyer hereunder. Neither Buyer nor any of its Affiliates has entered into any agreement, side letter or other arrangement relating to the financing of the Transaction Payments or transactions contemplated by this Agreement, other than as set forth in the Commitment Letters and the fee letters related thereto. No event has occurred which, with or without notice, lapse of time or both, would constitute a breach or default on the part of Buyer or the Investor or Lender, as applicable, under any of the Commitment Letters. Buyer has no reason to believe that it or any other party thereto will be unable to satisfy on a timely basis any term of the Commitment Letters. The proceeds of the Financing will be sufficient to consummate the transactions contemplated hereby, including the making of all Transaction Payments. Buyer has fully paid (or caused to be paid) any and all commitment fees and other amounts that are due and payable on or prior to the date of this Agreement in connection with the Financing. There are no conditions precedent or other contingencies related to the funding of the full amount of the Financing, other than the Financing Conditions. The only conditions precedent or other contingencies relating to the funding of the Debt Financing on the Closing Date that will be included in the Debt Financing Documents shall be the Financing Conditions contained in the Senior Facilities Agreement. Buyer has no reason to believe that (i) any of the Financing

Conditions will not be satisfied or (ii) the Financing will not be made available to Buyer on the Closing Date.

Section 5.06 Limited Guarantee. Concurrently with the execution of this Agreement, Buyer has delivered to Seller the Limited Guarantee of the Investor, dated as of the date hereof, in favor of Seller. The Limited Guarantee is in full force and effect and is a valid and binding obligation of the Investor, enforceable against the Investor in accordance with its terms. As of the date of this Agreement, no event has occurred which, with or without notice, lapse of time or both, would or would reasonably be expected to constitute a default on the part of the Investor under the Limited Guarantee.

Section 5.07 Litigation.

No Action by or against Buyer is pending or, to the best of Buyer's knowledge, threatened, which could affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby or thereby.

Section 5.08 Qualification.

Buyer is legally, financially and otherwise qualified to acquire the Shares and to own the Acquired Companies and to control and operate the Business, and there are no facts that would, under existing Laws, disqualify Buyer as the transferee of the Shares.

Section 5.09 Brokers.

Except for Alvarium Capital Partners, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

Section 5.10 Independent Investigation.

Buyer acknowledges that it has conducted its own independent investigation, review and analysis of the business, operations, Assets, Liabilities, results of operations, financial condition, and prospects of the Business, which investigation, review and analysis was done by Buyer and its Affiliates and representatives. Buyer has had an opportunity to discuss the Business, management, operations and finances of the Acquired Companies with its officers, directors, employees, agents, representatives and Affiliates, and has had an opportunity to inspect the facilities of the Acquired Companies. In making its decision to execute and deliver this Agreement, and to consummate the transactions contemplated by this Agreement, Buyer has relied solely upon the specific representations and warranties of Seller and the Acquired Companies set forth in Article III and Article IV, the Disclosure Schedules and the aforementioned investigation, review and analysis and not on any factual representations or opinions of Seller, the Acquired Companies or their respective representatives. Buyer has entered into the transactions contemplated by this Agreement with the understanding, acknowledgement and agreement that no representations or warranties, other than as set forth in Article III and Article IV, express or implied, are made with respect to any projection or forecast

regarding future results or activities or the probable success or future profitability of the Acquired Companies.

ARTICLE VI.

ADDITIONAL AGREEMENTS

Section 6.01 Conduct of Business Prior to the Closing.

Seller covenants and agrees that, except as described in Section 6.01 of the Disclosure Schedule or as otherwise expressly required or expressly permitted by this Agreement between the date hereof and the earlier of the Closing or the termination of this Agreement pursuant to Article X, Seller shall use its reasonable best efforts to cause the Acquired Companies to (a) conduct the Business in the Ordinary Course of Business in all material respects and (b) preserve intact in all material respects the material relationships and Assets of the Business. Except as described in Section 6.01 of the Disclosure Schedule, Seller covenants and agrees that, between the date hereof and the earlier of the Closing or the termination of this Agreement pursuant to Article X, without the prior written consent of Buyer, Seller shall use its reasonable best efforts to cause the Acquired Companies to not:

(a) authorize for issuance, issue, sell, transfer, assign, repurchase, redeem or otherwise reacquire (i) any equity securities of the Acquired Companies or any equity securities convertible thereto or any right to acquire any equity securities of the Acquired Companies, including any options, warrants, rights of conversion or other rights, agreements or commitments obligating the Acquired Companies to issue, deliver, sell, transfer, repurchase or redeem any capital stock or issued shares of the Acquired Companies;
(b) amend or restate its Organizational Documents;
(c) (i) enter into, adopt, amend or terminate in a material respect any Plan, (ii) grant, amend or terminate any awards thereunder, or (iii) fund any payments or benefits that are payable or to be provided under any Plan, except (x) as required by Law or the terms of the applicable Plan existing on the date of this Agreement; or (y) pursuant to any agreements existing on the date of this Agreement;
(d) change any method of accounting or accounting practice or policy used by it, other than such changes required by GAAP;
(e) except in the Ordinary Course of Business, incur any Indebtedness for borrowed money or create any Lien on any Asset (whether tangible or intangible) of the Acquired Companies, other than (i) Permitted Liens, (ii) and (ii) Liens with respect to an existing line of credit held by the Acquired Companies as of the date hereof to the extent included in the calculation of Closing Indebtedness and fully paid off and discharged on or prior to Closing;
(f) sell, assign, transfer, lease, license or otherwise dispose of any of the material Assets of the Acquired Companies except for sale of Inventory in the Ordinary Course of Business;

(g) acquire (by merger, consolidation or combination, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof;
(h) enter into any Contract that if entered into prior to the date hereof, would be deemed a Material Contract or modify, amend, violate, supplement, in any material respect, or extend, renew, transfer or terminate any Material Contract or waive, release or assign any rights or claims thereto or thereunder;
(i) waive, release, assign, settle or compromise any material Action;
(j) settle or compromise any material Tax Contest, consent to any extension or waiver of any limitation period with respect to any material claim or assessment for Taxes, or make, change or revoke any material Tax election;
(k) (i) materially increase the compensation or benefits of any employee or other individual service provider, (ii) accelerate the vesting or payment of any compensation or benefits of any employee or other individual service provider, (iii) terminate without "cause" any employee or other individual service provider, (iv) hire or engage any new employee or other individual service provider, or (v) made any loan to any employee or other current or former individual service provider (other than advancement of expenses in the Ordinary Course of Business);
(l) enter into, amend or terminate any collective bargaining agreement or other agreement with a labor union or labor organization or any material employment, retention or change in control Contract with any employee that is not terminable at will; or
(m)agree to take any of the actions specified in Section 6.01(a) through Section 6.01(l).

Section 6.02 Access to Information.

(a) From the date hereof until the earlier of the Closing or the termination of this Agreement pursuant to Article X, upon advance reasonable notice, Seller and its officers, directors, employees, agents, representatives, accountants and counsel shall afford Buyer and its authorized representatives reasonable access to the offices, properties, employees and books and records of the Acquired Companies; provided, however, that any such access shall be conducted during normal business hours, under the supervision of the Acquired Companies' personnel and in such a manner as not to interfere with the normal operations of the Business. Notwithstanding anything to the contrary in this Agreement, the Acquired Companies and Seller shall not be required to disclose any information to Buyer if such disclosure would, in Seller's sole and absolute discretion, (i) cause significant competitive harm to the Business if the transactions contemplated hereby are not consummated, (ii) jeopardize any attorney-client or other legal privilege, or (iii) contravene any applicable Law (including, but not limited to, any Antitrust Laws), fiduciary duty or agreement; provided, however, that Seller shall provide prompt notice of

such access restriction to Buyer and shall use its commercially reasonable efforts to communicate the applicable information in a way that would not jeopardize any attorney-client or other legal privilege or contravene any applicable Law, whether through establishment of a "clean room" or otherwise.

(b) Nothing provided to Buyer pursuant to Section 6.02(a) shall in any way amend or diminish Buyer's obligations under the non-disclosure agreement between Seller and Buyer dated as of March 31, 2020 (the "Non-Disclosure Agreement"). Buyer acknowledges and agrees that any information provided to Buyer pursuant to Section 6.02(a) or otherwise by Seller, the Acquired Companies or any officer, director, employee, agent, representative, accountant or counsel thereof shall be subject to the terms and conditions of the Non-Disclosure Agreement. The terms of the Non-Disclosure Agreement are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time such Non-Disclosure Agreement and the obligations of Buyer under this Section 6.02(b) shall terminate; provided, however, that the Non-Disclosure Agreement shall terminate only in respect of that portion of the information furnished to Buyer relating to the Acquired Companies. If this Agreement is, for any reason, terminated prior to the Closing, the Non-Disclosure Agreement shall nonetheless continue in full force and effect.

(c) Without limiting the obligations of Seller set forth in Section 6.02(a) and Section 6.02(b) above, from and after the date hereof, Seller shall, and shall cause the Acquired Companies to, use commercially reasonable efforts to grant Buyer and its advisors and its potential providers of Debt Financing (and their respective advisors) customary assistance and cooperation that is reasonably requested by Buyer in connection with its Debt Financing including by providing Buyer and potential providers of the Debt Financing with such documents and information as is reasonably requested by Buyer and its potential providers of Debt Financing to conduct any know-your client process reasonably required in respect of the Acquired Companies; and facilitating the structuring and preparation of a collateral package in connection with the Debt Financing.

Section 6.03 [Reserved.]

Section 6.04 Notifications.

From the date hereof until the earlier of the Closing or the termination of this Agreement pursuant to Article X, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in any of the conditions set forth in Article VII of this Agreement becoming incapable of being satisfied.

Section 6.05 Contact with Clients and Suppliers.

Prior to the Closing, Buyer and Buyer's representatives will contact and communicate with the employees, clients, suppliers and other business relations of Seller and the Acquired Companies in connection with the transactions contemplated hereby only with the prior written consent of Seller, not to be unreasonably withheld, conditioned or delayed.

Section 6.06 Intercompany Debt, Contracts and Accounts.

(a) Immediately prior to the Closing, Seller shall, and shall cause its subsidiaries to, (i) terminate, effective as of the Closing Date, all Contracts between Seller or any of its subsidiaries (other than the Acquired Companies), on the one hand, and any Acquired Companies, on the other hand, and (ii) cause each of the Acquired Companies to be released from all covenants, agreements, claims and liabilities under any such Contracts.

(b) All intercompany receivables, payables and loans between Seller or any of its subsidiaries (other than the Acquired Companies), on the one hand, and any Acquired Company, on the other hand, ("Intercompany Amounts") that are expressly contemplated as being capitalized in accordance with the Intercompany Recapitalization, details of which are set forth in Schedule C, prior to Closing, shall be fully released and discharged with no obligations or liabilities with respect thereto surviving the Closing. Any Intercompany Amounts not capitalized in accordance with the Intercompany Recapitalization shall be treated as Indebtedness, including the Noden USA Payable.

Section 6.07 Financing.

Buyer shall take, or cause to be taken, all actions and do, or cause to be done, all things necessary or advisable to arrange the Financing as promptly as practicable following the date of this Agreement and to consummate the Financing on the Closing Date. Such actions shall include, but not be limited to, the following: (i) maintaining in effect the Commitment Letters, (ii) causing the Equity Financing to be consummated upon satisfaction of the applicable Financing Conditions, (iii) satisfying on a timely basis all Financing Conditions, (iv) negotiating, executing and delivering Debt Financing Documents that reflect the terms contained in the Senior Facilities Agreement or on such other terms acceptable to Buyer and its financings sources, and (v) drawing the full amount of the Financing, in the event that the conditions set forth in Section 7.02 and the Financing Conditions have been satisfied or, upon funding would be satisfied. Buyer shall give Seller prompt notice of any breach or threated or anticipated breach by any party to the Debt Financing Document of which Buyer or its Affiliates becomes aware. Without limiting Buyer's other obligations under this Section 6.07, if a Financing Failure Event occurs Buyer shall (a) immediately notify Seller of such Financing Failure Event and the reasons therefore, (b) use commercially reasonable efforts to obtain alternative financing from alternative financing sources (on terms as favorable to Buyer as are reasonably available at such time), in an amount sufficient to make the Transaction Payments and consummate the transactions contemplated by this Agreement, as promptly as practicable following the occurrence of such event, and (c) obtain, and when obtained, provide the Seller with a copy of, a new financing commitment, provided that such replacement financing commitments shall not have any terms or conditions which are more onerous on Buyer than those contained in the Debt Financing

Documents and which would reasonably be expected to restrict, prevent or delay Buyer's ability to perform its payment obligations contemplated by this Agreement. Neither Buyer nor any of its Affiliates shall amend, modify, supplement, restate, assign, substitute or replace any of the Commitment Letters or any Debt Financing Document (except for substitutions and replacements pursuant to, and subject to the limitations set forth in, the immediately preceding sentence) if it would adversely affect the availability of (or conditions to) funding thereunder or Buyer's ability to pay the Purchase Price or meet its obligations under this Agreement. Buyer shall not consent to any assignment of rights or obligations under the Senior Facilities Agreement without the prior written approval of Seller, such approval not to be unreasonably withheld, delayed or conditioned. Buyer shall consult with and keep Seller informed in reasonable detail of the status of its efforts to arrange the Financing. Upon the reasonable request of Seller, Buyer will confirm (x) with its financing sources their intent and ability to perform, and the availability of the Financing, under the Commitment Letters, subject only to satisfaction or waiver of the Financing Conditions, and (y) that neither it nor its financing sources are aware of any event or condition that could reasonably be expected to result in the failure of a Financing Condition.

Section 6.08 Post-Closing Access to Information.

For a period of three (3) years after the Closing Date, upon advance reasonable notice, Buyer shall, and shall cause its officers, directors, employees, agents, representatives, accountants and counsel to, afford Seller and its authorized representatives reasonable access to the books and records (including applicable electronic copies) of the Acquired Companies, at Seller's sole expense, for the purpose of assisting Seller with its financial reporting obligations under the rules of the Securities and Exchange Commission and its preparation of any Tax Returns; provided, however, that any such access shall be conducted during normal business hours, under the supervision of the Acquired Companies' personnel and in such a manner as not to interfere with the normal operations of the Business. Notwithstanding anything to the contrary in this Agreement, the Acquired Companies and Buyer shall not be required to disclose any information to Seller if such disclosure would (i) contravene any applicable Law (including, but not limited to, any Antitrust Laws), (ii) be a breach of any fiduciary duty or agreement, or (iii) jeopardize any attorney-client or other legal privilege; provided, however, that Buyer shall provide prompt notice of such access restriction to Seller and shall use its commercially reasonable efforts to communicate the applicable information in a way that would not contravene any applicable Law, breach any fiduciary duty or agreement or jeopardize any attorney-client or other legal privilege, whether through establishment of a "clean room" or otherwise. Notwithstanding anything to the contrary in this Section 6.08, no such access or disclosure of any information shall be required for a purpose related to an Action or a potential Action against Buyer, the Acquired Companies or any of their respective Affiliates or as long as there is any Action pending between the parties to this Agreement or any of their respective Affiliates.

Section 6.09 Lease Guarantees.

Prior to the Closing and after the Closing, Buyer shall use commercially reasonable efforts to assist Seller in removing the Seller Lease Guarantees in the event that the Irish Landlord disputes the Irish Buyer Lease Guarantees, it being understood that such efforts shall

not require Buyer to incur any out-of-pocket expenses or pay additional amounts to the Irish Landlord.

Section 6.10 Disclaimer.

BUYER AND SELLER AGREE THAT (A) EXCEPT AS SET FORTH IN ARTICLE III AND ARTICLE IV NONE OF THE ACQUIRED COMPANIES, SELLER, THEIR RESPECTIVE AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES MAKE OR HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, WITH RESPECT TO THE ACQUIRED COMPANIES, THE SHARES, THE ASSETS OR THE BUSINESS, INCLUDING WITH RESPECT TO (I) MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, (II) THE OPERATION OF THE BUSINESS BY BUYER AFTER THE CLOSING OR (III) THE PROBABLE SUCCESS OR PROFITABILITY OF THE ACQUIRED COMPANIES OR THE BUSINESS AFTER THE CLOSING, AND (B) OTHER THAN THE INDEMNIFICATION OBLIGATIONS OF SELLER SET FORTH IN ARTICLE IX, OR EXCEPT FOR FRAUD, NONE OF SELLER, ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES WILL HAVE OR BE SUBJECT TO ANY LIABILITY OR INDEMNIFICATION OBLIGATION TO BUYER OR TO ANY OTHER PERSON RESULTING FROM THE DISTRIBUTION TO BUYER, ITS AFFILIATES OR REPRESENTATIVES OF, OR BUYER'S USE OF, ANY INFORMATION RELATING TO THE ACQUIRED COMPANIES, THE BUSINESS OR THE ASSETS AND ANY INFORMATION, DOCUMENTS OR MATERIALS MADE AVAILABLE TO BUYER, WHETHER ORALLY OR IN WRITING, IN ANY "DATA ROOM" (INCLUDING ANY "VIRTUAL DATA ROOM"), MANAGEMENT PRESENTATIONS, FUNCTIONAL "BREAK-OUT" DISCUSSIONS, RESPONSES TO QUESTIONS SUBMITTED ON BEHALF OF BUYER OR IN ANY OTHER FORM IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT IN THE CASE OF FRAUD, ANY SUCH OTHER REPRESENTATION OR WARRANTY IS HEREBY EXPRESSLY DISCLAIMED BY THE ACQUIRED COMPANIES AND SELLER.

Section 6.11 Further Action.

The parties hereto shall use all commercially reasonable efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law, and to execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement.

Section 6.12 Non Solicitation; Non-Competition.

(a) Seller agrees that, from the date hereof through the earlier of the Closing or the termination of this Agreement, Seller shall not, and shall direct its directors, officers, employees, investment bankers, attorneys, accountants, advisors and other representatives (collectively, "Seller Representatives")

not to, directly or indirectly, (i) initiate, solicit, knowingly encourage or facilitate any inquiries, proposals or offers with respect to, or the making or completion of, an Alternative Proposal or any inquiry, proposal or offer that is reasonably likely to lead to an Alternative Proposal; (ii) engage, continue or participate in any negotiations concerning, or provide or cause to be provided any non-public information or data relating to the Acquired Companies or the Business or Assets in connection with, or have any discussions (other than to state that they are not permitted to have discussions and to refer to this Agreement) with any Person relating to, or that is reasonably likely to lead to, an Alternative Proposal; (iii) approve, endorse or recommend, or propose publicly to approve, endorse or recommend, any Alternative Proposal; (iv) execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement relating to any Alternative Proposal; or (v) resolve to propose or agree to do any of the foregoing. Seller shall immediately cease all discussions with respect to any Alternative Proposal upon execution of this Agreement, shut down any data room access to any Person other than Buyer and its Affiliates and require that any Person other than Buyer and its Affiliates who has received any non-public information or data relating to the Acquired Companies or the Business or Assets in connection with an Alternative Proposal immediately returns or destroys such information. Any violation of the provisions of this Section 6.12 by Seller Representatives shall constitute a breach of this Agreement by Seller.

(b) Following the Closing, for a period of three (3) years, Seller shall not, and shall cause its Affiliates (other than the Acquired Companies) not to, in the Restricted Territory, directly or indirectly engage in the development, commercialization, manufacture, in-license, marketing or sale of any products substantially similar to the Acquired Companies Products (the "Restricted Activity") or facilitate any Restricted Activity. For purposes of Section 6.12, the "Restricted Territory" means all territories in which the Acquired Companies conduct, or have made an investment with a view to conduct, the Business as of the date of this Agreement. In addition to the foregoing obligations, for a period of two (2) years following the Closing, Seller shall not, and shall cause its Affiliates not to, directly or indirectly, hire or attempt to hire, solicit, induce, recruit or knowingly encourage any employee of the Acquired Companies, Seller or their respective Affiliates (collectively, "Buyer Employees") to terminate his or her employment relationship with Buyer or its Affiliates (including the Acquired Companies) in order to work for any other Person or otherwise; provided, however, the foregoing obligation shall not include a general solicitation through public advertisement that is not targeted at any Buyer Employee provided that the hiring of any Buyer Employee as a result of such general solicitation shall be prohibited.

Section 6.13 Confidentiality. All confidential information relating to Acquired Companies, the Business or Assets of which Seller or any of its Affiliates (other than the Acquired Companies)

are aware as a result of their ownership of, employment or other involvement with Acquired Companies before or after Closing shall be treated as the sole property of Buyer, and Seller shall keep confidential all of such information. Seller and Buyer agree to maintain, and to cause their respective Affiliates and representatives to maintain, the confidentiality of the terms and conditions of this Agreement and the Ancillary Agreements except to the extent disclosed in any press release permitted by Section 11.03. The provisions of this Section 6.13 shall not apply to particular conditions or terms of the above referenced documents (i) if the party seeking to make such disclosure shall have obtained the prior written consent of the other party to the disclosure of such conditions or terms, (ii) that are required to be disclosed during the course of any proceedings which may be brought by either party related to the provisions of any of the above referenced documents, (iii) that are or become generally available to the public other than as a result of actions taken by the party seeking to make such disclosure or its representatives, or (iv) that are required to be disclosed pursuant to and in accordance with any Law applicable to the party seeking to make such disclosure. Notwithstanding the foregoing, if a party is requested or required (by oral questions, interrogatories, requests for information or document subpoena, civil investigative demand or similar process) to disclose any of the above-referenced documents or information, such party will, to the extent legally permissible, promptly notify the other party of such request so that such other party may seek an appropriate protective order, at its sole expense, or waive compliance with the provisions hereof. If, in the absence of a protective order or the receipt of a waiver hereunder, a party is nonetheless, in the opinion of its counsel, under an obligation to disclose any terms or conditions of the above-referenced documents or any confidential information to any Governmental Authority or else stand liable for contempt or suffer other censure or penalty, such party may disclose such information to such Governmental Authority without liability hereunder.

Section 6.14 Release of Claims. Effective as of the Closing, Seller, on behalf of itself and each of its Related Persons hereby releases and forever discharges Buyer, each Acquired Company, and each of their respective individual, joint or mutual, past, present and future representatives, Affiliates, directors, officers, key employees, legal advisors, accountants and other agents and advisors, successors and assigns (individually, a “Releasee” and collectively, “Releasees”) from any and all Claims that Seller or any Related Persons now have, have ever had or may hereafter have against the respective Releasees and from any and all obligations, contracts, debts, liabilities and obligations (whether absolute or contingent, asserted or unasserted, known or unknown, primary or secondary, direct or indirect, and whether or not accrued) that any Releasee now has, has ever had or may hereafter have in favor of Seller or any of the Related Persons, in each case to the extent arising out of or relating to Seller’s ownership and operation of the Acquired Companies, the Business or the Assets, in each case, arising contemporaneously with or before the Closing Date or on account of or arising out of any matter, cause or event occurring contemporaneously with or before the Closing Date, including any rights to indemnification or reimbursement from any Acquired Company, whether pursuant to their respective Organizational Documents, Contracts or otherwise and whether or not relating to Claims pending on, or asserted after, the Closing Date (in each case other than any obligations of Buyer arising under this Agreement or any Ancillary Agreements) (collectively, the “Released Claims”). Seller hereby irrevocably covenants to (and to cause its Related Persons to) refrain from, directly or indirectly, asserting any Claim or commencing, instituting or causing to be commenced, any Action of any kind against any Releasee, based upon any Released Claim. Notwithstanding anything to the contrary in this Section 6.14, the Released Claims shall not include, and the foregoing release

and discharge shall not apply to (i) any rights or Claims of Seller and any Related Persons under this Agreement or any Ancillary Agreement, and (ii) any Claims under and arising out of any Contract entered into between Seller or any Related Person and any Releasee at or after the Closing, subject to the terms and conditions thereof.

Section 6.15 Post-Closing Obligation of Buyer. Buyer shall take, or cause to be taken, all appropriate action to cause the Summary Approval Procedure to be undertaken by the Board of Directors of Noden DAC prior to the taking of any actions by any party hereto pursuant to or as contemplated by this Agreement which shall, or may, constitute unlawful financial assistance for the purposes of Section 82 of the Companies Act, and all of the parties hereto acknowledge and agree that any such actions shall not be performed until such Section 82 Requirements have been met and the Summary Approval Procedure has been undertaken.

Section 6.16 Minimum Closing Cash. Seller shall take all actions necessary in order for the Acquired Companies to have Cash and Cash Equivalents at least equal to the Minimum Closing Cash at Closing.

ARTICLE VII.

CONDITIONS TO CLOSING

Section 7.01 Conditions to Obligations of Seller.

The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or written waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. (i) The representations and warranties of Buyer contained in this Agreement (A) that are not qualified as to "materiality" shall be true and correct in all material respects as of the Closing, and (B) that are qualified as to "materiality" shall be true and correct in all respects as of the Closing, except to the extent such representations and warranties referred to in the preceding clauses (A) and (B) are made as of a date other than the date hereof, in which case such representations and warranties shall be true and correct in all material respects or true and correct in all respects, as the case may be, as of such other date, and (ii) the covenants and agreements contained in this Agreement to be complied with by Buyer on or before the Closing shall have been complied with in all material respects;

(b) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order that has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting the consummation of such transactions; and

(c) Novartis Letter. The Novartis Letter shall not have been rescinded or revoked and there shall not have otherwise been any Material Amendment.

Section 7.02 Conditions to Obligations of Buyer.

The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or written waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. (i) The Fundamental Representations and the representation and warranty set forth in Section 4.26 shall be true and correct in all respects without giving effect to materiality or Material Adverse Effect qualifications contained therein, other than *de minimis* and non-substantive exceptions or inaccuracies with respect to the first, third and fourth sentences of Section 4.01(a), the last sentence of Section 4.01(i), and Section 4.26 (for purposes of Section 4.26, "*de minimis* and non-substantive" means $50,000) (ii) other representations and warranties of Seller contained in this Agreement (A) that are not qualified as to "materiality" shall be true and correct in all material respects as of the Closing, and (B) that are qualified as to "materiality" shall be true and correct in all respects as of the Closing, except to the extent such representations and warranties referred to in the preceding clauses (A) and (B) are made as of a date other than the date hereof, in which case such representations and warranties shall be true and correct in all material respects or true and correct, as the case may be, as of such other date, and (iii) the covenants and agreements contained in this Agreement to be complied with by Seller at or before the Closing shall have been complied with in all material respects;

(b) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order that has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting the consummation of such transactions;

(c) Novartis Letter. The Novartis Letter shall not have been rescinded or revoked and there shall not have otherwise been any Material Amendment; and

(d) No Material Adverse Effect. Since the date hereof there shall not have occurred a Material Adverse Effect.

ARTICLE VIII.

TAX MATTERS

Section 8.01 Tax Returns.

(a) Buyer shall prepare (or cause to be prepared) in a manner consistent with past practices and file (or cause to be filed) all Separate Acquired Company Tax Returns for all Pre-Closing Tax Periods that are filed after the Closing Date. Buyer shall pay or cause to be paid all Taxes due with respect to such Tax Returns. Prior to the filing of any such income Tax Return, Buyer shall deliver (or

cause to be delivered) a draft of such income Tax Return to Seller at least twenty (20) days prior to the date such income Tax Return is to be filed and shall consider in good faith any comments provided by Seller on such income Tax Return.

(b) Neither Buyer nor any of its Affiliates (including after Closing, the Acquired Companies) shall (i) make any Tax election (including, but not limited to, pursuant to U.S. Treasury Regulations Section 301.7701-3 or any similar provisions of state, local or non-U.S. Law), other than the Section 338(h)(10) Election, with respect to an Acquired Company for any Pre-Closing Tax Period or (ii) take any other action that could reasonably be expected to increase any Tax liability or reduce any Tax benefit of Seller or any of its Affiliates, other than the Acquired Companies, in respect of any Pre-Closing Tax Period, without the prior written consent of Seller, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Buyer shall, at the request of Seller, cooperate with Seller to cause Noden Schweiz to elect to be treated as an entity disregarded as separate from its owner for U.S. federal income tax purposes, effective as of a date specified by Seller that is on or prior to the Closing Date, and shall not take any position or make any election or any other action inconsistent with such tax treatment.

(c) Buyer and Seller shall join in making an election under Section 338(h)(10) of the Code (and any corresponding election under state, local, or foreign Tax Law), with respect to the purchase and sale of the capital stock of Noden USA (the "Section 338(h)(10) Election"). Neither Buyer, the Acquired Companies, Seller nor any of their respective Affiliates shall take any action that could cause the Section 338(h)(10) Election to be invalid and shall take no position contrary thereto unless required pursuant to a determination as defined in Section 1313(a) of the Code or any similar provision of any state, local or non-U.S. Law. Seller shall include any income, gain, loss, deduction or other Tax item resulting from the Section 338(h)(10) Election on its Tax Returns to the extent required by applicable Law and will pay any Taxes attributable to the making of a Section 338(h)(10) Election. No later than thirty (30) days following the Closing Date, Buyer shall prepare IRS Form 8023 and any similar forms necessary to effectuate the Section 338(h)(10) Election under applicable state, local and foreign Tax Laws (collectively, the "Section 338(h)(10) Election Forms"). Seller shall cooperate with Buyer in the preparation of the Section 338(h)(10) Election Forms and Seller shall deliver to Buyer two (2) duly completed and executed copies thereof. Buyer and Seller shall cooperate with each other and take all actions necessary and appropriate (including filing such additional forms, Tax Returns, elections, schedules and other documents as may be required) to effectuate and preserve the Section 338(h)(10) Election in accordance with the provisions of U.S. Treasury Regulations Section 1.338(h)(10)-1 and comparable provisions of applicable state, local and non-U.S. Tax Laws.

Section 8.02 Cooperation on Tax Matters.

Buyer, the Acquired Companies and Seller shall cooperate fully, as and to the extent reasonably requested by a party hereto, in connection with the filing of Tax Returns pursuant to

this Agreement and any Tax Contest. Such cooperation shall include the retention and (upon the other parties' request) the provision of records and information which are reasonably relevant to any such matter and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

Section 8.03 Transfer Taxes.

All transfer, stamp, documentary, sales, use, registration, value-added, and other similar Taxes (including all applicable real estate transfer Taxes) incurred in connection with this Agreement and the transactions contemplated hereby other than Irish stamp duty imposed on the sale of Noden DAC ("Transfer Taxes") shall be borne by Seller. All Irish stamp duty imposed on the sale of Noden DAC ("Irish Stamp Taxes") shall be borne by Buyer. Buyer and Seller shall (and shall cause their Affiliates to) cooperate in good faith to minimize, to the extent permissible under applicable Law, the amount of any Transfer Taxes or Irish Stamp Taxes, as applicable. Seller and Buyer hereby agree to file in a timely manner all necessary documents (including, but not limited to, all Tax Returns) with respect to all such amounts for which Seller or Buyer, as applicable, is so liable. Buyer shall provide Seller with evidence reasonably satisfactory to Seller that any Irish Stamp Taxes required to be paid by Buyer have been paid and Seller shall provide Buyer with evidence reasonably satisfactory to Buyer that all Transfer Taxes required to be paid by Seller have been paid. Buyer shall pay the Novartis Payment VAT at or promptly following the Closing in accordance with Section 2.02(c). Following the Closing, if either Buyer or any of the Acquired Companies receives any refund or reimbursement from the applicable Governmental Authority for the Novartis Payment VAT, an amount equal to 50% of any such refund or reimbursement amount shall be reimbursed to Seller (not to exceed the amount calculated pursuant to Section 2.05(a)(ii)) within ten (10) Business Days of receipt of such reimbursement, net of 50% of any costs expended by Buyer or any of the Acquired Companies in connection with the collection of such amount. For the avoidance of doubt, to the extent that any amount of Novartis Payment VAT arises or is incurred after the Closing, such amount shall by borne 100% by Buyer with no refund or reimbursement being owed to Seller.

Section 8.04 FIRPTA.

Seller shall deliver to Buyer at the Closing all necessary forms and certificates complying with applicable Law, duly executed and acknowledged, certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code.

ARTICLE IX.

INDEMNIFICATION

Section 9.01 Indemnification by Seller.

Seller hereby agrees to indemnify Buyer and its Affiliates and each of their respective officers, directors, equityholders, managers, members, partners, employees, agents, representatives, successors and assigns (collectively, the "Buyer Indemnified Parties") and hold each of them harmless from and against and pay on behalf of or reimburse any such Buyer Indemnified Party in respect of any Losses, in an amount not to exceed the Purchase Price, which

such Buyer Indemnified Party may suffer, sustain or become subject to, as a direct result of (the following representations referenced in the below clauses (a) and (b), the "Fundamental Representations"):

(a) The breach or inaccuracy of any representation or warranty of the Seller contained in Section 3.01 (Organization, Authority and Qualification of Seller), Section 3.02 (Ownership of Shares) and Section 3.06 (Brokers);
(b) The breach or inaccuracy of any representation or warranty of the Seller contained in Section 4.01 (Capitalization), Section 4.02 (Organization, Authority and Qualification of the Acquired Companies), and Section 4.27 (Brokers);
(c) Closing Indebtedness and Transaction Expenses, but only to the extent not otherwise included in the Purchase Price adjustments, as finally determined pursuant to Section 2.06(c).
(d) The breach of any of the covenants of Seller under this Agreement.

Section 9.02 Manner of Payment.

Any indemnification payment pursuant to this Article IX shall be effected by wire transfer of immediately available funds to an account designated by Buyer within three (3) Business Days after the determination of the amount thereof, whether pursuant to a final judgment, settlement or agreement among the parties hereto.

Section 9.03 Procedure to Bring a Claim.

The party seeking indemnification under this Article IX (the "Indemnified Party") agrees to give prompt notice in writing of such Claim to the party against whom indemnification is being sought (the "Indemnifying Party"). Such notice shall set forth in reasonable detail such Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially and adversely prejudiced the Indemnifying Party. If the Indemnifying Party has timely disputed its indemnity obligation for Losses with respect to such Claim, the parties shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved pursuant to Section 11.12.

Section 9.04 Tax Treatment of Payments.

The parties hereto agree to treat any payments made pursuant to this Article IX as adjustments to the Purchase Price to the extent permitted by applicable Law.

Section 9.05 Exclusive Remedy.

(a) The parties hereto acknowledge and agree that from and after the Closing, except in the case of fraud, the indemnification pursuant to this Article IX and the W&I Policy (if obtained) shall be the sole and exclusive remedy with respect to any and all claims of Buyer Indemnified Parties relating to

this Agreement and any Ancillary Agreement and the transactions contemplated hereby and thereby for any Losses (including Losses from claims of breach of contract, warranty, tortious conduct (including negligence) or otherwise, whether predicated on common law, statute, strict liability, or otherwise) that may be suffered, incurred, or subjected to and all such claims shall be pursuant to the W&I Policy (if obtained) and the indemnification provisions set forth in this Article IX.

(b) Each party's representations, warranties and covenants in this Agreement shall not survive the Closing, provided that, (i) the Fundamental Representations shall survive the Closing until the expiration of the applicable statute of limitation, provided that, for the avoidance of doubt and consistent with the preamble to Article III herein, Seller only represents and warrants to Buyer that the Fundamental Representations are true as of the date of this Agreement and as of the Closing Date and not that the Fundamental Representations are true on a continuing basis post-closing, and (ii)(x) the covenants and agreements of Seller which contemplate performance prior to Closing, and (y) the indemnification obligations pursuant to Section 9.01(c) shall survive for a period of twelve (12) months following the Closing, and (iii) the covenants and agreements of Seller which contemplate performance following Closing shall survive in accordance with their specified terms; provided that if notice of an indemnification Claim is delivered prior to the expiration of the applicable survival period, such Claim shall survive following the expiration of such time periods until it is resolved in accordance with Section 9.03.

Section 9.06 Set-off Right. Any amounts finally resolved in favor of a Buyer Indemnified Party in connection with an indemnification Claim brought pursuant to this Article IX in accordance with the procedures set forth in Section 9.03 may be used to offset any amounts payable by Buyer to Seller.

ARTICLE XI.

TERMINATION, AMENDMENT AND WAIVER

Section 11.01 Termination.

This Agreement may be terminated and the transactions contemplated hereby abandoned:

(a) By mutual written consent of Buyer and Seller at any time prior to the Closing.

(b) By written notice of either Buyer or Seller, if the Closing has not occurred on or before the Outside Date, other than as a result of a breach by the party providing notice of any of its representations, warranties, covenants or other agreements under this Agreement that prevents the satisfaction of any of the conditions to the Closing set forth in Article VII.

(c) By either Buyer or Seller, by written notice to the other party if consummation of any of the transactions contemplated hereby is enjoined,

prohibited or otherwise restrained by the terms of a final, non-appealable order or judgment of a court of competent jurisdiction.

(d) Prior to the Closing, by written notice to Seller from Buyer if a representation or warranty of the Seller with respect to the Seller or the Acquired Companies shall be untrue in any respect, in either case, such that the condition specified in Section 7.02(a) hereof would not be satisfied at the Closing, (a "Terminating Seller Breach") except that, if such Terminating Seller Breach is curable by the breaching party through the exercise of its commercially reasonable efforts, then, for a period lasting until the shorter of (i) one Business Day prior to the Outside Date, and (ii) ten (10) Business Days, but only as long as the breaching party continues to use its commercially reasonable efforts to cure such breach (the "Seller Cure Period"), such termination shall not be effective, and such termination shall become effective only if the Terminating Seller Breach is not cured prior to the Seller Cure Period. Notwithstanding anything herein to the contrary, in the event that Seller has not satisfied Section 7.02(a) solely due to not having the Minimum Closing Cash, Seller shall have the opportunity to cure such breach of representation within twenty-four (24) hours of being notified that the conditions set forth in Article VII have otherwise been satisfied.

(e) Prior to the Closing, by written notice from Seller to Buyer if a representation or warranty of Buyer shall be untrue in any respect, in either case, such that the condition specified in Section 7.01(a) hereof would not be satisfied at the Closing (a "Terminating Buyer Breach"), except that, if such Terminating Buyer Breach is curable by Buyer through the exercise of its commercially reasonable efforts, then, for a period lasting until the shorter of (i) one Business Day prior to the Outside Date, and (ii) ten (10) Business Days, but only as long as Buyer continues to exercise such commercially reasonable efforts to cure such Terminating Buyer Breach (the "Buyer Cure Period"), such termination shall not be effective, and such termination shall become effective only if the Terminating Buyer Breach is not cured within the Buyer Cure Period.

Section 10.02 Effect of Termination.

In the event of termination and abandonment of this Agreement pursuant to Section 10.01, this Agreement shall forthwith become void and have no effect, without any Liability on the part of any party hereto or its respective Affiliates, officers, directors or equityholders, other than the Liability of Buyer or Seller, as the case may be, for (i) any Liabilities incurred prior to such termination, and (ii) fraud or any intentional and willful breach of this Agreement occurring prior to such termination (it being understood and expressly agreed that a breach of the provisions of Section 6.12(a) by Seller or any of its Affiliates shall be considered an intentional and willful breach of this Agreement). The provisions of Section 6.02(b) and this Article X shall survive the termination of this Agreement.

ARTICLE XI.

GENERAL PROVISIONS

Section 11.01 Expenses.

Except as otherwise specified in this Agreement (including Section 8.03), whether the transactions contemplated by this Agreement are consummated or not, each of Buyer and Seller, respectively, shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement. Except as provided in Section 8.03, all governmental fees and charges applicable to any requests for Government Consents, including any filing fees related to any Antitrust Laws and all Irish Stamp Taxes applicable to the transfer of the Shares under this Agreement shall be the sole responsibility of Buyer.

Section 11.02 Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent by nationally recognized overnight air courier, one (1) Business Day after mailing; (c) by e-mail (with confirmation of receipt), and (d) if otherwise actually personally delivered, when delivered; provided that such notices, requests, claims, demands and other communications are delivered to the respective parties hereto at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.02):

(a) if to Seller:
PDL Biopharma, Inc.
932 Southwood Boulevard
Incline Village, Nevada 89451

Attention: Chris Stone, Nathan Kryszak
E-mail: Chris.Stone@pdl.com; Nathan.Kryszak@pdl.com

with a copy to:
Latham & Watkins LLP
650 Town Center Drive, 20th Floor
Costa Mesa, CA 92626
Attention: Michael Treska, Daniel Rees, Brett Urig
E-mail: michael.treska@lw.com; daniel.rees@lw.com; brett.urig@lw.com

(b) if to Buyer:
Bartleby Limited (in the process of changing its name to CAT Capital Bidco Limited)
1st Floor, 118 Baggot Street Lower,
Saint Peter's, Dublin, Ireland
Attention: Simon Cottle
E-mail: simon@stanley-capital.com

with a copy to:
Willkie Farr & Gallagher LLP
Citypoint, 1 Ropemaker Street
London EC2Y 9AW
Attention: Gavin Gordon
E-mail: ggordon@willkie.com

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019
Attention: Claire James
E-mail: cejames@willkie.com

Section 11.03 Public Announcements.

No party to this Agreement shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated by this Agreement or otherwise communicate with any news media without the prior written consent of the other party unless otherwise required by Law or applicable stock exchange regulation, and the parties to this Agreement shall cooperate as to the timing and contents of any such press release, public announcement or communication.

Section 11.04 Severability.

If any term or other provision of this Agreement is deemed by any court to be violative of Law or public policy and therefore invalid, illegal or incapable of being enforced, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to either party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

Section 11.05 Entire Agreement.

This Agreement and the Non-Disclosure Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, between Seller and Buyer with respect to the subject matter hereof and thereof.

Section 11.06 Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors, assigns, heirs, executors and administrators; provided, however, that neither party to this Agreement may assign its rights or delegate any or all of its obligations under this Agreement without the express prior written consent of the other

party to this Agreement (which consent may be granted or withheld in such party's sole discretion). Notwithstanding the foregoing, Buyer may assign by way of security or grant any Lien over its rights and interests under this Agreement to the extent required by any lender or other provider of the Debt Financing (or agent or trustee on behalf of the lenders or other providers of the Debt Financing), in each case without the consent of Seller.

Section 11.07 Amendment.

This Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, each party hereto, or (b) by a waiver in accordance with Section 11.08.

Section 11.08 Waiver.

The parties to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto, or (c) waive compliance with any of the agreements of the other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

Section 11.09 No Third Party Beneficiaries.

This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied (including the provisions of Article IX relating to Indemnified Parties), is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

Section 11.10 Neutral Construction.

The parties agree that this Agreement was negotiated at arms-length and that the final terms hereof are the product of the parties' negotiations. This Agreement shall be deemed to have been jointly and equally drafted by Seller and Buyer, and the provisions hereof should not be construed against a party on the grounds that the party drafted or was more responsible for drafting the provision.

Section 11.11 Currency.

Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars.

Section 11.12 Governing Law; Jurisdiction.

This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Delaware. All Actions arising out of or relating to this Agreement shall be heard and determined exclusively in any Delaware federal court; provided, however, that if such federal court does not have jurisdiction over such Action, such Action shall be heard and determined exclusively in any Delaware state court. Consistent with the preceding sentence, the parties hereto hereby (a) submit to the exclusive jurisdiction of any federal or state court sitting in the State of Delaware for the purpose of any Action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Agreement or the transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts.

Section 11.13 Waiver of Jury Trial.

EACH OF the parties hereto hereby waiveS to the fullest extent permitted by applicable law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement.

Section 11.14 Specific Performance.

The parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity. In particular, the parties acknowledge that the Business, operations and reputations of the Acquired Companies would be irreparably harmed in the event of a breach and recognize and affirm that in the event either party breaches this Agreement money damages would be inadequate and the other party would have no adequate remedy at law, so that the non-breaching parties shall have the right, in addition to any other rights and remedies existing in their favor, to enforce their rights and the breaching party's obligations hereunder not only by action for damages but also by action for specific performance, injunctive, and/or other equitable relief. Any party seeking an injunction or injunctions to prevent breaches of this Agreement or the Financing and to enforce specifically the terms and provisions of this Agreement or the Financing shall not be required to provide any bond or other security in connection with any such order or injunction. The election of Seller to pursue an injunction or specific performance shall not restrict, impair or otherwise limit Seller from subsequently seeking to terminate this Agreement and seeking any other form of relief that may be available to Seller under this Agreement, the Limited Guarantee or the Equity Commitment Letter; provided, however, that under no circumstances shall Seller be permitted or entitled to receive or be granted more than one of (x) specific performance of the consummation of the Closing pursuant to this Section 11.14 or (y) damages incurred by Seller.

Section 11.15 No Recourse. Except as otherwise expressly provided in this Agreement or the applicable Ancillary Agreements, this Agreement and the Ancillary Agreements may be enforced, and any Claims or causes of Action for breach of this Agreement or any of the Ancillary Agreements may be made, subject to the limitations set forth in this Agreement or such Ancillary Agreements, as applicable, only against the parties hereto or thereto and no other Person shall have any Liability for any Claim for breach of this Agreement or any of the Ancillary Agreements in respect of any oral or other representations made or alleged to be made in connection herewith or therewith. Except in accordance with the express terms of this Agreement or the applicable Ancillary Agreements, no Person (including the Non-Recourse Parties of Seller or Buyer and the Non-Recourse Parties of such Non-Recourse Parties) other the parties to this Agreement or the applicable Ancillary Agreement shall have any Liability arising under, in connection with or related to this Agreement or any of the Ancillary Agreements or the transactions contemplated hereby or thereby or for any Claim based on, in respect of, or by reason of this Agreement or any Ancillary Agreement (including the negotiation, execution or performance hereof or thereof) or the transactions contemplated hereby or thereby; and each of Buyer and Seller hereby expressly waives and releases all such Liabilities, Claims and causes of Action against any such Persons (including the Non-Recourse Parties of Seller or Buyer and the Non-Recourse Parties of such Non-Recourse Parties).

Section 11.16 Counterparts.

This Agreement may be executed and delivered (including by facsimile transmission or electronic mail in portable document format) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties as of the day first above written.

BUYER:

Bartleby Limited (in the process of changing its name to
CAT Capital Bidco Limited)

By:
Name:
Title:

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties as of the day first above written.

SELLER:

PDL BioPharma, Inc.

By:
Name:
Title:

ANNEX A

SAMPLE CLOSING STATEMENT

Omitted pursuant to Regulation S-K, Item 601(a)(5)

ANNEX B-1

Deemed Specified Transaction

Omitted pursuant to Regulation S-K, Item 601(A)(5)

ANNEX B-2

Potential Specified Transactions

Omitted pursuant to Regulation S-K, Item 601(a)(5)

SCHEDULE A

ACQUIRED COMPANIES PRODUCTS

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule B

Outstanding Closing Novartis Balance

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule C

Intercompany Recapitalization

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Exhibit 31.1

CERTIFICATIONS

I, Dominique Monnet, President and Chief Executive Officer, of PDL BioPharma, Inc., certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of PDL BioPharma, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ DOMINIQUE MONNET

Dominique Monnet
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Edward A. Imbrogno, Vice President, Chief Financial Officer and Chief Accounting Officer, of PDL BioPharma, Inc., certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of PDL BioPharma, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2020

/s/ EDWARD A. IMBROGNO

Edward A. Imbrogno
Vice President, Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), Dominique Monnet, President and Chief Executive Officer of PDL BioPharma, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2020

By:

/s/ DOMINIQUE MONNET

Dominique Monnet
President and Chief Executive Officer
(Principal Executive Officer)

/s/ EDWARD A. IMBROGNO

Edward A. Imbrogno
Vice President, Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

(1) This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of PDL BioPharma, Inc. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to PDL BioPharma, Inc. and will be retained by PDL BioPharma, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.