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

**SCHEDULE 13D**

Under the Securities Exchange Act of 1934\*

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**PDL BioPharma, Inc.**

(Name of Issuer)

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Common Stock

(Title of Class of Securities)

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69329Y104

(CUSIP Number)

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Michael Colvin  
Highland Capital Management, L.P.  
Two Galleria Tower  
13455 Noel Road, Suite 800  
Dallas, Texas 75240  
(972) 628-4100

(Name, Address and Telephone Number of Persons Authorized to Receive Notices and Communications)

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October 18, 2007

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), (f) or (g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7(b) for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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<b>1</b>	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  Highland Capital Management, L.P. 75-2716725	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input type="radio"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)  WC	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  5,796,999
	<b>8</b>	SHARED VOTING POWER  314,700
	<b>9</b>	SOLE DISPOSITIVE POWER  5,796,999
	<b>10</b>	SHARED DISPOSITIVE POWER  314,700
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  6,111,699	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  5.2%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  PN, IA	

<b>1</b>	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  Strand Advisors, Inc. 95-4440863	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input type="radio"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  5,796,999
	<b>8</b>	SHARED VOTING POWER  314,700
	<b>9</b>	SOLE DISPOSITIVE POWER  5,796,999
	<b>10</b>	SHARED DISPOSITIVE POWER  314,700
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  6,111,699	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  5.2%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  CO, HC	

<b>1</b>	NAMES OF REPORTING PERSONS  James Dondero	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input type="radio"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  United States	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  5,796,999
	<b>8</b>	SHARED VOTING POWER  314,700
	<b>9</b>	SOLE DISPOSITIVE POWER  5,796,999
	<b>10</b>	SHARED DISPOSITIVE POWER  314,700
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  6,111,699	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  5.2%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  IN, HC	

<b>1</b>	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  Highland Distressed Opportunities, Inc. (1) 20-5423854	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input checked="" type="checkbox"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)  WC	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  0
	<b>8</b>	SHARED VOTING POWER  221,600
	<b>9</b>	SOLE DISPOSITIVE POWER  0
	<b>10</b>	SHARED DISPOSITIVE POWER  221,600
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  221,600	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  0.2%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  CO	

(1) The Reporting Persons may be deemed to be the beneficial owners of the shares of the Issuer’s Common Stock beneficially owned by the other Reporting Persons. However, with respect to the matters described herein, no other Reporting Person may bind, obligate or take any action, directly or indirectly, on behalf of Highland Distressed Opportunities, Inc. The Reporting Person expressly disclaims membership in a group with respect to the issuer or securities of the issuer for the purpose of Section 13(d) or 13(g) of the Act.

<b>1</b>	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  Highland Equity Opportunities Fund (1) 20-4570552	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input checked="" type="checkbox"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)  WC	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  0
	<b>8</b>	SHARED VOTING POWER  31,800
	<b>9</b>	SOLE DISPOSITIVE POWER  0
	<b>10</b>	SHARED DISPOSITIVE POWER  31,800
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  31,800	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  0.02%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  OO	

(1) The Reporting Persons may be deemed to be the beneficial owners of the shares of the Issuer's Common Stock beneficially owned by the other Reporting Persons. However, with respect to the matters described herein, no other Reporting Person may bind, obligate or take any action, directly or indirectly, on behalf of Highland Equity Opportunities Fund. The Reporting Person expressly disclaims membership in a group with respect to the issuer or securities of the issuer for the purpose of Section 13(d) or 13(g) of the Act.

<b>1</b>	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  Highland Multi-Strategy Onshore Master SubFund, L.L.C. 20-5237152	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input type="radio"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)  WC	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  0
	<b>8</b>	SHARED VOTING POWER  61,300
	<b>9</b>	SOLE DISPOSITIVE POWER  0
	<b>10</b>	SHARED DISPOSITIVE POWER  61,300
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  61,300	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  0.1%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  OO	



<b>1</b>	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  Highland Multi-Strategy Master Fund, L.P. 20-5237085	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  (a) <input type="radio"/> (b) <input type="radio"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="radio"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  Bermuda	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER  0
	<b>8</b>	SHARED VOTING POWER  61,300
	<b>9</b>	SOLE DISPOSITIVE POWER  0
	<b>10</b>	SHARED DISPOSITIVE POWER  61,300
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  61,300	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="radio"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  0.1%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  PN/HC	

## Item 1. Security and Issuer.

This statement on Schedule 13D relates to the Common Stock, par value \$0.01 per share (the “*Common Stock*”), of PDL BioPharma, Inc., a Delaware corporation (the “*Issuer*”). The principal executive offices of the Issuer are located at 34801 Campus Drive, Fremont, California 94555.

## Item 2. Identity and Background.

(a) This statement is filed by and on behalf of each of the following persons (collectively, the “*Reporting Persons*”): (i) Highland Distressed Opportunities, Inc., a Delaware corporation (“*Distressed Opportunities*”); (ii) Highland Equity Opportunities Fund, a Delaware trust (“*Equity Fund*”); (iii) Highland Multi-Strategy Onshore master SubFund, L.L.C., a Delaware limited liability company (“*Multi-Strategy SubFund*”); (iv) Highland Multi-Strategy Master Fund, L.P., a Bermuda limited partnership (“*Multi-Strategy Master Fund*”); (v) Highland Capital Management L.P., a Delaware limited partnership (“*Highland Capital*”); (vi) Strand Advisors, Inc., a Delaware corporation (“*Strand*”); and (vii) James D. Dondero. The directors and executive officers of Distressed Opportunities and Strand are named on Appendix I hereto.

Each of the Reporting Persons declares that neither the filing of this statement nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, the beneficial owner of any securities covered by this statement.

Each of the reporting persons may be deemed to be a member of a group with respect to the issuer or securities of the issuer for the purpose of Section 13(d) or 13(g) of the Act. Each of the Reporting Persons declares that neither the filing of this statement nor anything herein shall be construed as evidence that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, (i) acting (or has agreed or is agreeing to act together with any other person) as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of securities of the Issuer or otherwise with respect to the Issuer or any securities of the Issuer or (ii) a member of any group with respect to the Issuer or any securities of the Issuer.

(b) The address of the principal business office of each of the Reporting Persons is Two Galleria Tower, 13455 Noel Road, Suite 800, Dallas, Texas 75240.

(c) The principal business of each of Distressed Opportunities, Equity Fund and Multi-Strategy Subfund is acting as a registered investment company; Distressed Opportunities, Equity Fund and Multi-Strategy Subfund may have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares owned and/or held by and/or for the account and/or benefit of other Reporting Persons. The principal business of Highland Capital, a registered investment adviser, is acting as investment adviser and/or manager to other persons, including Distressed Opportunities, Equity Fund and Multi-Strategy SubFund; Highland Capital may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or for the benefit of other persons, including Distressed Opportunities, Equity Fund and Multi-Strategy SubFund. The principal business of Strand is serving as the general partner of Highland Capital; Strand may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or for the benefit of Highland Capital. The principal business of Mr. Dondero is serving as the President of Distressed Opportunities and the President and a director of Strand; Mr. Dondero may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or for the benefit of Strand and/or Distressed Opportunities. The principal business of Multi-Strategy Master Fund is serving as the managing member of Multi-Strategy SubFund; Multi-Strategy Master Fund may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or for the benefit of Multi-Strategy SubFund.

(d) During the last five years, none of the Reporting Persons, nor, to the knowledge of the Reporting Persons, any of the persons controlling the Reporting Persons, or the directors or executive officers of Strand and Services, has been convicted in a criminal proceeding in either case of the type specified in Items 2(d) or (e) of Schedule 13D.

(e) During the last five years, none of the Reporting Persons, nor, to the knowledge of the Reporting Persons, any of the persons controlling the Reporting Persons, or the directors or executive officers of Strand and Services, was a party to a civil proceeding in either case of the type specified in Items 2(d) or (e) of Schedule 13D.

(f) Distressed Opportunities, Equity Fund, Multi-Strategy SubFund, Highland Capital and Srand are Delaware entities. Multi-Strategy Master Fund is a Bermuda entity. The citizenship of Mr. Dondero is the United States.

### **Item 3. Source and Amount of Funds or Other Consideration.**

The Reporting Persons have acquired an aggregate of 6,111,699 shares of Common Stock (the “*Shares*”), which are reported herein, in open market transactions for an aggregate purchase price of approximately \$145,050,742.93, with a combination of funds from accounts managed by Highland Capital.

### **Item 4. Purpose of Transaction.**

The Reporting Persons acquired the Shares for investment purposes. The Reporting Persons continue to review their investment in the Issuer. Certain of the Reporting Persons have in the past and may continue in the future to engage in discussions with management, the board of directors, other stockholders of the Issuer and other relevant parties concerning the business, operations, board composition, management, strategy and future plans of the Issuer. Depending on various factors including, without limitation, the Issuer’s financial position and strategic direction, actions taken by the board of directors, price levels of the shares of Common Stock, other investment opportunities available to the Reporting Persons, conditions in the securities market and general economic and industry conditions, certain of, or all of, the Reporting Persons may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, purchasing additional shares of Common Stock or selling some or all of the Shares held by some or all of them, seeking to influence the management or strategic direction of the Issuer and/or otherwise changing its intention with respect to any and all matters referred to in Item 4 of Schedule 13D.

On September 25, 2007, Highland Capital sent a letter to the Issuer, recommending the following actions:

- The Board should seek additional expertise in evaluating the complex alternatives available for the Issuer’s royalty stream.
- The Board should proactively pursue selling the entire company, either in a single or multiple transactions and should not reconfigure the Issuer into an early stage developmental company.
- The Issuer should clearly communicate to the market that it is proactively working to sell the entire company.
- Dr. Patrick Gage should promptly resign as Chairman of the Board of Directors.
- Dr. Laurence Korn should take over the role of Chairman of the Board.
- Mark McDade should immediately resign as CEO and depart the Issuer entirely.
- An independent Board member should be added to fill the vacancy left by Dr. Broder’s resignation. This individual should possess a thorough understanding of his role as a shareholder advocate as well as experience in biopharmaceutical M&A.

A copy of the letter is attached hereto as Exhibit 2 and incorporated herein by reference in its entirety.

### **Item 5. Interest in Securities of the Issuer.**

(a) The aggregate number and percentage of the shares of Common Stock beneficially owned by each Reporting Person:

See the disclosure provided in response to Items 11 and 13 on the attached cover page(s)<sup>1</sup>.

(b) Number of shares as to which such person has:

- (i) sole power to vote or to direct the vote:  
See the disclosure provided in response to Item 7 on the attached cover page(s).
- (ii) shared power to vote or to direct the vote:  
See the disclosure provided in response to Item 8 on the attached cover page(s).
- (iii) sole power to dispose or to direct the disposition of:  
See the disclosure provided in response to Item 9 on the attached cover page(s).
- (iv) shared power to dispose or to direct the disposition of:  
See the disclosure provided in response to Item 10 on the attached cover page(s).

(c) The following table describes transactions in the Common Stock that were effected during the past sixty days or since the most recent filing of Schedule 13D, whichever is less, by the persons named in response to paragraph (a) of this Item 5:

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<sup>1</sup> The percentage calculation is based on 116,831,008 shares of Common Stock outstanding, reported on the Form 10-Q filed with the SEC by the Issuer on August 9, 2007.

<u>Transaction Date</u>	<u>Reporting Person</u>	<u>Number of Shares Acquired</u>	<u>Number of Shares Disposed</u>	<u>Price Per Share (\$)</u>	<u>Description of Transaction</u>
10/22/2007	Highland Capital	18,100.00		19.9974	Open Market
10/19/2007	Highland Capital	200,000.00		20.0919	Open Market
10/18/2007	Highland Capital	100,000.00		20.5156	Open Market
9/28/2007	Highland Capital	200,000.00		21.5000	Open Market
9/27/2007	Highland Capital	50,000.00		20.8780	Open Market
9/21/2007	Highland Capital	50,000.00		20.4595	Open Market
9/17/2007	Highland Capital	50,000.00		20.2395	Open Market
9/14/2007	Highland Capital	50,000.00		20.3958	Open Market
9/13/2007	Highland Capital	50,000.00		20.2382	Open Market
9/12/2007	Highland Capital	50,000.00		20.5271	Open Market
9/10/2007	Highland Capital	100,000.00		20.0297	Open Market
9/7/2007	Highland Capital	130,000.00		19.9142	Open Market
9/6/2007	Highland Capital	150,000.00		20.1986	Open Market
9/5/2007	Highland Capital	5,000.00		20.0000	Open Market
8/31/2007	Highland Capital	30,000.00		19.4318	Open Market
8/30/2007	Highland Capital	250,000.00		18.8453	Open Market
8/29/2007	Highland Capital	500,000.00		19.2548	Open Market

(d) Not applicable.

(e) Not applicable.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.**

There are no contracts, arrangements, understandings or relationships between the Reporting Persons or any other person with respect to the securities of the Issuer.

**Item 7. Material to be Filed as Exhibits.**

Exhibit 1 Joint Filing Agreement dated October 29, 2007.

Exhibit 2 Letter from Highland Capital to the Issuer, dated September 25, 2007.

**SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: October 29, 2007

**Highland Multi-Strategy Onshore Master SubFund, L.L.C.**

- By: Highland Multi-Strategy Master Fund, L.P., its managing member
- By: Highland Multi-Strategy Fund GP, L.P., its general partner
- By: Highland Multi-Strategy Fund GP, L.L.C., its general partner
- By: Highland Capital Management, L.P., its sole member
- By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Multi-Strategy Master Fund, L.P.**

- By: Highland Multi-Strategy Fund GP, L.P., its general partner
- By: Highland Multi-Strategy Fund GP, L.L.C., its general partner
- By: Highland Capital Management, L.P., its sole member
- By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Equity Opportunities Fund**

- By: Highland Capital Management, L.P., its manager
- By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Distressed Opportunities Fund, Inc.**

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Capital Management, L.P.**

- By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Strand Advisors, Inc.**

By: /s/ James D. Dondero  
James D. Dondero, President

**James D. Dondero**

/s/ James D. Dondero

**APPENDIX I**

The name of each director and executive officer of Strand and Distressed Opportunitis is set forth below. The business address of each person listed below is Two Galleria Tower, 13455 Noel Road, Suite 800, Dallas, Texas 75240. Each person identified below is a citizen of the United States of America. The present principal occupation or employment of each of the listed persons is set forth below. During the past five years, none of the individuals listed below has been convicted in a criminal proceeding or been a party to a civil proceeding, in either case of the type specified in Items 2(d) or (e) of Schedule 13D.

**Strand Advisors, Inc.**

**Directors**

James D. Dondero

**Executive Officers**

President:	James D. Dondero
Executive Vice President:	Mark Okada
Secretary:	Michael Colvin
Assistant Secretary:	Patrick Daugherty
Assistant Secretary:	Todd Travers
Treasurer:	Ken McGovern

**Highland Distressed Opportunities Fund, Inc.**

**Directors**

R. Joseph Dougherty  
Timothy K. Hui  
Scott F. Kavanaugh  
James F. Leary  
Bryan A. Ward

**Executive Officers**

President:	James D. Dondero
Senior Vice President:	R. Joseph Dougherty
Executive Vice President:	Mark Okada
Chief Compliance Officer:	Michael Colvin
Treasurer and Secretary:	M. Jason Blackburn

**EXHIBIT 1**

**JOINT FILING AGREEMENT**

In accordance with Rule 13d-1(k) promulgated under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them a Statement on Schedule 13D and Schedule 13G (including amendments thereto) with regard to the Common Stock of PDL BioPharma, Inc., a Delaware corporation, and further agree that this Joint Filing Agreement be included as an Exhibit to such joint filings. In evidence thereof, the undersigned, being duly authorized, hereby execute this Joint Filing Agreement as of October 29, 2007.

**Highland Multi-Strategy Onshore Master SubFund, L.L.C.**

By: Highland Multi-Strategy Master Fund, L.P., its managing member  
By: Highland Multi-Strategy Fund GP, L.P., its general partner  
By: Highland Multi-Strategy Fund GP, L.L.C., its general partner  
By: Highland Capital Management, L.P., its sole member  
By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Multi-Strategy Master Fund, L.P.**

By: Highland Multi-Strategy Fund GP, L.P., its general partner  
By: Highland Multi-Strategy Fund GP, L.L.C., its general partner  
By: Highland Capital Management, L.P., its sole member  
By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Equity Opportunities Fund**

By: Highland Capital Management, L.P., its manager  
By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Distressed Opportunities Fund, Inc.**

By: /s/ James D. Dondero  
James D. Dondero, President

**Highland Capital Management, L.P.**

By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero  
James D. Dondero, President

**Strand Advisors, Inc.**

By: /s/ James D. Dondero  
James D. Dondero, President

**James D. Dondero**  
/s/ James D. Dondero

**EXHIBIT 2**

**LETTER FROM HIGHLAND CAPITAL TO THE ISSUER**

(Copy of the Highland Capital letter)

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September 25, 2007

PDL BioPharma, Inc. Board of Directors

PDL BioPharma, Inc.  
34801 Campus Drive  
Fremont, CA 94555

Ladies and Gentlemen:

As you know, through its affiliates and managed accounts, Highland Capital Management, L.P. owns approximately 4.7% of the common stock of PDL Biopharma, Inc. ("PDL").

Over the past three weeks we have contacted each of you to express our displeasure with the ambiguous message conveyed on the August 28<sup>th</sup> conference call, to voice additional concerns, and to offer recommendations that we believe will maximize the value of PDL's substantial assets. We have concurrently consulted various advisors, Wall Street and other shareholders that have provided additional perspective into PDL's current situation. We applaud the efforts that you have made to investigate Mr. McDade's questionable acts and to identify new leadership to guide PDL toward the maximization of shareholder value. Unfortunately, we believe this process has stalled.

After carefully evaluating the information we have gathered and considering the recent resignation of Dr. Samuel Broder from PDL's Board of Directors, we insist the Board move rapidly to undertake deliberate action to maximize shareholder value and to mitigate the franchise deterioration that occurs when direction is unclear and alternatives are unexplored. We strongly recommend the following actions:

- The Board should seek additional expertise in evaluating the complex alternatives available for the royalty stream.
- The Board should proactively pursue selling the entire company, either in a single or multiple transactions. Given PDL's lackluster R&D track record, we adamantly oppose any effort to reconfigure PDL into an early stage developmental company.
- PDL should clearly communicate to the market that it is proactively working to sell the entire company.
- Dr. Patrick Gage should promptly resign as Chairman of PDL's Board of Directors.
- Dr. Laurence Korn should take over the role of Chairman.

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- Mark McDade should immediately resign as CEO and depart the company entirely. We view Mr. McDade as an impediment to the strategic review process.
- An independent Board member should be added to fill the vacancy left by Dr. Broder. This individual should possess a thorough understanding of his role as a shareholder advocate as well as experience in biopharmaceutical M&A.

*Public Market Valuation Remains Well Below Private-Market Value of Assets*

Bluntly, we have lost confidence in the current leadership's ability to maximize the value of PDL's shares. Our views were confirmed by the multiple sell-side research analyst downgrades and the 20% one-day decline in the share price subsequent to the perplexing August 28<sup>th</sup> conference call. While the share price has modestly recovered from the sizeable one-day decline, management's inability to clearly articulate a plan to maximize shareholder value gives us little confidence that the current regime is capable of pursuing the steps necessary to realize the significant intrinsic value of PDL's substantial assets.

Following the recent decline, shares are trading at a sizeable discount to the private-market value of the underlying assets, which we conclude is driven by investor confusion regarding the company's strategy, poor understanding of the royalty stream's value, and trepidation that current management will further erode value. Strikingly, we estimate that shares of PDL are currently priced at a value ranging from a modest premium to a slight discount to the private-market value of the company's royalty stream, an asset that current leadership had little role in developing.

Subsequent to our conversations we have concluded that few Board members fully comprehend the value of the company's royalty stream, let alone the complex financial alternatives that are available to realize the value of this unique asset. We were particularly surprised by Dr. Gage's preconceived notion that alternatives available to monetize single-drug royalties were not appropriate for the company's large and diverse cash flow stream. As active participants in the pharmaceutical royalty monetization market we strongly disagree with Dr. Gage's misinformed opinion and, conversely, believe the diversification and size are precisely why the asset is so desirable. In fact, we believe the royalty stream's unique features may permit the use of several additional financial structures not available to smaller, single-drug royalty streams. Given the obvious confusion surrounding the company's largest and most valuable asset, we encourage the Board to seek additional expertise in evaluating the available options. We have made each of you aware of a third party that possesses an extensive track record of successful pharmaceutical royalty transactions and recommend that this third party is permitted to present to the full Board as soon as possible.

Additionally, we encourage PDL to make publicly available as much information as contractually permitted regarding the various agreements constituting the company's royalty stream. While several parties have valued the cumulative royalty stream at approximately \$2.0 billion, we believe this estimate is most valid for the eight existing royalties as well as potential

flows from publicly disclosed molecules that are currently in clinical development. Of course, these royalties are the result of the company's Queen Patents and will cease when the patents expire in 2014. Additionally, we understand PDL may receive potentially sizeable cash flows associated with agreements that govern antibodies humanized by PDL. We understand that these agreements call for a royalty rate that is slightly higher than the rate on current royalties, and lasting 10 to 15 years post-commercialization. We are confident that the investing community is not currently considering this potentially valuable optionality. We believe data surrounding these agreements was publicly discussed by prior leadership and we are mystified that current management has not described these potentially lucrative arrangements to investors. The failure to clearly communicate as much information as possible about the various agreements increases our skepticism that the current regime fully grasps the value of its most prized asset.

#### *Board Should End Confusion and Clearly Articulate a Desire to Sell PDL*

While developing novel clinical assets entails a high-degree of uncertainty, the recent termination of the Nuvion IV steroid-refractory ulcerative colitis program combined with the company's lackluster R&D track record raises significant doubt as to the current leadership's ability to shepherd molecules through the clinical development process. This viewpoint has been echoed by multiple sell-side analysts, including Wachovia, which penned the following in a note published August 29:

*"Due to insufficient efficacy and an inferior safety profile observed in a recent data monitoring committee evaluation of the RESTORE 1 trial evaluating Nuvion in steroid-refractory ulcerative colitis, PDLI has decided to terminate the Nuvion Phase 3 program. Given the challenges facing development of this agent over the past six years we have been following the company, we highly doubt this antibody will ever reach the market for treatment of any indication. In our view, this major blow calls into question PDLI's capability to ever bring a product to the market and significantly changes Street perception of PDLI as a clinical development enterprise."*

Given these concerns we strongly oppose any attempt to reconfigure PDL into an early-stage biopharmaceutical company, and instead advocate the immediate sale of the company, in full or in multiple transactions, to entities that are more capable of exploiting the various assets. We believe numerous buyers exist for each of the company's individual assets and are encouraged by management's initial decision to divest the company's commercial products. That said, multiple parties may have the desire and ability to acquire the entire company, and we trust the Board and its advisors will proactively pursue the full range of alternatives in order to maximize shareholder value.

Furthermore, in order to repair the damage done by the August 28<sup>th</sup> conference call, we recommend that PDL issue a press release that lucidly communicates to the investing public that it is diligently and expeditiously working to sell the entire company. If the message is clearly conveyed and earnestly pursued, we believe the majority of shareholders will provide the Board with sufficient breathing room to consummate a transaction. And, given the scarcity value of

PDL's antibody platform as well as the burgeoning market for pharmaceutical royalty streams, the demand for these assets will only increase.

*Dr. Korn Should Be Named Chairman of the Board; Additional Qualified Board Member Should be Added; McDade Should Resign Immediately*

Following substantial due diligence and internal debate we have concluded that Dr. Patrick Gage lacks the experience, skills, and pragmatism to maximize the value of the company's diverse assets. We concede that Dr. Gage's scientific credentials are noteworthy, however, we strongly disagree that his time at Wyeth or his current position as Chairman of micro-cap Neose Technologies qualifies him to lead the assessment of the complex alternatives currently being evaluated by the Board. By his own admission, Dr. Gage volunteered that his strongest skills were scientific in nature and indicated that other Board members were more capable of discussing PDL's prized royalty stream. We find it inconceivable that an individual who admittedly does not possess a thorough comprehension of the company's most valuable asset is chairing the Board at this juncture.

During the same conversation we were dismayed to hear that Dr. Gage has no interest in proactively seeking potential suitors for the company, although indicated that he would talk to an interested party if he were contacted. We view this commentary as well as Dr. Gage's ambiguous statements on the August 28<sup>th</sup> conference call as demonstrating an apathetic stance towards the owners of PDL. Given Dr. Gage's refusal to proactively pursue shareholder friendly actions, we request that he promptly resign as Chairman of the company.

We request that Dr. Laurence Korn be named to replace Dr. Gage as Chairman of PDL. Dr. Korn presided over the company when the majority of intellectual property and antibody humanization agreements were consummated, thus he likely possesses an intimate knowledge of the true value of the company's royalty stream. Additionally, his keen familiarity with the company's various partnership agreements makes him the logical candidate to proactively court potential suitors and achieve the highest possible bid for the company.

Furthermore, we recommend that the vacancy left by Dr. Samuel Broder be filled promptly by an acceptable candidate. During our due diligence, several parties described Dr. Broder as a rational individual with a thorough appreciation for his role as a shareholder advocate. As such, we view his abrupt departure with concern and therefore insist that the Board rapidly identify a replacement, who will appropriately represent the company's owners as discussions are held with potential suitors. This individual should have demonstrated expertise in biopharmaceutical M&A.

Finally, we believe Mark McDade should immediately resign as CEO and leave the company entirely. Sufficient demand exists for the company's commercial assets and we do not believe his "expertise" is needed to achieve the asset's maximum value. Furthermore, we believe Mr. McDade is an impediment to the strategic review process and his lingering with the company pending the effectiveness of resignation only exacerbates the uncertain direction of the company.

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He has caused enough shareholder angst and should not be permitted to continue his destruction of shareholder value.

We have attempted to, and will remain available to, discuss the recommendations put forth in this letter. That said, we believe the time for dialogue has ended and encourage each of you to honor your fiduciary obligations to the company and its shareholders by expeditiously implementing our recommendations in order to protect shareholder value. Rest assured Highland Capital Management will proactively pursue all available avenues and remedies to maximize shareholder value and protect the return of our investors.

Sincerely,

Jim Dondero  
President and CEO  
Highland Capital Management

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