

Part II Organizational Action (continued)

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

Blank lines for listing Internal Revenue Code sections.

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

Blank lines for indicating if a resulting loss can be recognized.

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

Blank lines for providing other information necessary for the adjustment.

Sign Here

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

Signature ▶ Stephen Geerling Date ▶ 10/23/19

Print your name ▶ Stephen Geerling Title ▶ Senior Tax Director

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

PDL BioPharma, Inc.
FEIN: 94-3023969

Form 8937

Report of Organizational Action Affecting Basis of Securities

Exchange of 2.75% Senior Convertible Notes due 2021 for 2.75% Senior Convertible Notes due 2024

Appendix A

The attached Form 8937 and this Appendix A are intended to constitute a public reporting under section 6045B of the Internal Revenue Code of 1986, as amended (the "Code"), and sections 1.6045B-1(a)(3) and (b)(4) of the Treasury Regulations relating to a potential adjustment to the basis of PDL BioPharma, Inc.'s ("PDL") Existing Notes (as defined below) as a result of the Exchange (as defined below) on September 17, 2019. This Appendix A is intended to provide only a general summary of certain U.S. federal income tax consequences of the Exchange and is not intended to provide a comprehensive analysis of all potential U.S. federal income tax consequences related to the Exchange. Holders should consult their tax advisors to determine the tax consequences to them of the Exchange.

Part II, Line 14

On September 17, 2019, PDL exchanged approximately \$86.1 million in aggregate principal amount of its 2.75% Convertible Senior Notes due 2021 (the "Existing Notes") for approximately \$86.1 million in aggregate original principal amount of new 2.75% Convertible Senior Notes due 2024 (the "Exchange Notes" and such transaction, the "Exchange") together with an aggregate of approximately \$6.0 million of cash. Following the closing of the Exchange, approximately \$63.9 million aggregate principal amount of Existing Notes remain outstanding with terms unchanged. Each \$1,000 principal amount of Existing Notes was exchanged for \$1,000 original principal amount of Exchange Notes and a cash payment of \$70.

Part II, Line 15

Under U.S. federal income tax law, the exchange of the Exchange Notes for Existing Notes results in an exchange under section 1001 of the Code on which taxable gain or loss may be realized if the Exchange constitutes a significant modification of the terms of the Existing Notes. We believe, and the rest of this discussion assumes, that the Exchange will constitute a significant modification of the terms of the Existing Notes under the applicable Treasury regulations, and, as a result, holders of the Existing Notes will realize (but, subject to the recapitalization rules discussed below, not necessarily recognize) gain or loss (if any) for U.S. federal income tax purposes on the Exchange.

To the extent the Exchange is treated as an exchange qualifying as a recapitalization, no loss should be recognized on the Exchange, but gain should be recognized to the extent of any boot received as part of the Exchange. Specifically, a holder would be required to recognize gain in an amount equal to the lesser

of (i) the total gain realized by such holder as a result of the Exchange and (ii) the amount of money received by such holder. The total gain realized with respect to Existing Notes exchanged would be equal to the excess, if any, of (i) the sum of (a) the issue price of the Exchange Notes received by such holder and (b) the net amount of money received by such holder over (ii) the adjusted tax basis of the Existing Notes exchanged.

Holders of the Existing Notes and Exchange Notes should consult their tax advisors to determine the tax consequences to them of the Exchange.

Part II, Line 16

To the extent the Exchange is treated as an exchange qualifying as a recapitalization, the adjusted tax basis of the Exchange Notes would be equal to the adjusted tax basis of the Existing Notes less the amount of any money received, plus the amount of gain recognized.

To the extent that the Exchange is treated as an exchange that does not qualify as a recapitalization, the adjusted tax basis in the Exchange Notes generally should equal their issue price.

Solely for U.S. federal income tax purposes, PDL has determined that (i) the Existing Notes for which the Exchange Notes were issued are “traded on an established market” within the meaning of section 1.1273-2(f) of the Treasury Regulations, and (ii) the issue price of the Exchange Notes within the meaning of section 1.1273-2(b) of the Treasury Regulations is \$980 per \$1,000 face amount of Exchange Notes.

Holders of the Existing Notes and Exchange Notes should consult their independent tax advisors to determine the tax consequences to them of the Exchange.

Part II, Line 17

Code sections 354, 358, 1001, 1012, and 1273.

Part II, Line 18

The Exchange generally should not result in a loss to holders of the Existing Notes to the extent the Exchange is a tax-free recapitalization.

The Exchange may result in a loss to a holder to the extent such holder’s tax basis in the Existing Notes exceeds the sum of the issue price of the Exchange Notes plus the net amount of money received and where the Exchange is treated as an exchange that is not a tax-free recapitalization.

Part II, Line 19

The reportable tax year is 2019.