

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

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
§ 240.13d-2(a)

(Amendment No.)¹

PDL BioPharma, Inc.
(Name of Issuer)

Common Stock, \$0.01 par value
(Title of Class of Securities)

69329Y104
(CUSIP Number)

ANDREW FREEDMAN, ESQ.
RYAN NEBEL, ESQ.
OLSHAN FROME WOLOSKY LLP
1325 Avenue of the Americas
New York, New York 10019
(212) 451-2300

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

October 21, 2019
(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), 240.13d-1(f) or 240.13d-1(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 for other parties to whom copies are to be sent.

¹ 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*).

1	NAME OF REPORTING PERSON ENGINE CAPITAL, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 3,827,459
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 3,827,459
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 3,827,459	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 3.4%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON ENGINE JET CAPITAL, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 845,143
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 845,143
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 845,143	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) Less than 1%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON ENGINE AIRFLOW CAPITAL, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 1,361,443
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 1,361,443
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,361,443	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 1.2%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON ENGINE CAPITAL MANAGEMENT, LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 6,034,045
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 6,034,045
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 6,034,045	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.3%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON ENGINE CAPITAL MANAGEMENT GP, LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 6,034,045
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 6,034,045
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 6,034,045	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.3%	
14	TYPE OF REPORTING PERSON OO	

1	NAME OF REPORTING PERSON ENGINE INVESTMENTS, LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 4,672,602
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 4,672,602
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,672,602	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 4.1%	
14	TYPE OF REPORTING PERSON OO	

1	NAME OF REPORTING PERSON ENGINE INVESTMENTS II, LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 1,361,443
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 1,361,443
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,361,443	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 1.2%	
14	TYPE OF REPORTING PERSON OO	

1	NAME OF REPORTING PERSON ARNAUD AJDLER	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION BELGIUM	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 6,034,045
	8	SHARED VOTING POWER - 0 -
	9	SOLE DISPOSITIVE POWER 6,034,045
	10	SHARED DISPOSITIVE POWER - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 6,034,045	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.3%	
14	TYPE OF REPORTING PERSON IN	

The following constitutes the Schedule 13D filed by the undersigned (the "Schedule 13D").

Item 1. Security and Issuer.

This statement relates to the common stock, \$0.01 par value per share (the "Shares"), of PDL BioPharma, Inc., a Delaware corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 932 Southwood Boulevard, Incline Village, Nevada 89451.

Item 2. Identity and Background.

(a) This statement is filed by:

- (i) Engine Capital, L.P., a Delaware limited partnership ("Engine Capital"), with respect to the Shares directly and beneficially owned by it;
- (ii) Engine Jet Capital, L.P., a Delaware limited partnership ("Engine Jet"), with respect to the Shares directly and beneficially owned by it;
- (iii) Engine Airflow Capital, L.P., a Delaware limited partnership ("Engine Airflow"), with respect to the Shares directly and beneficially owned by it;
- (iv) Engine Capital Management, LP, a Delaware limited partnership ("Engine Management"), as the investment manager of each of Engine Capital, Engine Jet and Engine Airflow;
- (v) Engine Capital Management GP, LLC, a Delaware limited liability company ("Engine GP"), as the general partner of Engine Management;
- (vi) Engine Investments, LLC, a Delaware limited liability company ("Engine Investments"), as the general partner of each of Engine Capital and Engine Jet;
- (vii) Engine Investments II, LLC, a Delaware limited liability company ("Engine Investments II"), as the general partner of Engine Airflow; and
- (viii) Arnaud Ajdler, as the managing partner of Engine Management and the managing member of each of Engine GP, Engine Investments and Engine Investments II.

Each of the foregoing is referred to as a "Reporting Person" and collectively as the "Reporting Persons." Each of the Reporting Persons is party to that certain Joint Filing Agreement, as further described in Item 6. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

(b) The address of the principal office of each of the Reporting Persons is 1345 Avenue of the Americas, 33rd Floor, New York, New York 10105.

(c) The principal business of each of Engine Capital, Engine Jet and Engine Airflow is investing in securities. Engine Management is the investment manager of each of Engine Capital, Engine Jet and Engine Airflow. Engine GP serves as the general partner of Engine Management. Engine Investments serves as the general partner of each of Engine Capital and Engine Jet. Engine Investments II serves as the general partner of Engine Airflow. Mr. Ajdler serves as the managing partner of Engine Management and the managing member of each of Engine GP, Engine Investments and Engine Investments II.

(d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) No Reporting Person has, during the last five years, been party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Ajdler is a citizen of Belgium.

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

The Shares purchased by each of Engine Capital, Engine Jet and Engine Airflow were purchased with working capital (which may, at any given time, include margin loans made by brokerage firms in the ordinary course of business). The aggregate purchase price of the 3,827,459 Shares beneficially owned by Engine Capital is approximately \$9,043,888, including brokerage commissions. The aggregate purchase price of the 845,143 Shares beneficially owned by Engine Jet is approximately \$1,996,983, including brokerage commissions. The aggregate purchase price of the 1,361,443 Shares beneficially owned by Engine Airflow is approximately \$3,277,074, including brokerage commissions.

Item 4. Purpose of Transaction.

The Reporting Persons purchased the Shares based on the Reporting Persons' belief that the Shares, when purchased, were undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities available to the Reporting Persons, and the availability of Shares at prices that would make the purchase or sale of Shares desirable, the Reporting Persons may endeavor to increase or decrease their position in the Issuer through, among other things, the purchase or sale of Shares on the open market or in private transactions or otherwise, on such terms and at such times as the Reporting Persons may deem advisable.

On October 23, 2019, the Reporting Persons delivered a letter (the "Letter") to the Issuer's Board of Directors (the "Board") which, among other things, expressed certain of the Reporting Persons' concerns as well as highlighted potential opportunities for the Issuer to maximize stockholder value. The Reporting Persons explained their belief that the Issuer's significant underperformance is attributable to a history of poor capital allocation decisions, including ill-conceived acquisitions and speculative investments that have failed to create value. As a result, the Reporting Persons called on the Board to immediately cease its investment activities and commence a review of strategic alternatives, including a possible sale or liquidation of the Issuer, which the Reporting Persons believe represents the best risk-adjusted path forward for stockholders. The Reporting Persons also recommended a right-sizing of the Issuer's cost structure and a reduction in the size of the Board. The full text of the letter is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The Reporting Persons have engaged, and intend to continue to engage, in discussions with management and the Board of the Issuer and others regarding means to maximize stockholder value, including the views expressed in the Letter.

No Reporting Person has any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D except as set forth herein or such as would occur upon or in connection with completion of, or following, any of the actions discussed herein. The Reporting Persons intend to review their investment in the Issuer on a continuing basis. Depending on various factors, including, without limitation, the Issuer's financial position and investment strategy, the price levels of the Shares, conditions in the securities markets and general economic and industry conditions, 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, engaging in additional communications with management and the Board, engaging in discussions with stockholders of the Issuer and others about the Issuer and the Reporting Persons' investment, making proposals to the Issuer concerning strategic alternatives, changes to the capitalization, ownership structure, Board structure (including Board composition) or operations of the Issuer, purchasing additional Shares, selling some or all of their Shares, engaging in short selling of or any hedging or similar transaction with respect to the Shares, or changing their intention with respect to any and all matters referred to in Item 4.

Item 5. Interest in Securities of the Issuer.

The aggregate percentage of Shares reported owned by each person named herein is based upon 114,202,671 Shares outstanding as of July 30, 2019, which is the total number of Shares outstanding as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 7, 2019.

A. Engine Capital

- (a) As of the close of business on October 22, 2019, Engine Capital directly owned 3,827,459 Shares.

Percentage: Approximately 3.4%

- (b)
1. Sole power to vote or direct vote: 3,827,459
 2. Shared power to vote or direct vote: 0
 3. Sole power to dispose or direct the disposition: 3,827,459
 4. Shared power to dispose or direct the disposition: 0

B. Engine Jet

- (a) As of the close of business on October 22, 2019, Engine Jet directly owned 845,143 Shares.

Percentage: Less than 1%

- (b)
1. Sole power to vote or direct vote: 845,143
 2. Shared power to vote or direct vote: 0
 3. Sole power to dispose or direct the disposition: 845,143
 4. Shared power to dispose or direct the disposition: 0

C. Engine Airflow

- (a) As of the close of business on October 22, 2019, Engine Capital directly owned 1,361,443 Shares.

Percentage: Approximately 1.2%

- (b) 1. Sole power to vote or direct vote: 1,361,443
2. Shared power to vote or direct vote: 0
3. Sole power to dispose or direct the disposition: 1,361,443
4. Shared power to dispose or direct the disposition: 0

D. Engine Management

- (a) Engine Management, as the investment manager of each of Engine Capital, Engine Jet and Engine Airflow, may be deemed to beneficially own the 6,034,045 Shares owned in the aggregate by Engine Capital, Engine Jet and Engine Airflow.

Percentage: Approximately 5.3%

- (b) 1. Sole power to vote or direct vote: 6,034,045
2. Shared power to vote or direct vote: 0
3. Sole power to dispose or direct the disposition: 6,034,045
4. Shared power to dispose or direct the disposition: 0

E. Engine GP

- (a) Engine GP, as the general partner of Engine Management, may be deemed to beneficially own the 6,034,045 Shares owned in the aggregate by Engine Capital, Engine Jet and Engine Airflow.

Percentage: Approximately 5.3%

- (b) 1. Sole power to vote or direct vote: 6,034,045
2. Shared power to vote or direct vote: 0
3. Sole power to dispose or direct the disposition: 6,034,045
4. Shared power to dispose or direct the disposition: 0

F. Engine Investments

- (a) Engine Investments, as the general partner of each of Engine Capital and Engine Jet, may be deemed to beneficially own the 4,672,602 Shares owned in the aggregate by Engine Capital and Engine Jet.

Percentage: Approximately 4.1%

- (b) 1. Sole power to vote or direct vote: 4,672,602
2. Shared power to vote or direct vote: 0
3. Sole power to dispose or direct the disposition: 4,672,602
4. Shared power to dispose or direct the disposition: 0

G. Engine Investments II

- (a) Engine Investments II, as the general partner of Engine Airflow may be deemed to beneficially own the 1,361,443 Shares owned by Engine Airflow.

Percentage: Approximately 1.2%

- (b) 1. Sole power to vote or direct vote: 1,361,443
2. Shared power to vote or direct vote: 0
3. Sole power to dispose or direct the disposition: 1,361,443
4. Shared power to dispose or direct the disposition: 0

H. Arnaud Ajdler

- (a) Mr. Ajdler, as the managing partner of Engine Management and the managing member of each of Engine GP, Engine Investments and Engine Investments II, may be deemed to beneficially own the 6,034,045 Shares owned in the aggregate by Engine Capital, Engine Jet and Engine Airflow.

Percentage: Approximately 5.3%

- (b) 1. Sole power to vote or direct vote: 6,034,045
2. Shared power to vote or direct vote: 0
3. Sole power to dispose or direct the disposition: 6,034,045
4. Shared power to dispose or direct the disposition: 0

Each Reporting Person may be deemed to be a member of a “group” with the other Reporting Persons for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and such group may be deemed the beneficial owner of the Shares directly owned by each of the Reporting Persons. The filing of this Schedule 13D shall not be deemed an admission that the Reporting Persons are, for purposes of Section 13(d) of the Exchange Act, the beneficial owners of any securities of the Issuer that he or it does not directly own. Each of the Reporting Persons specifically disclaims beneficial ownership of the securities reported herein that he or it does not directly own.

- (c) The transactions in the Shares by the Reporting Persons during the past sixty days are set forth in Schedule A and are incorporated herein by reference. Such transactions were effected in the open market.
- (d) No person other than the Reporting Persons is known to have the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Shares.
- (e) Not applicable.

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

On October 23, 2019, the Reporting Persons entered into a Joint Filing Agreement in which the Reporting Persons agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Issuer to the extent required by applicable law. A copy of the Joint Filing Agreement is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

Item 7. Material to be Filed as Exhibits.

99.1 Letter to the Board, dated October 23, 2019.

99.2 Joint Filing Agreement, dated October 23, 2019.

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: October 23, 2019

Engine Capital, L.P.

By: Engine Investments, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Jet Capital, L.P.

By: Engine Investments, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Airflow Capital, L.P.

By: Engine Investments II, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Capital Management, LP

By: Engine Capital Management GP, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Capital Management GP, LLC

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Investments, LLC

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Investments II, LLC

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

/s/ Arnaud Ajdler
ARNAUD AJDLER

SCHEDULE A**Transactions in the Shares During the Past Sixty Days**

<u>Nature of Transaction</u>	<u>Securities Purchased/(Sold)</u>	<u>Price Per Share(\$)</u>	<u>Date of Purchase/Sale</u>
<u>ENGINE CAPITAL, L.P.</u>			
Purchase of Common Stock	24,574	2.0998	10/03/2019
Purchase of Common Stock	56,076	2.1657	10/03/2019
Purchase of Common Stock	435,697	2.2392	10/04/2019
Purchase of Common Stock	486,283	2.3152	10/07/2019
Purchase of Common Stock	956,194	2.3532	10/08/2019
Purchase of Common Stock	860,898	2.3847	10/09/2019
Purchase of Common Stock	355,746	2.3914	10/10/2019
Purchase of Common Stock	117,655	2.4225	10/11/2019
Purchase of Common Stock	65,465	2.3833	10/14/2019
Purchase of Common Stock	63,744	2.4200	10/15/2019
Purchase of Common Stock	48,058	2.3799	10/16/2019
Purchase of Common Stock	34,234	2.4242	10/17/2019
Purchase of Common Stock	127,488	2.3970	10/18/2019
Purchase of Common Stock	115,371	2.4136	10/21/2019
Purchase of Common Stock	79,976	2.4481	10/22/2019

ENGINE JET CAPITAL, L.P.

Purchase of Common Stock	5,426	2.0998	10/03/2019
Purchase of Common Stock	12,383	2.1657	10/03/2019
Purchase of Common Stock	96,210	2.2392	10/04/2019
Purchase of Common Stock	107,380	2.3152	10/07/2019
Purchase of Common Stock	211,146	2.3532	10/08/2019
Purchase of Common Stock	190,102	2.3847	10/09/2019
Purchase of Common Stock	78,556	2.3914	10/10/2019
Purchase of Common Stock	25,980	2.4225	10/11/2019
Purchase of Common Stock	14,456	2.3833	10/14/2019
Purchase of Common Stock	14,076	2.4200	10/15/2019
Purchase of Common Stock	10,612	2.3799	10/16/2019
Purchase of Common Stock	7,559	2.4242	10/17/2019
Purchase of Common Stock	28,152	2.3970	10/18/2019
Purchase of Common Stock	25,458	2.4136	10/21/2019
Purchase of Common Stock	17,647	2.4481	10/22/2019

ENGINE AIRFLOW CAPITAL, L.P.

Purchase of Common Stock	1,104,928	2.3914	10/10/2019
Purchase of Common Stock	40,939	2.4225	10/11/2019
Purchase of Common Stock	22,779	2.3833	10/14/2019
Purchase of Common Stock	22,180	2.4200	10/15/2019
Purchase of Common Stock	16,723	2.3799	10/16/2019
Purchase of Common Stock	11,912	2.4242	10/17/2019
Purchase of Common Stock	44,360	2.3970	10/18/2019
Purchase of Common Stock	97,622	2.4481	10/22/2019

Engine Capital LP
1345 Avenue of the Americas, 33rd Floor
New York, NY 10105
(212) 321-0048

October 23, 2019

PDL BioPharma, Inc.
932 Southwood Boulevard
Incline Village, Nevada 89451
Attention: Board of Directors

Dear Members of the Board:

Engine Capital LP, together with its affiliates (“Engine” or “we”), has become one of the largest shareholders of PDL BioPharma, Inc. (“PDL BioPharma,” “PDLI” or the “Company”), with ownership of approximately 5.3% of the Company’s outstanding shares. PDL BioPharma represents a significant investment for Engine. We invested in PDLI because of the significant intrinsic value attributable to the Company’s existing assets, including its royalty portfolio and wholly-owned subsidiaries Noden and LENSAR. Engine believes that the Company is deeply undervalued by the public markets and there are opportunities readily available to PDLI’s Board of Directors (the “Board”) to significantly increase shareholder value.

For context, Engine is a value-oriented investment firm launched in July 2013. Since its launch, Engine has negotiated board representation or settlements at 17 public companies and added 27 highly qualified new board members to these companies. We have experience in the markets PDL BioPharma operates in, including by virtue of our principal serving as a director of pharmaceutical company Recro Pharma, Inc. As part of our due diligence process, we have had an opportunity to discuss PDLI and its prospects with, among others, competitors and former employees of the Company. We also have had discussions with PDLI’s President and Chief Executive Officer, Dominique Monnet, regarding the business and the challenges and opportunities facing the Company. These discussions further confirmed our belief that PDLI owns a number of high-quality assets, but is currently misunderstood by the market and significantly undervalued.

Despite PDLI's promise and the meaningful value associated with the Company's assets, shareholders have suffered immensely for well over a decade while the Board has overseen continuous value destruction. In fact, PDLI's total shareholder returns have been negative year-to-date and over each of the last one-, three- and five-year periods. Furthermore, the Company has drastically underperformed the Russell 2000 Index and the Nasdaq Biotech Index over the long term.

	Total Shareholder Return			
	Year-to-Date	1-Year	3-Year	5-Year
PDLI	-18.3%	-7.4%	-25.7%	-66.3%
Russell 2000	13.9%	-1.6%	26.1%	41.9%
Nasdaq Biotechnology	5.6%	-9.5%	14.0%	15.8%
Relative performance to Russell 2000	-32.1%	-5.8%	-51.8%	-108.1%
Relative performance to Nasdaq Biotechnology	-23.9%	2.1%	-39.7%	-82.1%

Note: Calculated as of October 18, 2019.

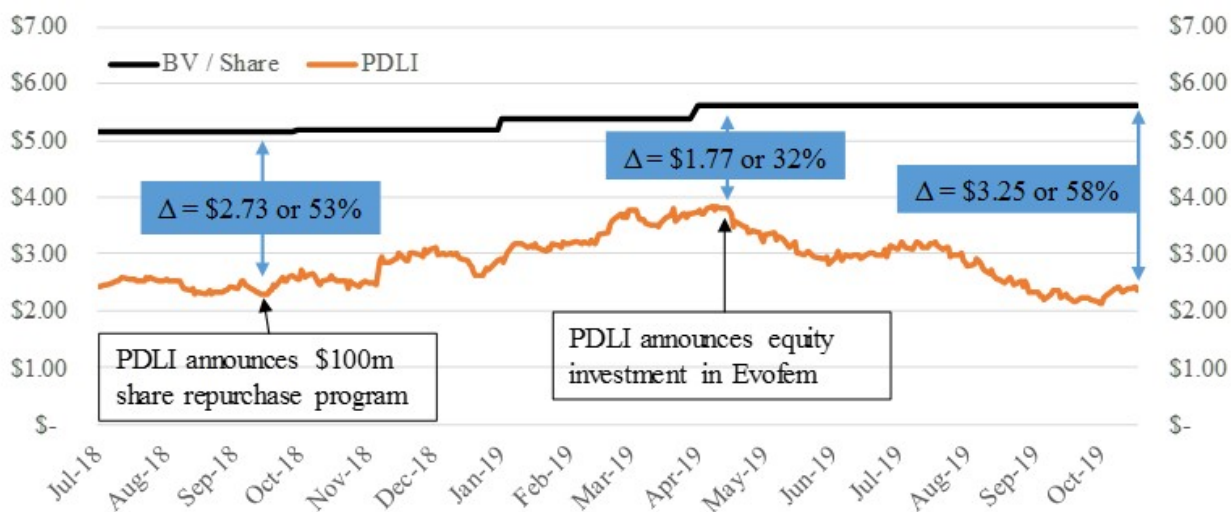
We believe the Company's abysmal performance is directly attributable to a history of poor capital allocation decisions, including ill-conceived acquisitions and speculative investments that have failed to create value. The Company has seemingly admitted to its inability to deploy capital effectively as demonstrated by its numerous shifts in capital allocation strategies over the years. PDL BioPharma has transitioned from a debt and royalty asset acquisition strategy, to a pharma acquisition strategy and now to building a portfolio of actively managed investments.

Unfortunately for shareholders, it appears PDLI is just grasping at straws when it comes to formulating a capital allocation strategy given the continued destruction of shareholder value. Under Mr. Monnet's leadership, the Company is now seeking to make strategic investments in late clinical or early commercial stage pharmaceutical companies; however, we do not believe that Mr. Monnet possesses the requisite investing experience to successfully execute on such a strategy. The market seems to agree considering that under this new strategy, PDL BioPharma has disclosed one investment – in Evofem Biosciences, Inc. ("Evofem") – and PDLI's stock price has subsequently declined a staggering 38% and is trading at one of its widest discounts to asset value in its history.¹

The impact of this capital allocation strategy is even more evident when reviewing PDLI's stock price performance over the past 15 months. On September 24, 2018, PDL BioPharma announced the authorization of a \$100 million stock repurchase program. This constituted a major shift in the capital allocation priorities of the Company towards rightly returning capital to shareholders. Over the following six-and-a-half months, the Company's stock price significantly appreciated (from \$2.43 to \$3.85) and the discount to book value shrank from 53% to 32%.² Then, on April 11, 2019, the Company announced a large equity investment in Evofem, the first investment under PDL BioPharma's new capital allocation strategy. Following this announcement, the discount to book value considerably widened to the 58% discount where it trades today. Below is a graphical depiction of this troubling fact pattern. As you can see, PDLI reached its highest stock price the day before the announcement of the Evofem transaction.

¹ Calculated as of October 18, 2019.

² Calculated from September 21, 2018 (trading day immediately prior to announcement) to April 10, 2019.



Although the Company has changed its capital allocation strategy a number of times over the last few years, the results have largely remained the same – disappointing to say the least. When the Company pursues a speculative acquisition strategy, PDLI’s stock trades at a large discount to its fundamental value. Beyond managerial failures, there are a number of structural issues that will continue to serve as a drag on the Company’s stock price for so long as it remains a publicly traded entity pursuing an investment strategy.

1. Conglomerate and cash discount. PDLI’s current strategy is to become a holding company with three or four strategic investments in pharma companies. This type of structure consistently trades at a discount to asset value because of the well known conglomerate discount. Shareholders are better off diversifying themselves than having a management team do it for them. Similarly, the cash on the Company’s balance sheet will always be discounted by shareholders, worried about the next poor investment decision given PDLI leadership’s track record of value destruction. We believe these discounts are further accentuated in PDLI’s case because it invests in one of the riskiest asset classes – early-stage pharma companies.
2. PDLI’s corporate structure is inefficient from a tax perspective. PDL BioPharma is structured as a C corporation which introduces two layers of taxation. C corporations are taxed separately from their owners. Income or capital gains generated by their investments will be first taxed at the C corporation level and then subsequently at the shareholder level when the shareholder receives a dividend or generates a capital gain. As such, most investment vehicles are structured as limited partnerships or limited liability companies to avoid double taxation.

3. PDLI's structure is inefficient from an expense perspective. We estimate the Company's corporate G&A expenses to be around \$27.5 million per year, including the cost of being a public company, management compensation and business development costs. Given the Company's investment strategy, these costs are akin to a management fee that an investment manager would charge to manage money. In this case, the \$27.5 million in expenses for a company with a market capitalization of approximately \$270 million equates to a management fee of around 10%, an incredibly high number. This high "management fee" will continue to eat into shareholder returns.

Putting the structural issues aside, PDLI's management team does not have the relevant experience to execute on the Company's current capital allocation strategy. Mr. Monnet himself has acknowledged to us that he is not an investor, and the Company's recent investment in Evofem highlighted this inexperience. In April 2019, Evofem was literally running out of money and its illiquid stock was trading at depressed prices. Instead of investing in a preferred security at a discount to market, PDLI structured an investment in common stock at a significant premium to market with additional warrants at an even larger premium. Furthermore, PDLI invested the first \$30 million tranche with limited due diligence (because Evofem was running out of cash so time was of the essence) and structured the transaction so that PDLI could invest a second \$30 million tranche after more due diligence was completed a couple of months later. How can management and the Board approve a \$30 million speculative investment in a company running out of money without taking the necessary time to complete its full due diligence? Why pay a significant premium and structure the investment in common shares when an experienced investor would have structured the investment in a senior security at a discount? Finally, if PDLI's strategy is to have a portfolio of actively managed strategic investments, why did the Company only receive one board seat (and a board observer seat) when Evofem's board is comprised of eight directors and PDLI owns more than 30% of the company? It is obvious to us that this investment could have been structured better and it highlights the inexperience of PDLI's leadership team in making such investments. Although we agree with Mr. Monnet's comments that it would be unfair to hold him responsible for the mistakes of his predecessor, John P. McLaughlin (the former CEO who remains on the Board today), we note that PDLI has already lost more than \$170 million in market capitalization under Mr. Monnet's leadership since announcing the Evofem investment. The lack of capital market experience is also highlighted by the recent exchange of the Company's Convertible Senior Notes, which was untimely and very expensive (\$6 million).

The market clearly does not believe in PDLI's ability to execute upon its strategy and shareholders can ill afford to allow management and the Board to make any further value destructive investments. In order to unlock shareholder value, we believe the solution is clear – **PDLI must immediately halt its investment activities and commence a review of strategic alternatives, including a possible sale or liquidation of the Company.** We call on the Board and management team to immediately cease and desist all investment and acquisition activities, and we caution against entering into, or seeking to enter into, any further transactions, licensing agreements or business combinations (other than a sale of the Company) that could jeopardize the ability of PDLI shareholders to realize the full and fair value for their investment.

Notably, the members of the Board themselves have also exhibited a lack of confidence in the Company's strategy and the ability to successfully execute thereon as demonstrated by their unwillingness to invest their own capital into the Company. In fact, it has been nearly five years since any director purchased a single share of PDLI stock.³ Without a meaningful vested financial interest in the Company, it appears that the members of the Board are content to collect lucrative director fees rather than drive shareholder value. Despite the Company's prolonged underperformance and the significant destruction of value that has occurred under their watch, PDLI median director compensation last year was approximately \$273,000.⁴ By comparison, the median compensation of directors at peer companies was \$163,000 last year and \$217,000 at the 75th percentile level.⁵

³ Harold E. Selick, Ph.D. purchased 6,000 shares on November 26, 2014.

⁴ Reflects median compensation of PDLI's non-executive directors who served on the Board for all of 2018.

⁵ Based on a compensation consultant's survey of biotech companies with market capitalizations between \$200 and \$400 million.

PDLI's tangible book value is approximately \$5.35 per share, while the Company's stock is currently trading at \$2.37 per share.⁶ Simply realizing the tangible book value for shareholders would imply an upside of 126.6% and create more than \$340 million of shareholder value. The value is there, it just needs to be unlocked. After speaking with many of our fellow shareholders, it is clear that there is a widespread belief amongst the shareholder base that the Board must stop squandering shareholder capital and immediately commence a process to maximize the value of the Company. Doing so unmistakably presents the best risk-adjusted path forward for shareholders. Accordingly, we believe that the Board must immediately take the following actions:

1. Publicly announce the cessation of investment activities and the initiation of a strategic review process. We expect that this course of action will significantly close the gap between the Company's stock price and the value of its assets. As part of the strategic review process, the Company should hire a reputable investment bank and commit to maximizing value for the Company's shareholders. This could take the form of a sale or a liquidation of the Company. In the event of a liquidation, we encourage the Board to return the vast majority of the cash on the Company's balance sheet to shareholders as fast and as efficiently as possible as it begins the liquidation process.
2. Right size the Company's cost structure. A workforce reduction would bring significant cost savings to the Company. We believe that the Company's corporate overhead could be reduced from an estimated \$27.5 million currently to around \$8 million by employing only the staff necessary to oversee the liquidation and maintain PDLI's status as a public company (for so long as it remains one). We note that under this scenario, the Company would generate substantial free cash flow (around \$46 million per year), which would increase the value of the Company, further improving shareholders' returns.
3. Reduce the size of the Board. PDLI currently has eight directors serving on the Board, which is far more than we believe is necessary for a company of PDLI's size, especially if it were to pursue a liquidation process. We believe that the size of the Board should be reduced to five directors and annual director compensation should be limited to \$150,000 per director, thereby providing greater cost savings to the Company.

Simply put, the history of value destruction at the Company demands quick and decisive action by the Board. It is unreasonable for shareholders to bear the risk of additional declines as leadership hopes to finally find a strategy that works. The environment for M&A remains attractive today, so it is imperative that the Board takes advantage of this window by forming a strategic review committee of the independent directors, hiring advisors and beginning a process to explore strategic alternatives immediately.

With this letter, we are putting each and every director of PDLI on notice. You are being closely watched by us and the rest of the Company's shareholder base – any attempt to utilize the Company's cash for further acquisitions or investments will be vehemently opposed. To be clear, we intend to hold each of you personally liable to the fullest extent permitted by law should you continue down a value destructive path and fail to act in the best interests of the Company's shareholders. We believe that if you choose to do what is right for the Company's shareholders, as is your duty, the potential exists to create a significant amount of shareholder value by capturing the inherent value of PDLI's assets in a sale or liquidation of the Company.

⁶ Calculated as of market close on October 18, 2019.

We stand ready to meet with members of management and the Board to discuss these important matters in greater detail; however, be advised that we will not hesitate to take any action that we believe is necessary to protect the best interests of the Company's shareholders. To the extent the Board fails to engage with us or otherwise act on our suggestions, we are prepared to nominate a slate of independent director candidates at the Company's 2020 Annual Meeting who are committed to putting shareholder interests first and foremost.

Very truly yours,

/s/ Arnaud Ajdler

Arnaud Ajdler
Managing Member
Engine Capital L.P.

/s/ Brad Favreau

Brad Favreau
Managing Director
Engine Capital L.P.

Joint Filing Agreement

In accordance with Rule 13d-1(k)(1)(iii) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a Statement on Schedule 13D (including amendments thereto) with respect the shares of common stock, par value \$0.01 per share, of PDL BioPharma, Inc., a Delaware Corporation. This Joint Filing Agreement shall be filed as an Exhibit to such Statement.

Dated: October 23, 2019

Engine Capital, L.P.

By: Engine Investments, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Jet Capital, L.P.

By: Engine Investments, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Airflow Capital, L.P.

By: Engine Investments II, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Capital Management, LP

By: Engine Capital Management GP, LLC,
General Partner

By: /s/ Arnaud Ajdler
Name: Arnaud Ajdler
Title: Managing Member

Engine Capital Management GP, LLC

By: /s/ Arnaud Ajdler

Name: Arnaud Ajdler

Title: Managing Member

Engine Investments, LLC

By: /s/ Arnaud Ajdler

Name: Arnaud Ajdler

Title: Managing Member

Engine Investments II, LLC

By: /s/ Arnaud Ajdler

Name: Arnaud Ajdler

Title: Managing Member

/s/ Arnaud Ajdler

ARNAUD AJDLER