SEVENSAOI CAPITAL, LLC
350 North LaSalle Drive, Suite 710
Chicago, Illinois 60654

April 9, 2018

BY ELECTRONIC MAIL AND OVERNIGHT MAIL

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

Re: Nomination of Shlomo Yanai to PDL BioPharma, Inc.'s Board of Directors

Ladies and Gentlemen:

As you are aware, SevenSaoi Capital, LLC (together with its affiliates, "SevenSaoi," pronounced "7C") beneficially owns 2,590,198 shares of common stock of PDL BioPharma, Inc. (the "Company" or "PDL"). SevenSaoi is a Chicago-based, long-only investment firm focused on making private equity-style, fundamentally-driven, long-term oriented investments in publicly-traded small cap companies, primarily in the healthcare, technology, media, and telecommunications industries. This strategy builds on its principals' successful 20+ year track record of private and public equity investment experience in these sectors. SevenSaoi invests in deeply undervalued companies and constructively engages with management teams and boards of directors to identify and execute on opportunities to unlock value for the benefit of all shareholders. This certainly has been and remains true of the investment we made in PDL nearly one year ago.

As you are also aware, on March 8, 2018, we nominated three highly-qualified individuals for election to PDL's Board of Directors (the "Board"): Shlomo Yanai; Georgia Erbez; and myself. Despite our slate's experience and qualifications, PDL and SevenSaoi could not agree on mutually acceptable settlement terms, in large part because of PDL's insistence on subjecting SevenSaoi to a standstill of unreasonable duration. However, we are pleased that PDL has added Shlomo Yanai to its slate of director nominees for the Company's upcoming 2018 Annual Meeting of Shareholders (the "2018 Annual Meeting").

Mr. Yanai has tremendous leadership and business experience and we believe that he can add significant value to the Board of PDL. Mr. Yanai is the former CEO of Teva Pharmaceuticals (NYSE: TEVA), the largest generic pharmaceutical company in the world, the current Chairman of the Board of each of Protalix Biotherapeutics, Inc. (TLV: PLX) and Cambrex Corp. (NYSE: CBM), and a former director of Sagent Pharmaceuticals. In addition, Mr. Yanai was previously a major general in the Israeli Defense Forces.

We know Mr. Yanai well and saw him have a significant impact at another small-cap pharmaceutical company in which we were also an investor, Sagent Pharmaceuticals. Mr. Yanai's experience at Sagent Pharmaceuticals is particularly relevant for PDL's circumstances – like PDL, Sagent was deeply undervalued relative to peers and had a management team focused on making acquisitions despite this disconnect. At Sagent, Mr. Yanai was instrumental in ensuring that the company did not pursue value destructive acquisitions given that it was trading at a significant discount to its intrinsic value, and instead was active in exploring strategic alternatives that ultimately resulted in a successful sale of Sagent to

Nichi-Iko Pharmaceutical Co., Ltd. that created substantial value for shareholders and closed in July 2016. As at Sagent, we believe Mr. Yanai's leadership skills and strong business and governance background could be helpful in encouraging a more careful and analytical approach to acquisitions and investments at PDL.

We are pleased that the Company has taken the encouraging step of nominating Mr. Yanai, a successful business leader and one of SevenSaoi's nominees. We hope that PDL will benefit enormously from the experience and independence Mr. Yanai will bring to the Board. Accordingly, we do not at this time plan to contest the Company's slate of director nominees, and intend to withdraw our slate of nominees at the 2018 Annual Meeting. However, given the critical choices the Company currently faces, we urge the Board to appoint Mr. Yanai immediately to his directorship at PDL, rather than wait for the Annual Meeting in June. We will continue to be active investors and close observers of the Company's progress in the coming year.

We have held extensive discussions with PDL's CEO and CFO, John McLaughlin and Peter Garcia, respectively, as well as with the Company's Lead Director, but we have not yet had the opportunity to share our views with the full Board or many of the shareholders. We wanted to take the opportunity of Mr. Yanai's nomination to share our views on the challenges facing the Board.

Below, we have included facts about PDL's underperformance and undervaluation, as well as evidence behind what we view as the three key sources of this underperformance and undervaluation, specifically PDL's **(A) poor capital allocation and acquisition practices, (B) poor alignment with shareholders' interests, and (C) poor communication of its value to the investment community and execution of its changing strategies**. We hope the current Board, with the help of Mr. Yanai, keeps these concerns front-of-mind as it endeavors to address the dramatic underperformance PDL's stock has experienced and that shareholders have suffered over an extended time.

Underperformance and Undervaluation

On the basis of total shareholder return ("TSR"),[(1)] PDL's stock has severely underperformed its Self-Selected Peers[(2)] *and* the peer group used by leading proxy advisory firm Institutional Shareholder Services ("ISS-Selected Peers"),[(3)] as evidenced in the table to the right. Beyond these massive losses, the market currently values PDL at a 74% discount to the current fair value of its

Total Shareholder Return			
	As of 4/6/18		
	3-Year	5-Year	10-Year
PDL	**(51.3%)**	**(46.2%)**	**46.9%**
PDL-Selected Peers	(14.9%)	141.3%	322.9%
ISS-Selected Peers	43.8%	62.5%	215.5%
PDL vs. PDL-Selected Peers	***(36.4%)***	***(187.5%)***	***(276.0%)***
PDL vs. ISS-Selected Peers	***(95.1%)***	***(108.6%)***	***(168.6%)***

(1) Source: S&P Capital IQ and FactSet. TSR reinvests all returned capital.

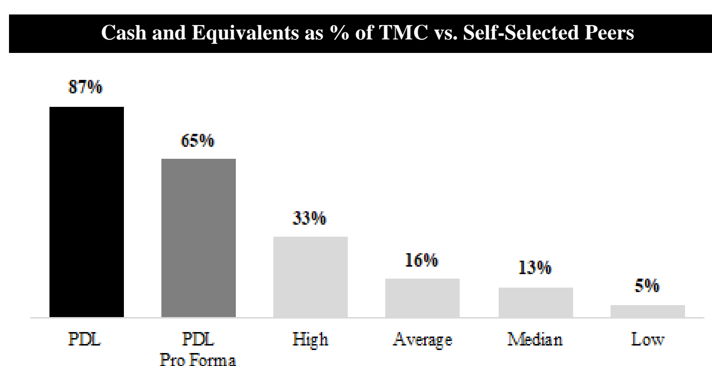
(2) Source: PDL's 2017 Definitive Proxy Statement on Schedule 14A. Includes Acorda Therapeutics (ACOR), Akorn (AKRX), Alkermes (ALKS), BioMarin Pharmaceutical (BMRN), Depomed (DEPO), Emergent BioSolutions (EBS), Genomic Health (GHDX), Horizon Pharma (HZNP), Impax Laboratories (IPXL), Incyte (INCY), Jazz Pharmaceuticals (JAZZ), Myriad Genetics (MYGN), Seattle Genetics (SGEN), The Medicines Co. (MDCO), and Vertex Pharmaceuticals (VRTX). TSRs for Self-Selected Peers reflect the simple average of its constituents. The 10-Year TSR figures exclude Horizon Pharma (HZNP), which went public within the past 10 years.

(3) Source: 2017 Proxy Analysis & Benchmark Policy Voting Recommendations report. Includes Acorda Therapeutics (ACOR), AMAG Pharma (AMAG), Array BioPharma (ARRY), Depomed (DEPO), Emergent BioSolutions (EBS), Genomic Health (GHDX), Halozyme Therapeutics (HALO), Intrexon (XON), Lannett (LCI), MannKind (MNKD), The Medicines Co. (MDCO), Nektar Therapeutics (NKTR), Vanda Pharma (VNDA), Five Prime Therapeutics (FPRX), Insys Therapeutics (INSY), Ironwood Pharma (IRWD), Lexicon Pharma (LXRX), MiMedx Group (NDXG), Pacira Pharma (PCRX), Spectrum Pharma (SPPI), and Supernus Pharma (SUPN). Excludes ISS-selected peers acquired since the report was published, which include SciClone Pharma, Sucampo Pharma, and ARIAD Pharma. TSRs for ISS-Selected Peers reflect the simple average of its constituents. The 5-Year and 10-Year TSR figures exclude Intrexon (XON) and Five Prime Therapeutics (FPRX), which went public within the past five years. The 10-Year TSR figure also excludes Ironwood Pharma (IRWD), Pacira Pharma (PCRX), and Supernus Pharma (SUPN), which went public within the past 10 years.

portfolio of assets. That is, the fair value of its portfolio assets, per PDL, is $696 million,[4] while PDL's enterprise value is only $179 million, as of April 6, 2018. This massive valuation discount indicates the lack of confidence investors have in the current strategy of the existing Board and management, both in terms of their inability to (1) invest PDL's substantial cash holdings and (2) generate value from current investments.

(A) Poor capital allocation and acquisition practices

PDL currently holds over $400M in cash. Two of PDL's assets, Noden and Depomed (which itself produced over $55M in cash royalties over just the past two quarters), are each individually valued by PDL at more than its entire enterprise value.[5] We believe that PDL trades at such a steep discount to its fair value in large part due to **investor concern that PDL's massive cash balance will be deployed by the Board in expensive acquisitions that destroy shareholder value**. This disconnect represents a tremendous opportunity for PDL's Board and management to rebuild shareholder value and trust through a large share repurchase and increased acquisition discipline.



Since eliminating its dividend in Q2 2016, PDL has made only two meager efforts to return cash to shareholders: a $30M share repurchase in 2017 and its authorized but not yet executed $25M share repurchase plan. Even if completed, the current plan represents only 6% of PDL's cash and equivalents[6] and a tiny fraction of the resources committed to PDL's recent acquisition activities. PDL's massive overcapitalization is uniquely high among its Self-Selected Peers and would remain uniquely high pro forma for an illustrative and incremental $75M share repurchase, for a total of $100M. Below are just a couple of examples of PDL's poor capital allocation track record:

(i) Neos Therapeutics, Inc. (NasdaqGM: NEOS) ("NEOS")

PDL's most recent acquisition attempt, NEOS, was a mistake. After two bids were privately rejected by NEOS's Board of Directors, PDL publicly announced a hostile takeover bid at a 40% premium, sending PDL's share price plummeting over 16% from its unaffected price (a nearly $90M loss of value). As you may be aware, we sent a detailed private letter to Mr. McLaughlin on November 1, 2017, imploring PDL to drop its bid and institute a large share repurchase to capture the significant discount to the intrinsic value of PDL's own stock. It wasn't until February 20, 2018, nearly four months and approximately $160M in lost shareholder value later, that PDL made a formal announcement ending its pursuit of NEOS. Beyond investors' disapproval and subsequent sell-off, the target was a poor fit for PDL: NEOS is a money-losing asset with no clinical overlap with PDL's existing assets and for which PDL demonstrated no synergies during its pursuit. Contrary to PDL's previously stated strategy of acquiring income generating assets, analyst consensus projects that NEOS will not achieve positive net income and EBITDA until 2020 and 2019, respectively.[7] To date, PDL has yet to take significant steps to re-earn shareholders' trust, and less than half of the value squandered during the NEOS debacle has been recovered.

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[4] PDL Annual Report on Form 10-K for the year ended December 31, 2017.
[5] Source: PDL Annual Report on Form 10-K for the year ended December 31, 2017. Refers to reported fair values.
[6] Includes unrestricted cash, marketable securities and other liquid equivalents, as applicable.
[7] Source: S&P Capital IQ. Reflects the simple average of broker research estimates.

(ii) Noden Pharma DAC ("Noden")
PDL's debut acquisition of what Mr. McLaughlin called PDL's "specialty pharma rollup" strategy, Noden, has proven expensive and disappointing. With very little financial disclosure at the time of acquisition in July 2016, we estimate from subsequent performance that Noden, which had approximately 30 months of patent exclusivity remaining on its products at acquisition, may cost PDL as much as ~7.0x EBITDA, significantly more than PDL's trading value at the time, ~1.0x. Perhaps the most frustrating aspect of the Noden deal is that the Board and management were unprepared to take on Noden's operations. While PDL's investment thesis depended on ramping up marketing efforts of Noden's branded drugs before the expiration of their patents, PDL took nearly eight months, approximately 25% of the remaining exclusivity period, to even put its outsourced sales force into operation. Further, PDL pushed Noden's CEO to resign approximately nine months after the acquisition, likely in light of Noden's lack of demonstrated progress: in the first two months of 2017, before the sales force was in operation, U.S. gross sales averaged $6.8 million, and in recent months, monthly U.S. gross sales decreased to an average of $6.7 million.[8]

Despite its poor acquisition and capital allocation track record, PDL's CEO continues to boast of its massive overcapitalization as firepower for asset acquisitions: "*We've been hoarding our capital to actually make more investments in spec pharma stories."*[9] However, we believe the Board and management should focus instead on delivering shareholder value and not on building a cash war chest or an empire of niche pharmaceutical products that offer little-to-no operating synergies or strategic rationale. Since PDL's presentation at the Jefferies Global Health Care Conference on June 9, 2017, which occurred several weeks after our initial meeting with management at the Company's headquarters near Lake Tahoe, we have been pleased that the Company has publicly acknowledged the huge valuation gap between its shares' book and fair value and trading value, as we had encouraged.[10] **When evaluating an acquisition opportunity, the Board must consider whether the acquired asset will return more to shareholders than acquiring PDL's own significantly undervalued shares (through large share repurchases at a 74% discount to fair value). Given their inherently higher risk profile, only acquisitions that can be clearly justified relative to a repurchase of PDL's own very inexpensive shares should be considered.**

(B) Poor alignment with shareholders' interests
In our view, PDL's Board and executive compensation is not properly aligned with shareholders' best interests. Leading independent proxy advisory firm ISS agrees with this, rating PDL's management compensation structure an 8 out of 10 (10 being the worst).[11] Specifically, we believe the members of the Board have authorized excessive compensation to themselves and management, as well as an incentive program that is deeply misguided and potentially explains why PDL appears intent on pursuing its failed acquisition strategy rather than returning capital to shareholders. Furthermore, the Board and management together have accumulated very little stock ownership with only a negligible amount of it actually purchased with their own funds.

(i) Excessive compensation
While we hope that management will achieve very high levels of compensation, we believe that such compensation should be directly connected to the Company's appreciation in value. That is not the case

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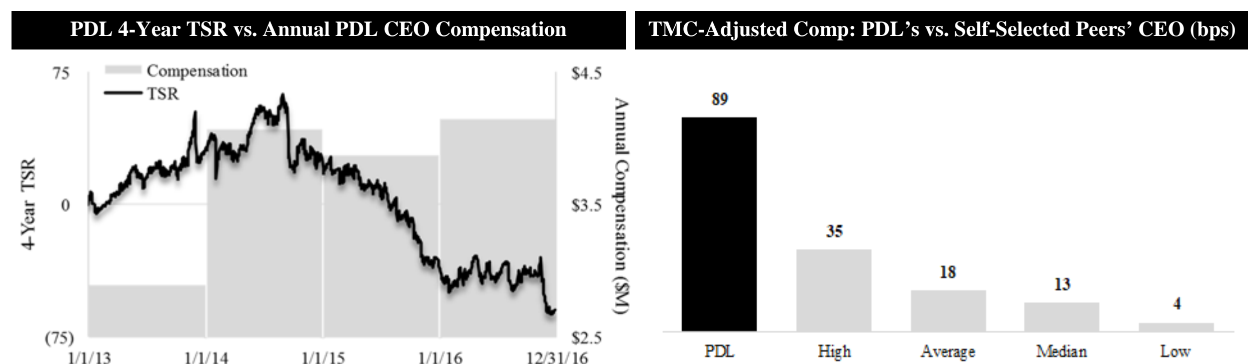
(8) Source: PDL's Cowen & Company 38th Annual Health Care Conference slide presentation on Form 8-K, March 13, 2018.
(9) Source: PDL CEO, John McLaughlin during PDL's presentation at the 2018 RBC Capital Markets Healthcare Conference, February 21, 2018.
(10) Not coincidentally, SevenSaoi began urging PDL to present this data publicly and emphasize how undervalued PDL's shares are in our first meeting with management on May 11, 2017.
(11) Source: ISS 2017 Proxy Analysis & Benchmark Policy Voting Recommendations report on PDL.

today, as the preponderance of compensation has been paid irrespective of shareholder returns. In recent years, the Board's Compensation Committee (the "Committee") has awarded excessive pay packages despite significant declines in shareholder value. For example, in the four calendar years from 2013 to 2016, Mr. McLaughlin's pay (nearly $15M cumulative) *increased* 44%, while PDL's share price *decreased* almost 70%.[12] Per the below chart, on a total market capitalization (TMC)-adjusted basis, Mr. McLaughlin's 2016 compensation is significantly outsized.[13]



While PDL's definitive 2018 Proxy Statement has yet to be filed as of the time of this writing, Mr. McLaughlin's 2017 compensation, as disclosed to date,[14] was $3.4M (TMC-adjusted: 73 bps). The decrease as a percentage of TMC, while certainly warranted given share price performance, shows just how misaligned compensation and shareholder return is – the Committee had to engineer a *manual* reduction versus what the formula had called for, likely to reduce potential scrutiny – while the largest part of the reduction was simply due to management's failure (fortunate for shareholders) to make a large acquisition.

While the Board is handsomely compensated – with an average annual compensation of approximately $375,000 per director in 2016 – the Board's pay also is largely disconnected from share price performance. While SevenSaoi supports fair compensation for directors, it is important that such compensation be tied to share price performance. The total Board's cost to shareholders in 2016 almost quadrupled since 2013, in part due to the addition of three new Board members, but also due to the Board's awarding significant raises for existing directors ranging from ~80-95% each. Moreover, from 2014 to 2016, sitting Board members awarded themselves 400% increases in restricted share grants.[15] In 2016 and on a TMC-adjusted basis, the Board received compensation amounting to nearly 5x that of the median board among Self-Selected Peers.[16]

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(12) Sources: PDL 2014-2017 Definitive Proxy Statements on Schedule 14A and FactSet. References to Mr. McLaughlin's total compensation include granted restricted stock awards under the given year's LTIP at their disclosed grant value. Forfeitures may occur in subsequent vesting periods.

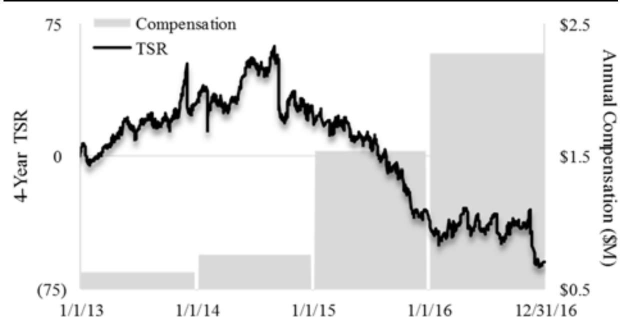
(13) References to TMC-adjusted compensation divides total compensation, as reported in the latest available proxy statement, by the given company's TMC on March 23, 2018.

(14) Sources: PDL 2017 Definitive Proxy Statement on Schedule 14A and Current Reports on Form 8-K, March 10, 2017 and December 21, 2017.

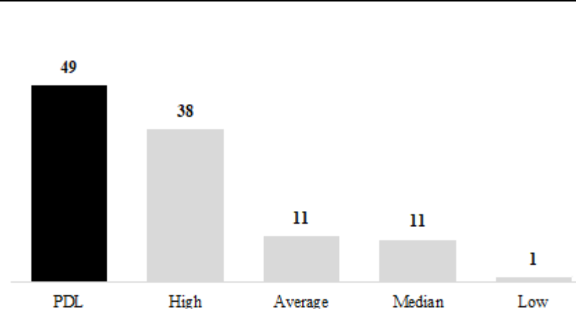
(15) Source: PDL 2014-2017 Definitive Proxy Statements on Schedule 14A.

(16) Source: PDL 2017 and Self-Selected Peers' latest Definitive Proxy Statements on Schedule 14A.

PDL 4-Year TSR vs. Annual PDL Board Compensation



TMC-Adjusted Comp: PDL vs. Self-Selected Peers' Board(s) (bps)



While PDL's definitive 2018 Proxy Statement has yet to be filed, the Board's 2017 compensation, as disclosed to date,[17] was nearly $1.7M (TMC-adjusted: 36 bps). The decrease is attributable to a $100,000 reduction in restricted stock awards to each director, placing compensation for the Board yet again more in line with ACOR, for example, a comparable company with a TMC 3x larger than PDL.

(ii) Deeply misguided incentive programs

PDL has three incentive programs for its management and Board, none of which are currently appropriately aligned to shareholders' interests:

(a) Long-Term Incentive Program ("LTIP"): PDL's LTIP rewards management based on a formula tied to acquisition size and subsequent performance – not on long-term value creation. In one stark example, the Board approved cash payments on the 2014/18 LTIP of 128% of target because PDL invested 1.28x its minimum capital deployment goal.[18] Besides acquisition size, which comprises 50% of the LTIP award, the only other metric rewarded under the LTIP is operating performance against acquired assets' target cash flow projections (annual 16.667% increments in years 2-4 of the vesting period); this is difficult for any shareholder to understand as we have no visibility into these projections — neither the difficulty of achieving them nor the actual level of achievement over time. The solution to improving the LTIP is again fairly straightforward: The Company's LTIP should be more stock-oriented, with upside for management when the share price improves, as opposed to merely when capital is deployed.

(b) Annual cash bonus: PDL management's cash bonus structure is also predetermined by a formula that fails to directly consider shareholder value creation, rewarding management mainly for acquiring and managing assets instead. For example, 2016 corporate goals, which comprised 100% of Mr. McLaughlin's annual cash bonus and 60-75% that of other named executive officers, were determined by the Committee to have been achieved at 85% of target; that is, management failed to achieve only 15% in a year when PDL's share price declined 40%. In a token nod to the disconnect between the market's views and the Committee's views on performance, the Committee made a modest override adjustment to set the award at a 75% of target, still a 15% premium to the share price decline on a percentage point basis.[19]

(c) Restricted share grants to the Board: Shareholder misalignment continues at the Board level where, between 2014 and 2016, directors have awarded themselves as much as a 400% increase in the grant value of restricted shares, including two $100,000 raises, or a 200% and 67% year-over-year increase in 2015 and 2016, respectively. This occurred over the same periods that shares declined 47% and 29%,

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(17) Sources: PDL 2017 Definitive Proxy Statement on Schedule 14A and Current Reports on Form 8-K, March 10, 2017 and December 21, 2017.

(18) Source: PDL 2016 Definitive Proxy Statement on Schedule 14A.

(19) Source: PDL 2017 Definitive Proxy Statement on Schedule 14A.

respectively.[20] Despite the share price decline over these periods, Board members received net pay raises of nearly 60% and 20%, respectively. Effectively, the Committee limited directors' downside with increases to the targeted grant value, while no such protection was afforded to shareholders who saw tremendous value destruction. Perhaps in recognition of this, the Committee decreased the targeted grant value of restricted shares awarded to the Board in 2017;[21] this, however, does not absolve the Board for years in which their personal return was largely guaranteed while shareholder value suffered.

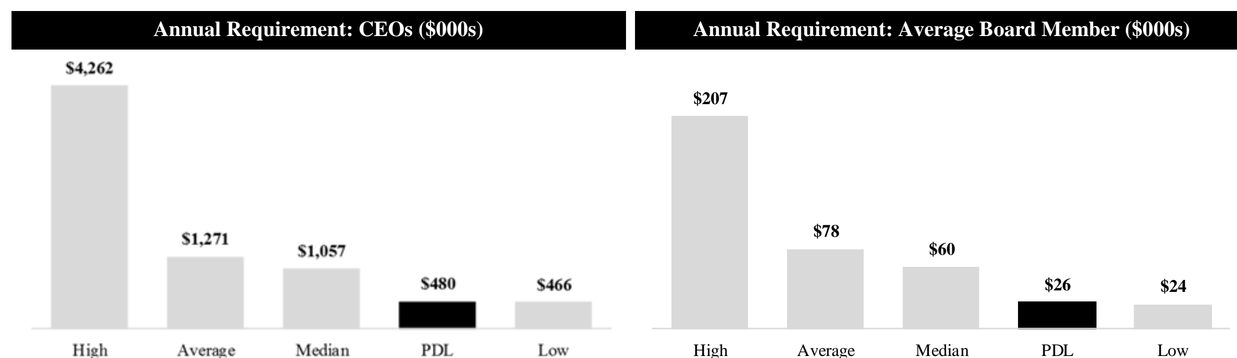
A straightforward solution to PDL's compensation and shareholder alignment issues is to tie compensation directly to shareholder value. Today, management compensation is not tied to shareholder return, by TSR or any other related metric. Instead, management is overwhelmingly compensated for making acquisitions by size, regardless of price and quality.

(iii) Very little stock ownership

PDL's Board and management together own vested shares amounting to <1.0% of common shares outstanding, despite the Board's greater than six-year average tenure and Mr. McLaughlin's own nearly 10-year tenure.[22] We believe the Board and management's appalling lack of stock ownership can be attributed to three main issues, which collectively contribute to serious misalignment with shareholders.

(a) High cash compensation: For example, Mr. McLaughlin's cash vs. non-cash mix is ~70% / ~30%, whereas the average CEO among Self-Selected Peers is exactly the opposite at ~30% / ~70%.[23]

(b) Minimal ownership requirements for the Board and management: PDL's Stock Ownership Guidelines establish the lowest/easiest requirements among its Self-Selected Peers. Surprisingly, PDL has pronounced that *"The Board determined that [Stock Ownership Guidelines] are near or at the 50th percentile of its comparator companies..."*[24] This statement is simply false. By almost any reasonable metric, PDL's Board and management rank last or second-to-last among the Self-Selected Peers. Perhaps the most telling of these metrics is the implied annual investment requirement ("Annual Requirement")[25] — versus Self-Selected Peers, Mr. McLaughlin ranks 12th of 13 measurable CEOs and the Board ranks 13th of the 14 measurable boards; in both instances, PDL's Annual Requirement is less than 50% that of the median.



[20] Sources: PDL 2015-2017 Definitive Proxy Statements on Schedule 14A.
[21] Source: PDL 2017 Definitive Proxy Statement on Schedule 14A.
[22] Sources: PDL 2017 Definitive Proxy Statement on Schedule 14A and Statements of Changes in Beneficial Ownership on Form 4, since April 28, 2017.
[23] Source: PDL 2017 Definitive Proxy Statement on Schedule 14A.
[24] Source: PDL 2017 Definitive Proxy Statement on Schedule 14A.
[25] Annual Requirement divides the minimum investment requirement (e.g., 3.0x base salary) by the number of years allotted to meet this minimum investment.

(c) The Board's and management's apparent reluctance to own, or certainly purchase, PDL's stock: Shares owned by PDL's Board and management are almost exclusively *granted.* In fact, Mr. McLaughlin has, in his almost 10 years at PDL, apparently purchased zero shares. The current Board has also proven unsupportive of the stock — over their extended tenure, current directors have collectively purchased fewer than 20,000 shares across only three Board members, ***with the most recent purchase coming in November 2014.***[26] Together, the Board and management have purchased only 0.07% of the <1.0% of vested shares they collectively own.

These anti-shareholder compensation/ownership policies for the Board and management clearly demonstrate their misalignment with shareholders' interests. While we would expect to see token and reactionary changes made to these policies in the Company's proxy statement for the 2018 Annual Meeting in response to the concerns we have repeatedly expressed to the Board and management, we would also fully expect that any such changes do not go far enough to address the skewed incentives provided to management. We would ask: does PDL management continue to repeat their desire for acquisitions because they are directly compensated to make them? Could PDL's fervent pursuit of NEOS, including launching a hostile, public bid despite significant opposition from NEOS' board, have been motivated by these incentives? Without better alignment with shareholders, the Board and management leave themselves open to these and other troubling questions. If past performance is any indication, we are unlikely to see PDL create long-term shareholder value until its executives are more directly incentivized by the Board to do so.

(C) Poor communication of PDL's value to the investment community and the inability to execute changing strategies

PDL's Board and management have a poor track record of executing on strategic initiatives. In just the past 3.5 years, the Board and management have pivoted away from PDL's previous strategy of managing existing patents and royalties to **three other distinct, increasingly risky and speculative strategies:** (1) a debt and royalty asset acquisition strategy to maintain dividends; (2) a specialty pharma rollup strategy; and (3) what Mr. McLaughlin has recently called a "publicly-traded private equity shop" strategy. While these strategy changes were poorly conceived and communicated to the marketplace, what is perhaps most jarring is how PDL has not recruited personnel with the necessary skillsets to execute them. **The result: an approximate 70% decline in share price over the course of these changes.**

One such example comes from PDL's now-abandoned debt and royalty investment strategy. PDL reports a 15.9% IRR on deployed capital among "closed transactions," a figure that notably excludes (a) Direct Flow Medical, a $50M investment that defaulted and forced PDL to write down a majority of its investment before only ~$8M was monetized, and (b) LENSAR, which PDL labels an "equity investment" but was actually equity created in a bankruptcy after PDL's debt investment in LENSAR produced little-to-no cash return and subsequently defaulted. When fairly burdened for these transactions, the IRR of this strategy is, in fact, less than 10%, clearly insufficient returns for the risks involved. In another example, PDL shifted to a "spec pharma rollup" strategy with its acquisition of Noden. Since the acquisition closed, the original Noden CEO resigned, nearly eight months passed before the salesforce began operation, and approximately 14 months passed before PDL added a marketing-focused executive, Dominique Monnet, as its President. These developments seem to have been too late to have the desired effect as Noden has delivered flat, disappointing results. Meanwhile, Noden's drugs near patent expiration (expected in 2019) when it will likely be subject to generic competition.

PDL would now like shareholders to believe that the Board has taken, and continues to take, actions to intelligently invest their capital. Mr. McLaughlin has stated the following: *"Because we are a small company and we think about ourselves as a publicly-traded private equity shop, it's a very experienced*

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[26] Source: PDL Statements of Changes in Beneficial Ownership on Form 4, since October 10, 2008.

management team and a very experienced board. With only 12 or 14 people in Nevada to supervise the management of these other companies, there just isn't a whole lot of opportunity for on-the-job training."[27] PDL, in fact, retains no one with real private equity experience on its management team or Board, and in almost no way resembles a private equity shop. In reality, PDL has delivered extremely sub-private equity-level returns and has few operational controls or resources to guide portfolio companies. In fact, for most of PDL's assets — including all of the royalty and debt investments — PDL has very few if any control rights.

Rather than constantly refocusing the Company on new strategies, PDL's Board and management should first rededicate themselves to earning investors' trust by rebuilding shareholder value and carefully analyzing and capitalizing on the best financial opportunities available to the Company.

In conclusion, we believe a lack of alignment, poor capital allocation, and strategic drift have been key contributors to PDL's underperformance during the current Board's tenure. We are encouraged by the nomination of Mr. Yanai and believe that he will bring fresh ideas, a much-needed shareholder-orientation, and improved business, financial and pharmaceutical industry acumen to the Board. To that end, we challenge the Board to efficiently and effectively address PDL's prolonged underperformance and undervaluation by (A) improving capital allocation, including potential large share repurchases and increased oversight of acquisition, integration, and operational practices, (B) bolstering governance — particularly compensation structure and performance measurement — to align PDL's Board and management with shareholders' interests, and (C) defining and critically evaluating PDL's resources and ability to execute its strategy. If addressed properly, we believe significant shareholder value can be recaptured. Merely capturing some or all of the discount to fair value in PDL's current valuation would represent up to an approximate 110% increase in the share price.

We are pleased to be shareholders of PDL given the substantial hidden value in the Company and its newly strengthened Board with the nomination of Shlomo Yanai. We look forward to watching the Company's progress on these fronts over the coming months. We would be pleased to discuss any of the above at your convenience.

Sincerely,

/s/ Michael P. Cole

Michael P. Cole
Founder and Chief Executive Officer
SevenSaoi Capital, LLC

[27] Source: PDL's presentation at the Cowen & Company 38th Annual Health Care Conference, March 13, 2018.