Form **8937**
(December 2017)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ **See separate instructions.**

OMB No. 1545-0123

Part I Reporting Issuer

1 Issuer's name: Ligand Pharmaceuticals Incorporated			**2 Issuer's employer identification number (EIN)**: 77-0160744
3 Name of contact for additional information: Simon Latimer	**4** Telephone No. of contact: (858) 550-7766		**5** Email address of contact: investors@ligand.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact: 3911 Sorrento Valley Blvd #110			**7** City, town, or post office, state, and ZIP code of contact: San Diego, CA 92121
8 Date of action: November 1, 2022	**9** Classification and description: Common Stock		
10 CUSIP number: 53220K504	**11** Serial number(s):	**12** Ticker symbol: LGND (NASDAQ)	**13** Account number(s):

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attachment

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attachment

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attachment

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 attachment

18 Can any resulting loss be recognized? ▶ See attachment

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment

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 ▶ Octavio Espinoza Type text here Date ▶ 11/18/2022

Print your name ▶ Octavio Espinoza Title ▶ CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN

Firm's name ▶	Firm's EIN ▶
Firm's address ▶	Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Ligand Pharmaceuticals Incorporated
EIN: 77-0160744
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the "Code"). This attachment includes a general summary regarding certain U.S. federal income tax laws and regulations relating to the effects of the Distribution and the Merger (each as defined below) on the tax basis of shares of Ligand Pharmaceuticals Incorporated ("Ligand") common stock, the allocation of basis between shares of Ligand common stock and shares of OmniAb Operations, Inc. (f/k/a OmniAb, Inc., "SpinCo") common stock pursuant to the Distribution, and the tax basis of shares of OmniAb, Inc. (f/k/a Avista Public Acquisition Corp. II, "APAC") common stock and Earnout Shares (defined below) received in exchange for shares of SpinCo common stock pursuant to the Merger.

DISCLAIMER: The information provided on Form 8937 and within this attachment is based on the intended tax treatment of the Distribution as a distribution pursuant to Section 355 of the Code and of the Merger as a reorganization qualifying under Section 368(a) of the Code, and does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of stockholders. Stockholders, including stockholders that hold different blocks of shares (i.e., shares acquired at different times or different prices), are urged to consult their own tax advisors regarding the Distribution and the Merger and the particular consequences to them, including the applicability and effect of all U.S. federal, state, local, and foreign tax laws.

Part II

Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On November 1, 2022, Ligand completed the previously announced transaction to combine the SpinCo business with APAC by distributing, on a pro rata basis, all of the outstanding common stock of SpinCo to Ligand common stockholders of record as of October 26, 2022 (the "**Distribution**"). Pursuant to the Distribution, each holder of Ligand common stock received one share of SpinCo common stock for every share of Ligand common stock held as of the record date.

Immediately following the Distribution, a wholly owned subsidiary of APAC merged with and into SpinCo, with SpinCo surviving as a wholly owned subsidiary of APAC (the "**Merger**"). In the Merger, each share of SpinCo common stock immediately prior to the Merger was automatically converted into the right to receive 4.90007 shares of APAC common stock and 0.75842 shares of APAC common stock subject to certain price-based earnout triggers (the "**Earnout Shares**").

No fractional shares of APAC common stock were issued in connection with the Merger. All fractional shares that a holder of SpinCo common stock would otherwise have been entitled to receive pursuant to the Merger were aggregated by an exchange agent and sold in the open market or otherwise as reasonably directed by APAC. The exchange agent made available the net proceeds thereof, after deducting any required withholding taxes and brokerage charges, commissions and transfer taxes, to the holders of shares of SpinCo common stock that would otherwise have been entitled to receive such fractional shares of APAC common stock pursuant to the Merger.

No fractional Earnout Shares were issued in connection with the Merger. Holders of shares of SpinCo common stock that would otherwise have been entitled to receive such fractional Earnout Shares pursuant to the Merger received no consideration in lieu thereof.

Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

Ligand stockholders must allocate their aggregate tax basis in their shares of Ligand common stock held immediately prior to the Distribution among the shares of SpinCo common stock distributed in the Distribution and the shares of Ligand common stock in respect of which such shares of SpinCo common stock were received in proportion to their respective fair market values on the date of the Distribution.

Ligand stockholders will then have an aggregate tax basis in the shares of APAC common stock (including any fractional share deemed issued and sold for cash as described below) and Earnout Shares received in the Merger that is equal to the aggregate tax basis allocated to the shares of SpinCo common stock described above. Each Ligand stockholder's aggregate tax basis in the shares of SpinCo common stock will be allocated among such shares of APAC common stock and Earnout Shares in proportion to their respective fair market values on the date of the Merger. A SpinCo stockholder who receives cash in lieu of a fractional share of APAC common stock will be treated as having received the fractional share pursuant to the Merger and then as having sold that fractional share for cash. As a result, such stockholder will recognize gain or loss equal to the difference between the amount of the cash received for such fractional share and the tax basis allocated to such fractional share.

Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

The U.S. federal income tax laws provide that the allocation of the aggregate tax basis in the Distribution discussed under Line 15 above is allocated based on the respective fair market values of the resulting shares of Ligand and SpinCo common stock received. However, the tax law does not provide any further guidance on the determination of fair market value. One approach to determine the fair market value of Ligand is to use the average of the closing prices quoted on the Nasdaq exchange on the first five days of trading following the Distribution, November 2, 2022 through November 8, 2022. With respect to the shares of SpinCo common stock, because there were no public trading prices for the stand-alone SpinCo entity (i.e., there were only trading prices quoted for the post-Merger APAC entity), one approach to determine the fair market value of the shares of SpinCo common stock is to combine the value of (i) the average closing price for shares of APAC common stock quoted on the Nasdaq exchange on the first five days of trading following the Distribution, and adjust this share price to take into account the Merger base exchange ratio of 1 : 4.90007 SpinCo to APAC and (ii) the value of the Earnout Shares as determined using a valuation model that accounts for the potential forfeiture of the Earnout Shares and adjust this value to take into account the earnout exchange ratio of 1 : 0.75842 SpinCo to Earnout Share. Using the average closing price for shares of APAC common stock quoted on the Nasdaq exchange on the first five days of trading following the Distribution ($2.33) and taking into account the Merger base exchange ratio of 1 : 4.90007 SpinCo to APAC ($11.40) and the average closing price for shares of Ligand common stock quoted on the Nasdaq exchange on the first five days of trading following the Distribution ($65.12), and the value of the Earnout Shares as determined using a valuation model that accounts for the potential forfeiture of the Earnout Shares ($1.00), and taking into account the earnout exchange ratio of 1 : 0.75842 SpinCo to Earnout Share ($0.76), approximately 15.73% of the aggregate tax basis held by the Ligand stockholders immediately prior to the Distribution would be allocated to the shares of SpinCo common stock received by such stockholders (($11.40 + $0.76) / ($11.40 + $0.76 + $65.12) = 15.73%).

With respect to the Merger, Ligand stockholders will have an aggregate tax basis in the shares of APAC common stock (including basis allocated to any fractional shares deemed issued and sold for cash, as described above) and Earnout Shares received in the Merger that is equal to the aggregate tax basis allocated to the shares of SpinCo common stock as described above, with such basis allocated among APAC common stock and Earnout Shares in proportion to their respective fair market values on the date of the Merger. However, the tax law does not provide any further guidance on the determination of fair market value. One approach is to use the average closing price for shares of APAC common stock quoted on the Nasdaq exchange on the first five days of trading following the Distribution, and adjust this share price to take into account the Merger base exchange ratio of 1 : 4.90007 SpinCo to APAC and use the value of the Earnout Shares as determined using a valuation model that accounts for the potential forfeiture of the Earnout Shares and adjust this value to take into account the earnout exchange ratio of 1 : 0.75842 SpinCo to Earnout Share.

Other approaches to determine fair market value may also be possible. Ligand stockholders are not bound by the approaches illustrated above and may, in consultation with their own tax advisor, use an alternative approach in determining fair market values for shares of Ligand common stock, shares of SpinCo common stock and Earnout Shares. Ligand stockholders should contact their tax advisor to determine the appropriate fair market values.

The following is an example illustrating how the methodology outlined above would be applied in determining tax basis allocation.

Example: Assume a U.S. stockholder owned 1,000 shares of Ligand common stock, which were acquired with an aggregate tax basis of $10,000 (or $10 per share).

Pursuant to the Distribution, such U.S. stockholder received 1,000 shares of SpinCo common stock. Taking into account the assumed relative fair market values noted above, the U.S. stockholder would have 1,000 shares of SpinCo common stock with an aggregate tax basis of $1,573 ($10,000 x 15.73%). In addition, the U.S. stockholder's aggregate basis in the 1,000 shares of Ligand common stock correspondingly would be reduced to $8,427 ($10,000 x 84.27%).

Pursuant to the Merger, such U.S. stockholder received (i) 4,900.07 shares of APAC common stock (1,000 shares of SpinCo common stock x 4.90007), which includes the 0.07 fractional share of APAC common stock deemed received by the U.S. stockholder and sold for cash and (ii) 758 Earnout Shares (1,000 shares of SpinCo common stock x 0.75842, with no fractional shares or consideration in lieu thereof).

As a result, prior to the deemed sale of the fractional share of APAC common stock, the U.S. stockholder would have 4,900.07 shares of APAC common stock with an aggregate tax basis of $1,474.92 (($11.40) / ($11.40 + $0.76 + $65.12) = 14.7492% x $10,000 = $1,474.92), or $0.30 per share ($1,474.92 divided by 4,900.07 shares) and (ii) 758 Earnout Shares with an aggregate tax basis of $98.14 (($0.76) / ($11.40 + $0.76 + $65.12) = 0.9814% x $10,000 = $98.14), or $0.13 per share ($98.14 divided by 758 shares).

Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

The applicable Code sections upon which the tax treatment is based are Sections 354, 355, 358, 368, 1001 and 1223.

Line 18. Can any resulting loss be recognized?

The Distribution is intended to qualify for non-recognition of gain or loss under Section 355 of the Code and the Merger is intended to qualify for non-recognition of gain or loss under Section 368(a) of the Code. Accordingly, a U.S. stockholder should not recognize any gain or loss in the Distribution or Merger (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of APAC common stock in the Merger).

Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The stock basis adjustments are taken into account in the taxable year of a Ligand stockholder during which the Distribution and the Merger occurred (e.g., 2022 for calendar year taxpayers).