

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

**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 21, 2011

**PDL BioPharma, Inc.**

(Exact name of Company as specified in its charter)

000-19756

(Commission File Number)

Delaware

(State or Other Jurisdiction of Incorporation)

94-3023969

(I.R.S. Employer Identification No.)

**932 Southwood Boulevard  
Incline Village, Nevada 89451**

(Address of principal executive offices, with zip code)

**(775) 832-8500**

(Company's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

*Severance Agreement*

On May 21, 2011, the Board of Directors (the “Board”) of PDL BioPharma, Inc. (the “Company”) authorized the Company to enter into severance agreements with each of its executive officers (the “Severance Agreement”) that provide for certain compensation, benefits and accelerated vesting rights if the executive officer’s employment is terminated without Cause or he or she resigns for Good Reason, as those terms are defined in the Severance Agreement.

Specifically, the Severance Agreement provides that, upon termination of the executive officer’s employment without Cause or his or her resignation for Good Reason, the executive officer will be entitled to receive, subject to the execution of a general release of all claims against the Company, the following severance payment and benefits: (i) a percentage of the executive officer’s annual base salary, (ii) a percentage of the executive officer’s target annual bonus for the year in which the separation occurs, (iii) payment of the executive officer’s COBRA premiums, if any, for a certain number of months, (iv) acceleration of vesting of a pro-rated amount of the restricted stock awards granted pursuant to any outstanding long-term incentive plan, including the 2012 LTIP (as defined and described below), (v) payment of any accrued but unpaid dividends or other distributions, plus interest, paid on the restricted stock awards which are accelerated pursuant to clause (iv) and (vi) payment of a pro-rated amount of the executive officer’s target cash payment that the executive officer is eligible to earn under any long-term incentive plan, including the 2012 LTIP. Any severance payments under the Severance Agreement will be paid in a lump sum within 5 days after the effective date of the executive officer’s release of claims.

The amount of severance each executive officer is eligible to receive pursuant to clauses (i), (ii) and (iii) above is set forth in the chart below:

<b>Name</b>	<b>Title</b>	<b>% of Annual Base Salary</b>	<b>% of Target Annual Bonus</b>	<b>Number of Months of COBRA Premiums</b>
John P. McLaughlin	President and Chief Executive Officer	100%	100%	12
Christine R. Larson	Vice President and Chief Financial Officer	100%	75%	12
Christopher L. Stone	Vice President, General Counsel and Secretary	100%	75%	12
Caroline Krumel	Vice President and Principal Accounting Officer	50%	50%	6
Danny J Hart, Jr.	Associate General Counsel and Assistant Secretary	50%	50%	6

The Severance Agreement has no specified term and may be terminated by the Company upon 6 months notice. In the event of a change in control, the Severance Agreement may not be terminated until 24 months following the date of the change in control. The description of the Severance Agreement is not complete and is qualified in its entirety by reference to the full text of the Severance Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

## 2012 Long-Term Incentive Plan

On May 21, 2011, the Board approved a long-term incentive plan to compensate, retain and incentivize its executive officers (the “2012 LTIP”). The Board designated the effective date of the 2012 LTIP as January 1, 2011.

Under the 2012 LTIP, each executive officer is eligible for awards consisting of (i) restricted stock and (ii) a cash payment. Each executive officer’s restricted stock award was granted on May 23, 2011, and the number of shares underlying the restricted stock award was determined based on the closing price of the Company’s common stock on May 23, 2011, which was \$6.59 per share.

The target cash payment and the restricted stock award for each executive officer are set forth in the chart below:

<b>Name</b>	<b>Title</b>	<b>Target Cash Payment</b>	<b>Value of Restricted Stock Award</b>	<b>Number of Shares Underlying Restricted Stock Award</b>
John P. McLaughlin	President and Chief Executive Officer	\$469,000	\$201,000	30,501
Christine R. Larson	Vice President and Chief Financial Officer	\$281,400	\$120,600	18,300
Christopher L. Stone	Vice President, General Counsel and Secretary	\$258,000	\$110,600	16,783
Caroline Krumel	Vice President and Principal Accounting Officer	\$70,400	\$30,200	4,583
Danny J Hart, Jr.	Associate General Counsel and Assistant Secretary	\$58,600	\$25,100	3,809

Subject to the acceleration provisions set forth in the Severance Agreement described above and the 2012 LTIP described below, the restricted stock award will fully vest on December 31, 2012, provided the executive officer remains employed by the Company through such date. Dividend payments and other distributions made on the restricted stock during the vesting period of the restricted stock will accrue through the vesting period and will be paid, plus interest, to the executive officer upon vesting of the restricted stock award. In the event of a change in control, the 2012 LTIP provides that vesting of the restricted stock award, including any accrued but unpaid dividends or other distributions, plus interest, and the target cash payment, including any Adjustments (as defined below) earned on the target cash payment, will accelerate and pay in connection with the change in control.

Payment of the target cash payment under the 2012 LTIP will be made on or as soon as practicable after December 31, 2012, provided the executive officer remains employed by the Company through December 31, 2012. In addition, if any of the performance goals adopted by the Board set forth below are achieved on or before December 31, 2012, the executive officer may receive an additional cash payment equal to a percentage of the target cash payment (the “Adjustment”). The amount of the Adjustment and the achievement of each performance goal will be determined by the Compensation Committee of the Board, in its sole discretion, provided that the aggregate maximum cash payment that any executive officer may receive under the 2012 LTIP may not exceed two times his or her target cash payment. The Adjustment for each performance goal is set forth in the chart below:

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<b>Performance Goal</b>	<b>Adjustment</b>
Protection of European Union Queen et al. Patent Rights	40%
Sale or Merger of Company	20-50%
Recapitalization of Company	10%
Royalty Rights Acquisition	30-50%

The following examples demonstrate the calculation of the Adjustments.

If, at December 31, 2012, Mr. McLaughlin remains employed by the Company and the Company has successfully protected its European Union Queen et al. patent rights and completed its recapitalization, then Mr. McLaughlin's cash payment will be equal to \$703,500 (\$469,000 (employment through December 31, 2012) + 187,600 (EU intellectual property) + \$46,900 (recapitalization) = \$703,500).

Alternatively, if, at December 31, 2012, Mr. McLaughlin remains employed by the Company and the Company successfully achieved maximum performance of all of the foregoing performance goals on or before December 31, 2012, then, while the cash payment would be equal to \$1,172,500 (\$469,000 (employment through December 31, 2012) + 187,600 (EU intellectual property) + \$234,500 (merger) + \$46,900 (recapitalization) + \$234,500 (royalty rights) = \$1,172,500), the maximum cash payment would be limited to two times the target cash amount or \$938,000 (two times his target cash payment of \$469,000).

**Item 9.01 Financial Statements and Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
10.1	Form of Executive Officer Severance Agreement

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PDL BIOPHARMA, INC.  
(Company)

By: /s/ John P. McLaughlin  
John P. McLaughlin  
President and Chief Executive Officer

Dated: May 26, 2011

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.1</a>	Form of Executive Officer Severance Agreement

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## SEVERANCE AGREEMENT

This Severance Agreement (the “*Agreement*”) is entered into as of [Date] (the “*Effective Date*”), by and between **PDL BioPharma, Inc.** (the “*Company*”), and [Name] (“*you*” or “*Executive*”).

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel and has determined that it is appropriate to provide severance compensation to its executives to promote the interests of the Company; and

WHEREAS, the Compensation Committee of the Company has approved the Company entering into severance agreements with the executives of the Company.

NOW, THEREFORE, to assure the Company that it will have the continued dedication of the Executive, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

**Article 1. Term**

This Agreement shall commence on the Effective Date and shall continue indefinitely unless and until the Company delivers six (6) month written notice of termination. However, in the event of a Change in Control, this Agreement will remain in effect for not less than twenty-four (24) months beyond the month in which such Change in Control occurs.

For purposes of this Agreement, “*Change in Control*” shall be deemed to have occurred as of the first day after the Effective Date that any one or more of the following conditions is satisfied:

- (a) any “person” (as such term is used to Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of (i) the outstanding shares of common stock of the Company or (ii) the combined voting power of the Company’s then-outstanding securities entitled to vote generally in the election of directors; or
- (b) the Company (i) is party to a merger, consolidation or exchange of securities which results in the holders of voting securities of the Company outstanding immediately prior thereto failing to continue to hold at least 50% of the combined voting power of the voting securities of the Company, the surviving entity or a parent of the surviving entity outstanding immediately after such merger, consolidation or exchange, or (ii) sells or disposes of all or substantially all of the Company’s assets (or any transaction or combination of transactions having similar effect is consummated), or (iii) the individuals constituting the Board of Directors immediately prior to such merger, consolidation, exchange, sale or disposition shall cease to constitute at least 50% of the Board of Directors, unless the election of each director who was not a director prior to such merger, consolidation, exchange, sale or disposition was approved by a vote of at least two-thirds of the directors then in office who were directors prior to such merger, consolidation, exchange, sale or disposition.

**Article 2. Termination Benefits**

If you are terminated without Cause or resign for Good Reason, within five (5) days of the effective date of the Release (as defined below), (a) you will receive a lump sum cash payment equal to (i) [xx] percent ([xx]%) of the sum of your annual base salary in effect immediately prior to the time of separation, (ii) [xx] percent ([xx]%) of the sum of your annual target bonus for the year in which separation occurs and (iii) [yyyy (y)] months of COBRA Benefits and (b)(i) any unvested cash payments and equity awards under any long-term incentive plan in effect at the date of separation shall ratably accelerate, vest and pay in proportion to the time lapsed during the vesting period, as increased by any adjustments and milestones earned by the time of payment and (ii) any accrued and unpaid dividends and interest on the then unvested equity awards shall vest and pay; provided that such payment and other benefit shall be contingent upon the Executive’s signing a release of all claims against PDL in a form acceptable to the Company (the “*Release*”), which must become effective and irrevocable no later than the sixtieth (60<sup>th</sup>) day following your “separation from service” within the meaning of Section 409A of the Code (as defined below) (the “*Release Deadline*”), and if not, you will forfeit any right to severance payments or benefits under this Agreement. If your separation from service occurs at a time during the calendar year where the Release Deadline could occur in the calendar year following the calendar year in which such separation from service occurs, then any severance payments or benefits under this Agreement that would be considered “deferred compensation” under Code Section 409A will be paid on the first payroll date to occur during the calendar year following the calendar year in which such termination occurs, or such later time as required by (i) the date the Release becomes effective, or (ii) Article 3 below; provided that the first payment shall include all amounts that would have been paid to you if payment had commenced on the date of your separation from service. Nothing in this agreement shall limit the Executive’s ability to receive benefits or payment from any other compensation plan or severance benefit.

For purposes of this Agreement, “**COBRA Benefits**” shall refer to PDL’s payment of the premiums for any continued group health insurance benefits under Sections 601-607 of the federal Employee Retirement Income Security Act of 1974, as amended.

For purposes of this Agreement, “**Cause**” means the occurrence of any of the following: (i) your intentional theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit or falsification of any PDL documents or records; (ii) your material failure to abide by the PDL’s code of conduct or other written policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) your material and intentional unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of PDL (including, without limitation, your improper use or disclosure of PDL confidential or proprietary information); (iv) any willful act by you that has a material detrimental effect on PDL’s reputation or business; (v) your repeated failure or inability to perform any reasonable assigned duties after written notice from the [Reporting Person] of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by you of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between you and PDL, which breach is not cured pursuant to the terms of such agreement or within twenty (20) days of receiving written notice of such breach; (vii) your conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs your ability to perform your duties with PDL. For purposes of the foregoing, no act or omission will be deemed ‘willful’ unless done, or omitted to be done, by you without a reasonable good faith belief that you were acting in the best interest of PDL. For purposes of clarity, a termination without Cause does not include a termination that occurs as a result of your death or disability.

For purposes of this Agreement, “**Good Reason**” means your voluntary resignation in writing within ninety (90) days after the occurrence of any of the following conditions without your informed written consent; provided that you give the Company written notice of the conditions within thirty (30) days after the condition comes into existence and the Company fails to remedy the condition within thirty (30) days after first receiving your written notice: (i) a material diminution in your authority, duties or responsibilities, causing your position to be of materially lesser rank or responsibility within PDL; (ii) a requirement that you report to a corporate officer or other employee rather than directly to the [Reporting Person]; (iii) a material reduction in your annual base salary, unless reductions comparable in amount and duration are concurrently made for all other PDL officers; or (iv) any action or inaction by a PDL that constitutes, with respect to the you, a material breach of your Offer Letter, dated [Date] the (“**Offer Letter**”).

### **Article 3. Tax Compliance**

Notwithstanding the foregoing, if required by Section 409A of the United States Internal Revenue Code of 1986, as amended (the “**Code**”), if any amounts payable upon separation from service are considered “deferred compensation” under Section 409A, payment of such amounts will be postponed as required by Section 409A, and the postponed amounts will be paid, with accrued interest as described below, on the first monthly payroll date occurring after six (6) months following the date of separation. If the Executive dies during the postponement period, any amounts postponed on account of Section 409A of the Code, with accrued interest as described below, shall be paid to the personal representative of the Executive’s estate within sixty (60) days after the date of the Executive’s death. If payment of any amounts under this Agreement is required to be delayed pursuant to Section 409A, the Company shall pay interest on the postponed payments from the date on which the amounts otherwise would have been paid to the date on which such amounts are paid at a market rate of interest, as determined by the Compensation Committee.

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This Agreement is intended to comply with the requirements of Section 409A of the Code, and, specifically, the separation pay exemption and short term deferral exemption of Section 409A, and shall in all respects be administered and interpreted in accordance with Section 409A. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions on the Executive under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. Notwithstanding anything in the Agreement to the contrary, distributions may only be made under the Agreement upon an event and in a manner permitted by Section 409A of the Code or an applicable exemption. All payments to be made upon a termination of employment under this Agreement may only be made upon a “separation from service” under Section 409A. For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments, and each payment under this Agreement shall be treated as a separate payment. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement.

The Company shall be entitled to withhold from any amounts payable under this Agreement all taxes as legally shall be required to be withheld (including, without limitation, any United States federal taxes and any other state, city or local taxes).

#### **Article 4. Employment Status**

In accordance with the Offer Letter, the employment of the Executive by the Company is “at will,” and may be terminated by either the Executive or the Company at any time, subject to applicable law.

#### **Article 5. Severability**

In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

#### **Article 6. Modification**

No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved by the Compensation Committee and agreed to in writing and signed by the Executive and by an authorized officer of the Company, or by the respective parties’ legal representatives and successors.

#### **Article 7. Counterparts**

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original hereof

#### **Article 8. Applicable Law**

To the extent not preempted by the laws of the United States, the laws of the state of Nevada shall be the controlling law in all matters relating to this Agreement.

[Signature Page Follows]

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IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by their duly authorized officers, as of the day and year first above written.

**PDL BioPharma, Inc.**

**Executive**

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

[Signature Page to Severance Agreement]

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