

**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):
October 24, 2007

PDL BioPharma, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-19756
(Commission File No.)

94-3023969
(I.R.S. Employer Identification No.)

**1400 Seaport Boulevard
Redwood City, California 94063**
(Address of principal executive offices)

Registrant's telephone number, including area code:
(650) 454-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- 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 1.01. Entry into a Material Definitive Agreement.

The matters described in Item 5.02 of this Current Report on Form 8-K are incorporated herein by reference.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.

(e) On October 3, 2007, PDL BioPharma, Inc. (the “Company” or “we”) filed a Form 8-K disclosing that effective October 1, 2007, L. Patrick Gage, Ph.D. was elected our Interim Chief Executive Officer. At that time, we had not yet entered into any plan, contract or arrangement with Dr. Gage or made any grant or award to Dr. Gage in connection with Dr. Gage’s election to the position of Interim Chief Executive Officer of the Company. On October 24, 2007, we entered into an offer letter agreement with Dr. Gage (the “Offer Letter”), which sets forth the terms of Dr. Gage’s compensation package for his service as Interim Chief Executive Officer.

Pursuant to the Offer Letter, we will employ Dr. Gage as an at-will employee for an annual base salary of \$650,000. Dr. Gage’s annual target bonus is 75% and would be adjusted for company and personal performance. Dr. Gage’s bonus with respect to 2007 service would be prorated based on his start of service of October 1, 2007 and would be based on Dr. Gage’s contribution to the Company’s achievement of 2007 goals and objectives in the fourth quarter of 2007 and his individual performance during this period.

We also agreed to grant Dr. Gage an option to purchase 100,000 shares of Common Stock pursuant to the Offer Letter (the “New Hire Option”) effective two trading days after the public release of our results of operations and financial condition for the quarter ended September 30, 2007. The New Hire Option will vest in equal monthly increments over 24 months with a vesting commencement date of October 1, 2007.

Dr. Gage will not be deemed a “Participant” under the Company’s Executive Retention and Severance Plan (“ERSP”) and will not be entitled to any of the rights or benefits under the ERSP to which the “Chief Executive Officer” (as that term is defined in the ERSP) would be entitled in certain circumstances, notwithstanding Dr. Gage’s position as Interim Chief Executive Officer.

In the event a “Change in Control” (as that term is defined in PDL’s 2005 Equity Incentive Plan) occurs during Dr. Gage’s employment, any unvested portion of the New Hire Option would become vested effective as of the date of the Change in Control. If a Change in Control occurs during Dr. Gage’s employment but prior to the expected payout date for 2007 bonuses, we would accelerate the payout of his 2007 bonus to immediately prior to the Change in Control. If a Change in Control occurs during Dr. Gage’s employment but after January 1, 2008 and prior to the expected payout date for 2008 bonuses, we would pay Dr. Gage a prorated amount of his 2008 bonus immediately prior to the Change in Control.

We also agreed pursuant to the Offer Letter to provide Dr. Gage certain perquisites during his employment and until October 1, 2008, which consist of:

- Reimbursement of Dr. Gage of up to \$5,000 per month for actual housing and rental expenses for a residence in the San Francisco Bay Area;
- Reimbursement of Dr. Gage for the reasonable food and hotel lodging expenses Dr. Gage has incurred and may incur until November 15, 2007 on trips to the San Francisco Bay Area in the course of his service as Interim Chief Executive Officer;
- Reimbursement of Dr. Gage for the actual expense of up to two round-trip airline flights per month between the San Francisco Bay Area and any airport in reasonable proximity to his current home; and
- Reimbursement of Dr. Gage for his automobile rental costs incurred during trips to the San Francisco Bay Area in the course of his service as Interim Chief Executive Officer.

Our obligation to reimburse Dr. Gage for the rental housing, airline flight, automobile rental and other expenses described above would terminate if Dr. Gage relocates his primary residence to the San Francisco Bay Area.

The Offer Letter is attached hereto as Exhibit 10.1 and incorporated herein by reference. The foregoing description of the Offer Letter is qualified in its entirety by reference to Exhibit 10.1.

On October 28, 2007, following discussions between Dr. Gage and the Compensation Committee, the Compensation Committee approved revisions to the terms of Dr. Gage's New Hire Option to provide that (i) in the event Dr. Gage and the Company's Board of Directors (the "Board") agree that Dr. Gage should resign as an employee of the Company but continue serving as a member of the Board, the number of vested shares under the New Hire Option would be increased by 50,000 shares (not to exceed 100,000 vested option shares in total) on the date of such resignation as an employee and (ii) the vesting commencement date for the New Hire Option would be October 1, 2007 instead of the grant date of the New Hire Option. These revised terms will be reflected in the stock option agreement to be entered into between Dr. Gage and the Company in connection with the grant of the New Hire Option.

Also, on October 24, 2007, the Compensation Committee of the Board of Directors of the Company approved a payment of \$12,500 to Dr. Gage for his service as Executive Chairman of the Company from August 19, 2007 to September 28, 2007. This payment is in addition to the compensation to which Dr. Gage was entitled pursuant to the Board's compensation policy for non-employee directors, including compensation with respect to Dr. Gage's service as Chairman of the Board during this period. Because Dr. Gage became an employee of the Company effective October 1, 2007, he ceased being eligible to receive any compensation with respect to his service as a member of our Board of Directors, which is consistent with the Board's compensation policy.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	Offer Letter between PDL BioPharma, Inc. and L. Patrick Gage, Ph.D. dated October 24, 2007

SIGNATURES

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

Date: October 30, 2007

PDL BioPharma, Inc.

By: /s/ Andrew Guggenime
Andrew Guggenime
Senior Vice President and Chief Financial Officer

October 24, 2007

L. Patrick Gage, Ph.D.

[***]

[***]

Dear Pat:

On behalf of PDL BioPharma, Inc. (“PDL” or “we”), I am pleased to extend to you an employment offer for the position of Interim Chief Executive Officer, reporting to PDL’s Board of Directors (the “Board”).

You agree to devote your full business time and efforts to PDL. You agree that you will not engage in any other business or serve in any position with or as a consultant or adviser to any other corporation or entity (including as a member of such corporation’s or entity’s board of directors or other governing or advising body), without the prior written consent of the Board. Notwithstanding the foregoing, you will not be prohibited from continuing your service in the positions that you held immediately prior to your election as Interim Chief Executive Officer, which positions you have disclosed to the Board.

Your monthly base salary for this position would be \$54,166.67 (\$650,000/annually) with a retroactive start of service of October 1, 2007. Your annual target bonus would initially be set at 75% of your annual base salary. Your bonus with respect to 2007 service would be prorated based on a start of service of October 1, 2007. Your bonus for 2007 service would be based on your contribution to PDL’s achievement of 2007 goals and objectives in the fourth quarter of 2007 and your individual performance during this period.

We also offer to our employees other incentive programs and a benefits package, including a comprehensive medical policy and dental plan, as well as life insurance coverage, which you would be eligible to participate in according to company guidelines.

In addition to our salary and benefits packages, the Board would grant you an option to purchase 100,000 shares of Common Stock under a PDL equity incentive plan (the “New Hire Option”). The New Hire Option would be granted effective two trading days after the public release of PDL’s results of operations and financial condition for the quarter ended September 30, 2007. The New Hire Option would be subject to your execution of a Stock Option Agreement and would vest in equal monthly increments over 24 months with the first monthly increment vesting one month after the grant date.

You agree that you will not be deemed a "Participant" under PDL's Executive Retention and Severance Plan ("ERSP") and will not be entitled to any of the rights or benefits under the ERSP to which the "Chief Executive Officer" (as that term is defined in the ERSP) would be entitled in certain circumstances, notwithstanding your position as Interim Chief Executive Officer.

In the event a "Change in Control" (as that term is defined in PDL's 2005 Equity Incentive Plan) occurs during your employment, any unvested portion of the New Hire Option would become vested effective as of the date of the Change in Control. Any exercise of the New Hire Option that was permissible solely by reason of the acceleration of vesting pursuant to the preceding sentence would be conditioned upon the consummation of the Change in Control. If a Change in Control occurs during your employment but prior to the expected payout date for 2007 bonuses, we would accelerate the payout of your 2007 bonus to immediately prior to the Change in Control. If a Change in Control occurs during your employment but after January 1, 2008 and prior to the expected payout date for 2008 bonuses, we would pay you a prorated amount of your 2008 bonus immediately prior to the Change in Control. The amount of your prorated 2008 bonus, if payable pursuant to the preceding sentence, would be based on the Compensation Committee's assessment of the Company's and your individual performance during 2008.

We will, during your employment and until October 1, 2008, reimburse you up to \$5,000 per month for your actual furniture and housing rental expenses for a residence in the San Francisco Bay Area. We also will reimburse you for the reasonable food and hotel lodging expenses you have incurred and may incur until November 15, 2007 on trips to the San Francisco Bay Area in the course of your service as Interim Chief Executive Officer.

We also will, during your employment and until October 1, 2008, reimburse you for the actual expense of up to two round-trip airline flights per month between the San Francisco Bay Area and any airport in reasonable proximity to your current home, provided, that such airline travel is booked consistent with PDL's Travel Expense Policy.

We also will, until October 1, 2008, reimburse you for your automobile rental costs incurred during trips to the San Francisco Bay Area in the course of your service as Interim Chief Executive Officer, provided, that such automobile rentals are booked consistent with PDL's Travel Expense Policy.

PDL's obligation to reimburse you for the rental housing, airline flight, automobile rental and other expenses described in the preceding three paragraphs would terminate if you relocate your residence to the San Francisco Bay Area.

For purposes of federal immigration law, you would be required to provide PDL documentary evidence of your identity and eligibility for employment in the United States.

Your employment with PDL as Interim Chief Executive Officer is not for a set term and you would be an at-will employee. As a PDL employee, you would be free to resign at any time, just as we would be free to terminate your employment at any time, with or without cause. There will be no express or implied agreements to the contrary.

To indicate your acceptance of our offer, please sign and date this letter in the space provided below and return it, along with a signed copy of the enclosed Proprietary Information and Invention Assignment Agreement, to Jeff Coon in the enclosed envelope. This letter, along with the Proprietary Information and Invention Assignment Agreement, supersedes any prior representations or agreements, whether written or oral, with respect to our offer of employment to you. This letter may not be modified or amended except by a written agreement, signed by PDL and you.

Sincerely,

PDL BioPharma, Inc.

/s/ Karen A. Dawes

Karen A. Dawes
Chairperson of the Board

/s/ L. Patrick Gage, Ph.D.

L. Patrick Gage, Ph.D.

October 24, 2007
Date