

**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):

December 15, 2008

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.)

**932 Southwood Blvd,
Incline Village, NV 89451**

(Address of principal executive offices)

Registrant's telephone number, including area code:

(775) 832-8500

**1400 Seaport Boulevard
Redwood City, California 94063**

(Former Name or Former Address, if Changed Since Last Report)

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))

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

(c) PDL BioPharma, Inc. (the "Company," "PDL" or "we") entered into an employment offer letter with Christine Larson on December 15, 2008 (the "Offer Letter") pursuant to which Ms. Larson agreed to join the Company as Senior Financial Advisor effective December 15, 2008. Subject to and in connection with the proposed spin off (the "Spin-off") of PDL's biotechnology operations into Facet Biotech Corporation ("Facet"), which will be a separate publicly traded company, PDL (the remaining royalty company) will appoint Ms. Larson, effective as of the Spin-off date, as its Vice President and Chief Financial Officer.

Ms. Larson served as a Senior Manager/Director at Grant Thornton, LLP in their Mergers and Acquisitions Advisory group from 2007 to 2008. She served as financial consultant from 2005 to 2007 for a biometric authentication/credit card payment processing firm and a global Microsoft business solutions firm. From 2003 to 2005, Ms. Larson was Chief Financial Officer for TWL Corporation, a publicly held, technology-enabled learning company. Prior to that time, she worked as an independent financial consultant to start-up software, hardware and Internet service companies. In 1999, she worked for KPMG Consulting, Inc. as a Management Consultant. She was previously employed from 1985 to 1998 by Bank of America Corporation, most recently as a Senior Vice President and Managing Director in their Interactive Services division and their Global Capital Markets group. While working at Bank of America Corporation, she served as Chief Financial Officer of their leasing subsidiary, BA Leasing and Capital Corporation and of their venture capital subsidiary, BA Ventures Inc. Until June 2008, she served as a Board Officer and Vice President of Finance for the California Alumni Association, UC Berkeley. Ms. Larson also serves on the Audit Committee for George Mark Children's House. She received a BS in Food and Nutritional Sciences from the University of California, Berkeley, and an MBA from California State University, East Bay. Ms. Larson is a Certified Public Accountant in the State of California.

Pursuant to the Offer Letter, we will employ Ms. Larson as an at-will employee for an annual base salary of \$350,000. Ms. Larson's annual target bonus will be 40% of her annual base salary, with the actual amount earned dependent upon company and individual performance.

Effective 15 days following the Spin-off date, PDL will grant Ms. Larson a special retention incentive award (the "Special Retention Incentive") comprised of two components: (i) the right to receive \$420,000 in cash, and (ii) a number of unvested restricted shares of PDL common stock with a Grant Value equal to \$180,000. For this purpose, "Grant Value" means the average of the closing prices of PDL's common stock for the first 10 trading days following the Spin-off date. Subject to Ms. Larson's continued employment, the Special Retention Incentive will vest and become payable upon the earlier to occur of (i) the second anniversary of the Spin-off date, or (ii) a merger or sale of PDL or a sale of all or substantially all of PDL's assets, or any securitization or other monetization of all or substantially all of PDL's assets.

If Ms. Larson is terminated without Cause, as defined in the Offer Letter, or resigns for Good Reason, as defined in the Offer Letter, following her accession to the Chief Financial Officer position, but prior to her entitlement to the Special Retention Incentive, Ms. Larson will receive, within five days of her separation from service, a lump sum cash payment equal to 50% of the sum of her annual base salary and target bonus.

We have also agreed to provide assistance to Ms. Larson to rent housing in Nevada proximate to our corporate headquarters and will pay her a housing allowance of \$4,000 per month for the duration of Ms. Larson's employment with us. In addition, we agreed to reimburse Ms. Larson up to \$10,000 for moving expenses.

The terms and conditions of Ms. Larson's employment set forth in the Offer Letter and summarized above will also apply upon Ms. Larson's appointment as Vice President and Chief Financial Officer of the Company, provided, however, that if PDL does not complete the Spin-off, for any reason, within six months following December 12, 2008 (the 'Spin-off Period'), then Ms. Larson will be entitled to resign and PDL will pay her a special lump sum severance amount equal to six months' base salary; provided she tenders her resignation no later than three months following the end of the Spin-off Period.

The Offer Letter is attached hereto as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference. The foregoing description of the Offer Letter is qualified in its entirety by reference to Exhibit 10.1.

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 Christine Larson effective December 15, 2008

SIGNATURE

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: December 18, 2008

PDL BioPharma, Inc.

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

December 15, 2008

Ms. Christine Larson

Dear Christine:

On behalf of PDL BioPharma, Inc. ('PDL' or 'we'), I am pleased to extend to you an employment offer for the position of Senior Financial Advisor. Your employment with PDL will begin on December 15, 2008 (the 'Employment Date').

As we have discussed, PDL is undertaking to spin off of its biotechnology operations into a separate publicly traded company, currently named Facet Biotech Corporation ('Facet' and such spin-off transaction, the 'Spin-off'). You and PDL agree that, subject to and in connection with the Spin-off, PDL shall appoint you, effective as of the Spin-off date, as its Vice President and Chief Financial Officer, reporting to its President and Chief Executive Officer (the 'CEO'), and you would continue to be employed on the terms and conditions set forth in this offer letter (the 'Offer Letter') and you agree to accept such appointment on such terms and conditions. While we plan to complete the Spin-off by the end of 2008, it is possible for various reasons that the Spin-off may not occur by that time or at all. If PDL does not complete the Spin-off, for any reason, within six (6) months following the Employment Date (the 'Spin-off Period'), you will be entitled to resign and PDL will pay to you, within five (5) days of your separation from service, a special lump sum severance amount equal to six (6) months' Base Salary; provided, however, that you tender your resignation no later than three (3) months following the end of the Spin-off Period.

You agree that you will 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, but only for so long as such activities in the aggregate do not materially interfere with your duties hereunder or create a business or fiduciary conflict, you will not be prohibited from (i) participating in charitable, civic, educational, professional, community or industry affairs (including membership on boards of directors), (ii) managing your passive personal investments, and (iii) continuing your service in the positions that you held as of the date of this Offer Letter, which positions you have disclosed to the Board, provided that any such service obligation is not materially increased beyond what you have disclosed to us.

Your monthly base salary (as in effect from time to time, 'Base Salary') will be \$350,000 annually, less applicable taxes and withholdings, and will be payable in accordance PDL's

payroll procedures. Your Base Salary shall be reviewed each year but will not be subject to decrease unless such decrease is part of an overall reduction effected for executive officers of PDL. Your annual target bonus will be set at forty percent (40%) of your annual Base Salary. Your bonus will be based on your contribution to PDL's achievement of its goals and objectives and your individual performance during this period as determined by the CEO and the Compensation Committee of the Board.

Effective fifteen (15) days following the Spin-off date, PDL will grant you a special retention incentive award (the 'Special Retention Incentive') comprised of two components: (i) the right to receive \$420,000 in cash; and (ii) a number of unvested restricted shares of PDL common stock with a Grant Value equal to \$180,000. For this purpose, 'Grant Value' means the average of the closing prices of PDL's common stock for the first ten (10) trading days following the Spin-off date. Subject to your continued employment, the Special Retention Incentive will vest and become payable upon the earlier to occur of (i) the second anniversary of the Spin-off date, or (ii) a Monetization Event. For purposes of this Offer Letter, 'Monetization Event' means (i) a merger or sale of PDL or a sale of all or substantially all of PDL's assets, or (ii) any securitization or other monetization of all or substantially all of PDL's assets. In the event any dividends or other distributions are paid on PDL's common stock following the grant of the Special Retention Incentive but prior to the vesting and payment thereof, the amount of the dividends or other distributions payable on the restricted stock component of the Special Retention Incentive shall be withheld, credited to an account in your name, and shall vest and become payable if and when the Special Retention Incentive vests and becomes payable.

If you are terminated without Cause or resign for Good Reason following your accession to the Chief Financial Officer position, but prior to your entitlement to the Special Retention Incentive, you will receive, within five (5) days of your separation from service, a lump sum cash payment equal to fifty percent (50%) of the sum of your annual base salary and target bonus.

For purposes of this Offer Letter, '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 CEO 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 this Offer Letter, 'Good Reason' means the occurrence of any of the following conditions without your informed written consent: (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 CEO; (iii) a material reduction in your Base Salary or bonus, 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 this Offer Letter.

We currently also offer to our employees a welfare benefits package, including a comprehensive medical policy and dental plan, as well as life insurance coverage, in which you will be eligible to participate in accordance with PDL guidelines. You acknowledge that in connection with the Spin-off, PDL will transfer its welfare benefit plans to Facet and PDL would need to establish a new set of welfare benefit plans following the Spin-off. The new welfare benefit plans to be established following the Spin-off will be reasonably comparable to those currently maintained by the company, and to the extent the transition involves your making a COBRA or similar election in connection with the Spin-off and PDL's transfer of its welfare benefit plans to Facet, PDL will reimburse you for the incremental cost of the transitional coverage provided pursuant to any such election.

Because PDL is re-domiciling PDL in Nevada and because of the difficulties in selling a home in the Bay Area at an acceptable price, PDL will provide assistance to you to rent housing in Nevada proximate to PDL's offices. PDL will pay you a housing allowance of \$4,000 per month for the duration of your employment by PDL. In addition, to defray your moving expenses, PDL will reimburse you for such expenses up to \$10,000.

Your employment with PDL will not be for a set term, and you will be an at-will employee. As a PDL employee, you will be free to resign at any time, just as we will be free to terminate your employment at any time, with or without Cause. There will be no express or implied agreements to the contrary. By signing this Offer Letter, you agree to waive any right to participate in the PDL Executive Retention and Severance Plan or any other severance plan maintained by PDL from time to time.

PDL intends that payments and benefits provided to you pursuant to this Offer Letter be exempt from or comply with all applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended. Any ambiguities in this Offer Letter shall be construed in a manner consistent with such intent.

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

To indicate your acceptance of our offer, please sign and date this Offer Letter in the space provided below and return it, along with a signed copy of the enclosed Proprietary Information

and Invention Assignment Agreement, to John McLaughlin. By executing this Offer Letter, you hereby represent that your execution hereof and performance of your obligations hereunder do not and will not contravene or otherwise conflict with any other agreement to which you are a party or any other legal obligation applicable to you. This Offer 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 Offer Letter may not be modified or amended except by a written agreement, signed by PDL and you.

We are very excited at the prospect of your joining PDL.

Sincerely,

PDL BioPharma, Inc.

Accepted by:

/s/ John P. McLaughlin

/s/ Christine Larson

John P. McLaughlin

Christine Larson

President & CEO

PDL BioPharma, Inc. (post-spin-off)

12/15/08

Date
