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): August 5, 2010

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))

Item 1.01 Entry into a Material Definitive Agreement.

On August 5, 2010, PDL BioPharma, Inc. (the "Company") announced that it has entered into separate privately negotiated agreements under which it will retire \$61.6 million in aggregate principal amount of the Company's outstanding 2.75% Convertible Subordinated Notes, due August 16, 2023 (the "Notes") for consideration consisting of the issuance of the number of shares of Common Stock of the Company, \$0.01 par value per share (the "Common Stock"), for which the Notes were convertible by their terms plus 184,677 additional shares issued as an inducement for such holders to surrender their Notes at this time. The holders will also receive a cash payment for accrued and unpaid interest on the Notes. The transaction was structured as an exchange of the Notes for the common stock and reflected a price per share (based on the principal amount of debt retired) of approximately \$5.55 per share. Following the exchange, \$54.3 million in aggregate principal amount of the Notes will remain outstanding.

The exchange agreements executed in connection with the exchange contain representations to support the Company's reasonable belief that the holders had access to information concerning the Company's operations and financial condition, that the holders are accredited investors and that the holders are not affiliates of the Company, among others. This Current Report on Form 8-K does not constitute an offer to sell, or a solicitation of an offer to buy, any security. The exchange is expected to close on or about August 10, 2010.

A copy of the basic form of exchange agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

Item 1.01 above is incorporated herein by reference. The issuance of the 11,090,408 shares of Common Stock will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on an exemption under Section 4(2) of the Securities Act and Rule 506 of Regulation D.

Item 7.01 Regulation FD Disclosure.

On August 5, 2010, the Company also announced that it provided the trustee of the Notes notice that it intends to redeem all remaining Notes on September 15, 2010, before the next adjustment to the conversion rates on September 16, 2010 due to the Company's October 1, 2010 dividend payment, subject to market conditions and the Company's financial liquidity.

A press release announcing the close of the note exchange and the Company's intent to redeem all outstanding Notes is attached hereto as Exhibit 99.1.

Limitation of Incorporation by Reference

In accordance with General Instruction B.2. of Form 8-K, the information in this report, including Exhibit 99.1, is furnished pursuant to Item 7.01 and shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

Cautionary Statements

This filing includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could impair the Company's royalty assets or business are disclosed in the "Risk Factors" contained in the Company's 2009 Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description	
10.1	Form of Exchange Agreement	
99.1	Press Release, dated August 5, 2010	

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/ Christine R. Larson

Christine R. Larson

Vice President and Chief Financial Officer

Dated: August 5, 2010

EXHIBIT INDEX

Exhibit No.	Description		
10.1	Form of Exchange Agreement		
99.1	Press Release, dated August 5, 2010		

EXCHANGE AGREEMENT

(including any other persons or entities exchanging Notes hereunder for whom the undersigned Holder holds contractual and
investment authority, the "Holder") enters into this Exchange Agreement (the "Agreement") with PDL BioPharma, Inc. (the "Company") on,
2010 whereby the Holder will exchange (the "Exchange") the Company's 2.75% Convertible Subordinated Notes due 2023 (the "Notes") for shares of the
Company's common stock, par value \$.01 per share (the "Common Stock") and a cash payment.

In order to induce the Holder to cancel Notes it holds as payment for its acquisition of shares of the Company's Common Stock, the Company has agreed to offer the Holder, per \$1,000 principal amount of Notes, shares of Common Stock in addition to the number of shares into which the Notes are convertible by their terms, thus reflecting a price per share of Common Stock lower than the current conversion price of the Notes.

On and subject to the terms hereof, the parties hereto agree as follows:

Article I: Exchange of the Notes for Common Stock

Subject to the terms set forth in this Agreement, at the Closing, the Holder hereby agrees to exchange and deliver to the Company the following Notes, and in exchange therefor the Company hereby agrees to issue to the Holder the number of shares of Common Stock described below and to pay in cash the following amount for accrued but unpaid interest on such Notes:

Principal Amount of Notes to be Exchanged: \$		
(the "Excha	nged Notes").	
Number of Shares of Common Stock to be issued in Exchar	nge: (the " Shares ").	shares
Cash Payment for Accrued Interest on Exchanged Notes: \$	(the "Cash Payment").	

The closing of the Exchange (the "Closing") shall occur on a date (the "Closing Date") no later than three business days after the date of this Agreement. At the Closing, (a) the Holder shall deliver or cause to be delivered to the Company all right, title and interest in and to the Exchanged Notes free and clear of any mortgage, lien, pledge, charge, security interest, encumbrance, title retention agreement, option, equity or other adverse claim thereto (collectively, "Liens"), together with any documents of conveyance or transfer that the Company may deem necessary or desirable to transfer to and confirm in the Company all right, title and interest in and to the Exchanged Notes free and clear of any Liens, and (b) the Company shall issue to the Holder the Shares and shall deliver to the Holder the Cash Payment; provided, however, that the parties acknowledge that the issuance of the Shares to the Holder may be delayed due to procedures and mechanics within the system of the Depository Trust Company and that such delay will not be a default under this Agreement so long as (i) the Company is using its best efforts to effect the issuance of the Shares, and (ii) such delay is no longer than three business days.

Article II: Covenants, Representations and Warranties of the Holder

The Holder hereby covenants as follows, and makes the following representations and warranties, each of which is and shall be true and correct on the date hereof and at the Closing Date, to the Company, Lazard Frères & Co. LLC and Lazard Capital Markets LLC, and all such covenants, representations and warranties shall survive the Closing.

- Section 2.1 Power and Authorization. The Holder is duly organized, validly existing and in good standing, and has the power, authority and capacity to execute and deliver this Agreement, to perform its obligations hereunder, and to consummate the Exchange contemplated hereby. If the Holder that is signatory hereto is executing this Agreement to effect the exchange of Exchanged Notes beneficially owned by one or more other persons or entities (who are thus included in the definition of "Holder" hereunder), (a) such signatory Holder has all requisite discretionary authority to enter into this Agreement on behalf of, and bind, each such other person or entity that is a beneficial owner of Exchanged Notes, and (b) Schedule A hereto is a true, correct and complete list of (i) the name of each party delivering (as beneficial owner) Exchanged Notes hereunder, (ii) the principal amount of such Holder's Exchanged Notes, (iii) the number of shares of Common Stock to be issued to such Holder in respect of its Exchanged Notes, and (iv) the amount of the cash payment to be made to such Holder in respect of the accrued interest on its Exchanged Notes.
- Section 2.2 <u>Valid and Enforceable Agreement; No Violations.</u> This Agreement has been duly executed and delivered by the Holder and constitutes a legal, valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms, except that such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) general principles of equity, whether such enforceability is considered in a proceeding at law or in equity (the "Enforceability Exceptions"). This Agreement and consummation of the Exchange will not violate, conflict with or result in a breach of or default under (i) the Holder's organizational documents, (ii) any agreement or instrument to which the Holder is a party or by which the Holder or any of its assets are bound, or (iii) any laws, regulations or governmental or judicial decrees, injunctions or orders applicable to the Holder.
- Section 2.3 <u>Title to the Exchanged Notes.</u> The Holder is the sole legal and beneficial owner of the Exchanged Notes, and the Holder has good, valid and marketable title to the Exchanged Notes, free and clear of any Liens (other than pledges or security interests that the Holder may have created in favor of a prime broker under and in accordance with its prime brokerage agreement with such broker). The Holder has not, in whole or in part, except as described in the preceding sentence, (a) assigned, transferred, hypothecated, pledged or otherwise disposed of any of the Exchanged Notes or its rights in the Exchanged Notes, or (b) given any person or entity any transfer order, power of attorney or other authority of any nature whatsoever with respect to the Exchanged Notes. Upon the Holder's delivery of the Exchanged Notes to the Company pursuant to the Exchange, the Exchanged Notes shall be free and clear of all Liens created by the Holder.
- **Section 2.4** <u>Accredited Investor.</u> The Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**").
- Section 2.5 No Affiliate or 5% Stockholder Status. The Holder is not, and has not been during the consecutive three month period preceding the date hereof, an "affiliate" within the meaning of Rule 144 promulgated under the Securities Act (an "Affiliate") of the Company. To its knowledge, the Holder did not acquire any of the Exchanged Notes, directly or indirectly, from an Affiliate of the Company. The Holder and its Affiliates collectively beneficially own and will beneficially own as of the Closing Date (but without giving effect to the Exchange) less than 5% of the outstanding shares of Common Stock.
- Section 2.6 No Illegal Transactions. The Holder has not, directly or indirectly, and no person acting on behalf of or pursuant to any understanding with the Holder has, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales (as defined below) involving any of the Company's securities) since the time that such Holder was first contacted by either the Company, Lazard Frères & Co. LLC or Lazard Capital Markets LLC or any other person regarding an investment in the Common Stock or the Company. Such Holder covenants that neither it nor any person acting on its behalf or pursuant to any understanding with such Holder will engage, directly or indirectly, in any transactions in the securities of the Company (including Short Sales) prior to the time the transactions contemplated by this Agreement are publicly disclosed. "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 of Regulation SHO promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, short sales, swaps, derivatives and similar arrangements (including on a total return basis), and sales and other transactions through non-U.S. broker-dealers or foreign regulated brokers. Solely for purposes of this Section 2.6, subject to the Holder's compliance with its obligations under the U.S. federal securities laws and the Holder's internal policies, "Holder" shall not be deemed to include any subsidiaries or affiliates of the Holder that are effectively walled off by appropriate "Chinese Wall" information barriers approved by the Holder's legal or compliance department (and thus have not been privy to any information concerning the Exchange).

Section 2.7 Adequate Information; No Reliance. The Holder acknowledges and agrees that (a) the Holder has been furnished with all materials it considers relevant to making an investment decision to enter into the Exchange and has had the opportunity to review: (i) the Company's filings with the Securities and Exchange Commission (the "SEC"), including, without limitation, all filings made pursuant to the Exchange Act and (ii) a draft press release or form of Current Report on Form 8-K (the "Anticipated Disclosure") disclosing all material terms of the Exchange and certain other matters concerning the Company, the substance of which will be publicly issued or filed with the SEC in accordance with Section 3.5 below, (b) the Holder has had a full opportunity to ask questions of the Company concerning the Company, its business, operations, financial performance, financial condition and prospects, and the terms and conditions of the Exchange, (c) the Holder has had the opportunity to consult with its accounting, tax, financial and legal advisors to be able to evaluate the risks involved in the Exchange and to make an informed investment decision with respect to such Exchange, and (d) the Holder is not relying, and has not relied, upon any statement, advice (whether legal, tax, financial, accounting or other), representation or warranty made by the Company or any of its affiliates or representatives including, without limitation, Lazard Frères & Co. LLC and Lazard Capital Markets LLC, except for (A) the publicly available filings made by the Company with the SEC under the Exchange Act, (B) the Anticipated Disclosure, and (C) the representations and warranties made by the Company in this Agreement.

Article III: Covenants, Representations and Warranties of the Company

The Company hereby covenants as follows, and makes the following representations and warranties, each of which is and shall be true and correct on the date hereof and at the Closing Date, to the Holder, Lazard Frères & Co. LLC and Lazard Capital Markets LLC, and all such covenants, representations and warranties shall survive the Closing.

- **Section 3.1 Power and Authorization.** The Company is duly incorporated, validly existing and in good standing under the laws of its state of incorporation, and has the power, authority and capacity to execute and deliver this Agreement, to perform its obligations hereunder, and to consummate the Exchange contemplated hereby.
- Section 3.2 <u>Valid and Enforceable Agreement; No Violations.</u> This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforcement may be subject to the Enforceability Exceptions. This Agreement and consummation of the Exchange will not violate, conflict with or result in a breach of or default under (i) the Company's charter, bylaws or other organizational documents, (ii) any agreement or instrument to which the Company is a party or by which the Company or any of its assets are bound, or (iii) any laws, regulations or governmental or judicial decrees, injunctions or orders applicable to the Company.
- Section 3.3 Valid Issuance of the Common Stock. The Shares (a) are duly authorized and, upon their issuance pursuant to the Exchange against delivery of the Exchanged Notes, will be validly issued, fully paid and non-assessable, (b) will be issued in compliance with all preemptive, participation, rights of first refusal and other similar rights applicable to the Shares, and (c) assuming the accuracy of the Holder's representations and warranties hereunder, (i) will be issued in the Exchange exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D, (ii) will be free of any restrictions on resale by the Holder pursuant to Rule 144 promulgated under the Securities Act, and (iii) will be issued in compliance with all applicable state and federal laws concerning the issuance of the Shares. Subject to the accuracy of the representations and warranties of the Holder hereunder, the Company will take all actions, including, without limitation, the issuance by legal counsel of any reasonably necessary legal opinions, necessary to issue Shares that are freely tradable on each national securities exchange on which the Common Stock is then listed without restriction and without restrictive legends.

Section 3.4 <u>Listing.</u> When issued in the Exchange, the Shares shall be listed on each national securities exchange upon which the Common Stock is then listed.

Section 3.5 Disclosure. On or before the first business day following the date of this Agreement, the Company shall issue a publicly available press release or file with the SEC a Current Report on Form 8-K disclosing all material terms of the Exchange and certain other matters concerning the Company (to the extent not previously publicly disclosed).

Article IV: Miscellaneous

- **Section 4.1** Entire Agreement. This Agreement and any documents and agreements executed in connection with the Exchange embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous oral or written agreements, representations, warranties, contracts, correspondence, conversations, memoranda and understandings between or among the parties or any of their agents, representatives or affiliates relative to such subject matter, including, without limitation, any term sheets, emails or draft documents.
- Section 4.2 <u>Construction.</u> References in the singular shall include the plural, and vice versa, unless the context otherwise requires. References in the masculine shall include the feminine and neuter, and vice versa, unless the context otherwise requires. Headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meanings of the provisions hereof. Neither party, nor its respective counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all language in all parts of this Agreement shall be construed in accordance with its fair meaning, and not strictly for or against either party.
- **Section 4.3** Governing Law. This Agreement shall in all respects be construed in accordance with and governed by the substantive laws of the State of New York, without reference to its choice of law rules.
- **Section 4.4** Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Any counterpart or other signature hereon delivered by facsimile shall be deemed for all purposes as constituting good and valid execution and delivery of this Agreement by such party.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

"HOLDER":	"Company":
	PDL BioPharma, Inc.
Ву:	By:
Name:	Name:
Title:	Title:
Signature Paą [N	ge to Exchange Agreement Name of Holder]

SCHEDULE A Exchanging Beneficial Owners

<u>Name of</u> <u>Beneficial Owner</u>	Principal Amount of Exchanged Notes	Number of Shares of Common Stock	<u>Cash Payment</u>



Contacts:

Cris Larson PDL BioPharma, Inc. 775-832-8505 Cris.Larson@pdl.com Jennifer Williams Cook Williams Comm. 360-668-3701 Jennifer@cwcomm.org

PDL BioPharma Announces Retirement of \$61.6 Million of 2.75% Convertible Notes due August 2023 for Common Stock

INCLINE VILLAGE, NV, August 5, 2010 – PDL BioPharma, Inc. (PDL) (NASDAQ: PDLI) announced today that it has entered into separate privately negotiated agreements under which it will retire \$61.6 million in aggregate principal amount of the Company's outstanding 2.75% Convertible Subordinated Notes, due August 16, 2023 (the "2023 Notes") for consideration consisting of the issuance of the number of shares of common stock for which those 2023 Notes were convertible by their terms plus 184,677 additional shares issued as an inducement for such holders to surrender their 2023 Notes at this time. The holders will also receive a cash payment for accrued and unpaid interest on the 2023 Notes. The transaction was structured as an exchange of the 2023 Notes for the stock and reflected a price per share (based on the principal amount of debt retired) of approximately \$5.55 per share. Following the exchange, \$54.3 million in aggregate principal amount of the 2023 Notes will remain outstanding.

The Company also announced that it provided the trustee of the 2023 Notes with notice of its intention to redeem all remaining 2023 Notes on September 15, 2010. The Company reaffirms its previously announced dividend of \$0.50 per share to be paid on October 1, 2010 to all stockholders of record on September 15, 2010.

About PDL BioPharma

PDL pioneered the humanization of monoclonal antibodies and, by doing so, enabled the discovery of a new generation of targeted treatments for cancer and immunologic diseases. PDL is focused on maximizing the value of its antibody humanization patents and related assets. The Company receives royalties on sales of a number of humanized antibody products marketed today based on patents that expire in late 2014. For more information, please visit www.pdl.com.

NOTE: PDL BioPharma and the PDL BioPharma logo are considered trademarks of PDL BioPharma, Inc.

Forward-Looking Statements

This press release contains forward-looking statements. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those, express or implied, in these forward-looking statements. Factors that may cause differences between current expectations and actual results include, but are not limited to, the following:

· The expected rate of growth in royalty-bearing product sales by PDL's existing licensees;

- · The relative mix of royalty-bearing Genentech products manufactured and sold outside the U.S. versus manufactured or sold in the U.S.;
- · The ability of our licensees to receive regulatory approvals to market and launch new royalty-bearing products and whether such products, if launched, will be commercially successful;
- · Changes in any of the other assumptions on which PDL's projected royalty revenues are based;
- · The outcome of pending litigation or disputes; and
- · The failure of licensees to comply with existing license agreements, including any failure to pay royalties due.

Other factors that may cause PDL's actual results to differ materially from those expressed or implied in the forward-looking statements in this press release are discussed in PDL's filings with the SEC, including the "Risk Factors" section of its annual and quarterly reports filed with the SEC. Copies of PDL's filings with the SEC may be obtained at the "Investors" section of PDL's website at www.pdl.com. PDL expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in PDL's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based for any reason, except as required by law, even as new information becomes available or other events occur in the future. All forward-looking statements in this press release are qualified in their entirety by this cautionary statement.