

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): November 1, 2012

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 November 2, 2012, PDL BioPharma, Inc. (the Company) entered into a credit agreement (the Credit Agreement) with Wellstat Diagnostics, LLC (Borrower), under which the Company loaned to Borrower \$40 million to be used by Borrower in connection with its development and commercialization of small point of care diagnostic systems that can perform a wide variety of tests targeting the clinical diagnostics market utilizing electrochemiluminescence technology. Borrower used \$11.6 million of the \$40 million borrowed to repay an existing \$10 million credit facility between the Company and the holders of Borrower's equity interests.

The principal matures and is subject to repayment with a Specified IRR (as defined below) at the earliest of (a) the date of any sale of all or substantially all of the assets or intellectual property of Borrower; (b) December 31, 2017, if, as of such date, the consolidated revenue of Borrower for the fiscal year ended 2017 is less than a specified minimum; (c) December 31, 2021; and (d) any date upon which the aggregate amount of all payments made by Borrower under the Credit Agreement, including interest (including interest paid in kind and added to the principal balance) and any royalty payments (as explained below) but excluding payment or reimbursement of any fees, costs or expenses, equals the Specified IRR.

The Specified IRR is an amount equal to the sum of (i) the aggregate principal amount outstanding and (ii) such additional amount that would generate a specified internal rate of return to the Company in respect of the original principal amount as of the date of payment, taking into account the amount and timing of all payments made by Borrower under to the Credit Agreement. The specified internal rate of return used in the Specified IRR calculation depends on whether the date of repayment is on or before or after December 31, 2014, and is higher after December 31, 2014.

Outstanding principal under the Credit Agreement bears interest at the rate of 5.0% per annum, payable quarterly in arrears, in cash or paid-in-kind notes that add to the principal balance. Upon commercialization of Borrower's diagnostic systems, the Company will receive a low double digit royalty on Borrower's net revenues. The Company will continue to receive the royalties until maturity. No principal repayment shall occur until maturity without the Company's consent.

The obligations under the Credit Agreement are secured by a pledge of substantially all of the assets of Borrower and any of its subsidiaries and a pledge of all of Borrower's equity interests by the holders thereof.

The Credit Agreement contains customary affirmative covenants, including with respect to the provision of annual and quarterly reports, maintenance of property and insurance compliance with laws and contractual obligations and payment of taxes. The Credit Agreement also contains customary negative covenants, including restrictions on the incurrence of indebtedness, the granting of liens, making restricted payments and investments, entering into affiliate transactions and transferring assets.

The Credit Agreement also provides for a number of standard events of default, including payment, bankruptcy, covenant, representation and warranty and judgment defaults.

In this transaction, Borrower was represented by Frederick Frank, a Director of PDL, in his capacity as an investment banker with Peter J. Solomon Company. Mr. Frank recused himself from deliberations on this transaction and resigned from the Company's Board prior to the transaction's completion. Peter J. Solomon Company was paid a fee by Borrower, for which Mr. Frank will receive compensation.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosure set forth in Item 1.01 of this Current Report is incorporated by reference into this Item 2.03.

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

On November 1, 2012, Fred Frank, the lead director of the Company since August 2009, notified the Company that he would resign from the Board of Directors and its committees effective immediately. The Company's Board of Directors has requested, and Mr. Frank has agreed, to continue as a special advisor to the Board. Mr. Frank has over 50 years of experience on Wall Street and has been involved in numerous financings and merger and acquisition transactions. The Company values Mr. Frank's extensive connections within the pharmaceutical and biotech industry sectors and investment community.

The Company thanks Mr. Frank for his many contributions to date and welcomes him to his new and important role of Board Advisor.

Item 8.01 Other Events.

On November 5, 2012, the Company issued a press release announcing its execution of the Credit Agreement and Mr. Frank's departure. The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Cautionary Statements

This filing, the press release and the Company's statements herein and in the attached press release include and constitute "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 and limit the Company's ability to pay dividends, purchase revenue generating assets and take other corporate actions are disclosed in the "Risk Factors" contained in the Company's 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2012, and updated by subsequent quarterly filings. 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.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release

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: November 5, 2012

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press Release

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PDL BioPharma Completes Royalty Transaction with Wellstat Diagnostics

Incline Village, NV, November 5, 2012 –PDL BioPharma, Inc. (PDL) (NASDAQ: PDLI) today announced the completion of a structured financing transaction with Wellstat Diagnostics, LLC in which PDL loaned Wellstat \$40 million to be used by Wellstat in its development and commercialization of small point of care diagnostic systems that can perform a wide variety of tests targeting the clinical diagnostics market. Wellstat Diagnostics was founded by Samuel J. Wohlstadter, the company's chief executive officer. He was also a founder of Amgen Inc., Applied Biosystems (currently a division of Applera Corporation), IGEN International Inc. (also a diagnostics system company and was acquired by Roche for approximately \$1.4 billion), BioVeris Corporation (also a diagnostics system company and was acquired by Roche for approximately \$600 million), and Hyperion Catalysis International, Inc.

Frederick Frank, PDL Director

In this transaction, Wellstat was represented by Frederick Frank, a Director of PDL, in his capacity as an investment banker with Peter J. Solomon. Mr. Frank recused himself from deliberations on this transaction and resigned from the PDL Board prior to its completion. PDL's Board of Directors has requested, and Mr. Frank has agreed, to continue as a special advisor to the Board. Mr. Frank has over 50 years of experience on Wall Street and has been involved in numerous financings and merger and acquisition transactions. The Company values Mr. Frank's extensive connections within the pharmaceutical and biotech industry sectors and investment community.

“On behalf of the Board, I would like to not only thank Fred for his many contributions to date but to welcome him to his new and important role of Board Advisor. In this new role, Fred will continue to attend PDL Board meetings and to bring new revenue-generating assets to PDL in order to continue to increase value for our shareholders,” stated John P. McLaughlin, president and chief executive officer of PDL. “We are pleased to have the opportunity to support Wellstat with the advancement of their promising diagnostics which have the potential to span many indications. This is a team with a proven and impressive track record of having brought similar and highly successful diagnostics to the market in the past, so we are very optimistic about the future of these products.”

Details of the Transaction

Of the \$40 million borrowed, Wellstat Diagnostics will use approximately \$11.6 million to repay an existing credit facility between PDL and the holders of Wellstat's equity interests.



Wellstat is required to repay the outstanding principal and a specific target internal rate of return amount to PDL at maturity or upon the occurrence of certain key events such as a sale of Wellstat Diagnostics or substantially all of its assets or if Wellstat Diagnostics misses a specified revenue target for fiscal year 2017. The loan will be considered repaid at any time the aggregate amount of all payments made by Wellstat to PDL, including interest and any royalty payments, equals specified target internal rates of return set forth in the credit agreement. The target internal rates of return depend on whether the date of repayment is on or after December 31, 2014, and is higher after December 31, 2014. Outstanding principal under the credit agreement bears interest at the rate of 5.0% per annum, payable quarterly in arrears, in cash or paid-in-kind notes that add to the principal balance. Upon commercialization of Wellstat's diagnostic systems, PDL will receive a low double digit royalty on Wellstat Diagnostics' net revenues. The financing matures at its latest on December 31, 2021.

About Wellstat Diagnostic System in Development

Wellstat Diagnostics is developing a point of care diagnostic system. This system utilizes electrochemiluminescence technology, a technology that can be used as a universal detection platform for clinical applications that currently require the use of multiple technologies and platforms. The system in development is a unitized, self-contained, automated, and exquisitely simple instrument system with accompanying diagnostics. The diagnostic assays in development are contained within a disposable cartridge system, require no user intervention, utilize standard blood collection practices and employ immunoassay as well as nucleic acid detection technologies. Wellstat Diagnostics immunoassay technology would allow for one-step, rapid assay performance providing sensitive and specific results. The nucleic acid technology performs sample processing and amplification within the cartridge, and is designed to achieve the same as or better sensitivity as compared to PCR. The aim of the Wellstat diagnostics platform is to meet the testing needs of the point of care market at a competitive cost per test.

About Wellstat Diagnostics, LLC

Wellstat Diagnostics, LLC is a private company dedicated to the development, manufacture, sale and distribution of small point of care diagnostic systems that can perform a wide variety of tests targeting the clinical diagnostics market. This market includes the testing of patient samples to measure the presence of disease and monitor medical conditions. Wellstat Diagnostics is developing products utilizing electrochemiluminescence technology, which is believed to be ideally suited for the immunodiagnostic and nucleic acid testing market segments of the clinical testing market.

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. Today, PDL is focused on intellectual property asset management, investing in new revenue generating assets and maximizing value for its shareholders. For more information, please visit www.pdl.com.

Forward-Looking Statements

This Press Release contains "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or predictions of future conditions, events or results based on various assumptions and management's estimates of trends and economic factors in the markets in which we are active, as well as our business plans. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "projects", "forecasts", "may", "should", variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements may include, without limitation, statements regarding product development, product potential or financial performance. The forward-looking statements are subject to risks and uncertainties, which may cause results to differ materially from those set forth in the statements. Forward-looking statements in this release should be evaluated together with the many uncertainties that affect the businesses of Wellstat and PDL. Important factors that could impair PDL's business are discussed in the risk factors and cautionary statements in filings made by PDL with the Securities and Exchange Commission. Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those projected. The forward-looking statements are representative only as of the date they are made, and PDL assumes no responsibility to update any forward-looking statements, whether as a result of new information, future events or otherwise.