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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): September 11, 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))
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**Item 7.01 Regulation FD Disclosure.**

PDL BioPharma, Inc. (the Company) will make presentations at the Rodman and Renshaw Annual Global Investment Conference and the G9: ThinkEquity's 9th Annual Growth Conference in New York, New York, on September 11 and 13, 2012, respectively. A copy of the Company's presentation materials to be used at both conferences has been posted to the Company's website and is attached hereto as Exhibit 99.1

*Limitation of Incorporation by Reference*

In accordance with General Instruction B.2. of Form 8-K, this information, 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. The information in this Item 7.01 of this Current Report on Form 8-K will not be deemed an admission as to the materiality of any information that is required to be disclosed solely by Regulation FD.

*Cautionary Statements*

This Current Report on Form 8-K and the presentation include "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 2011 Annual Report on Form 10-K, as 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.

<b>Exhibit No.</b>	<b>Description</b>
99.1	Presentation

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**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/ Bruce W. Tomlinson

Bruce W. Tomlinson  
Vice President and Chief Financial Officer

Dated: September 11, 2012

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EXHIBIT INDEX

**Exhibit No.**

**Description**

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99.1

Presentation



## Conferences

September 11, 2012 and September 13, 2012



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## Forward Looking Statements

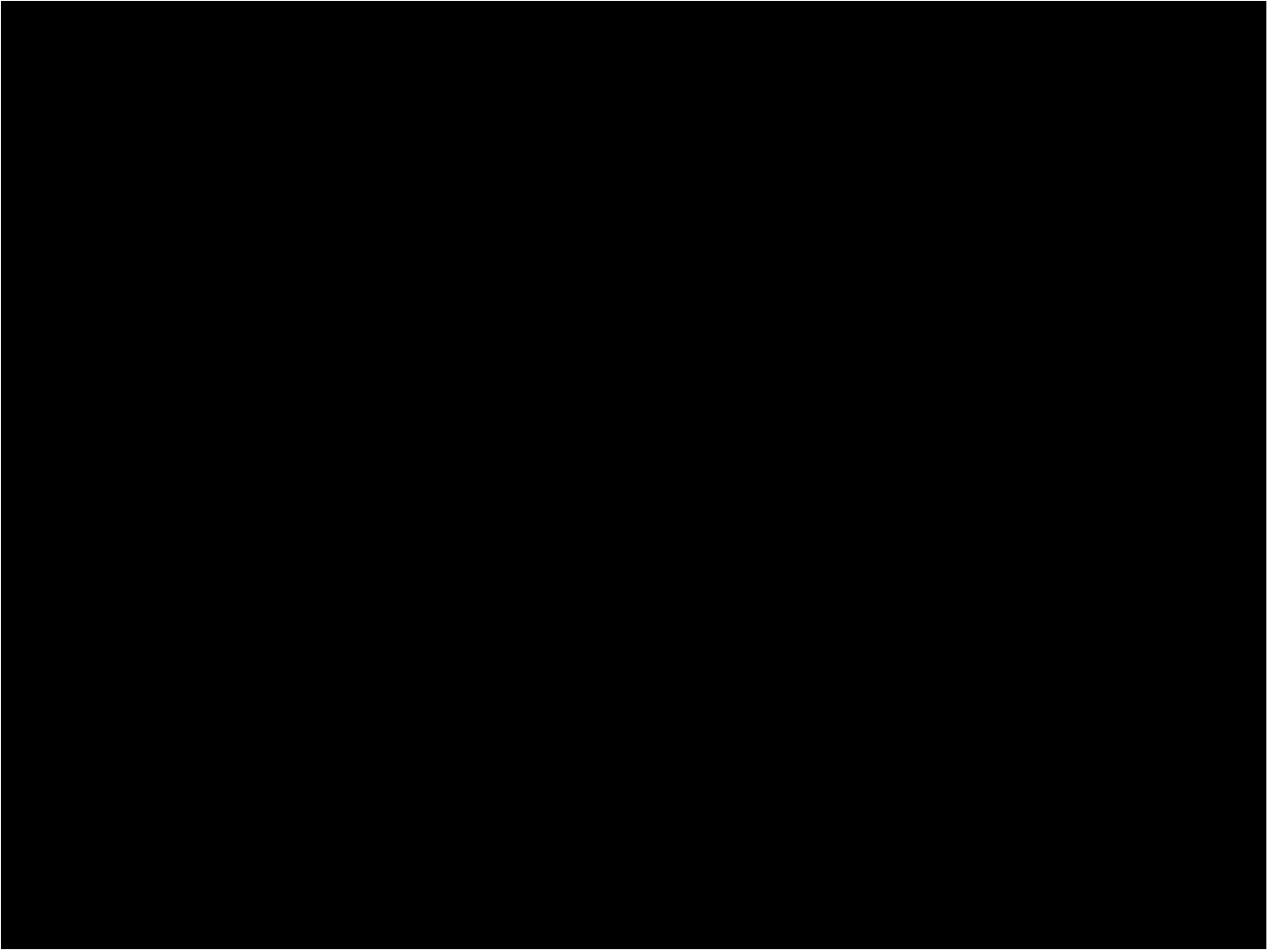
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This presentation contains forward-looking statements, including PDL's expectations with respect to its future royalty revenues, expenses, net income, and cash provided by operating activities. Each of these forward-looking statements involves risks 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 PDL's licensees to receive regulatory approvals to market and launch new royalty-bearing products and whether such products, if launched, will be commercially successful;
- ▶ The productivity of acquired revenue generating assets is uncertain and may not fulfill our revenue forecasts made at the time of execution;
- ▶ Changes in any of the assumptions on which PDL's projected revenues are based;
- ▶ Changes in foreign currency rates;
- ▶ Positive or negative results in PDL's attempt to acquire revenue related assets;
- ▶ The outcome of pending litigation or disputes, including PDL's current dispute with Genentech related to ex-U.S. sales of Genentech licensed products; 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 presentation are discussed in PDL's filings with the SEC, including the "Risk Factors" sections 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](http://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 presentation are qualified in their entirety by this cautionary statement.

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## Overview of PDL BioPharma

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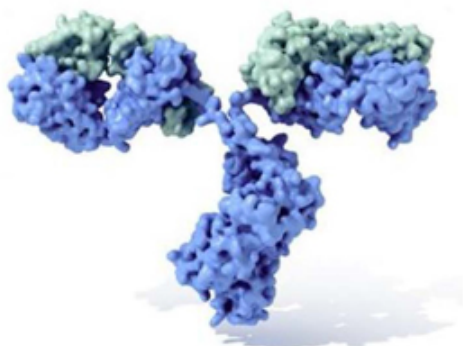




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## Antibody Humanization Technology

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- ▶ Antibodies are naturally produced by humans to fight foreign substances, such as bacteria and viruses
- ▶ In the 1980's, scientists began creating antibodies in non-human immune systems, such as those of mice, that could target specific sites on cells to fight various human diseases
- ▶ However, mouse derived antibodies are recognized by the human body as foreign substances and may be rejected by the human immune system
- ▶ PDL's technology allows for the "humanization" of mouse derived antibodies by moving the important binding regions from the mouse antibody onto a human framework
- ▶ PDL's humanization technology is important because the humanized antibodies retain the binding and activity levels from the original mouse antibody
- ▶ PDL's technology has been incorporated into antibodies to treat cancer, eye diseases, arthritis, multiple sclerosis and other health conditions with aggregate annual sales of over \$17 billion



## Mission Statement

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▶ **Queen et al. Patents**

- › Manage patent portfolio
- › Manage license agreements

▶ **Optimize return for shareholders**

▶ **Obtain new revenue generating assets**

- › Assets that improve shareholder return
- › Backed by commercial stage products
- › Differentiated product profile
- › Indifferent as to therapeutic field
- › Target value of \$75-150 million



## Corporate Governance

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### Management

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**John McLaughlin**  
President & CEO

**Bruce Tomlinson**  
VP & CFO

**Christopher Stone**  
VP, General Counsel &  
Secretary

**Caroline Krumel**  
VP of Finance

**Danny Hart**  
Deputy General Counsel

### Board of Directors

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**Fred Frank**  
Lead Director

**Jody Lindell**

**John McLaughlin**

**Paul Sandman**

**Harold Selick**










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## Licensed Products and Royalty Revenue

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## Approved Licensed Products: Overview

Product	Licensee	2011 WW Sales	Approved Indications
 <b>AVASTIN</b> bevacizumab	Genentech (US) and Roche (ex-US)	\$5.7 billion	Metastatic colorectal cancer Advanced non-small cell lung cancer Renal cancer Metastatic HER2 – breast cancer Glioblastoma Ovarian cancer
 <b>Herceptin</b> trastuzumab	Genentech (US) and Roche (ex-US)	\$5.7 billion	Metastatic HER2+ breast cancer Metastatic HER2+ stomach cancer
 <b>LUCENTIS</b> RANIBIZUMAB INJECTION	Genentech (US) and Novartis (ex-US)	\$3.6 billion	Wet age-related macular degenerative (AMD) Macular edema or swelling following retinal vein occlusion Diabetic macular edema
 <b>Xolair</b> Omalizumab OR Omalizumab XOL	Genentech (US) and Novartis (ex-US)	\$1.1 billion	Moderate to severe persistent allergic asthma First approved therapy designed to target the antibody IgE, a key underlying cause of the symptoms of allergy related asthma
 <b>TYSABRI</b> (natalizumab)	Biogen Idec and Elan	\$1.1 billion	Multiple Sclerosis (MS) in adult patients with relapsing forms of the disease Crohn's disease in adult patients with moderate-to-severe forms of the disease who have had an inadequate response to or are unable to tolerate conventional therapies
 <b>ACTEMRA</b> tocilizumab	Roche and Chugai	\$0.7 billion	Rheumatoid arthritis (RA)
 <b>PERJETA</b> pertuzumab	Genentech (US) and Roche (ex-US)	Approved on June 8, 2012	Previously untreated HER2+ metastatic breast cancer

Roche sales assumes 1.08775 CHF/USD

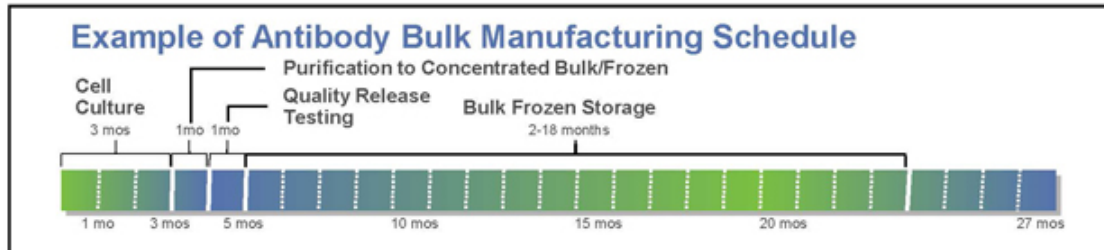
# How Long Will PDL Receive Royalties from Queen et al. Patents?

► PDL's revenues consist of royalties generated on sales of licensed products

- › Sold in a patented jurisdiction before the expiration of the Queen et al. patents in mid-2013 through end of 2014

or

Made prior to the expiration of the Queen et al. patents in a patented jurisdiction and sold anytime thereafter



## Queen et al Patents - Royalty Rates

### ► Tysabri and Actemra

- › Flat, low single-digit royalty

### ► Genentech Products (Avastin, Herceptin, Lucentis<sup>1</sup> and Xolair)

- › Tiered royalties on product made or sold in US
- › Flat, 3% royalty on product made and sold outside US
- › Blended global royalty rate on Genentech Products in 2011 was 1.8%
- › Blended royalty rate on Genentech Products in 2011 made or sold in US was 1.4%

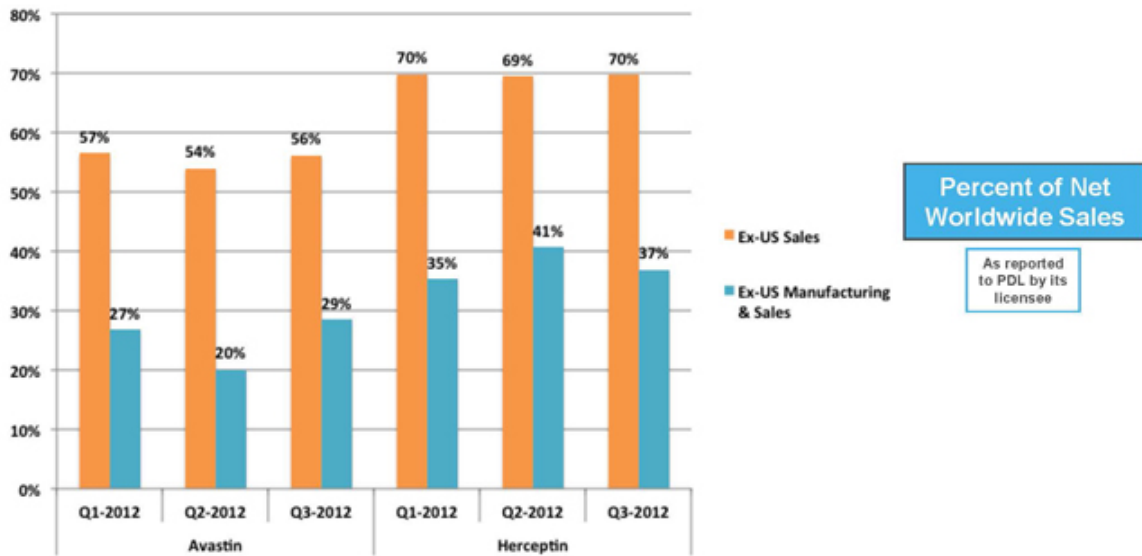
Genentech Product Made or Sold in U.S.	
Net Sales up to \$1.5 Billion	3.0%
Net Sales Between \$1.5 Billion and \$2.5 Billion	2.5%
Net Sales Between \$2.5 Billion and \$4.0 Billion	2.0%
Net Sales Over \$4.0 Billion	1.0%
Genentech Product Made and Sold Ex-U.S.	
Net Sales	3.0%

1. As part of a settlement with Novartis, which commercializes Lucentis outside US, PDL agreed to pay to Novartis certain amounts based on net sales of Lucentis made by Novartis during calendar year 2011 and beyond. The amounts to be paid are less than we receive in royalties on such sales and we do not currently expect such amount to materially impact our total annual revenues in 2012.

## Ex-US Manufacturing & Sales

► Roche is moving some manufacturing ex-US which may result in higher royalties to PDL due to the flat 3% royalty for Genentech Products made and sold ex-US

- › Current production at Penzburg (Herceptin) and Basel (Avastin) plants
  - In June 2011, Roche completed 191 million SFr upgrade and expansion of Penzburg facility
- › Two new plants in Singapore (antibodies and antibody fragments/proteins)







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## Royalty Products – Approved

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## Royalty Products - Avastin

Avastin

Herceptin

Lucentis

Xolair

Tysabri

Actemra

Perjeta

- ✓ On December 23, 2011, Genentech/Roche announced EU approval in combination with chemotherapy for first line treatment ovarian cancer.
- ✓ On December 28, 2011, Genentech/Roche announced that Phase 3 trial in first line treatment of patients with ovarian cancer met its primary endpoint of PFS but not secondary endpoint of overall survival.
- ✓ On June 2, 2012, Genentech/Roche announced that Phase 3 trial in patients with platinum-resistant, recurrent ovarian cancer of Avastin plus chemotherapy compared to chemotherapy alone met its primary endpoint of PFS (6.7 months compared to 3.4 months) and secondary endpoint of ORR (30.9% compared to 12.6%).
- ✓ On June 2, 2012, Genentech/Roche reported that Phase 3 trial in patients with metastatic colorectal cancer who received Avastin plus chemotherapy as initial treatment and then Avastin plus a different chemotherapeutic compared to patients who received only chemotherapy met its primary endpoint of overall survival (11.2 months compared to 9.8 months) and secondary endpoint of PFS (5.7 months compared to 4.1 months).
  - Genentech/Roche expect to make a global filing in 2012.
- ✓ On August 10, 2012, Genentech/Roche announced that Phase 3 of Avastin plus radiation and chemotherapy in first line treatment of patients with newly diagnosed glioblastoma met its co-primary endpoint of a significant improvement in PFS.
  - Data for final overall survival, the other co-primary endpoint, are expected in 2013.

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## Royalty Products - Herceptin

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Avastin

Herceptin

Lucentis

Xolair

Tysabri

Actemra

Perjeta

- ✓ In its July 26, 2012 conference call with the financial community, Roche reported worldwide sales growth of 11% in 1H12.
- ✓ Data from the adjuvant trial in HER2+ breast cancer patients comparing one and two years treatment with Herceptin expected in 2H12.

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## Royalty Products - Lucentis

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Avastin

Herceptin

Lucentis

Xolair

Tysabri

Actemra

Perjeta

- ✓ In its July 26, 2012 call with the financial community, Roche reported that Lucentis US market share declined in AMD and was stable in RVO.
- ✓ On August 10, 2012, FDA approved Lucentis for treatment of diabetic macular edema (DME).
  - Genentech launched Lucentis for DME on August 15, 2012 with a price of \$1,170 per 0.3 mg dose equal to the cost of the 0.5 mg dose of Lucentis, which is approved in the U.S. for macular edema secondary to retinal vein occlusion (RVO) and wet age-related macular degeneration (AMD).
  - Lucentis is already approved for this indication in EU.

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## Royalty Products - Actemra

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Avastin

Herceptin

Lucentis

Xolair

Tysabri

Actemra

Perjeta

- ✓ On March 1, 2012, Genentech/Roche announced positive preliminary results showing that patients who received Actemra as monotherapy achieved a significantly greater reduction in disease activity (assessed by the mean change of DAS28) after 24 weeks than those given Humira monotherapy.
  - Statistical significance was also achieved on key secondary endpoints including DAS28 remission and low disease activity, ACR20, 50 and 70.
- ✓ Application for approval for Juvenile Idiopathic Arthritis expected in 2H2012 based on positive Phase 3 results.
- ✓ In its July 26, 2012 conference call with the financial community, Roche reported that worldwide sales increased by 39% in 1H12.
- ✓ On May 2, 2012, Genentech/Roche announced clinical trial results showing comparable efficacy of subcutaneous formulation of Actemra weekly compared to Actemra intravenous (formulation every four weeks).
- ✓ Regulatory filings for approval expected in 2012.

## Royalty Products - Perjeta

Avastin

Herceptin

Lucentis

Xolair

Tysabri

Actemra

Perjeta

- ✓ Genentech/Roche estimate annual peak sales in excess of \$1 billion.
- ✓ Pertuzumab + Herceptin + docetaxel improved PFS by 6.1 months in first line treatment of HER2+ breast cancer patients compared to placebo + Herceptin + docetaxel (18.5 months v. 12.4 months, respectively).
- ✓ On December 7, 2011, Genentech/Roche announced that they had filed applications for approval in US and EU for treatment of patients with previously untreated, HER2+ metastatic breast cancer.
- ✓ On June 8, 2012, Genentech/Roche announced its approval by FDA for the treatment of patients with previously untreated, HER2+ metastatic breast cancer.
  - Brand name is Perjeta.
  - Launched one business day after approval.
  - Price of \$5,900/month.
  - Genentech and Roche have notified PDL of its status as a licensed product.
- ✓ On June 22, 2012, Genentech/Roche announced that Perjeta met the secondary endpoint of overall survival in its Phase 3 trial.



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## Potential Royalty Products – Development Stage

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## Potential Royalty Products – T-DM1

**T-DM1**  
Breast HER2+ Cancer

**Ocrelizumab**  
Multiple Sclerosis

**Obinutuzumab**  
Chronic Lymphocytic  
Leukemia

**Bapineuzumab**  
Alzheimer's Disease

**Solanezumab**  
Alzheimer's Disease

**Datoluzumab**  
Colorectal Cancer

**Daclizumab**  
Multiple Sclerosis

**Farletuzumab**  
Ovarian Cancer

- ✓ Genentech/Roche estimate annual peak sales in excess of \$1 billion when approved.
- ✓ On August 27, 2012, Genentech/Roche announced that it had filed in US for approval as second line therapy in patients with metastatic HER2+ breast cancer.
  - Roche said that it expects to make a similar filing in EU shortly.
- ✓ On August 27, 2012, Genentech/Roche also announced that Phase 3 trial of T-DM1 as second line therapy in metastatic HER2+ breast cancer patients comparing treatment with T-DM1 versus treatment with Tykerb and Xeloda met its coprimary endpoint of improving overall survival.
- ✓ Genentech/Roche expect to file for approval as first line therapy in 2014.



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## Potential Royalty Products – Ocrelizumab

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**T-DM1**  
Breast HER2+ Cancer

**Ocrelizumab**  
Multiple Sclerosis

**Obinutuzumab**  
Chronic Lymphocytic  
Leukemia


**Bapineuzumab**  
Alzheimer's Disease

**Solanezumab**  
Alzheimer's Disease

**Datoluzumab**  
Colorectal Cancer

**Daclizumab**  
Multiple Sclerosis

**Farletuzumab**  
Ovarian Cancer

- 
- ✓ Genentech/Roche estimate annual peak sales in excess of \$1 billion when approved.
  - ✓ Genentech/Roche expect to file for relapsing multiple sclerosis and primary progressive multiple sclerosis approval for in 2014.

## Potential Royalty Products – Obinutuzumab

**T-DM1**  
Breast HER2+ Cancer

**Ocrelizumab**  
Multiple Sclerosis

**Obinutuzumab**  
Chronic Lymphocytic  
Leukemia

**Bapineuzumab**  
Alzheimer's Disease

**Solanezumab**  
Alzheimer's Disease

**Datoluzumab**  
Colorectal Cancer

**Daclizumab**  
Multiple Sclerosis

**Farletuzumab**  
Ovarian Cancer

- ✓ Data from Phase 3 in front line treatment of CLL compared to chemotherapy due in 2013.
- ✓ Expected filing for CLL approval in 2013.
- ✓ Genentech/Roche estimate annual peak sales in excess of \$1 billion.

## Potential Royalty Products – Bapineuzumab

**T-DM1**  
Breast HER2+ Cancer

**Ocrelizumab**  
Multiple Sclerosis

**Obinutuzumab**  
Chronic Lymphocytic  
Leukemia

**Bapineuzumab**  
Alzheimer's Disease

**Solanezumab**  
Alzheimer's Disease

**Datoluzumab**  
Colorectal Cancer

**Daclizumab**  
Multiple Sclerosis

**Farletuzumab**  
Ovarian Cancer

- ✓ Both US Phase 3 trials in apoE4 and non-apoE4 carrier did not meet the primary co-endpoints of the trials.
- Further development in mild-to-moderate Alzheimer's patients has been terminated.

## Potential Royalty Products – Solanezumab

**T-DM1**  
Breast HER2+ Cancer

**Ocrelizumab**  
Multiple Sclerosis

**Obinutuzumab**  
Chronic Lymphocytic  
Leukemia

**Bapineuzumab**  
Alzheimer's Disease

**Solanezumab**  
Alzheimer's Disease

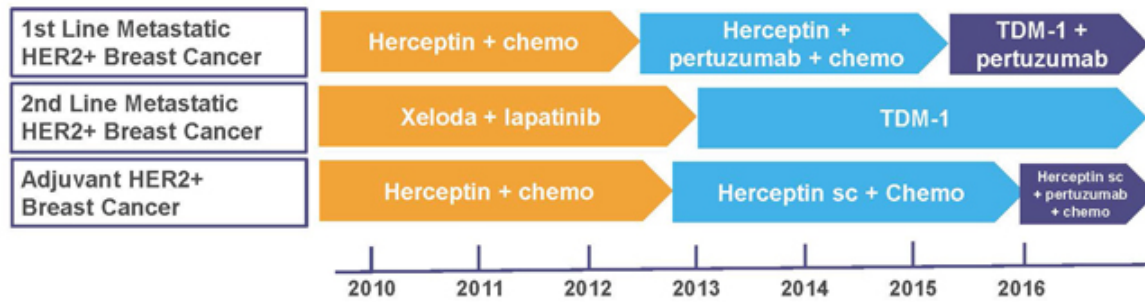
**Datoluzumab**  
Colorectal Cancer

**Daclizumab**  
Multiple Sclerosis

**Farletuzumab**  
Ovarian Cancer

- ✓ On August 24, Lilly announced results from its two Phase 3 trials:
  - EXPEDITION I missed its coprimary endpoints of improving cognitive and functional scores in patients with mild and moderate Alzheimer's Disease.
  - A pre-specified secondary subgroup analysis in EXPEDITION I showed that solanezumab did improve cognitive scores in patients with mild disease.
  - Based on the above finding, Lilly modified the statistical analysis plan for EXPEDITION II to a single primary endpoint of improving cognitive scores in patients with mild disease.
  - Solanezumab missed the new primary endpoint in EXPEDITION II.
  - A pre-specified secondary subgroup analysis of the pooled data from both trials showed that solanezumab slowed the cognitive decline in patients with mild disease but not patients with moderate disease.
- ✓ Lilly said that it plans to discuss the data with regulatory authorities, and that its Phase 3 extension study is fully enrolled and on-going.
- ✓ Detailed presentations likely at the American Neurological Association meeting in Boston on October 8 and Clinical Trials on Alzheimer's Disease Conference in Monte Carlo on October 30, 2012.
- ✓ PDL receives 12.5 year know-how royalty of 2% from date of first sale in addition to patent royalty of 3%.

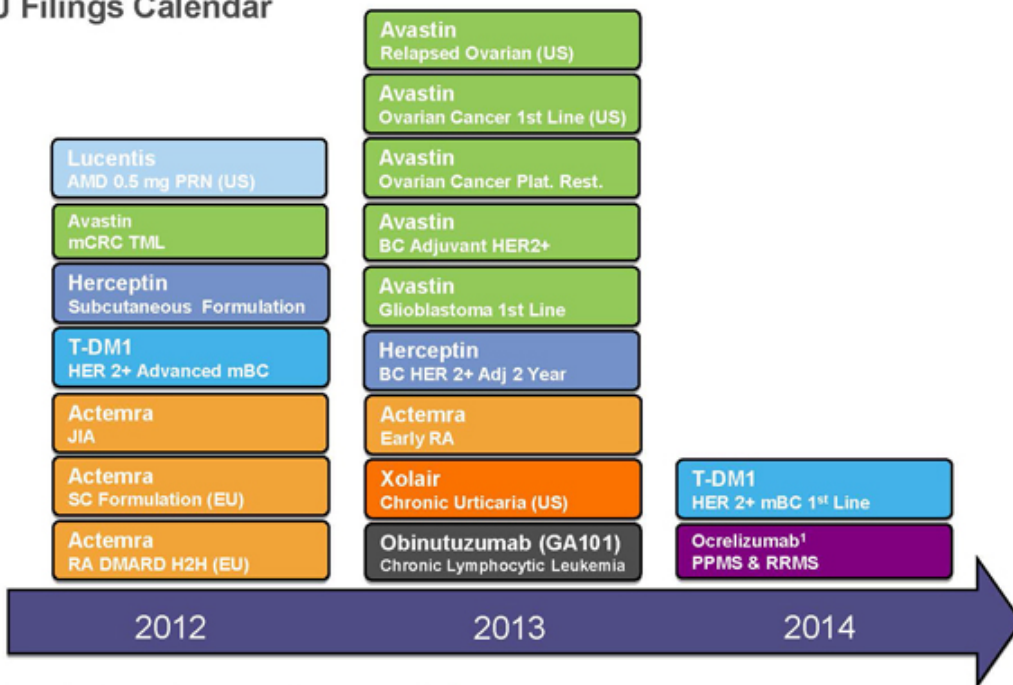
# Potential Roles of Herceptin, TDM-1 and Pertuzumab in Breast Cancer



Source: Roche investor update, April 12, 2012

# Genentech / Roche – Product Pipeline

## US & EU Filings Calendar



<sup>1</sup>. Not a licensed product Source: Roche investor update, February 1, 2012



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## Financials

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## Second Quarter 2012 Overview

	Quarter Ended June 30		Six Months Ended June 30	
	(In thousands, except per share amounts)			
	2012	2011	2012	2011
Royalty revenues	\$ 125,904	\$ 122,127	\$ 203,248	\$ 195,463
G&A Expenses	5,145	3,776	12,090	9,555
Operating income	120,759	118,351	191,158	195,908
Interest expense	(7,872)	(9,780)	(16,573)	(18,934)
Income before income taxes	113,315	107,962	175,103	176,540
Income tax expense	39,813	37,976	61,417	62,009
Net income	73,502	69,986	113,686	114,531
Net income per share - Basic	\$0.53	\$0.50	\$0.81	\$0.82
Net income per share - Diluted	\$0.52	\$0.38	\$0.80	\$0.63
	<b>June 30, 2012</b>	<b>December 31, 2011</b>		
Cash, cash equivalents and investments	\$229,333	\$227,946		
Total assets	\$259,829	\$269,471		
Total debt carrying value	\$327,505	\$409,985		





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## Debt

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## Current and Long-Term Liabilities

<u>Convertible Notes</u>	<u>Conversion Rate per \$1,000 Principal Amount</u>	<u>Approximate Conversion Price Per Common Share</u>	<u>Effective Date</u>	<u>Principal Balance Outstanding</u>
May 2015 Notes	142.5217	\$6.87	September 5, 2012	\$155,250,000
Series 2012 Notes	162.885	\$6.01	September 5, 2012	\$179,000,000
February 2015 Notes	162.885	\$6.01	September 10, 2012	\$1,000,000
Secured Non-Recourse Notes	N/A	N/A	N/A	\$22,737,726

- ▶ Bond hedge effectively increases conversion price in May 2015 Notes to \$8.09.
- ▶ In 2011 and 2012, we restructured two convertible notes to “net-share” settled and eliminated 44 million dilutive shares from the diluted earnings per share calculation in the second quarter of 2012 when compared to the second quarter of 2011.
- ▶ In 3Q12, we expect to retire the Secured Non-Recourse Note returning to PDL approximately 40% of the Genentech royalties currently dedicated to payment of the Notes quarterly principal and interest.



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## Legal Matters

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## Pending Dispute with Genentech and Roche

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- ▶ **In August 2010, Genentech sent a fax on behalf of Roche and Novartis asserting its products do not infringe PDL's supplementary protection certificates (SPCs)**
  - › Products include Avastin, Herceptin, Lucentis and Xolair
  - › SPCs are patent extensions in Europe that are issued on a country-by-country and product-by-product basis
  
- ▶ **PDL Response**
  - › Genentech's assertions are without merit
  - › PDL disagrees with Genentech's assertions of non-infringement
  - › Genentech had waived its rights to challenge our patents, including SPCs in its 2003 Settlement Agreement with PDL
  
- ▶ **2003 Settlement Agreement**
  - › Resolved intellectual property disputes between the two companies at that time
  - › Limits Genentech's ability to challenge infringement of PDL's patent rights, including SPCs, and waives Genentech's right to challenge or assist others in challenging the validity of our patent rights

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## Nevada Lawsuit Against Genentech/Roche

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- ▶ **PDL filed a lawsuit against Genentech and Roche in Nevada state court**
  - › Lawsuit states that fax constitutes a breach of 2003 Settlement Agreement because Genentech assisted Roche in challenging PDL's patents and SPCs
  - › Complaint seeks compensatory damages, including liquidated damages and other monetary remedies set forth in the 2003 Settlement Agreement, punitive damages and attorney's fees
- ▶ **In November 2010, Genentech and Roche filed two motions to dismiss**
  - › They contend that 2003 Settlement Agreement applies only to PDL's U.S. patents
  - › They asserted that the Nevada court lacks personal jurisdiction over Roche
- ▶ **On July 11, 2011, court denied Genentech and Roche's motion to dismiss four of PDL's five claims for relief and denied Roche's separate motion to dismiss for lack of personal jurisdiction**
  - › The court dismissed one of PDL's claims that Genentech committed a bad-faith breach of the covenant of good faith and fair dealing
  - › Subsequent to the ruling, Roche has waived its defense that the Nevada court lacks personal jurisdiction for the purposes of this lawsuit
- ▶ **The court ruling allows PDL to continue to pursue its claims that**
  - › Genentech is obligated to pay royalties to PDL on international sales of the Genentech Products
  - › Genentech, by challenging, at the behest of Roche and Novartis, whether PDL's SPCs cover the Genentech Products breached its contractual obligations to PDL under the 2003 settlement agreement
  - › Genentech breached the implied covenant of good faith and fair dealing with respect to the 2003 settlement agreement
  - › Roche intentionally and knowingly interfered with PDL's contractual relationship with Genentech in conscious disregard of PDL's rights
- ▶ **Parties are currently in discovery and trial is re-scheduled for October 2013**



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## Optimizing Stockholder Return

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## Business Strategy

### ▶ PDL is paid royalties by licensees of its Queen et al patents

- › Last of Queen et al patents expire in December 2014
- › PDL will continue to be paid royalties thereafter on product made before patent expiration and sold after patent expiration
- › At some point thereafter, obligation of PDL's current licensees to pay royalties will cease
- › PDL shareholders have expressed interest in identifying additional revenue generating assets

### ▶ Obtain new revenue generating assets

- › Invest in new assets to be able to continue to pay dividends
  - Backed by commercial stage products
  - Target range of \$75MM to \$150MM
- › Company continues as long as it can generate satisfactory return

### ▶ If unable to acquire revenue generating assets on attractive terms

- › Repay debt
- › Use all excess cash to pay dividends and/or buy shares to enhance shareholder return
- › Wind-up company in 2016 timeframe



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## Example: Merus Credit Agreement

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▶ **Purpose**

- › Proceeds used to purchase the European and Canadian rights to manufacture, market, and sell Emselex<sup>®</sup>/Enablex<sup>®</sup> (Darifenacin) extended release tablets from Novartis

▶ **Amount**

- › Initial amount: \$35 million
- › Additional amount: \$20 million Letter of Credit which Merus may draw on to pay remaining purchase price of \$20 million

▶ **Maturity**

- › March 2015

▶ **Interest Rate**

- › 13.5% per annum on outstanding principal
- › 14.0% per annum if \$20 million Letter of Credit is drawn beginning when drawn

▶ **Security**

- › All assets of Merus





## Investment Highlights

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- ▶ **Strong historic revenue growth from approved products**
- ▶ **Potential for additional indications from existing products, new product approvals and purchase of new revenue generating assets**
- ▶ **Potential to grow and diversify revenues with the addition of new revenue generating assets**
- ▶ **Significantly reduced expenses with no R&D burn**
- ▶ **Liquidity – volume averages 1.9 million shares/day**
- ▶ **Return to stockholders**
  - › In 2011, paid regular, quarterly dividends totaling \$0.60/share
  - › In 2012, paid regular, quarterly dividends of \$0.15/share on March 14 and June 14, and will pay on September 14 and December 14