

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 5, 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 October 5, 2012, PDL BioPharma, Inc. (the Company) entered into a Revenue Interests Purchase Agreement (the Royalty Agreement) with AxoGen, Inc. (AxoGen) pursuant to which the Company will receive specified royalties on AxoGen's Net Revenues (as defined in the Royalty Agreement) generated by the sale, distribution or other use of AxoGen's products Avance[®] Nerve Graft, AXOGUARD[®] Nerve Protector and AXOGUARD[®] Nerve Connector (the Royalty Rights).

The Royalty Agreement has a term of eight years. Under the Royalty Agreement, the Company is to receive a royalty payment based on a high single digit royalty rate of AxoGen's Net Revenues, subject to agreed-upon minimum payments as provided in the Royalty Agreement. The total consideration the Company paid to AxoGen for the Royalty Rights was \$20,800,000 (the Funded Amount), including \$19,050,000 the Company paid to AxoGen on October 5, 2012, and \$1,750,000 the Company paid to AxoGen on August 14, 2012, pursuant to an Interim Revenue Interest Purchase Agreement between AxoGen and the Company. The Interim Revenue Interest Purchase Agreement was terminated in connection with the execution of the Royalty Agreement.

Under the Royalty Agreement, on October 1, 2016, or in the event of the occurrence of a material adverse event or AxoGen's bankruptcy or material breach of the Royalty Agreement, the Company may require AxoGen to repurchase the Royalty Rights at the "Put Price." The Put Price is equal to the sum of (i) an amount that, when paid to the Company, would generate a specified internal rate of return to the Company on the Funded Amount, taking into consideration payments made to the Company by AxoGen, and (ii) any "Delinquent Assigned Interests Payment" (as defined in the Royalty Agreement) AxoGen owed to the Company.

In addition, in the event of a "Change of Control" (as defined in the Royalty Agreement), AxoGen must repurchase the Assigned Interests from the Company for a repurchase price equal to the "Change of Control Price" on or prior to the third business day after the occurrence of the Change of Control. The Change of Control Price is an amount that, when paid to the Company, would generate a specified internal rate of return to the Company on the Funded Amount, taking into consideration payments made to the Company by AxoGen. In addition, at any time after September 30, 2016, AxoGen, at its option, can call the Royalty Agreement for a price equal to the Change of Control Price.

Under the Royalty Agreement, during the term of the Royalty Agreement, the Company is entitled to designate, nominate or appoint, and AxoGen shall appoint and, when required, nominate and recommend for election at each annual or special meeting of shareholders, an individual designated by the Company. The Company has exercised this right and nominated John P. McLaughlin, the Company's President and Chief Executive Officer. On October 5, 2012, upon close of the transaction, Mr. McLaughlin was elected to AxoGen's Board of Directors.

In addition, under the Royalty Agreement, the Company has preemptive rights with respect to new issuances of AxoGen's equity securities and securities convertible, exchangeable or exercisable into such equity securities.

AxoGen is required to use a portion of the proceeds from the Royalty Agreement to pay the outstanding balance under its existing credit facility. AxoGen plans to use the rest of the proceeds from the Royalty Agreement to support the business plan for Avance® Nerve Graft, AxoGuard® Nerve Protector and AxoGuard® Nerve Connector.

In connection with the Royalty Agreement, the Company also entered into a Guarantee and Collateral Agreement and certain other ancillary transaction documents with AxoGen.

The Company had no relationship with AxoGen, material or otherwise, prior to entering into the Royalty Agreement.

Item 8.01 Other Events.

On October 9, 2012, the Company issued a press release announcing its execution of the Royalty Agreement. The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

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: October 9, 2012

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press Release

**Contacts:**

Bruce Tomlinson
PDL BioPharma, Inc.
775-832-8500
Bruce.Tomlinson@pdl.com

Jennifer Williams
Cook Williams Communications, Inc.
360-668-3701
jennifer@cwcomm.org

PDL BioPharma Completes Royalty Transaction with AxoGen

Incline Village, NV, October 9, 2012 –PDL BioPharma, Inc. (PDL) (NASDAQ: PDLI) and AxoGen, Inc. (OTCBB: AXGN) announced today that they closed a structured financing transaction on October 5, 2012, in which PDL provided AxoGen with an aggregate of \$20.8 million in exchange for royalties on certain AxoGen revenues. AxoGen is a regenerative medicine company dedicated to advancing the science and commercialization of surgical solutions for peripheral nerve repair. This financing allows AxoGen to strengthen and accelerate its sales and marketing efforts as well as to explore pipeline opportunities.

The total financing of \$20.8 million was provided pursuant to a Revenue Interests Purchase Agreement that included \$19,050,000 in cash PDL paid to AxoGen on October 5, 2012, and \$1,750,000 PDL paid to AxoGen on August 14, 2012, pursuant to an Interim Revenue Interest Purchase Agreement. The Revenue Agreement has an eight year term, and provides PDL with royalties based on AxoGen revenues, subject to certain minimum payment requirements beginning in the fourth quarter of 2014 and the right to require AxoGen to repurchase the revenue contract at the end of the fourth year. AxoGen has been granted certain rights to call the revenue contract in years five through eight. In addition, John McLaughlin, president and chief executive officer of PDL, was elected to the Board of Directors of AxoGen immediately following the closing.

“We are very impressed with the depth and breadth of experience in this accomplished AxoGen team,” said Mr. McLaughlin. “AxoGen products are changing the way peripheral nerve repair is performed, and PDL is pleased to have the opportunity to contribute to the growth of this innovative business.”

“PDL is an exciting partner for AxoGen. The PDL team has a strong track record of creating commercial value and their knowledge will be an asset as we build AxoGen’s business,” said Karen Zaderej, CEO for AxoGen. “The PDL transaction provided both operating capital and the ability to pay off AxoGen’s existing bank debt,” offered Greg Freitag, AxoGen’s CFO and General Counsel. “We were able to raise significant capital without diluting our outstanding share-base while maintaining a clean capital structure. Furthermore, our agreement provides extensive flexibility for future financing and business development activity.”

About AxoGen, Inc.

AxoGen (OTCBB: AXGN) is a regenerative medicine company dedicated to advancing the science and commercialization of peripheral nerve repair solutions. AxoGen’s products offer a full suite of surgical nerve reconstruction solutions including Avance® Nerve Graft, the only commercially available processed nerve allograft for bridging severed nerves, AxoGuard® Nerve Connector, a coaptation aid allowing for close approximation of severed nerves, and AxoGuard® Nerve Protector, a bioscaffold used to reinforce a coaptation site, wrap a partially severed nerve or isolate and protect nerve tissue. For more information, visit our website at www.axogeninc.com.

AxoGen is the parent of its wholly owned operating subsidiary, AxoGen Corporation. AxoGen’s principal executive office and operations are located in Alachua, FL.



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 the value of its patent portfolio and related assets. For more information, please visit www.pdl.com.

Cautionary Statements Concerning 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 business of both AxoGen and PDL and their markets, particularly those discussed in the risk factors and cautionary statements in filings made by AxoGen and 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 neither AxoGen nor PDL assumes any responsibility to update any forward-looking statements, whether as a result of new information, future events or otherwise.