

FACET BIOTECH CORP
Form DEF 14A
April 15, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

FACET BIOTECH CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(3) Filing Party:

(4) Date Filed:

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**1400 Seaport Boulevard
Redwood City, California 94063
(650) 454-1000**

April 16, 2009

Dear Stockholder:

You are cordially invited to attend our 2009 annual meeting of stockholders on Tuesday, May 26, 2009, at 9:00 a.m. Pacific Time, or at any subsequent time which may be necessary by any adjournment or postponement of the annual meeting, at our principal executive offices at 1400 Seaport Boulevard, Redwood City, California. The meeting will commence with a discussion and voting on matters set forth in the accompanying Notice of Annual Meeting of Stockholders.

The notice of annual meeting and proxy statement describe the matters we will consider at the meeting. Your vote is very important. I urge you to vote by mail, telephone or electronic means via the Internet in order to be certain your shares are represented at the meeting, even if you plan to attend in person.

I look forward to seeing you at our first meeting of stockholders.

Sincerely,

Faheem Hasnain
President and Chief Executive Officer

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**1400 Seaport Boulevard
Redwood City, California 94063
(650) 454-1000**

Notice of Annual Meeting of Stockholders

Dear Stockholder:

On behalf of our Board of Directors, I cordially invite you to attend the 2009 annual meeting of stockholders of Facet Biotech Corporation, a Delaware corporation (the "*Company*," "*Facet*," "*we*" or "*us*"), to be held on Tuesday, May 26, 2009, at 9:00 a.m. Pacific Time, or at any subsequent time which may be necessary by any adjournment or postponement of the annual meeting, at our principal executive offices located at 1400 Seaport Boulevard, Redwood City, California, for the following purposes:

1. To elect five directors to hold office until the 2010 annual meeting of stockholders;
2. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009; and
3. To transact such other business as may properly come before the meeting and any postponement(s) or adjournment(s) thereof.

If you were a stockholder at the close of business on April 1, 2009, you are entitled to vote at the annual meeting.

A stockholder, Roderick Wong, has provided notice that he intends to nominate five (5) candidates for election to our five-person Board of Directors at the annual meeting (the "*Wong Nominees*"), instead of the nominees named in Proposal No. 1. We do not believe that election of Wong Nominees to our Board of Directors is in the best interests of our stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE BOARD'S NOMINEES ON THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY WONG OR ANY OTHER PERSONS OR ENTITIES ACTING IN CONCERT WITH HIM (the "*Wong Entities*").

Even if you have previously signed a proxy card sent by the Wong Entities or voted by other means, you can revoke your vote by using the enclosed WHITE proxy card to vote by telephone, by Internet or by signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope provided. Only the latest dated proxy you submit will be counted. We urge you to disregard any proxy card sent to you by the Wong Entities or any person other than the Company.

We urge you to vote your shares by proxy by mail, telephone or online via the Internet as soon as possible, even if you plan to attend the meeting in person, so that your shares may be represented and voted at the annual meeting.

By Order of our Board of Directors

Francis Sarena
Vice President, General Counsel and Secretary

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The Company began distributing this notice of annual meeting and enclosed proxy statement and the WHITE proxy card on or about April 16, 2009.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE MEETING OF STOCKHOLDERS TO BE HELD ON MAY 26, 2009: A

complete set of proxy materials relating to our annual meeting is available on the Internet. These materials, consisting of the Notice of Annual Meeting, Proxy Statement, Proxy Card and Annual Report, may be viewed at www.facetbiotech.com.

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**Proxy Statement
2009 Annual Meeting of Stockholders**

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

1. Why did I receive this proxy statement?

This proxy statement and the accompanying WHITE proxy card are being delivered by the Board of Directors (the "*Board*") of Facet Biotech Corporation ("*we*," "*Facet*" or the "*Company*") in connection with the solicitation of proxies to be voted at the Company's 2009 Annual Meeting of Stockholders (the "*annual meeting*") to be held on Tuesday, May 26, 2009, at 9:00 a.m. Pacific Time, or at any subsequent time which may be necessary by any adjournment or postponement of the annual meeting. This proxy statement contains important information about the Company, the annual meeting and the proposals to be considered at the annual meeting.

2. What will the stockholders vote on at the annual meeting?

Business transacted at the annual meeting is confined solely to the purposes stated in the notice of annual meeting. We are submitting two matters for approval by our stockholders:

The election of five directors for a term to expire at our 2010 annual meeting of stockholders; and

The ratification of Ernst & Young LLP as our independent registered public accounting firm for 2009.

3. How does our Board of Directors recommend that I vote?

Our Board of Directors recommends that you vote your shares:

"FOR" the election each of the five director nominees named herein, and

"FOR" the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009.

4. Who is entitled to vote at the annual meeting?

Those stockholders who owned shares of our common stock as of the close of business on April 1, 2009, the record date, may vote at the annual meeting. You have one vote for each share of common stock you held on the record date.

5. What constitutes a quorum for the annual meeting?

Our bylaws provide that a majority of the outstanding shares of our common stock, whether present in person or by proxy, will constitute a quorum for the annual meeting. As of April 1, 2009, the record date, 24,563,987 shares of common stock were issued and outstanding and if a majority of these shares are present in person or by proxy at the annual meeting, a quorum would be present. Abstentions and broker non-votes are counted as present for determining whether a quorum is present.

6. How many votes are required for the approval of each item?

There are differing vote requirements for the two proposals.

The five nominees for election as directors who receive the most FOR votes will be elected. Only FOR votes will affect the outcome.

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The ratification of the appointment of our independent registered public accounting firm will be approved if a majority of the shares entitled to vote and present at the meeting in person or by proxy vote FOR approval.

Although broker non-votes are counted for determining whether a quorum exists, broker non-votes are not counted as votes cast with respect to those matters for which the broker did not vote.

7. What are broker non-votes?

If you hold your shares in a brokerage account, your broker will ask you how you want to vote your shares. Your broker will vote your shares as you direct. However, if you do not give your broker voting instructions, the broker will be entitled to vote the shares with respect to "discretionary" proposals but will not be permitted to vote the shares with respect to "non-discretionary" proposals (those shares are treated as "broker non-votes").

If the Wong Entities solicit proxies to elect the Wong nominees to the Board of Directors at the annual meeting, then the election of directors will also be a "non-discretionary" proposal for any brokerage accounts solicited by the Wong Entities. As a result, if your shares are held in "street name" and the Wong Entities provide you with proxy solicitation materials through your broker and you do not provide instructions as to how your shares are to be voted in the election of directors, your shares may be treated as "broker non-votes" and may not be voted in the election of directors. We urge you to provide instructions to your broker or nominee so that your votes may be counted on this important matter. We urge you to vote your shares by following the instructions provided on the enclosed WHITE proxy card and returning the WHITE proxy card to your bank, broker, or other nominee to ensure that your shares will be voted on your behalf.

8. How do I vote by proxy?

If you are a stockholder of record, you may vote by proxy by any one of the following methods.

By mail. Sign and date each WHITE proxy card you receive and return it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you are signing in a representative capacity (for example, as an attorney-in-fact, executor, administrator, guardian, trustee, or the officer or agent of a corporation or partnership), please indicate your name and your title or capacity. If the stock is held in custody for a minor (for example, under the Uniform Transfers to Minors Act), the custodian should sign, not the minor. If the stock is held in joint ownership, one owner may sign on behalf of all owners. If you return your signed proxy but do not indicate your voting preferences, we will vote on your behalf for the election of the nominee for director listed below and for the ratification of the appointment of our independent registered public accounting firm.

By telephone. If you reside in the United States, Puerto Rico and Canada, you may vote by telephone by following the instructions on the enclosed WHITE proxy card. Voting by telephone has the same effect as voting by mail. If you vote by telephone, do not return your WHITE proxy card by mail. You may vote by telephone until 8:59 p.m., Pacific Time, May 25, 2009.

By Internet. You may also vote online by following the instructions set forth in the WHITE proxy card. Follow the instructions on the enclosed WHITE proxy card. Voting online via the Internet has the same effect as voting by mail. If you vote online via the Internet, do not return your WHITE proxy card by mail. You may vote online via the Internet until 8:59 p.m., Pacific Time, May 25, 2009.

You may revoke your proxy at any time before the annual meeting by (1) notifying the Company's Secretary in writing or (2) delivering a later-dated proxy by telephone, on the Internet, or in

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writing. If you are a stockholder of record, you may also revoke your proxy by voting in person at the meeting.

9. How do I vote shares that are held by my broker?

If you are a stockholder of record, you may vote your shares in person at the annual meeting. However, we encourage you to vote your proxy by mail, by telephone or online via the Internet, even if you plan to attend the annual meeting.

10. How do I vote in person?

If you are a stockholder of record, you may vote your shares in person at the annual meeting. Even if you plan to attend the annual meeting, we encourage you to vote your proxy online via the Internet by following the instructions on the Notice, or, if you chose to receive printed copies of the proxy materials, by mail or by telephone.

11. What does it mean if I receive more than one proxy card?

If you received more than one WHITE proxy card, it means that you hold shares in more than one account. To ensure that all your shares are voted, sign and return each WHITE proxy card. Alternatively, if you vote by telephone or online via the Internet, you will need to vote once for each WHITE proxy card and voting instruction card you receive.

12. What should I do if I receive a proxy card from the Wong Entities?

A stockholder, Roderick Wong, has provided notice that he intends to nominate the Wong Nominees as directors at the annual meeting, instead of the nominees named in this proxy statement. You may receive proxy solicitation materials from the Wong Entities, including an opposition proxy statement and proxy card. **OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE BOARD'S NOMINEES ON THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE WONG ENTITIES.** Even if you have previously signed a proxy card sent by the Wong Entities, you have the right to change your vote by following the instructions on the enclosed WHITE proxy card to vote by telephone, by Internet or by signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope provided. We urge you to disregard any proxy card sent to you by the Wong Entities or any person other than the Company.

13. Who will bear the cost of soliciting proxies for the annual meeting?

We will pay for the costs of producing and distributing this proxy statement and other materials and the costs of soliciting the WHITE proxies. We will also reimburse brokers, custodians, nominees and other fiduciaries for the reasonable out-of-pocket fees and expenses they incur to forward our solicitation materials to our stockholders.

We have retained Mackenzie Partners, Inc. to serve as our proxy solicitor in connection with the annual meeting. The total amount estimated to be spent in connection with a contested proxy solicitation is not expected to exceed \$175,000. To date, total expenditures have been approximately \$20,000.

14. What is "householding"?

We have adopted "householding," a practice under which stockholders of record who have the same address and last name will receive only one copy of our annual report and proxy statement

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unless one or more of these stockholders notifies us that they wish to continue receiving separate individual copies. Householding saves printing and postage costs by reducing duplicate mailings to the same address. Stockholders who participate in householding will continue to receive separate proxy cards.

Beneficial stockholders, that is stockholders whose shares are held by a broker or other nominee, may request information about householding from their banks, brokers, or other holders of record.

15. What if I want to receive a separate copy of the annual report and proxy statement?

If you participate in householding and wish to receive a separate copy of our annual report and proxy statement, or if you wish to receive separate copies in the future, please call us at (650) 454-1508 or write to the address below and we will deliver the requested documents to you promptly upon your request.

Investor Relations (Householding)
Facet Biotech Corporation
1400 Seaport Boulevard
Redwood City, California 94063

You can also access our annual report and proxy statement on our website at www.facetbiotech.com.

16. How do I contact our Board of Directors or a committee of our Board of Directors?

You may contact our Board of Directors or one or more members at the below address:

Board of Directors
or [individual director(s)]
Attention: Corporate Secretary
Facet Biotech Corporation
1400 Seaport Boulevard
Redwood City, California 94063

Our Secretary will maintain a log of such correspondence to our Board and promptly transmit such correspondence to the identified director(s), except where security concerns militate against further transmission or the communication relates to commercial matters not related to the sender's interest as a stockholder, as determined by our Secretary or in consultation with legal counsel.

17. Who should I contact if I have any further questions?

If you have any questions, require assistance in voting the WHITE proxy card, or need additional copies of our proxy statement, please call our proxy solicitor:

Larry Denny
MacKenzie Partners, Inc.
(212) 925-5500

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In April 2008, PDL BioPharma, Inc. ("*PDL*") announced a plan to spin off (the "*Spin-off*") its biotechnology operations (the "*Biotechnology Operations*") into a separate publicly traded U.S. company in order to separate the Biotechnology Operations from PDL's antibody humanization royalty related operations (the "*Royalty Operations*"). In connection with preparing for the Spin-off, we were incorporated in Delaware on July 29, 2008.

From July 29, 2008 until December 18, 2008 (the "*Pre-Spin Period*"), the effective date of the Spin-off, we were operated as a wholly owned subsidiary of PDL. During most of the Pre-Spin Period, Andrew Guggenhime, who was then an officer of PDL and is currently our Senior Vice President and Chief Financial Officer, served as the sole member of our Board of Directors for administrative purposes to effect the intentions of PDL until such time as the continuing directors of the Company were appointed. In November 2008, in anticipation of the Spin-off, PDL, as the sole stockholder of the Company at the time, caused Brad Goodwin, Faheem Hasnain, Gary Lyons and David R. Parkinson, M.D. to be appointed to our Board of Directors and Mr. Guggenhime resigned from the Board of Directors.

In December 2008, PDL transferred to us the Biotechnology Operations and all but two of PDL's employees became employees of the Company. On December 18, 2008, the Spin-off was effective, we ceased being a subsidiary of PDL and we became a publicly traded company independent from PDL.

This annual meeting of stockholders is the first meeting of our stockholders.

BOARD OF DIRECTORS**Members of the Board of Directors**

Each of our current directors is identified in the table below and biographies of each of our directors follow this table. The age of each director set forth below is as of April 1, 2009, the record date for the annual meeting. We do not have a classified Board. The terms of each director will expire upon the election and qualification of the directors to be elected at the next annual meeting of stockholders. Each of our directors has been nominated and is standing for election at this annual meeting to serve another term that would expire at our 2010 annual meeting of stockholders.

Director	Other Positions with the Company	Age	Director Since
Brad Goodwin		54	2008
Faheem Hasnain	President and Chief Executive Officer	50	2008
Gary Lyons		57	2008
David R. Parkinson, M.D.		58	2008
Kurt von Emster		41	2009

Brad Goodwin was elected to serve on our Board of Directors in November 2008. Mr. Goodwin is currently the President and Chief Executive Officer of Keren Pharmaceutical, Inc., a private company developing external guide sequences (EGSs) as a method of silencing RNA. From 2001 to 2006, Mr. Goodwin served as Chief Executive Officer and a member of the Board of Directors of Novacea, Inc., a publicly held biopharmaceutical company focused on in-licensing, developing and commercializing novel therapies for the treatment of cancer. From 2000 to 2001, Mr. Goodwin served as President, Chief Operating Officer and Founder of Collabra Pharma, a privately held company offering pharmaceutical product licensing and development. From 1987 to 2000, Mr. Goodwin held various positions at Genentech, Inc., including most recently Vice President of Finance. While at Genentech, in addition to his finance responsibilities, he helped structure and negotiate significant product licenses, including the license of *Rituxan*®, and developed long-range strategic plans. Mr. Goodwin is currently a member of the Board of Directors of Rigel Pharmaceuticals, Inc., a publicly

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held biotechnology company, and Asplendent, which is a privately held entity. Mr. Goodwin received his B.S. degree from the University of California at Berkeley.

Faheem Hasnain was elected to serve on our Board of Directors in November 2008. He currently serves as President and Chief Executive Officer of the Company. Mr. Hasnain was the President and Chief Executive Officer of PDL, having joined PDL in October 2008. From October 2004 to September 2008, Mr. Hasnain served at Biogen Idec Inc. ("*Biogen*"), most recently as its Executive Vice President, Oncology/Rheumatology Strategic Business Unit. From March 2002 to September 2004, Mr. Hasnain served as President, Oncology Therapeutics Network, at Bristol-Myers Squibb Company. From 2000 to 2002, Mr. Hasnain served as Vice President, Global eBusiness, at GlaxoSmithKline and, from 1988 to 2000, he served in key commercial and entrepreneurial roles within GlaxoSmithKline and its predecessor organizations, spanning global eBusiness, international commercial operations, sales and marketing. Mr. Hasnain received a B.H.K. and B.Ed. from the University of Windsor Ontario in Canada.

Gary Lyons was elected to serve on our Board of Directors in November 2008. Mr. Lyons served as the President and Chief Executive Officer of Neurocrine Biosciences, Inc. ("*Neurocrine*") from February 1993 to January 2008. Prior to joining Neurocrine, Mr. Lyons held a number of senior management positions at Genentech, including Vice President of Business Development and Vice President of Sales. Mr. Lyons also serves on the Boards of Directors of Rigel Pharmaceuticals, Inc., Vical Incorporated and Neurocrine, each of which is a publicly traded biotechnology company. Mr. Lyons received his B.S. in marine biology from the University of New Hampshire and his M.M. from Northwestern University's J.L. Kellogg Graduate School of Management.

David R. Parkinson, M.D. was elected to serve on our Board of Directors in November 2008. Since September 2007, Dr. Parkinson has served as President and Chief Executive Officer of Nodality, Inc., a South San Francisco, California-based biotechnology company focused on the biological characterization of signaling pathways in patients with malignancy to enable more effective therapeutics development and clinical decision-making. From March 2006 to September 2007, Dr. Parkinson served as Senior Vice President, Oncology Research and Development, at Biogen where he oversaw all of Biogen's oncology discovery research efforts and the development of its oncology pipeline. From May 2003 to March 2006, Dr. Parkinson served as Vice President, Oncology Development, at Amgen Inc. From January 1997 to May 2003, Dr. Parkinson served as Vice President, Global Oncology Clinical Development, at Novartis. During his tenures at Amgen and Novartis, Dr. Parkinson was responsible for clinical development activities leading to a series of successful global drug registrations for important cancer therapeutics, including Gleevec®, Femara®, Zometa®, Kepivance®, and Vectibix®. Dr. Parkinson worked at the National Cancer Institute from 1990 to 1997, serving as Chief of the Investigational Drug Branch, then as Acting Associate Director of the Cancer Therapy Evaluation Program, before leaving for Novartis. Prior to the NCI, Dr. Parkinson held academic positions at the M.D. Anderson Cancer Center, University of Texas and New England Medical Center of Tufts University School of Medicine. Dr. Parkinson is a past Chairman of the Food & Drug Administration (FDA) Biologics Advisory Committee and is a recipient of the FDA's Cody Medal. He currently serves on the National Cancer Policy Forum of the Institute of Medicine and is a member of the FDA's Science Board. Dr. Parkinson also serves on the Board of Directors of the American Association of Cancer Research. Dr. Parkinson received his M.D. degree from the University of Toronto Faculty of Medicine and Hematology/Oncology training at McGill University and New England Medical Center.

Kurt von Emster was elected to serve on our Board of Directors in February 2009. Since March 2009, Mr. von Emster has served as a Managing Director of venBio LLC, a life sciences advisory group. From November 2000 to February 2009, Mr. von Emster was with MPM Capital serving most recently as a Managing Director of MPM BioEquities and as Portfolio Manager for the MPM BioEquities Fund. From July 1989 to November 2000, he was with the Franklin Templeton Group, most recently as a Vice President and Portfolio Manager. He is currently a member of the board of directors

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at Somaxon Pharmaceuticals, Inc., a public biotechnology company. He is a Chartered Financial Analyst (CFA) and a member of the Association for Investment Management and Research and of the Security Analysts of San Francisco. Mr. von Emster received his B.S. from the University of California at Santa Barbara.

Independence of Directors

In March 2009, our Board, based on the recommendation of our Nominating and Governance Committee, determined that each of the directors listed below, representing a majority of our Board, is an independent director as defined in Rule 4200 of the Nasdaq Marketplace rules for listed companies.

Independent Directors

Brad Goodwin

Gary Lyons

David R. Parkinson, M.D.

Kurt von Emster

Our Board, based on the recommendation of our Nominating and Governance Committee, also determined that each member of each of our Audit, Compensation and Nominating and Governance Committees was independent during 2008, and is currently independent, under Nasdaq's Marketplace rules for listed companies.

Board Committees

The table below lists the members of each of the four committees of our Board as of April 1, 2009.

Committee	Members
<i>Audit</i>	Brad Goodwin (Chairperson) Gary Lyons Kurt von Emster David R. Parkinson, M.D.
<i>Compensation</i>	Brad Goodwin Gary Lyons (Chairperson)
<i>Nominating and Governance</i>	Brad Goodwin Gary Lyons David R. Parkinson, M.D. Kurt von Emster (Chairperson)
<i>Equity Grant</i>	Faheem Hasnain

Board and Committee Meetings in 2008

Our Board held two meetings during 2008, both of which occurred in December 2008 around the time of the Spin-off, and also took eight actions by written consent during 2008 in preparation for the Spin-off. No Board committee meetings were held in 2008. Each director currently serving who served as a director in 2008 attended each of the two Board meetings held in December 2008.

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Attendance at Annual Meetings by Directors

We have no formal policy requiring our directors to attend annual meetings. We believe that annual meetings provide an opportunity for stockholders to communicate with directors and therefore request that each of our directors make a reasonable effort to attend the annual meeting.

Nominating and Governance Committee

Our Nominating and Governance Committee operates under a written charter, which is available in the "Corporate Governance" section on our website at www.facetbiotech.com.

The primary purpose of our Nominating and Governance Committee is to:

Identify individuals qualified to become Board members;

Select, and recommend to our Board, director nominees for each election of directors;

Develop and recommend to our Board criteria for selecting qualified director candidates;

Consider committee member qualifications, appointment and removal;

Recommend corporate governance principles, codes of conduct and compliance mechanisms applicable to us; and

Provide oversight in the evaluation of our Board and each committee of our Board.

Our Nominating and Governance Committee regularly assesses the optimum size of our Board and its committees and the needs of our Board for various skills, background and business experience in determining whether it is advisable to consider additional candidates for nomination.

Evaluation of Director Nominations

In fulfilling its responsibilities to select, and recommend to our Board, director nominees for each election of directors, our Nominating and Governance Committee considers the following factors:

the appropriate size of our Board and its committees;

the perceived needs of our Board for particular skills, background and business experience;

the skills, background, reputation, and business experience of nominees compared to the skills, background, reputation, and business experience already possessed by other Board members;

nominees' independence from management;

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applicable regulatory and listing requirements, including independence requirements and legal considerations, such as antitrust compliance;

the benefits of a constructive working relationship among directors; and

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

The goal of our Nominating and Governance Committee is to assemble a Board that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the best interests of our stockholders. They must also have an inquisitive and objective perspective and mature judgment. Director candidates, in the judgment of our Nominating and Governance Committee, must also have sufficient time available to perform all Board and committee responsibilities. Board members are expected to prepare for, attend and participate in all Board and applicable committee meetings.

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Other than the foregoing, there are no stated minimum criteria for director nominees, although our Nominating and Governance Committee may also consider such other factors as it may deem, from time to time, to be in the best interests of the Company and our stockholders.

Our Nominating and Governance Committee annually evaluates our Board members who are willing to continue in service against the criteria set forth above in determining whether to recommend these directors for re-election at the next annual meeting of stockholders.

Candidates for Nomination as Director

Candidates for nomination as director come to the attention of our Nominating and Governance Committee from time to time through incumbent directors, management, stockholders or third parties. These candidates may be considered at meetings of our Nominating and Governance Committee at any point during the year. Such candidates are evaluated against the criteria set forth above. If our Nominating and Governance Committee believes at any time that it is desirable that our Board consider additional candidates for nomination, the Committee may poll directors and management for suggestions or conduct research to identify possible candidates and may, if our Nominating and Governance Committee believes it is appropriate, engage a third-party search firm to assist in identifying qualified candidates.

Our Nominating and Governance Committee's policy is to evaluate any recommendation for director nominee proposed by a stockholder and our bylaws also permit stockholders to nominate directors for consideration at an annual meeting, subject to certain conditions. Any recommendation for director nominee must be submitted in writing to:

Facet Biotech Corporation
Attention: Corporate Secretary
1400 Seaport Boulevard
Redwood City, California 94063

Our bylaws require that any director nomination made by a stockholder for consideration at an annual meeting must be received in writing 90 - 120 days prior to the anniversary of the date when definitive proxy materials were mailed to stockholders in connection with the prior year's annual meeting of stockholders. If no annual meeting was held in the previous year, or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, a stockholder's director nomination notice must be received in writing not later 90 days prior to the annual meeting or the 10th day following the date on which public announcement of the date of such annual meeting is first made.

Each written notice containing a stockholder nomination of a director at an annual meeting must include:

the name and address, as they appear on the Company's books, of the stockholder who intends to make the nomination, or the beneficial owner, if any, on whose behalf the nomination is being made and of the person or persons to be nominated;

a representation that the stockholder (1) is a holder of record of our stock entitled to vote for the election of directors on the date of such notice and (2) intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

the class and number of shares of the Company that are owned beneficially and of record by the stockholder and such other beneficial owner;

a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the

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stockholder's notice by, or on behalf of, such stockholder or such other beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Company;

a description of all arrangements or understandings between the nominating stockholder or beneficial owner and each nominee and any other person or persons (naming such person or persons) pursuant to which the stockholder is making the nomination or nominations;

such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by our Board; and

the consent of each nominee to serve as a director, if elected.

Any other recommendation of a director nominee must include:

the candidate's name, age, contact information and present principal occupation or employment; and

a description of the candidate's qualifications, skills, background, and business experience during, at a minimum, the last five years, including the candidate's principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed or served as a director.

All director nominees must also complete a customary form of directors' questionnaire as part of the nomination process. The evaluation process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of our Nominating and Governance Committee.

Audit Committee

Our Audit Committee operates under a written charter, which is available in the "Corporate Governance" section on our website at www.facetbiotech.com.

Mr. Goodwin has served as the Chairperson of our Audit Committee since December 2008 and Mr. von Emster has served as a member of our Audit Committee since February 2009. Our Board, based on the recommendation of our Nominating and Governance Committee, has determined that Mr. Goodwin and Mr. von Emster are audit committee financial experts, as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC. Mr. Goodwin, Mr. Lyons, Dr. Parkinson and Mr. von Emster are independent members of our Board under Nasdaq's Marketplace rules for listed companies.

The primary purpose of our Audit Committee is to oversee our accounting and financial reporting process and the audits of our financial statements, assist our Board in fulfilling its oversight responsibilities by reviewing and reporting to our Board on the integrity of the financial reports and other financial information we provide to any governmental body or to the public, and on our compliance with these legal and regulatory requirements.

The functions of our Audit Committee include:

Monitoring the independence and performance of our independent registered public accounting firm and recommending an independent registered public accounting firm to our Board;

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Reviewing the planned scope of the annual audit and the results of the annual audit;

Pre-approving all audit services and permissible non-audit services provided by our independent registered public accounting firm and overseeing the compensation for such services;

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Reviewing the accounting and reporting principles we apply in preparing our financial statements;

Reviewing our internal financial, operating and accounting controls and finance and accounting personnel with management and our independent registered public accounting firm;

Reviewing certain risk management functions including procedures for complaints regarding accounting matters for anonymous complaints, and reviewing legal matters that could raise material financial issues;

Reviewing with management and our independent registered public accounting firm, as appropriate, our financial reports and other financial information we provide to any governmental body or the public, and our compliance with legal and regulatory requirements; and

Reviewing and approving, or recommending action to the Board regarding, transactions that may present potential for conflict of interest, or require a waiver under our code of conduct such as transactions with our officers, directors or significant stockholders.

Report of the Audit Committee

The following is the report of the Audit Committee with respect to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2008.

The Company's management has the primary responsibility for the preparation, presentation and integrity of the Company's consolidated financial statements and the reporting process, including the effectiveness of the Company's disclosure controls and procedures. The independent registered public accounting firm is responsible for planning and performing an independent audit of our consolidated financial statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States.

In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements in the Company's Annual Report on Form 10-K with the Company's management and the Company's independent registered public accounting firm, Ernst & Young LLP. The Audit Committee discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also received written disclosures and the letter from Ernst & Young LLP required by the Public Company Accounting Oversight Board's Ethics and Independence Rule 3526, "Communication with Audit Committees Concerning Independence", and discussed with Ernst & Young LLP that firm's independence from the Company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's consolidated audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the SEC.

Respectfully submitted,

Brad Goodwin, Chairperson
Gary Lyons
David R. Parkinson, M.D.
Kurt von Emster

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Review and Approval of Transactions with Related Persons

Our Audit Committee is responsible for reviewing all related-person transactions that the Company would be required to disclose pursuant to Item 404 of Regulation S-K, including transactions with executive officers and directors, for potential conflicts of interests or other improprieties. Under SEC rules, related-person transactions are those transactions to which we are or may be a party in which the amount involved exceeds \$120,000, and in which any of our directors or executive officers or any other related person had or will have a direct or indirect material interest, excluding, among other things, compensation arrangements with respect to employment and Board membership. Our Audit Committee would approve or ratify a related-person transaction if it determined that the transaction is in our best interests.

Our directors are required to disclose in an executive session of our Board any potential conflict of interest, or personal interest in a transaction that our Board is considering. Our executive officers are required to disclose any related-person transaction to our Compliance Officer who would notify the Audit Committee of the transaction. We poll our directors on a quarterly basis with respect to related-person transactions and their service as an officer or director of other entities.

Any director involved in a related-person transaction that is being reviewed or approved must recuse himself or herself from participation in any related deliberation or decision. Whenever possible, the transaction should be approved in advance and if not approved in advance, must be submitted for ratification as promptly as practical.

We have not yet adopted written policies and procedures regarding the review and approval or ratification of related-person transactions that the Company would be required to disclose pursuant to Item 404 of Regulation S-K, other than the general proscriptions regarding conflicts of interest set forth in our Code of Business Conduct, which is applicable to all of our officers, directors and employees. We expect to evaluate and adopt a written policy with respect to the review and approval or ratification of related-person transactions in 2009.

Compensation Committee

Our Compensation Committee operates under a written charter, which is available in the "Corporate Governance" section on our website at www.facetbiotech.com.

The primary purpose of our Compensation Committee is to discharge our Board's responsibilities relating to compensation and benefits of our officers and directors. In carrying out these responsibilities, our Compensation Committee reviews all components of officer and director compensation for consistency with our Compensation Committee's compensation philosophy, as in effect from time to time.

The functions of our Compensation Committee include:

Designing and implementing competitive compensation policies to attract and retain key personnel;

Reviewing and formulating policy and determining or making recommendations to our Board regarding compensation of our officers and directors;

Administering our equity incentive plans and granting or recommending grants of equity awards to our officers and directors under these plans and overseeing the Equity Grant Committee's exercise of authority to grant awards to non-officer employees of the Company; and

Reviewing and establishing Company policies in the area of officer perquisites.

Our Chief Executive Officer does not participate in the determination of his own compensation or the compensation of directors. However, he makes recommendations to our Compensation Committee

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regarding the amount and composition of the compensation of our other officers and that he participates in the Compensation Committee's deliberations about these other officers' compensation.

Our Compensation Committee expects to retain its own independent compensation consultants to advise on matters related to compensation of officers and directors and general compensation programs and matters. Prior to the Spin-off, the PDL Compensation Committee had engaged Towers, Perrin, Forster & Crosby, Inc. ("*Towers Perrin*") as its independent compensation consultant. In 2008, Towers Perrin attended five of the meetings of the PDL Compensation Committee.

Our Compensation Committee expects that it would generally engage independent compensation consultants to provide:

Assistance in selecting a peer group of companies for executive compensation comparison purposes;

Comparative market data on officer and board director compensation practices and programs of peer companies and competitors;

Guidance on industry best practices and emerging trends and developments in officer and board director compensation;

Preparation of tally sheets for each officer; and

Advice on determining the total compensation of each of our officers and the material elements of total compensation, including (1) annual base salaries, (2) target cash bonus amounts, (3) stock option awards and (4) restricted stock awards.

Our management may from time to time separately retain its own compensation consultants to advise on various matters related to evaluating and designing compensation programs and that these compensation consultants may coordinate with our Compensation Committee or our Compensation Committee's independent compensation consultant. The Company has not yet engaged any compensation consultants.

In early 2008, PDL engaged Radford Surveys + Consulting ("*Radford*") to develop a retention strategy for PDL's employees and advise the Company on evaluating and designing compensation program revisions in light of the changes PDL had undergone, which are described in more detail under the heading "Developments Prior to the Spin-off" in the "Compensation Discussion and Analysis" section of this proxy statement. The engagement of Radford was made after PDL management's consultation with the PDL Compensation Committee with respect to the scope of Radford's engagement and evaluation of whether the advice management sought could be obtained from Towers Perrin. Management and the PDL Compensation Committee agreed that management should engage its own compensation consultant in order to ensure the continued independence of Towers Perrin. However, because the scope of PDL's engagement of Radford includes evaluation of our overall compensation program, which impacts all employees, Radford's advice also pertained to our executive compensation programs. During this time, the PDL Compensation Committee continued to obtain its own independent advice from Towers Perrin with respect to executive compensation-related matters. Because the PDL Compensation Committee was active in the process of evaluating our overall compensation program prior to the Spin-off, the PDL Compensation Committee invited Radford to attend certain of the committee's meetings.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee was at any time during 2008 one of our officers or employees. None of our officers serves as a member of the board of directors or compensation committee of any other entity that has one or more officers serving as a member of our Board or Compensation Committee.

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Compensation of Directors

The cash and equity compensation payable to non-employee directors ("*Outside Directors*") is described below. Members of our Board who are also employees of the Company are not entitled to any compensation with respect to their service as Board members.

Cash Compensation

Each Outside Director, other than the Chairperson of the Board, receives a retainer of \$35,000 per year. If the Chairperson is an Outside Director, the Chairperson receives a retainer of \$50,000 per year in lieu of the \$35,000 retainer payable to other Outside Directors.

Each member of the Audit Committee, other than the Chairperson of the Audit Committee, receives a retainer of \$7,500 per year and the Chairperson of the Audit Committee receives a retainer of \$15,000 per year for his or her service as an Audit Committee member. As to all other committees of the Board, each Outside Director member, other than the Chairperson of these committees, will receive a retainer of \$6,000 per year and each Outside Director Chairperson of the foregoing committees will receive a retainer of \$12,000 per year, for his or her respective service as a member of these committees.

Each Outside Director also receives cash compensation for attendance at meetings of our Board and committees of our Board of \$2,000 for each Board meeting and \$1,000 for each committee meeting. All cash compensation paid to Outside Directors for their service on our Board and its committees and attendance on meetings is paid on a quarterly basis in arrears.

We also reimburse our directors for their travel expenses for Board and committee meetings.

Equity Compensation

Each Outside Director receives (1) an initial grant of 8,333 shares of our restricted stock and an option to purchase 16,667 shares of our common stock effective upon election or appointment to our Board and (2) an annual grant of 5,000 shares of our restricted stock and an option to purchase 10,000 shares of common stock, except that the first annual grant to a new director is prorated if the new director was elected or appointed in between annual stockholder meetings. If the Chairperson of the Board is an Outside Director, the Chairperson of the Board receives (1) an initial grant of 10,000 shares of our restricted stock and an initial option to purchase 20,000 shares of our common stock effective upon election or appointment to our Board and (2) an annual grant of 6,667 shares of our restricted stock and an option to purchase 13,333 shares of our common stock, except that any annual grant is prorated if the chairperson was elected or appointed in between annual stockholder meetings. Such restricted stock grants and options will be made under our 2008 Equity Incentive Plan.

Mr. Goodwin, Mr. Lyons and Dr. Parkinson, our initial Outside Directors, were appointed to the Board of Directors prior to the date we became a publicly traded company. At the time they were appointed to the Board of Directors we did not grant to them the initial equity grants that we customarily make upon appointment. As previously disclosed, we determined to make these initial grants to Mr. Goodwin, Mr. Lyons and Dr. Parkinson approximately 20 trading days after the Spin-off. We made these initial grants on January 23, 2009.

Stock options granted to our Board members customarily vest monthly over 12 months and restricted stock granted to our Board members customarily vests one year after grant, in each case subject to the Board member's continued service to the Company.

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2008 Compensation of Directors

In 2008, our Outside Directors who served during 2008 earned the compensation set forth in the below table with respect to their service on our Board of Directors. Neither Mr. Hasnain nor Mr. Guggenhime received any compensation with respect to their service on our Board of Directors during 2008. Each of our Outside Directors was elected to our Board of Directors in November 2008 and the below compensation is not indicative of what would have been earned or paid had these Outside Directors served for a full year.

Name	Fees Earned or Paid in Cash (\$)	Option Awards(1) (\$)	Total (\$)
Brad Goodwin	\$ 13,334		