

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 31, 2011

XOMA

LTD.  
(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation)

0-14710

(Commission File Number)

52-2154066

(IRS Employer Identification No.)

2910 Seventh Street, Berkeley, California  
(Address of principal executive offices)

94710

(Zip Code)

Registrant's telephone number, including area code

(510) 204-7200

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant 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 14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Effective August 31, 2011, the Board of Directors (the "Board") of XOMA Ltd. (the "Company") accepted the resignation of Steven B. Engle as Chairman of the Board, Chief Executive Officer and President of the Company and as a member of the Board and appointed John Varian, currently a member of the Board, to serve as interim Chief Executive Officer of the Company.

Pursuant to Mr. Engle's Amended and Restated Employment Agreement effective as of December 30, 2008, he will receive as severance: one and one-half times his current base salary and target bonus for the current fiscal year, continuation of benefits for up to eighteen (18) months, a pro-rated portion of his current target bonus, and outplacement services for twelve (12) months not to exceed \$15,000 in value. To assist in implementing an orderly transition of management responsibilities, Mr. Engle and the Company have also entered into a Consulting Agreement through December of 2014. Under this agreement, the Company will pay Mr. Engle \$15,300 per month for the first six months and thereafter as may be agreed between Mr. Engle and the Company. Pursuant to his existing option agreements and the Company's share option plans, Mr. Engle's outstanding options will remain exercisable and continue to become exercisable, in accordance with their existing terms, during the term of this consulting arrangement. A copy of the Consulting Agreement with Mr. Engle is attached hereto as Exhibit 10.1 and incorporated herein by reference. Mr. Engle has also agreed to release the Company from any and all claims he has or may have against the Company arising out of his employment with the Company, including the separation of his employment.

Effective August 31, 2011, the Company entered into an Employment Agreement with Mr. Varian, which provides for Mr. Varian's employment as interim Chief Executive Officer at a salary of \$400,000 per year (in addition to his standard cash compensation as a director). Under his Employment Agreement, Mr. Varian is entitled to participate in any benefit plan for which key executives of the Company are eligible, excluding the Company's CEO Incentive Compensation Plan and Management Incentive Compensation Plan. Upon termination of his employment for any reason other than for cause or upon his resignation for good reason, Mr. Varian will be entitled to his then current salary for, if such termination or resignation occurs prior to December 31, 2011, a period of two (2) months or, if such termination or resignation occurs thereafter, a period of three (3) months. Mr. Varian will not receive any option grants in connection with entering into his Employment Agreement. A copy of the Employment Agreement with Mr. Varian is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Mr. Varian has been a director of the Company since December of 2008. He served as Chief Operating Officer of Aryx Therapeutics from December of 2003 to August of 2011 and as its Chief Financial Officer from April of 2006 to March of 2011. Prior to joining Aryx Therapeutics, Mr. Varian was the CFO of Genset S.A., where he was a key member of the team negotiating the company's sale to Serono S.A. in 2002. Mr. Varian served on the Board of Nventa Biopharmaceuticals Corporation until the company merged with Akela Pharma Inc. in March of 2009. From October of 1998 to April of 2000, Mr. Varian served as Senior Vice President, Finance and Administration of Elan Pharmaceuticals, Inc., joining the company as part of its acquisition of Neurex Corporation. Prior to the acquisition, he served as Neurex Corporation's CFO from June of 1997 until October of 1998. From 1991 until 1997, Mr. Varian served as the VP Finance and CFO of Anergen Inc. Mr. Varian was an Audit Principal/Senior Manager at Ernst & Young from 1987 until 1991 where he focused on life sciences. He is a founding member of the Bay Area Bioscience Center and a former chairman of the Association of Bioscience Financial Officers International Conference. Mr. Varian received a B.B.A. degree from Western Michigan University.

In order to maintain compliance with the rules and regulations of The NASDAQ Stock Market and the Securities and Exchange Commission regarding the composition of audit committees, Mr. Varian has resigned as chairman and a member of the Audit Committee of the Board, and the Board has appointed Jack L. Wyszomierski, currently a member of the Audit Committee, as chairman of that committee and William K. Bowes, Jr., currently a member of the Board, as a member thereof.

**Item 8.01 Other Events.**

Effective August 31, 2011, following the resignation of Steven B. Engle as Chairman of the Board, Chief Executive Officer and President, the Board appointed W. Denman Van Ness, currently a member of the Board and its Lead Independent Director, to serve as Chairman of the Board. Mr. Van Ness has been a director of the Company since October of 1981 and was appointed Lead Independent Director in January of 2008.

Mr. Van Ness has agreed that he will not receive any compensation for serving as Chairman of the Board in addition to that which he receives as Lead Independent Director and a member of the Board and certain of its committees, although the Board may in its discretion agree to a different compensation arrangement with Mr. Van Ness in the future.

A copy of the press release announcing Mr. Engle's resignation and the appointments of Mr. Varian as interim Chief Executive Officer and Mr. Van Ness as Chairman of the Board is attached hereto as Exhibit 99.1 and incorporated herein by reference.

**Item 9.01. Exhibits.**

- 10.1. Consulting Agreement effective as of August 31, 2011 between XOMA (US) LLC and Steven B. Engle.
- 10.2. Employment Agreement effective as of August 31, 2011 between XOMA (US) LLC and John Varian.
- 99.1. Press Release dated August 31, 2011.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 1, 2011

XOMA LTD.

By: /s/ Christopher J. Margolin  
Christopher J. Margolin  
Vice President, General  
Counsel and Secretary

**EXHIBIT INDEX**

<u>Number</u>	<u>Description</u>
10.1.	Consulting Agreement effective as of August 31, 2011 between XOMA (US) LLC and Steven B. Engle.
10.2.	Employment Agreement effective as of August 31, 2011 between XOMA (US) LLC and John Varian.
99.1.	Press Release dated August 31, 2011.

**CONSULTING AGREEMENT**

THIS CONSULTING AGREEMENT ("Agreement"), effective as of August 31, 2011 (the "Effective Date"), is between XOMA (US) LLC (hereinafter referred to as "XOMA"), a Delaware limited liability company having an address of 2910 Seventh Street, Berkeley, California 94710, and Steven B. Engle (hereinafter referred to as "Mr. Engle"), an individual having an address of 1100 Arbor Road, Menlo Park, California 94025, both of whom may be jointly referred to sometimes hereinafter as the "Parties." In consideration of the mutual promises, covenants, and conditions contained herein, the Parties hereby agree as follows:

1. **Consulting Services:** Mr. Engle agrees to perform the consulting services described in Exhibit A to this Agreement ("Services"). Mr. Engle warrants that he has the skills, ability and training necessary to and that he shall render the Services in a timely and professional manner consistent with industry standards in accordance with the terms of this Agreement including Exhibit A, and otherwise meeting the professional and/or services standards of XOMA. Subject to the foregoing, the manner and means by which Mr. Engle chooses to complete the Services are in Mr. Engle's sole discretion and control.
2. **Compensation:** In consideration of the Services to be rendered hereunder, XOMA agrees to pay Mr. Engle the compensation set forth in Exhibit A to this Agreement.
3. **Expenses:** XOMA will reimburse Mr. Engle for all reasonable travel, lodging and other expenses documented to the reasonable satisfaction of XOMA, including without limitation those relating to currently scheduled trips to a meeting of the Biotechnology Industry Organization in Washington, DC in September of 2011 and The Biotech Meeting in Laguna Beach, California in October of 2011.
4. **Other Services and Conflicts of Interest:** During the term of this Agreement, Mr. Engle may perform services for, or be employed by other persons, companies, or employers, so long as doing so does not create a conflict of interest or otherwise cause Mr. Engle to breach his obligations under this Agreement.
5. **Term:** The term of this Agreement will begin on the Effective Date hereof and continue until the earlier of December 31, 2014, or termination by either Party in accordance with this Section 5.

(a) Either XOMA or Mr. Engle may terminate this Agreement immediately upon a material breach by the other Party by giving written notice to the breaching Party.

(b) This Agreement shall terminate automatically upon the death of Mr. Engle.

6. **Confidential Information:**

(a) Mr. Engle acknowledges that his association with XOMA under this Agreement creates a relationship of confidence and trust between Mr. Engle and XOMA with respect to information disclosed to Mr. Engle or known to Mr. Engle as a result of his relationship with XOMA, not generally known to the trade or industry in which XOMA is engaged, about XOMA's products, processes, programs, methods, formulas, techniques, concepts, applications, calculations and services, including research, development, manufacturing, purchasing, finance, engineering, marketing, merchandising, and selling; and corresponding information about the products, processes, programs, methods, formulas, techniques, concepts, applications, calculations and services of XOMA's affiliates acquired by Mr. Engle or developed or made known to XOMA by Mr. Engle in the scope of Mr. Engle's relationship with XOMA (hereinafter referred to as "Confidential Information").

(b) At all times during the term of this Agreement and thereafter, Mr. Engle will not disclose, use, disseminate, lecture upon or publish Confidential Information unless Mr. Engle first secures XOMA's written consent.

(c) Mr. Engle will not disclose to XOMA or induce XOMA to use any secret or confidential information or material which Mr. Engle has reason to believe is owned by others.

( d) Upon termination of this Agreement, Mr. Engle will turn over to a designated individual employed by XOMA all property then in Mr. Engle's possession or custody and belonging to XOMA, except as approved by XOMA. Mr. Engle will not retain any copies or reproductions of correspondence, memoranda, reports, specifications, computations, notebooks, drawings, photographs or other documents relating in any way to the Services performed hereunder which are entrusted to Mr. Engle at any time during the term of this Agreement.

7. Representations and Warranties: Mr. Engle represents and warrants that performance of this Agreement will not breach any agreement or other contractual commitment or obligation by which Mr. Engle is bound.

8. Employment Taxes, Payments and Records: Mr. Engle agrees (a) to pay and/or withhold any and all fees, charges, payments and taxes required to be paid or withheld pursuant to any and all applicable federal, state and local laws, statutes, rules and regulations (collectively, the "Laws"), including, without limitation, any and all federal and state income tax, social security, unemployment and disability insurance laws, statutes, rules and regulations, in connection with this Agreement; and (b) to maintain any and all records and documents required by the Laws in connection with this Agreement and to file such records and documents as required by the Laws.

9. Independent Contractor Status: In performing the Services, Mr. Engle will be deemed to be for all purposes an independent contractor (and not an employee or agent of XOMA) under any and all laws, whether existing or future, including without limitation Social Security laws, unemployment insurance laws, and withholding and other employment taxation laws. Mr. Engle will not be entitled to participate in any employee benefits accruing to employees of XOMA (except as expressly provided in the Employment Agreement (as defined below)). Mr. Engle will not be authorized to make any representation, contract or commitment on behalf of XOMA unless Mr. Engle is specifically requested or authorized to do so in writing by an authorized representative of XOMA.

10. Performance of Services: In performing the Services, Mr. Engle agrees to provide his own equipment, tools and other materials at his own expense. Notwithstanding the preceding sentence, XOMA shall make its facilities and equipment available to Mr. Engle as reasonably necessary in connection with the Services. For any work performed on XOMA's premises, Mr. Engle shall comply with all security, confidentiality, safety and health policies of XOMA. Mr. Engle shall take all necessary precautions to prevent, and shall be responsible for, any injury to any persons (including, without limitation, employees of XOMA) or damage to property (including, without limitation, XOMA's property) arising from or relating to Mr. Engle's performance of the Services or the use by Mr. Engle of any XOMA equipment, tools, facility or other property, whether or not such claim is based upon its condition or on the alleged negligence of XOMA in permitting its use.

11. Injunctive Relief: XOMA and Mr. Engle reaffirm, recognize and agree that the Services to be performed by Mr. Engle hereunder are of a special, unique, extraordinary and intellectual character; that those Services are of particular value to XOMA and that the breach of any or all obligations undertaken by Mr. Engle hereunder, including, without limiting the generality of the foregoing, Mr. Engle's obligation of non-competition, could not be reasonably or adequately compensated by damages in an action at law, and that an appropriate remedy for XOMA for any such breach or threat to commit a breach will be, without limitation, an injunction restraining Mr. Engle from committing such breach and granting specific performance hereunder.

12. Legal Fees: If any action or proceeding in arbitration or law is commenced to enforce any of the provisions or rights under this Agreement, the unsuccessful party to such action or proceeding, as determined by arbitration or by the court in a final judgment or decree, will pay the successful party all costs, expenses, and reasonable attorney's fees incurred therein by such party (including, without limitation, such costs, expenses and fees on any appeal), and if such successful party will recover judgment in any such action or proceedings, such costs, expenses and attorneys' fees will be included as part of such judgment.

13. Amendments to Employment Agreement: Section 6(b) of the Amended and Restated Employment Agreement effective as of December 30, 2008 between XOMA and Mr. Engle ("Employment Agreement") is hereby amended to provide that the payment referred to in clause (i)(B)(2) thereof shall be made within two (2) business days of the Effective Date, and Section 7(a) of the Employment Agreement is hereby amended by deleting the last sentence thereof in its entirety. The remaining provisions of the Employment Agreement that survive the termination of Mr. Engle's employment with XOMA shall remain in full force and effect.

14. Severability: If any provision of this Agreement is held to be inoperative, unenforceable or otherwise invalid, the remaining provisions hereof will be carried into effect without regard to such inoperative, unenforceable or otherwise invalid provision.

15. Governing Law: This Agreement will be construed in accordance with, and governed by, the laws of the State of California.



16. Assignment: Since this Agreement requires the performance of personal services by Mr. Engle, Mr. Engle may not assign any right or delegate any duty described in this Agreement without XOMA's prior written approval.

17. Entire Agreement: This instrument constitutes the entire Agreement between the Parties hereto and supersedes any and all prior agreements concerning the engagement of Mr. Engle by XOMA as a consultant, whether written or oral. This Agreement will not be amended, altered or changed except by written agreement signed by both Parties hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

XOMA (US) LLC

Steven B. Engle

\_\_\_\_\_  
Christopher J. Margolin  
Vice President, General Counsel and Secretary

\_\_\_\_\_  
Steven B. Engle

**EXHIBIT A**

**Statement of Work**

**I. DESCRIPTION OF THE SERVICES TO BE PERFORMED:**

Mr. Engle will provide consulting services to XOMA in order to assist in implementing an orderly transition of management responsibilities and otherwise as mutually agreed to. The timing of such services and the amount of time required will be mutually agreed upon.

**II. COMPENSATION:**

XOMA will pay Mr. Engle for consulting services rendered by him during the term of this Agreement:

- (a) for each of the first six months following the Effective Date, a retainer of Fifteen Thousand Three Hundred Dollars (\$15,300) per month, and
- (b) thereafter as may be agreed between Mr. Engle and XOMA.

**XOMA (US) LLC  
EMPLOYMENT AGREEMENT**

**NAME: John Varian**

**TITLE: Interim Chief Executive Officer**

**THIS EMPLOYMENT AGREEMENT (“Agreement”)** is made as of the 31st day of August, 2011, by and between XOMA (US) LLC (the “Company”) and the person executing this Agreement as employee (“Employee”).

**1. Employment.** On the terms and conditions set forth herein, Company hereby employs Employee, and Employee hereby accepts such employment. While employed hereunder, Employee shall devote all of the Employee’s best efforts and attention to the business and affairs of the Company.

**2. Position.** Employee is employed by the Company to render services to the Company in the position of Interim Chief Executive Officer. Employee shall perform such duties and responsibilities as are normally related to such position in accordance with the standards of the industry and any additional duties now or hereafter assigned to Employee by the Company. Employee shall abide by the rules, regulations, and practices as adopted or modified from time to time in the Company’s sole discretion.

**3. Compensation.** In consideration of the service to be rendered under this Agreement, the Company shall pay Employee a salary at the rate of \$400,000 per year (“Base Salary”). The Base Salary will be paid to Employee in equal, semi-monthly installments on the fifteenth and the last day of the month in accordance with the Company’s regularly established payroll practice.

**4. Benefits.** Employee shall be eligible to participate in the benefits made generally available by the Company to similarly-situated employees, in accordance with the benefits plans established by the Company, as may be amended from time to time in the Company’s sole discretion, excluding the Company’s CEO Incentive Compensation Plan and Management Incentive Compensation Plan.

**5. Expenses.** The Company shall reimburse Employee for reasonable business expenses incurred in the performance of Employee’s duties hereunder in accordance with the Company’s expense reimbursement guidelines.

**6. At-Will Employment.** The employment relationship between the Company and the Employee shall be “at-will” at all times. Either the Company or the Employee may terminate Employee’s employment with the Company at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising under any statements, policies, or practices of the Company relating to the employment, discipline or termination of its employees. Upon and after such termination, all obligations of the Company under this Agreement shall cease, except as provided in Paragraphs 7 and 10.

**7. Severance Payments.** Upon termination of Employee’s employment for any reason other than for Cause (as defined below) or upon Employee’s resignation for Good Reason (as defined below), Employee will be entitled to his then current salary pursuant to this Agreement for, if such termination or resignation occurs prior to December 31, 2011, a period of two (2) months or, if such termination or resignation occurs thereafter, a period of three (3) months, in each case following such termination or resignation. “Cause” shall mean:

- (i) willful material fraud or material dishonesty in connection with Employee’s performance hereunder;
- (ii) failure by Employee to substantially perform the material duties of his job as Interim Chief Executive Officer;
- (iii) material breach of this Agreement or the Company’s policies set forth on the Company’s Intranet Portal under “Policy Manual”;
- (iv) misappropriation of a material business opportunity of the Company;
- (v) misappropriation of any Company funds or property; or
- (vi) conviction of, or the entering of, a plea of guilty, or no contest, with respect to a felony or the equivalent thereof.

“Good Reason” shall mean, unless remedied by the Company within sixty (60) days after the receipt of written notice from the Employee as provided below or consented to in writing by the Employee, (i) the material diminution of any material duties or responsibilities of the Employee; or (ii) a material reduction in the Employee’s base salary; provided, however, that the Employee must have given written notice to the Company of the existence of any such condition within ninety (90) days after the initial existence thereof (and the failure to provide such timely notice will constitute a waiver of the Employee’s ability to terminate employment for Good Reason as a result of such condition), and the Company will have a period of sixty (60) days from receipt of such written notice during which it may remedy the condition; provided further, however, that any termination of employment by the Employee for Good Reason must occur not later than one hundred eighty (180) days following the initial existence of the condition giving rise to such Good Reason in order to qualify for the severance pay set forth in this Paragraph 7.

8. **Proprietary Rights.** Employee agrees to sign and be bound by the terms of the Proprietary Information Agreement, which is attached hereto as Exhibit A.

9. **Agreement Not to Compete.** Notwithstanding any provisions of the Proprietary Information Agreement referred to in Paragraph 8 hereof, while employed hereunder by the Company, Employee will not (i) directly or indirectly, engage in any other occupation, employment, consultation, or other activity in competition with the business, developments, products, work, or activities of the Company; or (ii) engage, directly or indirectly, in any other business activity (whether or not for pecuniary advantage) that might interfere with Employee's duties and responsibilities hereunder or create a conflict of interest with the Company.

10. **Arbitration.** All claims or controversies between Employee and the Company relating in any manner whatsoever to Employee's employment with the Company or the termination of that employment shall be resolved by arbitration before one arbitrator in accordance with the then applicable JAMS Employment Arbitration Rules and Procedures, which can be found at [www.jamsadr.com](http://www.jamsadr.com). Claims subject to arbitration shall include contract claims, tort claims, claims relating to compensation and stock options, as well as claims based on any federal, state, or local law, statute, or regulation, including but not limited to any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act ("Arbitrable Claims"). However, claims for unemployment insurance, claims under applicable workers' compensation laws, and claims under the National Labor Relations Act shall not be subject to arbitration. The Arbitrator shall apply the same substantive law, with the same statutes of limitations and same remedies, that would apply if the claims were brought in a court of law. The arbitrator shall have the authority to consider and decide pre-hearing motions, including dispositive motions.

Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit in any way related to any Arbitrable Claim, including without limitation any claim as to the making, existence, validity, or enforceability of the agreement to arbitrate. All arbitration hearings under this Agreement shall be conducted in or near Berkeley, California. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims, except that either party may, at its option, seek injunctive relief under Cal. Code Civ. Proc. § 1281.8 in a court of competent jurisdiction for any claim or controversy arising out of or related to the unauthorized use, disclosure, or misappropriation of the confidential and/or proprietary information of either party.

Each party shall pay for its own costs and attorney's fees, if any. However, if any party prevails on a statutory claim which affords the prevailing party attorney's fees, then the arbitrator may award reasonable attorney's fees and costs to the prevailing party as provided by law. The costs and fees of the arbitrator shall be paid by the Company.

THE PARTIES UNDERSTAND AND AGREE THAT THIS AGREEMENT TO ARBITRATE CONSTITUTES A WAIVER OF THEIR RIGHT TO A TRIAL BY JURY OF ANY CLAIMS OR CONTROVERSIES SUBJECT TO ARBITRATION UNDER THIS AGREEMENT.

**11. Severability.** In any provision of this Agreement shall be held by a court or arbitrators to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of the Agreement shall remain in full force and effect. In the event that the time period or scope of any provision is declared by a court or arbitrators of competent jurisdiction to exceed the maximum time period or scope that such court or arbitrators deem enforceable, then such court or arbitrators shall reduce the time period or scope to the maximum time period or scope permitted by law.

**12. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**13. Successors and Assigns.** Except as otherwise expressly provided in this Agreement, the provisions hereof shall inure to the benefit of the successors and assigns of the Company. Employee agrees that Employee shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. The Company may transfer its rights hereunder to any other person or entity.

**14. Amendments; Waivers.** This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Employee and by a duly authorized representative of the Company other than Employee. By an instrument in writing similarly executed, either party may waive compliance by the other party with any provision of this Agreement that such other party was or is obligated to comply with or perform, provided, however, that such a waiver shall not operate as a waiver of, or estoppel with respect to, any other subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall operate as a waiver thereof, no shall any single or partial exercise of any right, remedy, or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, or power provided herein or by law or in equity.

**15. Entire Agreement.** The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to terms of Employee's employment by the Company and may not be contradicted by evidence of any prior or contemporaneous statements or agreements, except for agreements specifically referenced herein (including the Proprietary Information Agreement attached as Exhibit A, and the Company's Share Option Plans and Agreements).

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

XOMA (US) LLC.

By: \_\_\_\_\_  
Charles C. Wells  
Vice President,  
Human Resources  
and Information Technology

John Varian \_\_\_\_\_  
Interim Chief Executive Officer



**XOMA Announces Management Changes**

Berkeley, CA, August 31 – XOMA Ltd. (Nasdaq: XOMA) announced today Steve Engle has chosen to resign from his positions as Chief Executive Officer, President and Chairman of the Board, effective August 31, 2011. As a result, the Board has appointed John Varian, a current Board member, as interim Chief Executive Officer and W. Denman Van Ness, XOMA's Lead Independent Director, as Chairman of the Board. The Board is initiating a search for a permanent Chief Executive Officer.

"During his four years at XOMA, Steve has led the team in the transformation of the Company into a more product-focused organization. His efforts resulted in the Servier collaboration for development and commercialization of XOMA 052 and enhancements to the research and biodefense programs, and he has built a strong management team aligned towards XOMA's long-term vision of becoming a commercial organization. On behalf of the Board, we wish to thank Steve for his dedicated service and are happy that he will remain available as a consultant in the coming months," commented Mr. Van Ness. "We also appreciate John stepping into the role of interim Chief Executive Officer as we seek a new CEO to lead XOMA going forward."

"It has been an honor to work with the many talented and dedicated people at XOMA. Together, we have made important progress in our goal to develop new drugs that have the potential to give patients better options to treat their diseases," said Mr. Engle. "I am looking forward to applying my expertise building life science companies in the future."

"Given our talented, capable management team, XOMA is well-positioned today to advance its product development programs led by XOMA 052, and we are prepared to maintain positive momentum in all of our core areas during this transition," Mr. Varian said. "Key pieces are in place that allow us to achieve our goal of discovering, developing and commercializing our own products in specialized US markets, and we are presented with an opportunity to take a fresh look at our business, potentially finding additional ways to build value in the Company and for our shareholders. As we continue to execute on our programs, we will seek a permanent CEO who is ready to take XOMA to the next level."

Mr. Varian has served as a XOMA director since December 2008. He was Chief Operating Officer of Aryx Therapeutics from December 2003 through August 2011 and was its Chief Financial Officer from April 2006 through March 2011. Previously, Mr. Varian was Chief Financial Officer of Genset S.A., where he was a key member of the team negotiating the company's sale to Serono S.A. in 2002. From October 1998 to April 2000, Mr. Varian served as Senior Vice President, Finance and Administration of Elan Pharmaceuticals, Inc., joining the company as part of its acquisition of Neurex Corporation. Prior to the acquisition, he served as Neurex Corporation's Chief Financial Officer from June 1997 until October 1998. From 1991 until 1997, Mr. Varian served as the VP Finance and CFO of Anergic Inc. Mr. Varian was an Audit Principal / Senior Manager at Ernst & Young from 1987 until 1991 where he focused on life sciences. He is a founding member of the Bay Area Bioscience Center and a former chairman of the Association of Bioscience Financial Officers International Conference. Mr. Varian received a B.B.A. degree from Western Michigan University.

## About XOMA

XOMA is a leader in the discovery and development of novel antibody therapeutics. The Company's proprietary product pipeline includes:

- XOMA 052, a potentially best-in-class antibody that binds to the inflammatory cytokine interleukin-1 beta, or IL-1 beta. Les Laboratoires Servier is XOMA's development and commercialization partner for XOMA 052. XOMA and Servier plan to enter XOMA 052 into Phase 3 clinical development for Behcet's uveitis, an orphan indication, and Phase 2 development for cardiovascular disease.
- XOMA 3AB, a novel combination of three antibodies in one product under development to prevent and treat botulism poisoning caused by exposure to botulinum neurotoxin Type A, among the most deadly bioterror threats. XOMA 3AB is in a Phase 1 clinical trial sponsored by the National Institute of Allergy and Infectious Diseases (NIAID) of the National Institutes of Health (NIH). XOMA receives funding for development of XOMA 3AB under NIAID Contract # HHSN266200600008C.
- A preclinical pipeline with candidates in development for autoimmune, cardio-metabolic, inflammatory and oncologic diseases.

XOMA has a premier antibody discovery and development platform that incorporates an unmatched collection of antibody phage display libraries and proprietary optimization and expression and manufacturing technologies that it uses for its own pipeline and in collaborations with pharmaceutical and biotechnology companies. XOMA technologies have contributed to the success of marketed antibody products including LUCENTIS® for wet age-related macular degeneration and CIMZIA® for rheumatoid arthritis and Crohn's disease. XOMA's fully integrated product development infrastructure extends from preclinical science to approval and is located in Berkeley, California. For more information, please visit [www.xoma.com](http://www.xoma.com).

The XOMA Ltd. logo is available at [www.globenewswire.com/newsroom/prs/?pkgid=5960](http://www.globenewswire.com/newsroom/prs/?pkgid=5960)

## Forward-Looking Statements

Certain statements contained herein concerning product development or that otherwise relate to future periods are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on assumptions that may not prove accurate. Actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for companies engaged in the development of new products in a regulated market.

These risks, including those related to the generally unstable nature of current economic and financial market conditions; the results of discovery and pre-clinical testing; the timing or results of pending and future clinical trials (including the design and progress of clinical trials; safety and efficacy of the products being tested; action, inaction or delay by the FDA, European or other regulators or their advisory bodies; and analysis or interpretation by, or submission to, these entities or others of scientific data); changes in the status of existing

collaborative or licensing relationships; the ability of collaborators, licensees and other third parties to meet their obligations and their discretion in decision-making; XOMA's ability to meet the demands of the United States government agency with which it has entered into its government contracts; competition; market demand for products; scale-up, manufacturing and marketing capabilities; availability of additional licensing or collaboration opportunities; international operations; share price volatility; XOMA's financing needs and opportunities; uncertainties regarding the status of biotechnology patents; uncertainties as to the costs of protecting intellectual property; and risks associated with XOMA's status as a Bermuda company, are described in more detail in XOMA's most recent filing on Form 10-K and in other SEC filings. Consider such risks carefully when considering XOMA's prospects.

CONTACT: XOMA Ltd.

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