

**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): July 10, 2012

XOMA CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(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 (see General Instruction A.2 below):

- 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; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective August 31, 2012, the Board of Directors (the “Board”) of XOMA Corporation (the “Company”) has accepted the retirement of Christopher J. Margolin as Vice President, General Counsel and Secretary of the Company. Mr. Margolin’s retirement comes as a result of the Company’s determination to restructure its legal services function and outsource much of that function to outside legal counsel, in lieu of an internal general counsel. Going forward, the Company’s legal function will be managed by its Chief Financial Officer, with the assistance of outside legal counsel.

Pursuant to Mr. Margolin’s Amended and Restated Employment Agreement effective as of December 30, 2008, as amended by a letter agreement dated July 10, 2012, he will receive as severance: three-quarters of his current base salary and target bonus for the current fiscal year, continuation of benefits for up to nine (9) months, and outplacement services for six (6) months not to exceed \$8,000 in value. Mr. Margolin has 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.

Item 9.01 Exhibits

10.1 Christopher Margolin Letter Agreement, dated July 10, 2012

SIGNATURE

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.

Dated: July 13, 2012

XOMA CORPORATION

By: /s/ Fred Kurland
Fred Kurland
Vice President, Finance and Chief Financial Officer

EXHIBIT INDEX

Number	Description
10.1	Christopher Margolin Letter Agreement, dated July 10, 2012



July 10, 2012

Mr. Christopher J. Margolin
210 Willowbrook Dr
Portola Valley, Ca. 94028

Dear Chris:

As we have discussed, you have submitted and we have accepted your election to retire from XOMA (US) LLC (the "Company"), with your last effective day of employment on August 31, 2012.

If you indeed retire and terminate your employment effective August 31, 2012, by executing this letter agreement, the Company agrees to treat such termination of employment as one that will entitle you to severance benefits under Section 6(b) of the Amended and Restated Employment Agreement between you and the Company, effective as of December 30, 2008 (the "Employment Agreement").

As a result, you will receive the severance benefits payable under Section 6(b) of the Employment Agreement, except that you agree that you will not be entitled to the pro-rated portion of your annual target bonus referred to in Section 6(b)(i)(B)(2) of the Employment Agreement. Payment of the severance benefits described in the preceding sentence is subject to the restrictions and limitations contained in the Employment Agreement, including the requirement to execute and not revoke the release of claims within the time limits set forth in the Employment Agreement and Exhibit A to the Employment Agreement.

If by July 13, 2012 you do not sign this letter agreement confirming your retirement effective as of August 31, 2012, the Company will terminate your employment with the Company effective July 13, 2012, and you will be eligible for the severance benefits payable under Section 6(b) of the Employment Agreement, including the pro-rated portion of your annual target bonus referred to in Section 6(b)(i)(B)(2) of the Employment Agreement, again subject to the restrictions and limitations contained therein, including executing and not revoking the release of claims as described above.

We are informed that payment of your severance benefits under Section 6(b) of the Employment Agreement on either termination date (July 13th or August 31st) must be delayed for a period of six (6) months following your termination of employment in order to comply with Section 409A of the Internal Revenue Code.

XOMA (US) LLC

xoma.com

2910 Seventh Street Berkeley, CA 94710 510-204-7200 510-644-0471

This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California.

If this Agreement is acceptable to you, please sign below no later than July 13, 2012 and return the original to me.

I wish you good luck in your future endeavors.

Sincerely,

XOMA (US) LLC

By: /s/ Charles C. Wells
Charles C. Wells
Vice President, Human Resources and Information Technology

Agreed:

By: /s/ Christopher J. Margolin
Christopher J. Margolin

Date: 7/11/12

XOMA (US) LLC

 xoma.com

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