
**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): December 19, 2016

XOMA CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware
(State of
incorporation)**

**001-14710
(Commission
File No.)**

**52-2154066
(IRS Employer
Identification No.)**

**XOMA Corporation
2910 Seventh Street
Berkeley, CA 94710
(Address of principal executive offices and zip code)**

Registrant's telephone number, including area code: (510) 204-7200

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 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry Into a Material Definitive Agreement

On December 21, 2016, XOMA Corporation (“XOMA”) and its wholly owned subsidiary XOMA (US) LLC (“Seller”) entered into two Royalty Interest Acquisition Agreements (together, the “Acquisition Agreements”) with HealthCare Royalty Partners II, L.P. (“HCRP”).

Under the first Acquisition Agreement, Seller sold its right to receive royalties on future sales of products subject to a License Agreement, dated August 18, 2005, between Seller and Wyeth Pharmaceuticals (now Pfizer, Inc.) (the “Pfizer License Agreement”) for a payment of \$6,500,000 upfront, plus the potential for additional payments totaling \$4,000,000 in the event of the achievement of three specified net sales milestones in 2017, 2018 and 2019.

Under the second Acquisition Agreement, Seller sold all rights to milestone payments and royalties under an Amended and Restated License Agreement dated October 27, 2006 between Seller and Dyax Corp. (the “Dyax License Agreement” and, together with the Pfizer License Agreement, the “License Agreements”) for a payment of \$11,500,000.

The Acquisition Agreements contain standard representations and warranties of XOMA and Seller, including with respect to organization, authorization, intellectual property matters and tax matters, and certain negative covenants with respect to the License Agreements, as well as indemnification by XOMA and Seller of HCRP against certain losses.

On December 21, 2016, Seller also entered into two Protective Rights Agreement (together, the “PRAs”) with HCRP. Under each PRA, Seller granted to HCRP, among other things, a security interest in all of its right, title and interest in, to and under the Seller’s rights to receive payments under the License Agreements and certain related rights and proceeds thereof. The security interests are limited to the rights to receive payments under the License Agreements.

The above description of the Acquisition Agreements is a summary of their material terms, does not purport to be complete and is qualified in its entirety by reference to the Acquisition Agreements which will be filed as exhibits to XOMA’s Annual Report on Form 10-K for the year ending December 31, 2016.

Additionally, on December 21, 2016, the XOMA entities entered into Amendment No. 1 (the “Amendment”) to the Loan and Security Agreement, dated February 27, 2015, by and among XOMA, XOMA (US) LLC, XOMA Commercial LLC and Hercules Technology Growth Capital, Inc. (“Hercules”). Under the Amendment, Hercules agreed to release its security interest on the assets subject to the Acquisition Agreements. In exchange, the XOMA entities will, in January 2017, repay \$10,000,000 of the current outstanding principal balance owed to Hercules.

The above description of the Amendment is a summary of its material terms, does not purport to be complete and is qualified in its entirety by reference to the Amendment which will be filed as an exhibit to XOMA’s Annual Report on Form 10-K for the year ending December 31, 2016.

Item 2.01 Completion of Acquisition or Disposition of Assets

The information set forth in Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 2.05 Costs Associated with Exit or Disposal Activities

On December 19, 2016, the Board of Directors of XOMA approved a restructuring of XOMA’s business. The restructuring includes a reduction-in-force in which XOMA will reduce its headcount by 57 positions. The restructuring is based on XOMA’s decision to focus its research and development efforts on clinical development, with an initial focus on the XOMA 358 clinical programs.

In connection with the foregoing changes to the Company's business, the Company anticipates it will incur aggregate restructuring charges of approximately \$5.8 million. The aggregate projected restructuring charges consist of approximately \$5.2 million in cash payments related to one-time termination benefits, including severance, benefit continuation costs and outplacement services associated with the elimination of 57 positions and approximately \$0.6 million in non-cash stock compensation expense. These charges are expected to be recognized in the fourth quarter of 2016. The Company may incur other charges and will record these expenses in the appropriate period as they are determined.

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

Retirement of Chief Executive Officer

On December 21, 2016, John Varian, XOMA's Chief Executive Officer and principal executive officer, retired, effective immediately.

Under Mr. Varian's Officer Employment Agreement dated January 4, 2012 and previously filed with the Securities and Exchange Commission as Exhibit 10.10G to XOMA's Annual Report on Form 10-K for the period ended December 31, 2011, as a result of Mr. Varian's retirement, he is entitled to (i) a severance payment equal to his current annual base salary, (ii) a severance payment equal to the pro-rated portion of his current annual target bonus, (iii) payment for benefits coverage for 12 months and (iv) outplacement services for 12 months not to exceed \$15,000 in value. Under his Officer Employment Agreement, all payments and benefits to Mr. Varian are subject to his compliance with confidentiality and non-competition provisions.

Mr. Varian is also entitled to certain benefits under the terms of a Retention Benefit Agreement dated March 11, 2014, previously filed with the Securities and Exchange Commission as Exhibit 10.28 to XOMA's Annual Report on Form 10-K for the period ended December 31, 2013. Upon his retirement, under the Retention Benefit Agreement, each of the options and restricted stock units held by Mr. Varian will become fully vested as of his retirement date and each option will remain vested and exercisable for the full term of such option until the expiration date set forth in the applicable stock option agreement, but in no event later than ten years following the grant date of the option.

Mr. Varian will continue to serve as a member of XOMA's Board of Directors.

Appointment of New Chief Executive Officer

Effective December 21, 2016, XOMA's Board of Directors appointed James Neal, currently XOMA's Senior Vice President and Chief Operating Officer, as XOMA's Chief Executive Officer and a member of the Board of Directors. As Chief Executive Officer, Mr. Neal will serve as XOMA's principal executive officer. In connection with Mr. Neal's promotion to Chief Executive Officer, the Board of Directors approved a new equity compensation grant for Mr. Neal, under which he will be granted options to purchase 100,000 shares of XOMA common stock under the terms of XOMA's Amended and Restated 2010 Long Term Incentive and Stock Award Plan.

Mr. Neal, 60, joined XOMA in 2009 as its Vice President, Business Development and was promoted to his current position in 2015. Prior to joining XOMA, Mr. Neal was Acting Chief Executive Officer of Entelos, Inc., a leading biosimulation company. Previously in 2007, Entelos acquired Iconix Biosciences, a privately held company where Mr. Neal served as Chief Executive Officer and established multi-year collaborations with Bristol-Myers Squibb, Abbott Labs, Eli Lilly and the U.S. Food and Drug Administration. Mr. Neal earned his B.S. in Biology and his M.S. in Genetics and Plant Breeding from the University of Manitoba, Canada, and holds an Executive MBA degree from Washington University in St. Louis, Missouri.

Departure of Vice President, Human Resources and Information Technology

On December 21, 2016, Chris Wells' employment with XOMA as Vice President, Human Resources and Information Technology was terminated, effective as of June 30, 2017.

Under Mr. Wells' Officer Employment Agreement dated December 16, 2011 he is entitled to (i) a severance payment equal to 0.75 of his current base salary, (ii) a severance payment equal to the pro-rated portion of his current annual target bonus (iii) payment for benefits coverage for 9 months and (iv) outplacement services for 12 months not to exceed \$8,000 in value. Under his Officer Employment Agreement, all payments and benefits to Mr. Wells are subject to his compliance with confidentiality and non-competition provisions.

Departure of Executive Vice President and Chief Scientific Officer

On December 21, 2016, Patrick J. Scannon's employment with XOMA as Vice President and Chief Scientific Officer was terminated.

Under Dr. Scannon's Officer Employment Agreement dated March 11, 2014, he is entitled to: (i) a severance payment equal to 0.75 of his current base salary, (ii) a severance payment equal to the pro-rated portion of his current annual target bonus (iii) payment for benefits coverage for 9 months and (iv) outplacement services for 12 months not to exceed \$8,000 in value. Under his Officer Employment Agreement, all payments and benefits to Dr. Scannon are subject to his compliance with confidentiality and non-competition provisions.

Dr. Scannon also resigned from his position as a member of the Board of Directors, effective December 21, 2016.

Item 9.01 Financial Statements and Exhibits

99.1 Press Release dated December 21, 2016

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: December 21, 2016

XOMA Corporation

By: /s/ Denis J. Quinlan

Denis J. Quinlan

Sr. Corporate Counsel and Corporate Secretary

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
99.1	Press Release dated December 21, 2016



**XOMA Announces up to \$22 Million Generated from Sale of Royalty Streams
from Two License Agreements to HealthCare Royalty Partners and
Provides Corporate Update**

- Up to \$22 million in revenue generated through sale of royalty streams from two license agreements to HealthCare Royalty Partners, with an initial \$18 million payment and up to \$4 million in future milestones
- Non-dilutive funding to support clinical advancement of XOMA 358 in a streamlined manner
- Operational transformation eliminates 57 positions
- Significantly reduced operating expense structure going forward
- Jim Neal named Chief Executive Officer and joins the Board of Directors, replacing John Varian who retires but remains a member of the Board of Directors

BERKELEY, Calif., December 21, 2016 (GLOBE NEWSWIRE) — XOMA Corporation (Nasdaq:XOMA), a leader in the discovery and development of therapeutic antibodies, today announced several corporate actions to further streamline its operations to focus on XOMA 358 clinical development, monetize non-core assets, and strengthen its balance sheet.

“With this transaction, we have generated \$83 million in non-dilutive liquidity since October 2015,” said Jim Neal, newly appointed Chief Executive Officer and Director of XOMA. “HealthCare Royalty Partners (“HCR”) has an established history of supporting the biotechnology industry. They provide companies with the opportunity to realize value in non-core assets without diluting equity shareholders. Two royalty agreements from XOMA’s extensive portfolio of licensed assets particularly attracted HCR’s interest. XOMA’s scientific discoveries have served us well, financing our clinical development over the past two years.”

Paul Hadden, Managing Director, HealthCare Royalty Partners, said, “We are extremely pleased to partner with XOMA on this asset sale, providing non-dilutive capital at an important point in their evolution.”

Tom Burns, Vice President, Finance, and Chief Financial Officer of XOMA, commented, “To further reduce our operating costs, we have taken two actions. First, we are using a portion of the proceeds from this transaction to partially repay our debt held by Hercules Technology Growth Capital, Inc. (“Hercules”). Second, to reflect our operational focus on advancing XOMA 358, we are streamlining our team and eliminating 57 positions. These two actions will significantly reduce our expenses so the company can more efficiently fund XOMA 358 clinical development.”

John Varian stated, “I believe XOMA is well positioned, and this is the right time for me to retire and turn the reins over to Jim Neal. He has the right plan in place to ensure the company achieves its next clinical development and financial goals.”

Denny Van Ness, XOMA's Chairman of the Board, stated, "As Chief Operating Officer, Jim has been leading the XOMA 358 project team, as well as leading the company's business development activities. The Board, John, and I have every confidence that Jim and his team will take XOMA 358 forward in a cost-effective manner and continue to drive the licensing of XOMA's non-core assets."

"XOMA 358 is an important potential therapy for the patients and families affected by Congenital Hyperinsulinism ("CHI") or who experience hypoglycemia post bariatric surgery. We now have over 25 patients enrolled in our two Phase 2 Proof-of-Concept studies, which reflects the desire for new therapeutic options in these rare indications. We need to do everything possible to develop XOMA 358 and bring it to market," Mr. Neal added. "The financing and the operational cost reductions we announced today allow us to aggressively move forward. Our next step is launching our multi-dose study in CHI patients. Importantly, we have retained other non-core assets that could potentially be deployed in the future to fund our clinical development efforts."

HealthCare Royalty Partners Asset Sale

XOMA sold its rights under two license agreements to its patented bacterial cell expression technology. The first of these covers TRUMENBA®, a meningococcal group B vaccine marketed by Pfizer, on which XOMA has been receiving low single-digit royalties from commercial sales. The second agreement is with Dyax Corp. All rights to future royalties and other payments associated with these licenses have been acquired by HCR as detailed in the Form 8-K filed on December 21, 2016.

Hercules Technology Growth Capital, Inc.

XOMA entered into a Loan and Security Agreement with Hercules in 2015 under which XOMA borrowed \$20.0 million. The company has been paying principal and accrued interest since July 1, 2016, and the loan is scheduled to mature on September 1, 2018. On September 30, 2016, the outstanding balance was \$18.5 million. In January, XOMA will apply \$10 million from the HCR asset sale proceeds to reduce its debt obligation to Hercules.

Corporate Restructuring

Based upon the data being generated in the XOMA 358 clinical studies in patients with hypoglycemia due to Congenital Hyperinsulinism or post bariatric surgery, XOMA is preparing to expand the program into multi-dose clinical studies. These two indications are rare conditions with very high unmet therapeutic needs. Therefore, the company is concentrating its investments on clinical development, with an initial focus on the XOMA 358 clinical programs.

To reflect this narrowed corporate focus, the company will reduce its headcount by 57 positions.

"We have shown the assets that XOMA has discovered and developed hold significant interest to companies dedicated to improving human health. Importantly, we retain the future revenue streams from our most recent licensing agreements with Novartis and NovoNordisk," commented Mr. Burns. "We continue to expect we will earn a \$10 million milestone payment within the next few months under one of our existing license or collaboration agreements. In light of the interest we have received from our recently unveiled IL-2 antibody program for immuno-oncology and our PTHIR program for oncology indications, we believe these two assets could provide additional funding to support our development plans for XOMA 358 in CHI and post-bariatric surgery."

About XOMA Corporation

XOMA Corporation is a leader in the discovery and development of therapeutic antibodies. The Company's innovative product candidates result from its expertise in developing ground-breaking monoclonal antibodies, including allosteric antibodies, which have created new opportunities to potentially treat a wide range of human diseases. XOMA's scientific research has produced a portfolio of endocrine assets, each of which has the opportunity to address multiple indications. The Company's lead product candidate, XOMA 358, is an allosteric monoclonal antibody that reduces insulin receptor activity, which could have a major impact on the treatment of hyperinsulinism. The Company has ongoing Phase 2 development activities for XOMA 358 in patients with congenital hyperinsulinism, and in patients with hypoglycemia after bariatric surgery. For more information, visit www.xoma.com.

About HealthCare Royalty Partners

HealthCare Royalty Partners (HCR) is a private investment firm that purchases royalties and, using debt-like structures, invests in commercial or near-commercial stage assets for life science companies. HCR has raised approximately \$3.4 billion in committed capital and is headquartered in Stamford, CT. Over the past decade, HCR's senior professionals have completed more than 60 healthcare investments. For more information, visit www.healthcareroyalty.com.

Forward-Looking Statements

Certain statements contained in this press release including statements related to reaching future payment milestones, the development and potential commercialization of XOMA 358, the impact of XOMA's elimination of employee positions and planned repayment of Hercules debt, the transition in XOMA's leadership, the expected sources of future revenues, and other statements that relate to future periods are each 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, and 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. Potential risks to XOMA meeting these expectations are described in more detail under the heading "Risk Factors" contained in XOMA's quarterly report on Form 10-Q for the quarter ended September 30, 2016, which is on file with the Securities and Exchange Commission, and in other SEC filings. Consider such risks carefully when considering XOMA's prospects. Any forward-looking statement in this press release represents XOMA's views only as of the date of this press release and should not be relied upon as representing its views as of any subsequent date. XOMA disclaims any obligation to update any forward-looking statement, except as required by law.

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