
**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) November 19, 2018

XOMA CORPORATION

(Exact name of registrant as specified in its charter)

000-14710
(Commission
File Number)

Delaware
(State or other jurisdiction
of incorporation)

52-2154066
(IRS Employer
Identification No.)

2200 Powell Street, Suite 310, Emeryville, California
(Address of principal executive offices)

94608
(Zip Code)

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

(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 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On November 19, 2018, XOMA Corporation (the “Company”), issued a press release announcing the commencement of a rights offering to stockholders (the “Rights Offering”). A copy of the press release is filed as Exhibit 99.8 hereto. In connection with the Rights Offering, the Company is filing items included as Exhibits 99.1 through 99.8 to this Current Report on Form 8-K for the purpose of incorporating such items as exhibits to the Company’s Registration Statement on Form S-3 (Registration No. 333-223493), to which the prospectus supplement dated November 19, 2018 relating to the Rights Offering is a part. The Company expects to utilize the net proceeds of the Rights Offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following are filed as exhibits to this Current Report on Form 8-K:

- 99.1 – [Form of Instructions as to use of Rights Certificates.](#)
- 99.2 – [Form of Letter to Stockholders who are Record Holders.](#)
- 99.3 – [Form of Letter to Stockholders who are Beneficial Holders.](#)
- 99.4 – [Form of Letter to Clients of Stockholders who are Beneficial Holders.](#)
- 99.5 – [Beneficial Owner Election.](#)
- 99.6 – [Form of Nominee Holder Certification.](#)
- 99.7 – [Form of Subscription Rights Certificate.](#)
- 99.8 – [Press release dated November 19, 2018.](#)

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: November 19, 2018

XOMA CORPORATION

/s/ Thomas Burns

Thomas Burns

Senior Vice President, Finance and Chief Financial Officer

**FORM OF INSTRUCTIONS AS TO USE OF
XOMA CORPORATION
SUBSCRIPTION RIGHTS CERTIFICATES**

CONSULT THE INFORMATION AGENT, YOUR BANK OR YOUR BROKER AS TO ANY QUESTIONS

The following instructions relate to a rights offering (the "Rights Offering") by XOMA Corporation, a Delaware corporation (the "Company"), to the holders of record (the "Recordholders") of its common stock, par value \$0.0075 per share (the "Common Stock") and Series X Preferred Stock, as described in the prospectus supplement (and the accompanying prospectus) dated November 19, 2018 (the "Prospectus").

In the Rights Offering, Recordholders as of 5:00 p.m., New York City time, on November 16, 2018 (the "Record Date"), are receiving at no charge, non-transferable subscription rights (the "Rights") to subscribe for and purchase up to an aggregate of 1,538,462 shares of Common Stock and up to 1,538 shares of Series Y Preferred Stock (the "Rights Offering Shares") pursuant to the Subscription Right (as defined below).

The Rights are evidenced by non-transferable Rights certificates (the "Rights Certificates"). The number of Rights to which you are entitled is printed on the face of your Rights Certificate.

The Rights will expire if not exercised prior to 5:00 p.m., New York City time, on December 14, 2018, unless extended by the Company (the "Expiration Time").

Each Recordholder will receive 0.1148 Rights for each share of Common Stock owned of record as of 5:00 p.m., New York City time, on the Record Date. The total number of Rights issued to each Recordholder will be rounded down to the nearest whole number. Each whole Right allows the holder thereof to subscribe for one share of Common Stock at the cash price of \$13.00 per share (the "Subscription Price") (or an equivalent number of shares of Series Y Preferred Stock on the terms described in the Prospectus) (the "Subscription Right"). Any holder of greater than 9.9% of the outstanding number of shares of the Common Stock may elect to instead purchase non-voting Series Y Preferred Stock at a purchase price of \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of Series Y Preferred Stock for each share of Common Stock it had a right to purchase in the Rights Offering.

Each holder of Rights will be required to submit payment in full to the Subscription Agent for all the Rights Offering Shares such holder of Rights wishes to buy pursuant to the exercise of its Subscription Right, which must be received by the Subscription Agent prior to the Expiration Time.

The Company will not be required to issue Rights Offering Shares to you if the Subscription Agent does not receive your payment (whether delivered directly if you are a Recordholder or indirectly through your broker, dealer, custodian bank or other nominee if you are a beneficial owner but not a Recordholder) prior to the Expiration Time, regardless of when you send the subscription payment and related documents. The Company may extend the Expiration Time by giving oral or written notice to the Subscription Agent prior to the Expiration Time. If the Company elects to extend the Expiration Time, it will issue a press release announcing such extension.

YOUR RIGHTS CERTIFICATE AND SUBSCRIPTION PRICE PAYMENT FOR EACH RIGHT THAT IS EXERCISED PURSUANT TO THE SUBSCRIPTION RIGHT, INCLUDING FINAL CLEARANCE OF ANY CHECKS, MUST BE RECEIVED BY THE SUBSCRIPTION AGENT, PRIOR TO THE EXPIRATION TIME.

ONCE A HOLDER OF RIGHTS HAS EXERCISED ITS SUBSCRIPTION RIGHT, SUCH EXERCISE MAY NOT BE REVOKED.

RIGHTS NOT EXERCISED PRIOR TO THE EXPIRATION TIME OF THE RIGHTS OFFERING WILL EXPIRE AND WILL BE OF NO VALUE.

1. Method of Subscription – Exercise of Rights.

To exercise Rights, complete your Rights Certificate and send the properly completed and executed Rights Certificate evidencing such Rights with any signatures required to be guaranteed so guaranteed, together with payment in full of the Subscription Price for each Rights Offering Share subscribed for pursuant to the Subscription Right, to the Subscription Agent, prior to the Expiration Time. Payment of the Subscription Price will be held in a segregated account to be maintained by the Subscription Agent.

All payments must be made in U.S. dollars for the full number of Rights Offering Shares being subscribed for by:

(a) wire transfer of immediately available funds directly to the account maintained by American Stock Transfer & Trust Company, LLC, as Subscription Agent, for purposes of accepting subscriptions in this Rights Offering as follows (the "Subscription Account"):

JPMorgan Chase Bank
55 Water Street, New York, New York 10005
ABA #021000021
Account # 530-354616
American Stock Transfer FBO Xoma Corporation, with reference to the rights holder's name

Any wire transfer should clearly indicate the identity of the subscriber who is paying the Subscription Price by wire transfer.

(b) personal check, U.S. postal money order or bank draft payable to "AST (acting as subscription agent for XOMA Corporation)."

Payments will be deemed to have been received upon (i) clearance of any uncertified check, (ii) receipt by the Subscription Agent of any bank draft drawn upon a U.S. bank or (iii) receipt of wire transfers of immediately available funds in the Subscription Account designated above.

If paying by uncertified personal check, please note that the funds paid thereby may take five or more business days to clear. Accordingly, holders of Rights who wish to pay the aggregate Subscription Price by means of uncertified personal check are urged to make payment sufficiently in advance of the Expiration Time to ensure that such payment is received and clears by such date and are urged to consider payment by means of wire transfer of funds.

All Rights Certificates, payments of the subscription price (other than wire transfers) and nominee holder certifications, to the extent applicable to your exercise of Rights, must be delivered by mail, hand or overnight courier to the Subscription Agent as follows:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Attn: Reorganization Department
877-248-6417 or 718-921-8317

Delivery to an address other than the address above does not constitute valid delivery.

If you have any questions, require assistance regarding the method of exercising Rights or require additional copies of relevant documents, please contact the Information Agent, D.F. King & Co., Inc., at 48 Wall Street, New York, NY 10005, or by phone at 212-269-5550 or 866-721-1324.

By making arrangements with your bank or broker for the delivery of funds on your behalf, you may also request such bank or broker to exercise the Rights Certificate on your behalf.

Brokers, custodian banks and other nominee holders who exercise the Subscription Right on behalf of beneficial owners of Rights will be required to certify to the Subscription Agent and the Company as to the aggregate number of Rights that have been exercised pursuant to the Subscription Right by each beneficial owner of Rights (including such nominee itself) on whose behalf such nominee holder is acting.

If you do not indicate the number of Rights being exercised, or do not forward full payment of the Subscription Price for all of the Rights you purport to exercise, then you will be deemed to have exercised your Rights with respect to the maximum number of whole Rights that may be exercised with the aggregate amount of Subscription Price you delivered to the Subscription Agent.

If the Company does not apply your full Subscription Price payment to your purchase of Rights Offering Shares, the excess subscription payment received by the Subscription Agent will be returned to you, without interest or penalty, as soon as practicable.

2. Issuance of Rights Offering Shares.

All Rights Offering Shares that you purchase in the Rights Offering will be issued in book-entry, or uncertificated, form. When issued, the Rights Offering Shares will be registered in the name of the Recordholder. As soon as practicable after the expiration of the Rights Offering (including after all prorations and adjustments contemplated by the terms of the Rights Offering, as described in the Prospectus, have been effected), the Subscription Agent will arrange for the issuance of the Rights Offering Shares allotted to the holders exercising their Subscription Rights in the Rights Offering.

As soon as practicable after the Expiration Time and after all prorations and adjustments contemplated by the terms of the Rights Offering, as described in the Prospectus, have been effected, any excess subscription payment received by the Subscription Agent will be returned, without interest or penalty.

3. Non-Transferability of Rights.

The Rights are exercisable only by Recordholders, and you may not sell, transfer, assign or otherwise dispose of your Rights to anyone else.

4. Execution.

(a) *Execution by Registered Holder.* The signature on the Rights Certificate must correspond with the name of the registered holder exactly as it appears on the face of the Rights Certificate without any alteration or change whatsoever. Persons who sign the Rights Certificate in a representative or other fiduciary capacity must indicate their capacity when signing and, unless waived by the Subscription Agent in its sole and absolute discretion, must present to the Subscription Agent satisfactory evidence of their authority to so act.

(b) *Execution by Person Other than Registered Holder.* If the Rights Certificate is executed by a person other than the holder named on the face of the Rights Certificate, proper evidence of authority of the person executing the Rights Certificate must accompany the same unless the Company, in its sole discretion, dispenses with proof of authority.

(c) *Signature Guarantees.* If you completed any portion of Form 2 of the Rights Certificate, your signature must be guaranteed by an eligible institution participating in the medallion guarantee program if you specify special delivery instructions.

5. Method of Delivery.

The method of delivery of Rights Certificates and payment of the aggregate Subscription Price to the Subscription Agent will be at the election and risk of the holder of Rights. However, if you elect to exercise your Rights, the Company urges you to consider wire transfer of funds to ensure that the Subscription Agent receives your funds prior to the Expiration Time. If you send an uncertified check, payment will not be deemed to have been received by the Subscription Agent until the check has cleared, but if you send a bank draft drawn upon a U.S. bank or wire transfer funds directly to the Subscription Agent's account, payment will be deemed to have been received by the Subscription Agent immediately upon receipt of such instruments or wire transfer. Any personal check used to pay for Rights Offering Shares must clear the appropriate financial institutions prior to the Expiration Time. The clearinghouse may require five or more business days. Accordingly, holders of Rights that wish to pay the Subscription Price by means of an uncertified personal check are urged to make payment sufficiently in advance of the Expiration Time to ensure such payment is received and clears by such date.

6. Determinations Regarding the Exercise of Your Rights.

The Company will decide, in its sole discretion, all questions concerning the timeliness, validity, form and eligibility of the exercise of your Rights. Any such determinations by the Company will be final and binding. The Company, in its sole discretion, may waive, in any particular instance, any defect or irregularity or permit, in any particular instance, a defect or irregularity to be corrected within such time as the Company may determine. The Company will not be required to make uniform determinations in all cases. The Company may reject the exercise of any of your Rights because of any defect or irregularity.

The Company will not accept any exercise of Rights until all irregularities have been waived by the Company or cured by you within such time as the Company decides, in its sole discretion.

Neither the Company, the Subscription Agent nor the Information Agent will be under any duty to notify you of any defect or irregularity in connection with your submission of Subscription Rights Certificates, and none of them will be liable for failure to notify you of any defect or irregularity. The Company reserves the right to reject your exercise of Rights if the Company determines that your exercise is not in accordance with the terms of the Rights Offering, as set forth in the Prospectus and these Instructions as to Use, or in proper form. The Company will also not accept the exercise of your Rights if the Company's issuance of Rights Offering Shares to you could be deemed unlawful under applicable law.

**FORM OF LETTER TO RECORD HOLDERS
XOMA CORPORATION**

Subscription Rights to Purchase Shares of Common Stock

November 19, 2018

Dear XOMA Stockholder:

This letter is being distributed by XOMA Corporation (the “Company”) to all holders of record of shares of its common stock, par value \$0.0075 per share (the “Common Stock”), as of 5:00 p.m., New York City time, on November 16, 2018 (the “Record Date”), in connection with the distribution of non-transferable subscription rights (the “Rights”) to such holders to subscribe for and purchase up to an aggregate of 1,538,462 shares of Common Stock in a rights offering (the “Rights Offering”) for a cash purchase price of \$13.00 per share of Common Stock (the “Subscription Price”). Any holder of greater than 9.9% of the outstanding number of shares of the Common Stock may elect to instead purchase non-voting Series Y Preferred Stock at a purchase price of \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of Series Y Preferred Stock for each share of Common Stock it had a right to purchase in the Rights Offering. The Company is offering up to an aggregate of 1,538,462 shares of Common Stock and up to 1,538 shares of Series Y Preferred Stock in the Rights Offering (the “Shares”). Holders as of the Record Date of the Company’s Series X Preferred Stock also will have a right to participate in the Rights Offering on an as-converted basis. The Rights and the Shares are described in the prospectus supplement (and the accompanying prospectus), dated November 19, 2018 (the “Prospectus”), covering the offer and sale of the Shares issuable upon the exercise of the Rights.

As described in the Prospectus, you will receive 0.1148 Rights for each share of Common Stock owned of record by you, or issuable upon conversion of the shares of Series X Preferred Stock, of which you are a record holder as of 5:00 p.m., New York City time, on the Record Date. The Rights are evidenced by a non-transferable certificate (the “Rights Certificate”) registered in your name and will cease to have any value as of 5:00 p.m., New York City time, on **December 14, 2018**, unless the Rights Offering is extended by the Company as described below (the “Expiration Time”). The total number of Rights issued to you will be rounded down to the nearest whole number and each whole Right will allow you to subscribe for one share of Common Stock at the Subscription Price (or an equivalent number of shares of Series Y Preferred Stock on the terms described in the Prospectus) (the “Subscription Right”).

As further described in the Prospectus, the Company has entered into an Investment Agreement with BVF Partners L.P. and its affiliates (“BVF”), pursuant to which BVF has agreed to purchase from the Company any and all Shares not subscribed for in the Rights Offering, in the form of non-voting Series Y Preferred Stock, as further described in the Prospectus. BVF also will have the same right as other stockholders to subscribe for and purchase Shares under its Subscription Right. The Investment Agreement with BVF is described in more detail in the Prospectus. Mr. Matthew Perry, a member of the Company’s board of directors, is a representative of BVF. Mr. Perry recused himself from the deliberations by the board of directors regarding the approval of the Investment Agreement and the Rights Offering.

The Rights will expire and be of no value if not exercised prior to the Expiration Time.

You will be required to submit payment in full for all of the Shares you wish to purchase pursuant to the exercise of the Subscription Right prior to the Expiration Time.

As soon as practicable after the Expiration Time and after any and all prorations and adjustments contemplated by the terms of the Rights Offering, as described in the Prospectus, have been effected, any excess subscription payment received by American Stock Transfer & Trust Company, LLC (the “Subscription Agent”) from you will be returned to you, without interest or penalty.

Enclosed are copies of the following documents:

1. **The Prospectus;**
2. **A Non-Transferable Subscription Rights Certificate evidencing the Rights for which you are the holder of record;**
3. **Instructions on how to Exercise the XOMA Corporation Rights Certificates; and**
4. **A return envelope addressed to American Stock Transfer & Trust Company, LLC, the Subscription Agent.**

Your prompt action is requested. To exercise your Rights, you must promptly deliver the properly completed and signed Subscription Rights Certificate accompanying this letter, with payment of the Subscription Price in full for each Share subscribed pursuant to the Subscription Right to the Subscription Agent, as indicated in the Prospectus. **The Subscription Agent must receive the Rights Certificate with full payment of the Subscription Price, including final clearance of any checks, prior to the Expiration Time.**

You cannot revoke the exercise of your Rights. Rights not exercised prior to the Expiration Time will expire and be of no value.

Additional copies of the enclosed materials may be obtained from, and any questions or requests for assistance concerning the Rights Offering should be directed to, the Subscription Agent at 877-248-6417 or 718-921-8317.

Very truly yours,

XOMA CORPORATION

**FORM OF LETTER TO NOMINEES
XOMA CORPORATION**

Subscription Rights to Purchase Shares of Common Stock

November 19, 2018

To Securities Dealers, Commercial Banks
Trust Companies and Other Nominees:

This letter is being distributed to securities dealers, commercial banks, trust companies and other nominees in connection with a rights offering (the "Rights Offering") by XOMA Corporation (the "Company") to the holders of record (the "Recordholders") of its common stock, par value \$0.0075 per share (the "Common Stock") and Series X Preferred Stock, as described in the prospectus supplement (and the accompanying prospectus) dated November 19, 2018 (the "Prospectus"). In the Rights Offering, Recordholders as of 5:00 p.m., New York City time, on November 16, 2018 (the "Record Date"), are receiving, at no charge, non-transferable subscription rights (the "Rights") to subscribe for and purchase up to an aggregate of 1,538,462 shares of Common Stock (the "Shares") for a cash purchase price of \$13.00 per share of Common Stock (the "Subscription Price"), pursuant to the Subscription Right (as defined below). Any holder of greater than 9.9% of the outstanding number of shares of the Common Stock may elect to instead purchase non-voting Series Y Preferred Stock at a purchase price of \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of Series Y Preferred Stock for each share of Common Stock it had a right to purchase in the Rights Offering.

The Rights will expire, if not exercised prior to 5:00 p.m., New York City time, on December 14, 2018, unless extended by the Company (the "Expiration Time").

As described in the Prospectus, each beneficial owner of shares of Common Stock held through you or your nominee is entitled to 0.1148 Subscription Right for each share of Common Stock owned of record, or issuable upon conversion of the shares of Series X Preferred Stock, owned of record, as of the Record Date. The total number of Rights issued will be rounded down to the nearest whole number. Each whole Right will allow the holder thereof to subscribe for one share of Common Stock at the Subscription Price (or an equivalent number of shares of Series Y Preferred Stock on the terms described in the Prospectus) (the "Subscription Right").

As further described in the Prospectus, the Company has entered into an Investment Agreement with BVF Partners L.P. and its affiliates ("BVF"), pursuant to which BVF has agreed to purchase from the Company any and all Shares not subscribed for in the Rights Offering, in the form of non-voting Series Y Preferred Stock, as further described in the Prospectus. BVF also will have the same right as other stockholders to subscribe for and purchase Shares under its Subscription Right. The Investment Agreement with BVF is described in more detail in the Prospectus. Mr. Matthew Perry, a member of the Company's Board of Directors, is a representative of BVF. Mr. Perry recused himself from the deliberations by the Board of Directors regarding the approval of the Investment Agreement and the Rights Offering.

The Rights will expire and be of no value, if not exercised prior to the Expiration Time.

Each holder of Rights will be required to submit payment in full for all of the Shares such holder wishes to purchase pursuant to the exercise of the Subscription Right prior to the Expiration Time.

As soon as practicable after the Expiration Time and after any and all prorations and adjustments contemplated by the terms of the Rights Offering, as described in the Prospectus, have been effected, any excess subscription payment received by American Stock Transfer & Trust Company, LLC (the "Subscription Agent") will be returned, without interest or penalty.

The Company is asking persons who hold shares of Common Stock beneficially and who have received the Rights distributable with respect to those shares through a broker, dealer, commercial bank, trust company or other

nominee, as well as persons who hold certificates of Common Stock directly and prefer to have such institutions effect transactions relating to the Rights on their behalf, to contact the appropriate institution or nominee and request it to effect the transactions for them.

All commissions, fees and other expenses (including brokerage commissions and transfer taxes), other than fees and expenses of the Subscription Agent, incurred in connection with the exercise of the Rights will be for the account of the holder of the Rights, and none of such commissions, fees or expenses will be paid by the Company or the Subscription Agent.

Enclosed are copies of the following documents:

1. **The Prospectus;**
2. **A form of letter which may be sent to your clients for whose accounts you hold shares of Common Stock registered in your name or Cede & Co. (including a Beneficial Owner Election Form), with an attached form of instruction;**
3. **Nominee Holder Certification; and**
4. **A return envelope addressed to American Stock Transfer & Trust Company, LLC, the Subscription Agent.**

Your prompt action is requested. To exercise the Rights, you must promptly deliver the properly completed and signed Nominee Holder Certification accompanying this letter, with payment of the aggregate Subscription Price in full for each Share subscribed pursuant to the Subscription Right to the Subscription Agent, as indicated in the Prospectus. **The Subscription Agent must receive the Nominee Holder Certification with full payment of the Subscription Price, including final clearance of any checks, prior to the Expiration Time.**

A holder of Rights cannot revoke the exercise of its Rights. Rights not exercised prior to the Expiration Time will expire and be of no value.

Additional copies of the enclosed materials may be obtained from D.F. King & Co, Inc., which is serving as the Information Agent. D.F. King Co., Inc. can be reached at 212-269-5550 or 866-721-1324 in connection with requests for materials or questions or requests for assistance concerning the Rights Offerings.

Very truly yours,

XOMA CORPORATION

**FORM OF LETTER TO BENEFICIAL OWNERS
XOMA CORPORATION**

Subscription Rights to Purchase Shares of Common Stock

November 19, 2018

To Our Clients:

Enclosed for your consideration is a prospectus supplement (and the accompanying prospectus), dated November 19, 2018 (the "Prospectus"), that relates to the offering (the "Rights Offering") by XOMA Corporation (the "Company") of shares of its common stock, par value \$0.0075 per share (the "Common Stock"), pursuant to the distribution of non-transferable subscription rights (the "Rights") to all holders of record of shares of Common Stock and holders of Series X Preferred Stock (collectively the "Rights Offering Participants"), as of 5:00 p.m., New York City time, on November 19, 2018 (the "Record Date"). In the Rights Offering, the Company is offering up to an aggregate of 1,538,462 shares of Common Stock and up to 1,538 shares of Series Y Preferred Stock (the "Shares") for a cash purchase price of \$13.00 per share of Common Stock (the "Subscription Price"), pursuant to the Subscription Right (as defined below). Any holder of greater than 9.9% of the outstanding number of shares of the Common Stock may elect to instead purchase non-voting Series Y Preferred Stock at a purchase price of \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of Series Y Preferred Stock for each share of Common Stock it had a right to purchase in the Rights Offering.

As described in the Prospectus, you will receive 0.1148 Rights for each share of Common Stock owned of record by you, or issuable upon conversion of the shares of Series X Preferred Stock, of which you are a record holder, as of 5:00 p.m., New York City time, on the Record Date. The Rights are evidenced by a non-transferable certificate (the "Rights Certificate") registered in your name and will cease to have any value as of 5:00 p.m., New York City time, on **December 14, 2018**, unless extended by the Company as described below (the "Expiration Time"). The total number of Rights issued to each stockholder will be rounded down to the nearest whole number and each whole Right will allow you to subscribe for one share of Common Stock at the Subscription Price (or an equivalent number of shares of Series Y Preferred Stock on the terms described in the Prospectus) (the "Subscription Right").

As further described in the Prospectus, the Company has entered into an Investment Agreement with BVF Partners L.P. and its affiliates ("BVF"), pursuant to which BVF has agreed to purchase from the Company any and all Shares not subscribed for in the Rights Offering, in the form of non-voting Series Y Preferred Stock, as further described in the Prospectus. BVF also will have the same right as other stockholders to subscribe for and purchase Shares under its Subscription Right. The Investment Agreement with BVF is described in more detail in the Prospectus. Mr. Matthew Perry, a member of the Company's Board of Directors, is a representative of BVF. Mr. Perry recused himself from the deliberations by the Board of Directors regarding the approval of the Investment Agreement and the Rights Offering.

The Rights will expire and be of no value, if not exercised prior to the Expiration Time.

You will be required to submit payment in full for all of the Shares you wish to purchase pursuant to the exercise of the Subscription Right prior to the Expiration Time.

As soon as practicable after the Expiration Time and after any and all prorations and adjustments contemplated by the terms of the Rights Offering, as described in the Prospectus, have been effected, any excess subscription payment received by American Stock Transfer & Trust Company, LLC (the "Subscription Agent") will be returned to you, without interest or penalty.

THE MATERIALS ENCLOSED ARE BEING FORWARDED TO YOU AS THE BENEFICIAL OWNER OF COMMON STOCK CARRIED BY US IN YOUR ACCOUNT BUT NOT REGISTERED IN YOUR NAME. EXERCISES AND SALES OF RIGHTS MAY BE MADE ONLY BY US AS YOUR BROKER, DEALER, CUSTODIAN BANK OR OTHER NOMINEE AND PURSUANT TO YOUR INSTRUCTIONS.

Accordingly, we request instructions as to whether you wish us to elect to subscribe for any Shares to which you are entitled pursuant to your Subscription Right on the terms and subject to the conditions set forth in the enclosed Prospectus. **However, we urge you to read the Prospectus carefully before instructing us to exercise your Rights.**

If you wish to have us, on your behalf, exercise the Rights for any shares of Common Stock to which you are entitled, please so instruct us by completing, executing and returning to us the Beneficial Owner Election Form enclosed with this letter.

Your instructions to us should be forwarded as promptly as possible in order to permit us to exercise Rights on your behalf in the Rights Offering. **The Rights Offering will expire, and the Rights will not be exercisable and will have no value, at the Expiration Time. Once you have exercised the Subscription Right, such exercise may not be revoked.**

Additional copies of the enclosed materials may be obtained from D.F. King & Co., Inc., 48 Wall Street, New York, NY 10005, the Information Agent for the Rights Offering. The Information Agent's telephone number is 212- 269-5550 or 866-721-1324. Any questions or requests for assistance concerning the Rights Offering should be directed to the Information Agent at the same number.

Very truly yours,

XOMA CORPORATION

BENEFICIAL OWNER ELECTION FORM

The undersigned acknowledge(s) receipt of your letter and the enclosed materials relating to the grant of non-transferable subscription rights (the "Rights") to subscribe for and to purchase shares of common stock, par value \$0.0075 per share (the "Common Stock"), of XOMA Corporation (the "Company") for a cash purchase price of \$13.00 per share. Any holder of greater than 9.9% of the outstanding number of shares of the Common Stock may elect to instead purchase non-voting Series Y Preferred Stock at a purchase price of \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of Series Y Preferred Stock for each share of Common Stock it had a right to purchase in the Rights Offering, as described in the Prospectus.

With respect to any instructions to exercise (or not to exercise) Rights, the undersigned acknowledges that this form must be completed and returned such that it will actually be received by you by 5:00 p.m., New York City time, on December 13, 2018, the last business day prior to the scheduled expiration date of the rights offering of December 14, 2018 (which may be extended by the Company).

This will instruct you whether to exercise the Rights to purchase shares of Common Stock distributed with respect to the shares of Common Stock held through you as broker, dealer, custodian bank or other nominee for the account of the undersigned, pursuant to the terms and subject to the conditions set forth in the prospectus supplement (and accompanying prospectus) dated **November 19, 2018** (the "Prospectus"), and the related "Instructions as to Use of XOMA Corporation Rights Certificates."

I (we) hereby instruct you as follows:

(CHECK THE APPLICABLE BOXES AND PROVIDE ALL REQUIRED INFORMATION)

Box 1. Please **DO NOT EXERCISE RIGHTS**.

Box 2. Please **EXERCISE RIGHTS** as set forth below:

	Number of Shares of Common Stock Subscribed For	x	Subscription Price	=	\$	Payment
Common Subscription Right			\$13.00			
	Number of Shares of non-voting Series Y Preferred Stock Subscribed For	x	Subscription Price	=	\$	Payment
Preferred Subscription Right (for holders of greater than 9.9% of the Company's outstanding common shares):			\$13,000.00			

If you are NOT a holder of greater than 9.9% of the outstanding common shares and you apply to purchase shares of non-voting Series Y Preferred Stock, you will not receive any, but will instead receive an equivalent number of shares of common stock (on an as-converted basis) in consideration for the same purchase price.

Box 3. Payment in the following amount is enclosed: \$ _____

Box 4. Please deduct payment of \$ _____ from the following account maintained by you as follows:

(The total of Box 3 and Box 4 must equal the Total Payment Required specified above under Box 2.)

Type of Account _____ Account No. _____

I (we) on my (our) own behalf, or on behalf of any person(s) on whose behalf, or under whose directions, I am (we are) signing this form:

- irrevocably elect to purchase the number of shares of Common Stock indicated above upon the terms and conditions specified in the Prospectus; and
- agree that if I (we) fail to pay for the shares of Common Stock in full I (we) have elected to purchase pursuant to the exercise of the Subscription Right, you may exercise any remedies available to you under law.

Name of beneficial owner(s): _____

Signature of beneficial owner(s): _____

If you are signing in your capacity as a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or another acting in a fiduciary or representative capacity, please provide the following information:

Name: _____

Capacity: _____

Address (including Zip Code): _____

Telephone Number: _____

NOMINEE HOLDER CERTIFICATION

XOMA CORPORATION

The undersigned, a broker, custodian bank, trustee, depository or other nominee holder of non-transferable subscription rights (the "Rights") to purchase shares of common stock, par value \$0.0075 per share (the "Common Stock"), of XOMA Corporation (the "Company"), pursuant to the rights offering described and provided for in the Company's prospectus supplement (and the accompanying prospectus) dated November 19, 2018 (the "Prospectus"), hereby certifies to the American Stock Transfer & Trust Company, LLC, as subscription agent for the rights offering that the undersigned has exercised, on behalf of the beneficial owners thereof (which may include the undersigned), the number of Rights specified below pursuant to the subscription right (as described in the Prospectus):

Number of Shares of Common Stock Owned (or issuable upon conversion of the shares of Series X Preferred Stock) on the Record Date	Rights Exercised Pursuant to Subscription Right
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____

[Note: Any holder of greater than 9.9% of the outstanding number of shares of the Common Stock may elect to instead purchase non-voting Series Y Preferred Stock at a purchase price of \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of Series Y Preferred Stock for each share of Common Stock it had a right to purchase in the Rights Offering.]

Provide the following information if applicable:

Depository Trust Company ("DTC")
Participant Number

[NAME OF NOMINEE]

By: _____

Name: _____

Title: _____

DTC Basic Subscription Confirmation Number(s)

RIGHTS CERTIFICATE:

NUMBER OF RIGHTS

THE TERMS AND CONDITIONS OF THE RIGHTS OFFERING ARE SET FORTH IN THE COMPANY'S PROSPECTUS SUPPLEMENT (AND ACCOMPANYING PROSPECTUS) DATED NOVEMBER 19, 2018 (THE "PROSPECTUS") AND ARE INCORPORATED HEREIN BY REFERENCE. COPIES OF THE PROSPECTUS ARE AVAILABLE UPON REQUEST FROM D.F. KING & CO., INC., THE INFORMATION AGENT.

XOMA Corporation
Incorporated under the laws of the State of Delaware

NON - TRANSFERABLE SUBSCRIPTION RIGHTS CERTIFICATE

Evidencing Non - Transferable Subscription Rights to Purchase Shares of Common Stock of XOMA Corporation

Subscription Price: \$13.00 per Share

THE SUBSCRIPTION RIGHTS WILL EXPIRE IF NOT EXERCISED ON OR BEFORE 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER 14, 2018, UNLESS EXTENDED BY THE COMPANY

REGISTERED OWNER:

THIS CERTIFIES THAT the registered owner whose name is inscribed hereon is the owner of the number of non-transferable subscription rights ("Rights") set forth above. Each whole Right entitles the holder thereof to subscribe for and purchase one share of Common Stock, with a par value of \$0.0075 per share, of XOMA Corporation, a Delaware corporation, at a subscription price of \$13.00 per share (the "Subscription Right"), pursuant to a rights offering (the "Rights Offering"), on the terms and subject to the conditions set forth in the Prospectus and the "Instructions as to Use of XOMA Corporation Subscription Rights Certificates" accompanying this Subscription Rights Certificate. As more fully described in the Prospectus, any holder of more than 9.9% of the outstanding number of shares of the Common Stock may instead elect to instead purchase non-voting Series Y Preferred Stock. The Rights represented by this Subscription Rights Certificate may be exercised by completing Form 1 and any other appropriate forms on the reverse side hereof and by retuning the full payment of the subscription price for each share of Common Stock in accordance with the "Instructions as to Use of XOMA Corporation Subscription Rights Certificates" that accompany this Subscription Rights Certificate.

This Subscription Rights Certificate is not valid unless countersigned by the subscription agent and registered by the registrar. Witness the signatures of XOMA Corporation's duly authorized officers.

Dated: November 19, 2018

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
(New York, N.Y.) TRANSFER AGENT
AND REGISTRAR

By:  AUTHORIZED SIGNATURE

Chief Executive Officer

Chief Financial Officer

DELIVERY OPTIONS FOR SUBSCRIPTION RIGHTS CERTIFICATE

Delivery other than by mail, hand or overnight courier to the address listed below will not constitute valid delivery.

American Stock Transfer & Trust Company, LLC
Operations Center
Attn: Reorganization Department
6201 15th Avenue
Brooklyn, New York 11219

PLEASE PRINT ALL INFORMATION CLEARLY AND LEGIBLY.

FORM 1-EXERCISE OF SUBSCRIPTION RIGHTS

To subscribe for shares pursuant to your Subscription Right, please complete line (a) OR (b) and sign under Form 3 below.

EXERCISE OF SUBSCRIPTION RIGHT:

(a) I apply for _____ shares x \$ 13.00 = \$ _____
(no. of new shares) (subscription price) (amount enclosed)

(b) FOR HOLDERS OF GREATER THAN 9.9% OF THE
OUTSTANDING NUMBER OF COMMON SHARES:

I apply for _____ shares x \$ 13,000.00 = \$ _____
(no. of new shares) (subscription price) (amount enclosed)

[NOTE: If you are NOT a holder of greater than 9.9% of the outstanding common shares and you apply to purchase shares of non-voting Series Y Preferred Stock, you will not receive any, but will instead receive an equivalent number of shares of common stock (on an as-converted basis) in consideration for the same purchase price.]

METHOD OF PAYMENT (CHECK ONE)

- Check or bank draft payable to "American Stock Transfer & Trust Company, LLC as Subscription Agent."
Wire transfer of immediately available funds directly to the account maintained by American Stock Transfer & Trust Company, LLC, as Subscription Agent, for purposes of accepting subscriptions in this Rights Offering at JPMorgan Chase Bank, 55 Water Street, New York, New York 10005, ABA #021000021, Account # 530-354616 American Stock Transfer FBO XOMA Corporation, with reference to the rights holder's name.

FORM 2-DELIVERY TO DIFFERENT ADDRESS

Unless specifically requested, shares of Common Stock will be issued in book entry form. If you wish for the Common Stock underlying your subscription rights, to be delivered to an address different from that shown on the face of this Subscription Rights Certificate, please enter the alternate address below, sign under Form 3 and have your signature guaranteed under Form 4.

Blank lines for alternate address entry.

FORM 3-SIGNATURE

TO SUBSCRIBE: I acknowledge that I have received the Prospectus for this Rights Offering and I hereby irrevocably subscribe for the number of shares indicated above on the terms and conditions specified in the Prospectus. I agree to cooperate with the Company and provide to the Company any and all information requested by the Company in connection with the exercise of the rights granted in the previous sentence.

Signature(s): _____

IMPORTANT: The signature(s) must correspond with the name(s) as printed on the reverse of this Subscription Rights Certificate in every particular, without alteration or enlargement, or any other change whatsoever.

FORM 4-SIGNATURE GUARANTEE

This form must be completed if you have completed any portion of Form 2.

Signature Guaranteed: _____
(Name of Bank or Firm)

By: _____
(Signature of Officer)

IMPORTANT: The signature(s) should be guaranteed by an eligible guarantor institution (bank, stock broker, savings & loan association or credit union) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15.

FOR INSTRUCTIONS ON THE USE OF XOMA CORPORATION SUBSCRIPTION RIGHTS CERTIFICATES, CONSULT D.F. KING & CO., INC., 48 WALL STREET, NEW YORK, NY 10005, THE INFORMATION AGENT, AT 212-269-5550 OR 866-721-1324



XOMA Announces Commencement of Rights Offering

EMERYVILLE, Calif., November 19, 2018 (GLOBE NEWSWIRE) – XOMA Corporation (Nasdaq: XOMA) (“XOMA” or the “Company”) today announced it has commenced the previously announced rights offering to raise gross proceeds of approximately \$20 million (the “Rights Offering”). Under the terms of the Rights Offering, the holders of XOMA’s common stock and Series X Preferred Stock as of 5:00 p.m., New York time, on November 16, 2018, the record date for the Rights Offering, are entitled to purchase up to 1,538,462 shares of common stock in the aggregate at a subscription price equal to \$13.00 per share, or under certain circumstances, shares of non-voting Series Y preferred stock in lieu of common stock (collectively, the “Offered Shares”), as more fully described in the prospectus supplement, dated November 19, 2018, relating to the Rights Offering.

The offering will be fully backstopped by BVF Partners L.P., the Company’s largest stockholder, which has agreed to purchase at a minimum its as-converted *pro rata* share of the offering amount, and will, in addition, purchase securities not subscribed for by the Company’s other stockholders in the Rights Offering, for a total of up to \$20 million. XOMA expects to use the proceeds from the Rights Offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes.

XOMA reserves the right to modify, extend, postpone or cancel the Rights Offering at any time prior to the closing of the sale of the shares in the offering. XOMA has engaged D.F. King & Co., Inc., to act as information agent with respect to the Rights Offering. For questions regarding the rights offering, or to obtain copies of the rights offering prospectus and any related materials, please contact D.F. King & Co. at xoma@dfking.com or by telephone at +1 866-721-1324.

XOMA has filed a shelf registration statement (including a prospectus supplement) with the Securities and Exchange Commission (Reg.No. 333-223493). Before you invest, you should read the prospectus supplement and other documents XOMA has filed with the SEC for more complete information about XOMA and the Rights Offering. This announcement shall not constitute an offer to sell, or the solicitation of an offer to exercise the rights and purchase the underlying Offered Shares, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state or jurisdiction.

About XOMA Corporation

XOMA has built a significant portfolio of products that are licensed to and being developed by other biotech and pharmaceutical companies. The Company’s portfolio of partner-funded programs spans multiple stages of the drug development process and across various therapeutic areas. Many of these licenses are the result of XOMA’s pioneering efforts in the discovery and development of antibody therapeutics. The Company’s royalty-aggregator business model includes acquiring additional licenses to partner-funded programs. XOMA’s license portfolio has the potential to generate significant milestone payments and royalty revenue in the future. For more information, visit www.xoma.com.

Safe Harbor Statement

This release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. “Forward-looking statements” describe future expectations, plans, results, or strategies and are generally preceded by words such as “anticipates,” “expect,” “may,” “plan” or “will”. Forward-looking statements in this release include, but are not limited to, statements regarding plans, amounts and timing for the Rights Offering and BVF Partners L.P. backstop commitment, the anticipated use of proceeds derived therefrom and expectations regarding participation in the rights offering. You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements, including the availability of, and participation in, financing opportunities and the risk that the Rights Offering is not completed. These and other risks are identified in our filings with the Commission, including without limitation our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and in other filings subsequently made by the Company with the Commission. All forward-looking statements contained in this press release speak only as of the date on which they were made and are based on management’s assumptions and estimates as of such date. We do not undertake any obligation to publicly update any forward-looking statements, whether as a result of the receipt of new information, the occurrence of future events or otherwise.

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