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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 0-14710

XOMA Corporation
(Exact name of registrant as specified in its charter)

Delaware	**52-2154066**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2910 Seventh Street, Berkeley, California 94710	**(510) 204-7200**
(Address of principal executive offices, including zip code)	**(Telephone number)**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.0075 par value	**The NASDAQ Stock Market, LLC**
Preferred Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act of 1934). Yes ☐ No ☒

The aggregate market value of voting common equity held by non-affiliates of the registrant is $451,024,815 as of June 30, 2015.

Number of shares of Common Stock outstanding as of March 7, 2016: 119,615,729

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Company's Proxy Statement for the Company's 2016 Annual General Meeting of Stockholders are incorporated by reference into Part III of this Report.

XOMA Corporation
2015 FORM 10-K ANNUAL REPORT
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PART I

Certain statements contained herein related to the anticipated size of clinical trials, the anticipated timing of initiation of clinical trials, the expected availability of clinical trial results, the results of clinical trials, the timing of any application for regulatory approval of our product candidates by the FDA or other regulatory authority, the sufficiency of our cash resources, the estimated costs of clinical trials and the amounts of certain revenues and certain costs in comparison to prior years, 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, as amended (the "Exchange Act"). All statements, other than statements of historical fact are statements that could be deemed forward looking statements. The words "believe," "may," "estimate," "continue," "could," "anticipate," "assume," "intend," "expect," "predict," "potential" "should," "would," and similar expressions are intended to identify forward-looking statements. 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. Among other things: our product candidates are still being developed, and we will require substantial funds to continue development which may not be available; we have received negative results from certain of our clinical trials, and we face uncertain results of other clinical trials of our product candidates; if our therapeutic product candidates do not receive regulatory approval, neither our third-party collaborators, our contract manufacturers nor we will be able to manufacture and market them; we may not obtain orphan drug exclusivity or we may not receive the full benefit of orphan drug exclusivity even if we obtain such exclusivity; even once approved, a product may be subject to additional testing or significant marketing restrictions, its approval may be withdrawn or it may be voluntarily taken off the market; we may not be successful in commercializing our products, which could also affect our development efforts; we are subject to various state and federal healthcare related laws and regulations that may impact the commercialization of our product candidates and could subject us to significant fines and penalties; and certain of our technologies are in-licensed from third parties, so our capabilities using them are restricted and subject to additional risks. These and other risks, including those related to current economic and financial market conditions, are contained principally in Item 1, Business; Item 1A, Risk Factors; Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations; and other sections of this Annual Report on Form 10-K. Factors that could cause or contribute to these differences include those discussed in Item 1A, Risk Factors, as well as those discussed elsewhere in this Annual Report on Form 10-K.

Forward-looking statements are inherently uncertain and you should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to these forward-looking statements after completion of the filing of this Annual Report on Form 10-K to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Item 1. Business

Overview

XOMA Corporation ("XOMA"), a Delaware corporation, is a development stage biotechnology company with a portfolio of therapeutic antibodies. Our product candidates are the result of our expertise in developing new monoclonal antibodies, which have created new opportunities to potentially treat a wide range of endocrine diseases. We discover and develop innovative antibody-based therapeutics. Several of our antibodies have unique properties due to their interaction at allosteric sites on a specific protein rather than at the orthosteric, or active, sites. The antibodies are designed to either enhance or diminish the protein's activity as desired. We believe allosteric modulating antibodies may be more selective and offer a safety advantage in certain disease indications when compared to more traditional modes of action.

Our business efforts are focused on advancing the assets in our portfolio of compounds that could treat a variety of endocrine diseases. Our product candidates are in various stages of development and are subject to regulatory approval before they can be commercially launched.

We currently have five assets in our endocrine portfolio, two of which were developed as part of our proprietary XOMA Metabolism ("XMet") platform. We believe the XMet platform is highly novel as it targets the insulin receptor and has generated new classes of fully human allosteric modulating monoclonal antibodies known as Selective Insulin Receptor Modulators ("SIRMs"). One program of SIRMs produced by the XMet Platform is a negative allosteric modulator of the insulin receptor ("XMetD"). We intend to advance the following two antibodies derived from the XMetD program, which presents potential new therapeutic approaches to the treatment of diseases that involve insulin and result in severe hypoglycemia.

- XOMA 358, a potential long-acting treatment for hyperinsulinemic hypoglycemia; and
- XOMA 129, a potential rapid onset, short-acting treatment for severe acute hypoglycemia.

Our endocrine portfolio also includes what we believe is a Phase 2-ready product candidate, XOMA 213, targeting the prolactin receptor as well as research-stage programs targeting the parathyroid receptor ("PTH1R") and the adrenal corticotropic hormone ("ACTH").

Given our focus on endocrine diseases, we have determined that gevokizumab no longer fits our strategic focus and we have decided to stop all development activities on the asset. As a result, we are closing the Phase 3 program in patients suffering from pyoderma gangrenosum ("PG") and will immediately pursue licensing discussions with potential interested parties.

Organization

We were incorporated in Delaware in 1981 and became a Bermuda-exempted company in December 1998. Effective December 31, 2011, we changed our jurisdiction of incorporation from Bermuda to Delaware and changed our name from XOMA Ltd. to XOMA Corporation. When referring to a time or period before December 31, 1998, or when the context so requires, the terms "Company" and "XOMA" refer to XOMA Corporation, a Delaware corporation, and when referring to a time or period after December 31, 1998, and before December 31, 2011, such terms refer to XOMA Ltd., a Bermuda company.

Corporate Strategy

We are committed to establishing XOMA as a commercial organization in the United States with a portfolio of endocrine therapies that were discovered by our scientists and developed internally. Our commercialization strategy will be to market products in the United States through our own focused sales teams calling on specialist prescribers. We will likely seek development and commercialization partners outside of the United States, as our product candidates could benefit patients around the world. For indications requiring clinical studies that are prohibitively large or for the targeted patient populations are not treated by the specialist provider, we will likely seek a development and commercialization partner, globally or regionally. Additionally, we may seek to expand our pipeline by developing additional proprietary products and technologies and by entering into additional licensing and collaborative arrangements with pharmaceutical and biotechnology companies.

Proprietary Products

As part of our strategy, we are focusing our technology and resources on advancing our emerging proprietary pipeline. Below is a summary of our proprietary products:

- **XOMA 358** is a fully human negative allosteric modulating insulin receptor antibody that was derived from our proprietary XMet platform. We are investigating this antibody as a novel treatment for non-drug-induced, endogenous hyperinsulinemic hypoglycemia (low blood glucose caused by excessive insulin produced by the body). There are several rare disease indications that may benefit from XOMA 358 that are of greatest interest to us: congenital hyperinsulinism ("CHI"), a hereditary disease resulting in lack of insulin regulation and profound hypoglycemia, and post-meal hypoglycemia in post-bariatric surgery ("PBS") patients. XOMA 358 has successfully completed Phase 1 testing, which showed the antibody reduced insulin sensitivity and decreased glucose after exogenous insulin injection and it appeared to be well tolerated, with no serious adverse events observed. The results were presented at the Endocrine Society's Annual Meeting in March 2015. In June 2015, we were granted Orphan Drug Designation for XOMA 358 by the FDA for the treatment of CHI. In October 2015, we initiated a single-dose Phase 2 proof-of-concept ("POC") study of XOMA 358 in patients with CHI. In addition, we intend to initiate a single-administration Phase 2 POC study in PBS patients who experience hyperinsulinism. We believe a therapy that safely and effectively mitigates insulin-induced hypoglycemia has the potential to address a significant unmet therapeutic need for these rare medical conditions associated with hyperinsulinism.

- **XOMA 129** is a highly potent fragment of a monoclonal antibody ("Fab") with negative allosteric modulation activity against the insulin receptor. In animal model testing, it appears to have a fast-onset of action and short half-life. Hypoglycemia is a serious medical condition in patients with Type 2 diabetes mellitus ("T2 DM") and Type 1 diabetes mellitus ("T1 DM") and can occur as a result of insulin therapy, accidental insulin overdose or treatment with sulfonylureas. Recurrent hypoglycemia leads to diminished recognition of the symptoms, which include palpitations, tremors, anxiety, sweating, and hunger. This reduced sensitivity to hypoglycemic symptoms can lead to more prolonged episodes and the advancement into acute severe hypoglycemia, which can result in confusion, loss of consciousness, and seizure. Acute severe hypoglycemia often presents during the nocturnal hours in patients who are treated aggressively for their T1 DM, which puts them at elevated risk for loss of consciousness and seizure. The medical community has long been challenged with how to prevent patients from experiencing nocturnal acute severe hypoglycemia, yet there have not been any significant breakthroughs in pharmaceutical development efforts or experiments in dietary practices. We are conducting preclinical testing for XOMA 129 and intend to advance it into Phase 1 testing as soon as practicable. We believe XOMA 129 could potentially offer clinicians a therapy that has rapid onset, improved efficacy and optimal duration of therapy to treat patients with acute severe hypoglycemia wherein currently available therapies are inadequate.

- **XOMA 213** (formerly LFA 102) is a first-in-class allosteric inhibitor of prolactin action. It is a humanized IgG1-Kappa monoclonal antibody that binds to the extracellular domain of the human prolactin receptor with high affinity at an allosteric site. The antibody has been shown to inhibit prolactin-mediated signaling, and it is potent and similarly active against several animal and human prolactin receptors. We discovered XOMA 213 under our collaboration with Novartis AG ("Novartis," formerly Chiron Corporation), and we exercised our right to bring the product back into our portfolio to develop it for diseases of hyperprolactinemia. In particular, we are developing our product for prolactinoma, a condition of benign tumors on the pituitary gland that leads to hyperprolactinemia-induced sexual dysfunction, infertility, and osteoporosis, as well as anti-psychotic-induced hyperprolactinemia, a side effect seen in patients treated with commonly used antipsychotics, antidepressants, and pain medications. For 20 percent of the 140,000 prolactinoma patients in the United States, existing therapies are poorly tolerated or not amenable to treatment with existing therapy. Anti-psychotic-induced hyperprolactinemia is a side effect seen in patients treated with commonly used antipsychotics, antidepressants, and pain medications. As patients exhibit the same signs and symptoms as prolactinoma, compliance with anti-psychotic therapies is poor. Currently available therapies to address these side effects can worsen psychosis. We intend to launch a POC study for XOMA 213, which, if successful, will allow us to advance the compound into a Phase 2 study for prolactinoma and potentially into anti-psychotic medication-induced hyperprolactinemia.

- **Gevokizumab** is a potent humanized monoclonal antibody with unique allosteric properties that has the potential to treat patients with a wide variety of inflammatory diseases. Gevokizumab binds strongly to IL-1 beta, a pro-inflammatory cytokine. By binding to IL-1 beta, gevokizumab modulates the activation of the IL-1 receptor, thereby preventing the cellular signaling events that produce inflammation.

  In December 2010, we entered into an agreement with Les Laboratories Servier to jointly develop and commercialize gevokizumab in multiple indications. Under the terms of that agreement, Servier has worldwide rights to gevokizumab for cardiovascular disease and diabetes indications (cardiometabolic field) and rights outside the United States and Japan to all other indications.

  On July 22, 2015, we announced the Phase 3 EYEGUARD-B study of gevokizumab in patients with Behçet's disease uveitis did not meet the primary endpoint of time to first acute ocular exacerbation. Due to these results and belief they would be predictive of results in our other EYEGUARD studies of gevokizumab in patients with non-infectious uveitis ("NIU"), in August we announced our intention to end the EYEGUARD global Phase 3 program prior to its planned completion. Servier and we closed down the EYEGUARD clinical sites and, as anticipated, neither EYEGUARD-A nor EYEGUARD-C produced positive results.

  In September 2015, Servier notified XOMA of its intention to terminate the Amended and Restated Collaboration and License Agreement, and return the worldwide gevokizumab rights to XOMA. Termination of the Agreement will be effective on March 25, 2016.

  In March 2016, we announced we are closing our Phase 3 study of gevokizumab in PG. A preliminary review of the data from the study did not show a clear signal of activity in PG.

- **Preclinical Product Pipeline**: We are pursuing additional opportunities to further broaden our preclinical product pipeline, including internal discovery programs focused on endocrine indications. One is an anti-PTH1R program. Hyperparathyroidism results in significant hypercalcemia causing fatigue, loss of appetite, confusion, nausea, and muscle weakness. While most can be treated surgically, 10 percent of the patient population does not respond to surgery. We have identified PTH1R inhibitors and are in the process of attempting to identify a lead compound to move into pre-clinical testing. Another research program is focused on ACTH. Inappropriate secretion of ACTH leads to excess cortisol, which can lead to Cushing's disease. We have identified potent ACTH inhibitors and are testing for in vivo activity in preclinical models.

Partnership and Licensed Products

Historically, we have provided research and development collaboration services for world-class organizations, including Novartis, Novo Nordisk and Takeda, in pursuit of new antibody products. In more recent years, we have evolved our business focus from a service provider model to a proprietary product development model. However, we expect that we will continue to capitalize on partnered product arrangements as opportunities arise. Below is a list of such partnerships:

- **Therapeutic Antibodies with Novartis** In September 2015, we entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis International") for our transforming growth factor beta (TGF-beta) antibody program. Novartis International will have worldwide rights to the TGF-beta program and will be solely responsible for the development and commercialization of the antibodies. We may receive potential milestones and royalties on sales of antibody products in the future.

  In November 2008, we restructured our product development collaboration with Novartis, which was entered into in 2004 with Novartis (then Chiron Corporation). Under the restructured agreement, Novartis received control over the two ongoing programs relating to CD40 and prolactin receptor. Control of the prolactin receptor antibody program was returned to us in 2014. In September 2015, we and Novartis Vaccines and Diagnostics, Inc. ("NVDI"), executed an amendment to their Amended and Restated Research, Development and Commercialization Agreement dated July 1, 2008, as amended, relating to anti-CD40 antibodies. The parties agreed to reduce the royalty rates that we are eligible to receive on sales of Novartis' clinical stage anti-CD40 antibodies. These royalties are tiered based on sales levels and now range from a mid-single digit percentage rate to up to a low double-digit percentage rate.

- **Therapeutic Antibodies with Novo Nordisk** In December 2015, we entered into an exclusive, worldwide, royalty-bearing license with Novo Nordisk for the XMetA program of allosteric monoclonal antibodies that positively modulate the insulin receptor. Novo Nordisk will have worldwide rights to the XMetA program and will be solely responsible for the development and commercialization of antibodies and products, and we retained commercialization rights for all indications considered rare. We may receive potential milestones and royalties on sales of antibody products in the future.

- **Therapeutic Antibodies with Takeda:** Since 2006, Takeda has been a collaboration partner for therapeutic monoclonal antibody discovery and development against multiple targets selected by them. In February 2009, we expanded our existing collaboration to provide Takeda with access to multiple antibody technologies, including a suite of research and development technologies and integrated information and data management systems. We may receive potential milestones and royalties on sales of antibody products in the future.

Technologies

We have a unique set of antibody discovery, optimization and development technologies, including:

- ADAPT™ (Antibody Discovery Advanced Platform Technologies): proprietary phage display libraries integrated with yeast and mammalian display to enable antibody discovery;
- ModulX™: technology that enables identification of allosteric antibodies for positive or negative modulation of biological pathways; and
- OptimX™: technologies used for optimizing biophysical properties of antibodies, including affinity, immunogenicity, stability and manufacturability.

Technology Licenses

Below is a summary of certain proprietary technologies owned by us and available for licensing to other companies:

- **Antibody Discovery Technologies:** We use human antibody phage display libraries, integrated with yeast and mammalian display, which we call ADAPT™ Integrated Display, in our antibody discovery programs. We offer access to this platform, including novel phage libraries developed internally, as part of our collaboration business. We believe access to ADAPT™ Integrated Display offers a number of benefits to us and our collaboration partners because it enables us to combine the diversity of phage libraries with accelerated discovery due to rapid immunoglobulin ("IgG") reformatting and Fluorescence-Activated Cell Sorting ("FACS") based screening using yeast and mammalian display. This increases the probability of technical and business success in finding rare and unique functional antibodies directed to targets of interest.

- **ModulX™ technology:** ModulX™ technology allows modulation of biological pathways using monoclonal antibodies and offers insights into regulation of signaling pathways, homeostatic control, and disease biology. Using ModulX™, XOMA is generating product candidates with novel mechanisms of action that specifically alter the kinetics of interaction between molecular constituents (e.g. receptor-ligand). ModulX™ technology enables expanded target and therapeutic options and offers a unique approach in the treatment of disease.

- **OptimX™ technologies:**

  Human Engineering™ ("HE™"): HE™ is a proprietary humanization technology that allows modification of non-human monoclonal antibodies to reduce or eliminate detectable immunogenicity and make them suitable for medical purposes in humans. The technology uses a unique method developed by us, based on analysis of the conserved structure-function relationships among antibodies. The method defines which residues in a non-human variable region are candidates to be modified. The result is an HE™ antibody with preserved antigen binding, structure and function that has eliminated or greatly reduced immunogenicity. HE™ technology was used in development of gevokizumab and is used in the development of certain other antibody products.

  Targeted Affinity Enhancement™ ("TAE™"): TAE™ is a proprietary technology involving the assessment and guided substitution of amino acids in antibody variable regions, enabling efficient optimization of antibody binding affinity and selectivity. TAE™ generates a comprehensive map of the effects of amino acid mutations in the CDR region likely to impact binding. The technology is utilized by XOMA scientists and has been licensed to a number of our collaborators.

- **Flexible Manufacturing:** This patented technology relates to a flexible arrangement of mobile clean rooms ("MCRs") within a manufacturing facility, with each MCR providing a portable, self-contained environment that allows for drug development. The facility design allows MCRs to connect easily and quickly to a central supply of utilities such as air, water, and electricity. This unique arrangement facilitates flexible manufacturing and eliminates change-over downtime. This translates into significantly reduced capital expenditures, production costs, and maintenance costs while offering meaningful time advantages over conventional manufacturing facilities. When MCRs are not in use, they can be easily moved to cleaning/refurbishing areas and prepared MCRs can be "plugged in" for manufacturing. The flexible manufacturing system can be applied to fields as diverse as pharmaceuticals, biologics, and electronics.

Financial and Legal Arrangements of Product Collaborations, Licensing and Other Arrangements

Collaboration and Licensing Agreements

Servier – Gevokizumab

In December 2010, we entered into a license and collaboration agreement (the "Collaboration Agreement") with Servier to jointly develop and commercialize gevokizumab in multiple indications. Under the terms of the Collaboration Agreement, Servier obtained worldwide rights to cardiovascular disease and diabetes indications (cardiometabolic field) and rights outside the United States and Japan to all other indications, including NIU, Behçet's disease uveitis and other inflammatory and oncology indications. XOMA retained development and commercialization rights in the United States and Japan for all indications other than cardiovascular disease and diabetes. Each party had the right in certain circumstances to pursue development in indications not specified in the agreement, and in such event, the other party had certain options to participate in such development, including reimbursement of a portion of the developing party's expenses.

We also entered into a loan agreement with Servier (the "Servier Loan Agreement") that provided for an advance of up to €15.0 million. The loan was fullyfunded in January 2011, with the proceeds converting to approximately $19.5 million at the date of funding. The loan is secured by an interest in XOMA's intellectual property rights to all gevokizumab indications worldwide, excluding certain rights in the United States and Japan. Interest is calculated at a floating rate based on a Euro Inter-Bank Offered Rate ("EURIBOR") and is subject to a cap. The interest rate is reset semi-annually in January and July of each year. The interest rate for the initial interest period was 3.22% and was reset semi-annually ranging from 2.05% to 3.83%. Interest for the six-month period from mid-January 2015 through mid-July 2015 was reset to 2.16%. Interest is payable semi-annually; however, the Servier Loan Agreement provided for a deferral of interest payments over a period specified in the agreement. During the deferral period, accrued interest was added to the outstanding principal amount for the purpose of interest calculation for the next six-month interest period. On the repayment commencement date, all unpaid and accrued interest was paid to Servier, and thereafter, all accrued and unpaid interest shall be due and payable at the end of each six-month period. In January 2016, we paid $0.2 million in accrued interest to Servier as well as the principal amount then due as described below.

On January 9, 2015, Servier and we entered into Amendment No. 2 ("Loan Amendment") to the Servier Loan Agreement. The Loan Agreement was initially entered into on December 30, 2010 and subsequently amended by a Consent, Transfer, Assumption and Amendment Agreement entered into as of August 12, 2013. The Loan Amendment extended the maturity date of the loan from January 13, 2016 to three tranches of principal to be repaid as follows:€3.0 million on January 15, 2016, €5.0 million on January 15, 2017, and €7.0 million on January 15, 2018. In addition, the loan becomes immediately due and payable upon certain customary events of default. At December 31, 2015, the outstanding principal balance under this loan was $16.4 million using the December 31, 2015 Exchange Rate of 1.091.

On September 28, 2015, Servier notified us of its intention to terminate the Collaboration Agreement, as amended and return the gevokizumab rights to us. The termination will be effective on March 25, 2016, and does not result in a change to the maturity date of our loan with Servier. As we will no longer be required to provide services to Servier under the Collaboration Agreement beyond the effective date, we will amortize the remaining deferred revenue through March 25, 2016. As of December 31, 2015, the deferred revenue – current associated with this collaboration was $0.6 million. All such deferred revenue is expected to be recognized in the first quarter of 2016.

NIAID

In September 2008, we were awarded a third NIAID contract for $64.8 million under Contract No. HHSN272200800028C ("NIAID 3") to continue development of our anti-botulinum antibody product candidates, including XOMA 3AB and additional product candidates directed against the B and E toxin serotypes. As part of the contract, we have developed, evaluated and produced the clinical supplies to support an Investigational New Drug ("IND") application filing with the FDA for XOMA 3AB. A Phase 1 trial was completed on XOMA 3AB, with no product-related serious adverse events. Subsequently, XOMA manufactured XOMA 3B and XOMA 3E, which are currently on stability and are in the process of IND preparation.

In October 2011, we announced we had been awarded a fourth NIAID contract for up to $28.0 million over five years under Contract No. HHSN 272201100031C ("NIAID 4") to develop broad-spectrum antitoxins for the treatment of human botulism poisoning directed against the C and D toxin serotypes.

Takeda

In November 2006, we entered into a fully funded collaboration agreement with Takeda for therapeutic monoclonal antibody discovery and development activities under which we agreed to discover and optimize therapeutic antibodies against multiple targets selected by Takeda. Takeda agreed to make up-front, annual maintenance and milestone payments to us, fund our research and development and manufacturing activities for preclinical and early clinical studies and pay royalties on sales of products resulting from the collaboration. Takeda is responsible for clinical trials and commercialization of drugs after an IND submission and is granted the right to manufacture once a product enters into Phase 2 clinical trials. We have completed a technology transfer and do not expect to perform any further research and development services under this program. From 2011 through 2015, we received milestone payments relating to one currently active program.

Under the terms of this agreement, we may receive milestone payments aggregating up to $19.0 million relating to one undisclosed product candidate and low single-digit royalties on future sales of all products subject to this license. Our right to milestone payments expires on the later of the receipt of payment from Takeda of the last amount to be paid under the agreement or the cessation by Takeda of all research and development activities with respect to all program antibodies, collaboration targets and/or collaboration products. Our right to royalties expires on the later of 13.5 years from the first commercial sale of each royalty-bearing discovery product or the expiration of the last-to-expire licensed patent.

In February 2009, we expanded our existing collaboration to provide Takeda with access to multiple antibody technologies,including a suite of research and development technologies and integrated information and data management systems. We may receive milestones of up to $3.3 million per discovery product candidate and low single-digit royalties on future sales of all antibody products subject to this license. Our right to milestone payments expires on the later of the receipt of payment from Takeda of the last amount to be paid under the agreement or the cessation by Takeda of all research and development activities with respect to all program antibodies, collaboration targets and/or collaboration products. Our right to royalties expires on the later of 10 years from the first commercial sale of such royalty-bearing discovery product or the expiration of the last-to-expire licensed patent.

Novartis – Anti-CD40 Antibody

In November 2008, we restructured our product development collaboration with Novartis. Under the restructured agreement, Novartis made a payment to us of $6.2 million in cash and reduced our existing debt by $7.5 million; agreed to fund all future research and development expenses; agreed to pay potential milestones of up to $14.0 million and royalty rates ranging from low-double-digit to high-teen percentage rates for certain antibody products binding to CD40 or prolactin receptor antibody programs; and has provided us with options to develop or receive royalties on four additional programs. In exchange, Novartis received control over the CD40 and prolactin receptor antibody programs, as well as the right to expand the development of these programs into additional indications outside of oncology. Novartis has initiated clinical studies to test CFZ533, an anti-CD40 antibody arising from its collaboration with XOMA, in de novo renal transplantation, Primary Sjögren's Syndrome and in moderate to severe myasthenia gravis. Novartis has returned control of the prolactin receptor antibody program, XOMA 213, to us and we are evaluating options for its continued development. In 2013, we received a $7.0 million milestone relating to one currently active program. Our right to milestone payments expires at such time as no collaboration product or former collaboration product is being developed or commercialized anywhere in the world and no royalty payments on these products are due. Our right to royalty payments expires on the later of the expiration of any licensed patent covering each product or 10 years from the launch of each product.

In September 2015, we and Novartis Vaccines and Diagnostics, Inc. (“NVDI”), executed an amendment to their Amended and Restated Research, Development and Commercialization Agreement dated July 1, 2008, as amended, relating to anti-CD40 antibodies. The parties agreed to reduce the royalty rates that we are eligible to receive on sales of Novartis’ clinical stage anti-CD40 antibodies. These royalties are tiered based on sales levels and now range from a mid-single digit percentage rate to up to a low double-digit percentage rate.

In connection with the collaboration between XOMA and Novartis (then Chiron Corporation), a secured note agreement was executed in May 2005. The note agreement is secured by our interest in the collaboration and was due and payable in full in June 2015. On June 19, 2015, we and Novartis Vaccines Diagnostics, Inc. (“NVDI”), who assumed the note agreement, agreed to extend the maturity date of our secured note agreement from June 21, 2015 to September 30, 2015, which was then subsequently extended to September 30, 2020. At December 31, 2015, the outstanding principal balance under this note agreement totaled $13.7 million and was included in our long-term portion of interest bearing obligations in our consolidated balance sheet as of December 31, 2015. Pursuant to the terms of the arrangement as restructured in November 2008, we will not make any additional borrowings on the Novartis note.

Novartis – Anti-TGFβ Antibody

In September 2015, we and Novartis International Pharmaceutical Ltd. (“Novartis International”) entered into a license agreement (the “License Agreement”) pursuant to which we granted Novartis International an exclusive, worldwide, royalty-bearing license to our anti-transforming growth factor beta (“TGF-beta”) antibody program. Under the terms of the License Agreement, Novartis International obtained worldwide rights to the TGF-beta antibody program and is solely responsible for the development and commercialization of antibodies and products containing antibodies arising from the TGF-beta antibody program.

Under the License Agreement, we received a $37 million upfront fee. We are eligible to receive up to a total of $480 million in development, regulatory and commercial milestones. We also are eligible to receive royalties on sales of licensed products, which are tiered based on sales levels and range from a mid-single digit percentage rate to up to a low double-digit percentage rate. Novartis International’s obligation to pay royalties with respect to a particular product and country will continue for the longer of the date of expiration of the last valid patent claim covering the product in that country, or ten years from the date of the first commercial sale of the product in that country.

The License Agreement contains customary termination rights relating to material breach by either party. Novartis International also has a unilateral right to terminate the License Agreement on an antibody-by-antibody and country-by-country basis or in its entirety on one hundred eighty days’ notice.

Pfizer

In August 2007, we entered into a license agreement (the "2007 Agreement") with Pfizer Inc. ("Pfizer") for non-exclusive, worldwide rights for our patented bacterial cell expression technology for research, development and manufacturing of antibody products. Under the terms of the 2007 Agreement, we received a license fee payment of $30.0 million in 2007.

From 2011 through 2015, we have received milestone payments, and we were also eligible for additional milestone payments and low single-digit royalties on future sales of all products subject to this license. In addition, we were also eligible to receive potential milestone payments aggregating up to $1.7 million for each additional qualifying product candidate. Our right to milestone payments would expire on the later of the expiration of the last-to-expire licensed patent or the tenth anniversary of the effective date. Our right to royalties would expire upon the expiration of the last-to-expire licensed patent. In December 2015, we entered into a settlement and amended license agreement with Pfizer, pursuant to which we granted Pfizer a fully-paid, royalty-free, worldwide, irrevocable, non-exclusive license rights to XOMA's patented bacterial cell expression technology for phage display and other research, development and manufacturing of antibody products for cash payment by Pfizer of $3.8 million in full satisfaction of all obligations to us under the August 27, 2007 License Agreement between XOMA Ireland Limited and Pfizer Inc, including but not limited to potential milestone, royalty and other fees under the 2007 Agreement.

In August 2005, we entered into a license agreement with Wyeth (subsequently acquired by Pfizer) for non-exclusive, worldwide rights for certain of XOMA's patented bacterial cell expression technology for vaccine manufacturing. Under the terms of this agreement, we received a milestone payment in November 2012 relating to TRUMENBA®, a meningococcal group B vaccine marketed by Pfizer. We receive a fraction of a percentage of sales of TRUMENBA as royalties. Our right to royalties expires on a country-by-country basis upon the later of the expiration of the last-to-expire licensed patent or 10 years from the first commercial sale of TRUMENBA.

Novo Nordisk

In December 2015, we entered into a license agreement with Novo Nordisk A/S ("Novo Nordisk ") pursuant to which we have granted to Novo Nordisk an exclusive, world-wide, royalty-bearing license to XOMA's XMetA program of allosteric monoclonal antibodies that positively modulate the insulin receptor (the "XMetA Program"), subject to our retained commercialization rights for rare disease indications. Novo Nordisk has an option to add these additional rights to its license upon payment of an option fee.

Novo Nordisk will have worldwide rights to the XMetA Program and will be solely responsible for its expenses for the development and commercialization of antibodies and products containing antibodies arising from the XMetA Program, subject to the our retained rights described above. We have transferred certain proprietary know-how and materials relating to the XMetA Program to Novo Nordisk. Under the agreement, we received a $5.0 million, non-creditable, non-refundable, upfront payment. Based on the achievement of pre-specified criteria, we are eligible to receive up to $290.0 million in development, regulatory and commercial milestones. We are also eligible to receive royalties on sales of licensed products, which are tiered up to a high single digit percentage rate based on sales levels. Novo Nordisk's obligation to pay development and commercialization milestones will continue for so long as Novo Nordisk is developing or selling products under the agreement, subject to the maximum milestone payment amounts set forth above. Novo Nordisk's obligation to pay royalties with respect to a particular product and country will continue for the longer of the date of expiration of the last valid patent claim covering the product in that country, or ten years from the date of the first commercial sale of the product in that country.

The agreement contains customary termination rights relating to material breach by either party. Novo Nordisk also has a unilateral right to terminate the agreement in its entirety on ninety (90) days' notice.

Sale of Manufacturing Facility and Biodefense Assets

On November 4, 2015, we entered into an asset purchase agreement (the "Nanotherapeutics Purchase Agreement") with Nanotherapeutics, pursuant to which Nanotherapeutics agreed, subject to the terms and conditions set forth in the Nanotherapeutics Purchase Agreement, to acquire our biodefense business and related assets (including, subject to regulatory approval, certain contracts with the U.S. government), and to assume certain liabilities of XOMA (the "Transaction"). As part of the Transaction, the parties will, subject to the terms and conditions of the asset purchase agreement and the satisfaction of certain conditions, enter into an intellectual property license agreement (the "License Agreement"), pursuant to which we agree to license to Nanotherapeutics, subject to the terms and conditions set forth in the License Agreement, certain intellectual property rights related to the purchased assets. Under the License Agreement, we are eligible for up to $4.5 million of cash payments upon Nanotheraputics' execution of a contract with the Defense Threat Reduction Agency. In addition, we are eligible to receive 15% royalties on net sales of products.

On November 5, 2015, we entered into an asset purchase agreement (the "Agenus Purchase Agreement") with Agenus West, LLC, a wholly-owned subsidiary of Agenus Inc. ("Agenus"), pursuant to which Agenus agreed, subject to the terms and conditions set forth in the Agenus Purchase Agreement, to acquire our pilot scale manufacturing facility in Berkeley, California, together with certain related assets, including a license to certain intellectual property related to the purchased assets, and to assume certain liabilities of XOMA, in consideration for the payment to us of up to $5.0 million in cash and the issuance to us of shares of Agenus's common stock having an aggregate value of up to $1.0 million. The Agenus Purchase Agreement closed on December 31, 2015. At closing, we received cash of $4.7 million, net of the assumed liabilities of $0.3 million. In addition to the cash consideration, we received 109,211 shares of common stock of Agenus with an aggregate value of $0.5 million. The remaining common stock of Agenus will only be received upon our satisfaction of certain operational matters, which we may or may not be able to satisfy.

Financing Agreements

Hercules Loan and Security Agreement

In February 2015, we entered into a Loan and Security Agreement with Hercules, (the "Hercules Loan Agreement") under which we borrowed $20.0 million. We used a portion of the proceeds received under the Hercules Loan Agreement to repay the outstanding principal, final payment fee, prepayment fee, and accrued interest of $5.5 million under our loan agreement with General Electric Capital Corporation.

The interest rate under the Hercules Loan Agreement will be calculated at a rate equal to the greater of either (i) 9.40% plus the prime rate as reported from time to time in The Wall Street Journal minus 7.25%, and (ii) 9.40%. Payments under the Hercules Loan Agreement are interest only until one month prior to the Amortization Date, defined as July 1, 2016. The interest only period will be followed by equal monthly payments of principal and interest amortized over a 30 month schedule through the scheduled maturity date of September 1, 2018 (the "Hercules Loan Maturity Date"). The entire principal balance, including a balloon payment of principal, as applicable, will be due and payable on the Hercules Loan Maturity Date. In addition, a final payment equal to $1.2 million will be due on the Hercules Loan Maturity Date, or such earlier date specified in the Hercules Loan Agreement. Our obligations under the Hercules Loan Agreement are secured by a security interest in substantially all of our assets, other than our intellectual property.

If we prepay the loan prior to the Hercules Loan Maturity Date, we will pay Hercules a prepayment charge, based on a prepayment fee equal to 3.00% of the amount prepaid, if the prepayment occurs in any of the first 12 months following the closing date, 2.00% of the amount prepaid, if the prepayment occurs after 12 months from the closing date but prior to 24 months from the closing date, and 1.00% of the amount prepaid if the prepayment occurs after 24 months from the closing date.

The Hercules Loan Agreement includes customary affirmative and restrictive covenants, but does not include any financial maintenance covenants, and also includes standard events of default, including payment defaults. Upon the occurrence of an event of default, a default interest rate of an additional 5% may be applied to the outstanding loan balances, and Hercules may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Hercules Loan Agreement. In connection with the Hercules Loan Agreement, we issued a warrant to Hercules that is exercisable for an aggregate of up to 181,268 shares of XOMA common stock at an exercise price of $3.31 per share (the "Hercules Warrant"). The Hercules Warrant may be exercised on a cashless basis and is exercisable for a term beginning on the date of issuance and ending on the earlier to occur of five years from the date of issuance or the consummation of certain acquisitions of XOMA as set forth in the Hercules Warrant. The number of shares for which the Hercules Warrant is exercisable and the associated exercise price are subject to certain proportional adjustments as set forth in the Hercules Warrant.

Research and Development

Our research and development expenses currently include costs of personnel, supplies, facilities and equipment, consultants, third-party costs and other expenses related to preclinical and clinical testing. In 2015, our research and development expenses were $70.9 million, compared with $80.7 million in 2014 and $74.9 million in 2013.

Our research and development activities can be divided into those related to our internal projects and those related to collaborative and contract arrangements, which are reimbursed by our collaborators. In 2015, research and development expenses relating to internal projects were $50.2 million, compared with $51.3 million in 2014 and $47.5 million in 2013. In 2015, research and development expenses related to collaborative and contract arrangements were $20.6 million, compared with $29.5 million in 2014 and $27.4 million in 2013.

Competition

The biotechnology and pharmaceutical industries are subject to continuous and substantial technological change. Competition in antibody-based technologies is intense and is expected to increase as new technologies emerge and established biotechnology firms and large chemical and pharmaceutical companies continue to advance in the field. A number of these large pharmaceutical and chemical companies have enhanced their capabilities by entering into arrangements with or acquiring biotechnology companies or entering into business combinations with other large pharmaceutical companies. Many of these companies have significantly greater financial resources, larger research and development and marketing staffs, and larger production facilities than ours. Moreover, certain of these companies have extensive experience in undertaking preclinical testing and human clinical trials. These factors may enable other companies to develop products and processes competitive with or superior to ours. In addition, a significant amount of research in biotechnology is being carried out in universities and other non-profit research organizations. These entities are becoming increasingly interested in the commercial value of their work and may become more aggressive in seeking patent protection and licensing arrangements. Furthermore, many companies and universities tend not to announce or disclose important discoveries or development programs until their patent position is secure or, for other reasons, later. As a result, we may not be able to track development of competitive products, particularly at the early stages. There can be no assurance that developments by others will not render our products or technologies obsolete or uncompetitive.

Without limiting the foregoing, we are aware of the following competitors for the product and candidate shown in the table below. This table is not intended to be representative of all existing competitors in the market:

Product/Candidate	Competitors
XOMA 358	Biodel Inc
	S-cubed Limited
	Xeris Pharmaceuticals

Government Regulation

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, pre-market approval, manufacture, marketing, import, export and distribution of biopharmaceutical products. These agencies and other regulatory agencies regulate research and development activities and the testing, approval, manufacture, quality control, safety, effectiveness, labeling, storage, recordkeeping, advertising and promotion of products and product candidates. Failure to comply with applicable FDA or other regulatory requirements may result in Warning Letters, civil or criminal penalties, suspension or delays in clinical development, recall or seizure of products, partial or total suspension of production or withdrawal of a product from the market. The development and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all. We must obtain approval of our product candidates from the FDA before we can begin marketing them in the United States. Similar approvals are also required in other countries.

Product development and approval within this regulatory framework is uncertain, can take many years and requires the expenditure of substantial resources. The nature and extent of the governmental review process for our product candidates will vary, depending on the regulatory categorization of particular product candidates and various other factors.

The necessary steps before a new biopharmaceutical product may be sold in the United States ordinarily include:

- preclinical *in vitro* and *in vivo* tests, which must comply with Good Laboratory Practices ("GLP");
- submission to the FDA of an IND which must become effective before clinical trials may commence, and which must be updated annually with a report on development;
- completion of adequate and well controlled human clinical trials to establish the safety and efficacy of the product candidate for its intended use;
- submission to the FDA of a biologic license application ("BLA"), which must often be accompanied by payment of a substantial user fee;
- FDA pre-approval inspection of manufacturing facilities for current Good Manufacturing Practices, or GMP, compliance and FDA inspection of select clinical trial sites for Good Clinical Practice ("GCP"), compliance; and
- FDA review and approval of the BLA and product prescribing information prior to any commercial sale.

The results of preclinical tests (which include laboratory evaluation as well aspreclinical GLP studies to evaluate toxicity) for a particular product candidate, together with related manufacturing information and analytical data, are submitted as part of an IND to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. IND submissions may not result in FDA authorization to commence a clinical trial. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development. Further, an independent institutional review board ("IRB"), for each medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that center and it must monitor the study until completed. The FDA, the IRB, or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive GCP regulations and regulations for informed consent and privacy of individually identifiable information.

Clinical trials generally are conducted in three sequential phases that may overlap or in some instances, be skipped. In Phase 1, the initial introduction of the product into humans, the product is tested to assess safety, metabolism, pharmacokinetics and pharmacological actions associated with increasing doses. Phase 2 usually involves trials in a limited patient population to evaluate the efficacy of the potential product for specific, targeted indications, determine dosage tolerance and optimum dosage and further identify possible adverse reactions and safety risks. Phase 3 and pivotal trials are undertaken to evaluate further clinical efficacy and safety often in comparison to standard therapies within a broader patient population, generally at geographically dispersed clinical sites. Phase 4, or post-marketing, trials may be required as a condition of commercial approval by the FDA and may also be voluntarily initiated by us or our collaborators. Phase 1, Phase 2 or Phase 3 testing may not be completed within any specific period of time, if at all, with respect to any of our product candidates. Similarly, suggestions of safety, tolerability or efficacy in earlier-stage trials do not necessarily predict findings of safety and effectiveness in subsequent trials. Furthermore, the FDA, an IRB, or we may suspend a clinical trial at any time for various reasons, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Clinical trials are subject to central registration and results reporting requirements, such as on www.clinicaltrials.gov.

The results of preclinical studies, pharmaceutical development and clinical trials, together with information on a product's chemistry, manufacturing, and controls, are submitted to the FDA in the form of a BLA, for approval of the manufacture, marketing and commercial shipment of the biopharmaceutical product. Data from clinical trials are not always conclusive and the FDA may interpret data differently than we or our collaborators interpret data. The FDA also may convene an Advisory Committee of external advisors to answer questions regarding the approvability and labeling of an application. The FDA is not obligated to follow the Advisory Committee's recommendation. The submission of a BLA is required to be accompanied by a substantial user fee, with few exceptions or waivers. The user fee is administered under the Prescription Drug User Fee Act, which sets goals for the timeliness of the FDA's review. A standard review period is twelve months from submission of the application, while priority review is eight months from submission of the application. The testing and approval process is likely to require substantial time, effort and resources, and there can be no assurance that any approval will be granted on a timely basis, if at all. The FDA may deny review of an application by refusing to file the application or not approve an application by issuance of a complete response letter if applicable regulatory criteria are not satisfied, require additional testing or information, or require risk management programs and post-market testing and surveillance to monitor the safety or efficacy of the product. Approval may occur with significant Risk Evaluation and Mitigation Strategies, or REMS, which limit the clinical use in the prescribing information, distribution or promotion of a product. Once issued, the FDA may withdraw product approval if ongoing regulatory requirements are not met or if safety problems occur after the product reaches the market.

Orphan drugs are those intended for use in rare diseases or conditions. As a result of the high cost of development and the low return on investment for rare diseases, certain governments provide regulatory and commercial incentives for the development of drugs for small disease populations. In the United States, the term ‘‘rare disease or condition’’ means any disease or condition that affects fewer than 200,000 people in the United States. Applications for U.S. orphan drug status are evaluated and granted by the Office of Orphan Products Development (“OOPD”) of the FDA and must be requested before submitting a BLA. In the United States, orphan drugs are subject to the standard regulatory process for marketing approval but are exempt from the payment of user fees for licensure, may receive market exclusivity for a period of seven years and some tax benefits, and are eligible for OOPD grants. If a product with orphan designation subsequently receives the first FDA approval for the disease or condition for which it has such designation, the product is entitled to orphan product exclusivity, which means the FDA may not approve any other applications to market the same drug or biological product for the same indication, except in very limited circumstances, for seven years. Competitors, however, may receive approval of different products for the indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity. Orphan product exclusivity also could block the approval of one of our products for seven years if a competitor obtains approval of the same drug or biological product as defined by the FDA or if our product candidate is determined to be contained within the competitor’s product for the same indication or disease. If a drug or biological product designated as an orphan product receives marketing approval for an indication broader than what is designated, it may not be entitled to orphan product exclusivity.

Products manufactured or distributed pursuant to FDA approvals are subject to continuing regulation by the FDA, including manufacture, labeling, advertising, distribution, promotion, recordkeeping, annual product quality review and reporting requirements. Adverse event experience with the product must be reported to the FDA in a timely fashion and pharmacovigilance programs to proactively look for these adverse events are mandated by the FDA. Manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMPs, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Following such inspections, the FDA may issue notices on Form 483 and Warning Letters that could cause us to modify certain activities. A Form 483 notice, if issued at the conclusion of an FDA inspection, can list conditions the FDA investigators believe may have violated cGMP or other FDA regulations or guidance. Failure to adequately and promptly correct the observations(s) can result in further regulatory enforcement action. In addition to Form 483 notices and Warning Letters, failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as suspension of manufacturing, seizure of product, injunctive action or possible civil penalties. We cannot be certain that we or our present or future third-party manufacturers or suppliers will be able to comply with the cGMP regulations and other ongoing FDA regulatory requirements. If we or our present or future third-party manufacturers or suppliers are not able to comply with these requirements, the FDA may halt our clinical trials, not approve our products, and require us to recall a product from distribution or withdraw approval of the BLA for that product. Failure to comply with ongoing regulatory obligations can result in delay of approval or Warning Letters, product seizures, criminal penalties, and withdrawal of approved products, among other enforcement remedies.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. These regulations include standards and restrictions for direct-to-consumer advertising, industry-sponsored scientific and educational activities, promotional activities involving the internet, and off-label promotion. While physicians may prescribe for off-label uses, manufacturers may only promote for the approved indications and in accordance with the provisions of the approved label. The FDA has very broad enforcement authority under the Federal Food, Drug, and Cosmetic Act, and failure to abide by these regulations can result in penalties, including the issuance of a warning letter directing entities to correct deviations from FDA standards, and state and federal civil and criminal investigations and prosecutions.

Federal and state healthcare laws, including fraud and abuse and health information privacy and security laws, are also applicable to our business. We could face substantial penalties and our business, results of operations, financial condition and prospects could be adversely affected. The laws that may affect our ability to operate include: the federal Anti-Kickback Statute, which prohibits soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs; federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent; and the federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters and was amended by the Health Information Technology and Clinical Health Act (“HITECH”), and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information. State law equivalents of each of the above federal laws exist, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

International Regulation

In addition to regulations in the United States, we are subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of any future products. Whether or not we obtain FDA approval for a product, we must obtain approval by the comparable regulatory authorities of foreign countries before we can commence clinical trials or market the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Patents and Trade Secrets

Patent and trade secret protection are important to our business and our future will depend in part on our ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. As a result of our ongoing activities, we hold and have filed applications for a number of patents in the United States and internationally to protect our products and important processes. We also have obtained or have the right to obtain exclusive licenses to certain patents and applications filed by others. However, the patent position of biotechnology companies generally is highly uncertain and consistent policy regarding the breadth of allowed claims has not emerged from the actions of the U.S. Patent and Trademark Office ("Patent Office") with respect to biotechnology patents. Accordingly, no assurance can be given that our patents will afford protection against competitors with similar technologies or others will not obtain patents claiming aspects similar to those covered by our patent applications.

On January 6, 2015 we were awarded U.S. Patent No. 8,926,976 covering insulin receptor-activating antibodies having the functional properties of the lead antibody in our XMetA program, subsequently licensed to Novo Nordisk. On December 17, 2015 the European Patent Office issued a decision to grant European Patent 2 480 254 covering insulin receptor-activating antibodies having the functional properties of XOMA 358, the lead antibody in XOMA's XMetD program. Additional patent applications covering our insulin receptor antibody programs are pending in the U.S. and certain other countries.

We have exclusive worldwide rights to a family of patents relating to our prolactin receptor antibody program, XOMA 213, following return of the program by Novartis. Issued patents in the family include US Patent No. 7,867,493 and EP 2 059 535.

We have established a portfolio of patents in the United States, Europe and certain other countries for our gevokizumab program. U.S. Patent Nos. 7,531,166 (which expires in 2027) and 7,582,742 cover gevokizumab and other antibodies and antibody fragments with similar binding properties for IL-1 beta, as well as nucleic acids, expression vectors and production cell lines for the manufacture of such antibodies and antibody fragments. US Patent No. 9,206,252 relates to pharmaceutical compositions of gevokizumab and other antibodies and antibody fragments with similar binding properties for IL-1 beta. U.S. Patent Nos. 7,744,865, 7,744,866 and 7,943,121 relate to additional IL-1 beta binding antibodies and binding fragments. U.S. Patent Nos. 7,695,718, 8,101,166, 8,586,036, 8,545,846, 8,377,429 and 9,163,082 relate to methods of treating Type 2 diabetes or Type 2 diabetes-induced diseases or conditions with high affinity antibodies and antibody fragments that bind to IL-1 beta, including gevokizumab. U.S. Patent No. 8,637,029 relates to methods of treating gout with certain doses of IL-1 beta binding antibodies or binding fragments. U.S. Patent No. 7,695,717 relates to methods of treating certain IL-1 related inflammatory diseases, including rheumatoid arthritis and osteoarthritis, with gevokizumab and other antibodies and antibody fragments with similar binding properties for IL-1 beta. U.S. Patent No. 7,829,093 relates to methods of treating diabetes mellitus ("Type 1") with gevokizumab or other IL-1 beta antibodies and fragments having similar binding properties. U.S. Patent No. 7,829,094 relates to methods of treating certain cancers with gevokizumab or other IL-1 beta antibodies and fragments having similar binding properties, with the cancer being selected from multiple myeloma, acute myelogenous leukemia and chronic myelogenous leukemia. U.S. Patent No. 7,988,968 relates to methods of treating certain IL-1 beta related coronary conditions, including myocardial infarction, with gevokizumab or other IL-1 beta antibodies and fragments having similar binding properties. U.S. Patent No. 8,377,442 relates to methods of treating certain IL-1 beta related conditions, including inflammatory eye disease or uveitis, with gevokizumab or other IL-1 beta antibodies and fragments having similar binding properties. U.S. Patent Nos. 8,551,487 and 9,139,646 relate to methods of treating refractory uveitis with IL-1 beta binding antibodies and binding fragments. Also, patents have been granted by the European Patent Office and certain other countries for gevokizumab, as well as nucleic acids, expression vectors and production cell lines for the manufacture of gevokizumab.

In October 2015, we announced that we had exclusively licensed the global development and commercialization rights to our TGFβ antibody program to Novartis. The licensed intellectual property includes US Patent Nos. 8,569,464 and 9,145,458 covering XOMA's lead TGFβ antibodies and methods of use thereof.

We established a portfolio of patents related to our bacterial expression technology, including claims to methods for expression and secretion of recombinant proteins from bacteria, including immunoglobulin gene products, and improved methods and cells for expression of recombinant protein products. We have granted more than 60 licenses to biotechnology and pharmaceutical companies to use the Company's patented and proprietary technologies relating to bacterial expression of recombinant pharmaceutical products. The last-to-expire patent licensed under the majority of these license agreements is Canadian patent 1,341,235, which is expected to expire in May 2018.

In addition, we have developed a portfolio of patents and applications related to improvements to our bacterial expression technology, and to our display libraries. U.S. Patent Nos. 7,094,579, 7,396,661, 7,972,811, 7,977,068 and 8,476,040 relate to particular eukaryotic signal sequences and their use in methods for prokaryotic expression of polypeptides and for preparing polypeptide display libraries. WO 2012/106615 relates to the use of cytoplasmic fkpA and skp chaperones to enhance recombinant protein expression in bacteria. U.S. Patent Nos. 8,546,307 and 8,546,308 relate to novel triple tag sequences, phage display antibody libraries with such sequences, and methods of screening the libraries. WO 2011/038301 relates to novel methods of screening for kinetic modulating antibodies and WO 2012/092323 relates to display of antibodies or antibody fragments using a PDZ domain display system.

We also have established a portfolio of patents related to our mammalian expression technology, including U.S. Patent Nos. 7,192,737, 7,993,915, 7,794,976 and 8,497,096, which relate to methods of producing recombinant proteins using particular vectors, including expression vectors comprising multiple copies of a transcription unit encoding a polypeptide separated by at least one selective marker gene.

We have been granted patents related to our Targeted Affinity Enhancement (TAE)™ technology, including U.S. Patent No. 9,102,711 and EP 2 242 843 directed to methods of mutating nucleic acids using certain primer sets.

In November 2013, we were awarded U.S. Patent No. 8,584,349, entitled "Flexible Manufacturing System." This patent is directed to a flexible system of movable manufacturing bays, adapted to easily and quickly connect to a central supply of utilities such as air, water, and electricity. This unique arrangement facilitates flexible design and eliminates change-over downtime, which translates into significantly reduced capital expenditures, production costs, and maintenance costs. The flexible manufacturing system can be applied to fields as diverse as pharmaceuticals, biologics, and electronics. In October 2014 we announced that the Texas A&M University System agreed to a non-exclusive license to this technology.

If certain patents issued to others are upheld or if certain patent applications filed by others issue and are upheld, we may require certain licenses from others in order to develop and commercialize certain potential products incorporating our technology. There can be no assurance that such licenses, if required, will be available on acceptable terms.

Where appropriate, we also rely on trade secrets to protect aspects of our technology. However, trade secrets are difficult to protect. We protect our proprietary technology and processes, in part, by confidentiality agreements with our employees, consultants and collaborators. These parties may breach these agreements, and we may not have adequate remedies for any breach. Our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that we or our consultants or collaborators use intellectual property owned by others, we may have disputes with our collaborators or consultants or other third parties as to the rights in related or resulting know-how and inventions.

Financial Information about Geographic Areas

We believe, because the pharmaceutical industry is global in nature, international activities will be a significant part of our future business activities, and when and if we are able to generate income, a portion of that income may be derived from product sales and other activities outside the United States. One of our strategic goals is to establish XOMA as a commercial organization in the United States.

We have determined that we operate in one business segment as we only report operating results on an aggregate basis to the chief operating decision maker of the XOMA Corporation. Our property and equipment is held primarily in the United States.

Financial information regarding the geographic areas in which we operate and segment information is included in*Note 14 to the December 31, 2015, Financial Statements: Concentration of Risk, Segment and Geographic Information.*

Concentration of Risk

In 2015, Novartis International accounted for 67 percent of our total revenue. NIAID and Servier accounted for 51 percent and 28 percent, respectively, of our total revenue in 2014. Servier, NIAID and Novartis accounted for 43 percent, 26 percent, and 20 percent respectively, of our total revenue in 2013. At December 31, 2015, Five Prime, NIAID, Servier and Centocor accounted for 39 percent, 25 percent, 18 percent and 10 percent, respectively, of the accounts receivable balance. NIAID, Servier and Oncobiologics accounted for 44 percent, 34 percent and 12 percent, respectively, of our total accounts receivable balance at December 31, 2014. None of these parties represent a related party to XOMA and the loss of one or more of these customers could have a material effect on our business and financial condition.

Employees

As of March 7, 2016, we employed 86 full-time employees at our facilities, principally in Berkeley, California, none of whom are unionized. Our employees primarily are engaged in clinical, process development, research and product development, and in executive, business development, finance and administrative positions.

Available Information

For information on XOMA's investment prospects and risks, please contact Investor Relations and Corporate Communications at (510) 204-7200 or by sending an e-mail message to investorrelations@xoma.com. Our principal executive offices are located at 2910 Seventh Street, Berkeley, California 94710, U.S.A. Our telephone number is (510) 204-7200.

The following information can be found on our website at http://www.xoma.com or can be obtained free of charge by contacting our Investor Relations Department:

- Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act will be available as soon as reasonably practicable after such material is electronically filed or otherwise furnished to the SEC. All reports we file with the SEC also can be obtained free of charge via EDGAR through the SEC's website at http://www.sec.gov.
- Our policies related to corporate governance, including our Code of Ethics applying to our directors, officers and employees (including our principal executive officer and principal financial and accounting officer) that we have adopted to meet the requirements set forth in the rules and regulations of the SEC and its corporate governance principles, are available.
- The charters of the Audit, Compensation and Nominating & Governance Committees of our Board of Directors are available.

We intend to satisfy the applicable disclosure requirements regarding amendments to, or waivers from, provisions of our Code of Ethics by posting such information on our website.

Item 1A. Risk Factors

The following risk factors and other information included in this annual report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Risks Related to our Financial Results and Capital Requirements

We have sustained losses in the past, and we expect to sustain losses in the foreseeable future.

We have been and are developing numerous product candidates, and as a result have experienced significant losses. As of December 31, 2015, we had an accumulated deficit of $1.1 billion.

For the year ended December 31, 2015, we had a net loss of approximately $20.6 million and for the year ended December 31, 2014, we had a net loss of approximately $38.3 million.

Our ability to achieve profitability is dependent in large part on the success of our development programs, obtaining regulatory approval for our product candidates and licensing certain of our preclinical compounds, all of which are uncertain. Our product candidates are still being developed, and we do not know whether we will ever achieve sustained profitability or whether cash flow from future operations will be sufficient to meet our needs.

We have devoted most of our financial resources to research and development, including our non-clinical development activities and clinical trials. Our product candidates are still being developed, and we do not know whether we will ever achieve sustained profitability or whether cash flow from future operations will be sufficient to meet our needs. To date, we have financed our operations primarily through the sale of equity securities and debt, andcollaboration and licensing arrangements. The size of our future net losses will depend, in part, on the rate of future expenditures and our ability to generate revenues. We expect to continue to incur substantial expenses as we continue our research and development activities for our product candidates. If our product candidates are not successfully developed or commercialized, or if revenues are insufficient following marketing approval, we will not achieve profitability and our business may fail. Our ability to achieve profitability is dependent in large part on the success of our development programs, obtaining regulatory approval for our product candidates and licensing certain of our preclinical compounds, all of which are uncertain. Our success is also dependent on obtaining regulatory approval to market our product candidates through current and future collaborations, which may not materialize or prove to be successful.

Because our product candidates are still being developed, we will require substantial funds to continue; we cannot be certain that funds will be available, and if they are not available, we may be forced to delay, reduce, or eliminate our product development programs or to take actions that could adversely affect an investment in our common stock and we may not be able to continue operations.

We will need to commit substantial funds to continue development of our product candidates, and we may not be able to obtain sufficient funds on acceptable terms, or at all. Any additional debt financing or additional equity that we raise may contain terms that are not favorable to our stockholders or us. If we raise additional funds through collaboration and licensing arrangements with third parties, we may be required to relinquish some rights to our technologies or our product candidates, grant licenses on terms that are not favorable to us or enter into a collaboration arrangement for a product candidate at an earlier stage of development or for a lesser amount than we might otherwise choose.

Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available on a timely basis, we may:

- terminate or delay clinical trials for one or more of our product candidates; reduce or eliminate certain product development efforts or commercialization efforts;
- further reduce our headcount and capital or operating expenditures; or
- curtail our spending on protecting our intellectual property.

We finance our operations primarily through our multiple revenue streams resulting from discovery and development collaborations, the licensing of our antibody technologies, debt and through sales of our common stock.

Based on our cash, cash equivalents and marketable securities of $66.3 million at December 31, 2015, anticipated spending levels, anticipated cash inflows from collaborations, licensing transactions, funding availability included under our loan agreements, and other sources of funding that we believe to be available, we anticipate that we will have adequate capital to fund operations through at least December 31, 2016. Any significant revenue shortfalls, increases in planned spending on development programs, more rapid progress of development programs than anticipated, or the initiation of new clinical trials, as well as the unavailability of anticipated sources of funding, could shorten this period or otherwise have a material adverse impact on our ability to finance our continued operations. Progress or setbacks by potentially competing products also may affect our ability to raise new funding on acceptable terms.

We do not know when or whether:

- operations will generate meaningful funds;
- additional agreements for product development funding can be reached;
- strategic alliances can be negotiated; or
- adequate additional financing will be available for us to finance our own development on acceptable terms, or at all.

If adequate funds are not available, we will be required to delay, reduce the scope of, or eliminate one or more of our productdevelopment programs and further reduce personnel-related costs.

We may not realize the expected benefits of our cost-saving initiatives.

Reducing costs is a key element of our current business strategy. On August 21, 2015, we, in connection with our efforts to lower operating expenses and preserve capital while continuing to focus on our product pipeline, implemented a workforce reduction, which led to the termination of 38 employees and the elimination of 20 open positions. We terminated an additional five employees on September 29, 2015 and an additional nine employees on October 20, 2015.

We recorded an aggregate restructuring charge of approximately $2.9 million related to severance, other termination benefits and outplacement services in connection with the workforce reduction. In addition, we recognized an additional restructuring charge of $0.8 million in total contract termination costs in the second half of 2015, which primarily include costs in connection with the discontinuation of the EYEGUARD studies.

If we experience excessive unanticipated inefficiencies or incremental costs in connection with restructuring activities, such as unanticipated inefficiencies caused by reducing headcount, we may be unable to meaningfully realize cost savings and we may incur expenses in excess of what we anticipate. Either of these outcomes could prevent us from meeting our strategic objectives and could adversely impact our results of operations and financial condition.

We are subject to foreign currency exchange rate risks.

We are subject to foreign currency exchange rate risks because substantially all of our revenues and operating expenses are paid in U.S. Dollars, but we incur certain expenses, as well as interest and principal obligations with respect to our loan from Servier in Euros. To the extent the U.S. Dollar declines in value against the Euro, the effective cost of servicing our Euro-denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses. There can be no assurance foreign currency fluctuations will not have a material adverse effect on our business, financial condition, liquidity or results of operations.

Our ability to use our net operating loss carry-forwards and other tax attributes will be substantially limited by Section 382 of the U.S. Internal Revenue Code.

Section 382 of the U.S. Internal Revenue Code of 1986, as amended, generally limits the ability of a corporation that undergoes an "ownership change" to utilize its net operating loss carry-forwards ("NOLs") and certain other tax attributes against any taxable income in taxable periods after the ownership change. The amount of taxable income in each taxable year after the ownership change that may be offset by pre-change NOLs and certain other pre-change tax attributes is generally equal to the product of (a) the fair market value of the corporation's outstanding shares (or, in the case of a foreign corporation, the fair market value of items treated as connected with the conduct of a trade or business in the United States) immediately prior to the ownership change and (b) the long-term tax exempt rate (i.e., a rate of interest established by the U.S. Internal Revenue Service ("IRS") that fluctuates from month to month). In general, an "ownership change" occurs whenever the percentage of the shares of a corporation owned, directly or indirectly, by "5-percent shareholders" (within the meaning of Section 382 of the Internal Revenue Code) increases by more than 50 percentage points over the lowest percentage of the shares of such corporation owned, directly or indirectly, by such "5-percent shareholders" at any time over the preceding three years.

Based on an analysis under Section 382 of the Internal Revenue Code (which subjects the amount of pre-change NOLs and certain other pre-change tax attributes that can be utilized to an annual limitation), we experienced ownership changes in 2009 and 2012, which substantially limit the future use of our pre-change NOLs and certain other pre-change tax attributes per year. As of December 31, 2015, we have excluded the NOLs and research and development credits that will expire as a result of the annual limitations. To the extent that we do not utilize our carry-forwards within the applicable statutory carry-forward periods, either because of Section 382 limitations or the lack of sufficient taxable income, the carry-forwards will also expire unused. As a result of changes in our stockholder base during the third quarter of 2015, based on an initial analysis of available data, we concluded that an ownership change under Section 382 has not occurred beyond the ownership changes in 2009 and 2012. Accordingly, our utilization of the 2012 post-change net operating loss and credit carry-forwards should not be limited.

Risks Related to the Development and Commercialization of our Current and Future Product Candidates

If our therapeutic product candidates do not receive regulatory approval, we will be unable to market them.

Our product candidates (including XOMA 358) cannot be manufactured and marketed in the United States or any other countries without required regulatory approvals. The U.S. government and governments of other countries extensively regulate many aspects of our product candidates, including:

- clinical development and testing;
- manufacturing;
- labeling;
- storage;
- record keeping;
- promotion and marketing; and
- importing and exporting.

In the United States, the Food and Drug Administration ("FDA") regulates pharmaceutical products under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. At the present time, we believe many of our product candidates (including XOMA 358) will be regulated by the FDA as biologics. Initiation of clinical trials requires approval by health authorities. Clinical trials involve the administration of the investigational new drug to healthy volunteers or to patients under the supervision of a qualified principal investigator. Clinical trials must be conducted in accordance with FDA and International Conference on Harmonization Good Clinical Practices and the European Clinical Trials Directive, as applicable, under protocols that detail the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Other national, foreign and local regulations also may apply. The developer of the drug must provide information relating to the characterization and controls of the product before administration to the patients participating in the clinical trials. This requires developing approved assays of the product to test before administration to the patient and during the conduct of the trial. In addition, developers of pharmaceutical products must provide periodic data regarding clinical trials to the FDA and other health authorities, and these health authorities may issue a clinical hold upon a trial if they do not believe, or cannot confirm, that the trial can be conducted without unreasonable risk to the trial participants. Based on our interactions with the FDA, XOMA 358 clinical testing is currently limited to single-dose studies in adults. Data has been generated which will be submitted to request expanded testing as part of our clinical development plan. We cannot assure you that U.S. and foreign health authorities will not issue a clinical hold with respect to any of our clinical trials in the future.

The results of the preclinical studies and clinical testing, together with chemistry, manufacturing and controls information, are submitted to the FDA and other health authorities in the form of a New Drug Application ("NDA") for a drug, and in the form of a Biologic License Application ("BLA") for a biological product, requesting approval to commence commercial sales. In responding to an NDA or BLA, the FDA or foreign health authorities may grant marketing approvals, request additional information or further research, or deny the application if it determines the application does not satisfy its regulatory approval criteria. Regulatory approval of an NDA, BLA, or supplement is never guaranteed. The approval process can take several years, is extremely expensive and can vary substantially based upon the type, complexity, and novelty of the products involved, as well as the target indications. FDA regulations and policies permit applicants to request accelerated approval or priority review pathways for products intended to treat certain serious or life-threatening illnesses in certain circumstances. If granted by the FDA, these pathways can provide a shortened timeline to commercialize the product, although the shortened timeline is often accompanied by additional post-market requirements. Although we may pursue the FDA's accelerated approval or priority review programs, we cannot guarantee the FDA will permit us to utilize these pathways or the FDA's review of our application will not be delayed. Moreover, even if the FDA agrees to an accelerated approval or priority review of any of our applications, we ultimately may not be able to obtain approval of our application in a timely fashion or at all. The FDA and foreign health authorities have substantial discretion in the drug and biologics approval processes. Despite the time and expense incurred, failure can occur at any stage, and we could encounter problems that cause us to abandon clinical trials or to repeat or perform additional preclinical, clinical or manufacturing-related studies.

Changes in the regulatory approval policy during the development period, changes in, or the enactment of additional regulations or statutes, or changes in regulatory review for each submitted product application may cause delays in the approval or rejection of an application. State regulations may also affect our proposed products.

The FDA and other regulatory agencies have substantial discretion in both the product approval process and manufacturing facility approval process, and as a result of this discretion and uncertainties about outcomes of testing, we cannot predict at what point, or whether, the FDA or other regulatory agencies will be satisfied with our or our collaborators' submissions or whether the FDA or other regulatory agencies will raise questions that may be material and delay or preclude product approval or manufacturing facility approval. In light of this discretion and the complexities of the scientific, medical and regulatory environment, our interpretation or understanding of the FDA's or other regulatory agencies' requirements, guidelines or expectations may prove incorrect, which also could delay further or increase the cost of the approval process. As we accumulate additional clinical data, we will submit it to the FDA and other regulatory agencies, as appropriate, and such data may have a material impact on the approval process.

Given that regulatory review is an interactive and continuous process, we maintain a policy of limiting announcements and comments upon the specific details of regulatory review of our product candidates, subject to our obligations under the securities laws, until definitive action is taken.

We have received negative results from certain of our clinical trials, and we face uncertain results of other clinical trials of our product candidates.

Drug development has inherent risk, and we are required to demonstrate through adequate and well-controlled clinical trials that our product candidates are effective, with a favorable benefit-risk profile for use in their target profiles before we can seek regulatory approvals for their commercial use. It is possible we may never receive regulatory approval for any of our product candidates. Even if a product candidate receives regulatory approval, the resulting product may not gain market acceptance among physicians, patients, healthcare payors and the medical community. In March 2011, we announced our 421-patient Phase 2b trial of gevokizumab in Type 2 diabetes did not achieve the primary endpoint of reduction in hemoglobin A1c ("HbA1c") after six monthly treatments with gevokizumab compared to placebo. In June 2011, we announced top-line trial results from our six-month 74-patient Phase 2a trial of gevokizumab in Type 2 diabetes, and there were no differences in glycemic control between the drug and placebo groups as measured by HbA1c levels. In March 2014, we reported that despite early positive results in our gevokizumab proof-of-concept study in patients with erosive osteoarthritis of the hand ("EOA") and elevated C-reactive protein, the top-line data at Day 168 in that study, as well as data at Day 84 in patients with EOA and non-elevated CRP, were not positive. In July 2015, we announced that Servier's EYEGUARD-B Phase 3 study of gevokizumab in patients with Behçet's disease uveitis did not meet its primary endpoint. In addition, neither EYEGUARD-A nor EYEGUARD-C produced positive results. In March 2016, we decided to close our Phase 3 studies of gevokizumab in pyoderma gangrenosum. A preliminary review of the available data did not show a clear signal of activity in PG.

Many of our product candidates, including XOMA 358, require significant additional research and development, extensive preclinical studies and clinical trials and regulatory approval prior to any commercial sales. This process is lengthy and expensive, often taking a number of years. As clinical results frequently are susceptible to varying interpretations that may delay, limit or prevent regulatory approvals, the length of time necessary to complete clinical trials and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly. As a result, it is uncertain whether:

- our future filings will be delayed;
- our preclinical and clinical studies will be successful;
- we will be successful in generating viable product candidates;
- we will be able to provide necessary data;
- results of future clinical trials will justify further development; or
- we ultimately will achieve regulatory approval for our product candidates.

The timing of the commencement, continuation and completion of clinical trials may be subject to significant delays relating to various causes, including failure to complete preclinical testing and earlier-stage clinical trials in a timely manner, engaging contract research organizations and other service providers, scheduling conflicts with participating clinicians and clinical institutions, difficulties in identifying and enrolling patients who meet trial eligibility criteria and shortages of available drug supply. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. Regardless of the initial size or relative complexity of a clinical trial, the costs of such trial may be higher than expected due to increases in duration or size of the trial, changes in the protocol pursuant to which the trial is being conducted, additional or special requirements of one or more of the healthcare centers where the trial is being conducted, or changes in the regulatory requirements applicable to the trial or in the standards or guidelines for approval of the product candidate being tested or for other unforeseen reasons. In addition, we conduct clinical trials in foreign countries, which may subject us to further delays and expenses as a result of increased drug shipment costs, additional regulatory requirements and the engagement of foreign clinical research organizations, and may expose us to risks associated with foreign currency transactions insofar as we might desire to use U.S. Dollars to make contract payments denominated in the foreign currency where the trial is being conducted.

All of our product candidates are prone to the risks of failure inherent in drug development. Preclinical studies may not yield results that satisfactorily support the filing of an Investigational New Drug application ("IND") (or a foreign equivalent) with respect to our product candidates. Even if these applications would be or have been filed with respect to our product candidates, the results of preclinical studies do not necessarily predict the results of clinical trials. Similarly, early stage clinical trials in healthy volunteers do not predict the results of later-stage clinical trials, including the safety and efficacy profiles of any particular product candidates. For example, the Phase 3 EYEGUARD-B trial of gevokizumab failed to achieve success on its primary endpoint measures. In addition, there can be no assurance the design of our clinical trials is focused on appropriate indications, patient populations, dosing regimens or other variables that will result in obtaining the desired efficacy data to support regulatory approval to commercialize the drug. Moreover, FDA officials or foreign regulatory agency officials may question the integrity of our data or otherwise subject our clinical trials to additional scrutiny when the clinical trials are conducted by principal investigators who serve, or previously served, as scientific advisors or consultants to us and receive cash compensation in connection with such services. Preclinical and clinical data can also be interpreted in different ways. Accordingly, FDA officials or officials from foreign regulatory authorities could interpret the data differently than we or our collaboration or development partners do, which could delay, limit or prevent regulatory approval.

Administering any of our products or potential products may produce undesirable side effects, also known as adverse effects. Toxicities and adverse effects that we have observed in preclinical studies for some compounds in a particular research and development program may occur in preclinical studies or clinical trials of other compounds from the same program. Such toxicities or adverse effects could delay or prevent the filing of an IND (or a foreign equivalent) with respect to such products or potential products or cause us to cease clinical trials with respect to any drug candidate. In clinical trials, administering any of our products or product candidates to humans may produce adverse effects. These adverse effects could interrupt, delay or halt clinical trials of our products and product candidates and could result in the FDA or other regulatory authorities denying approval of our products or product candidates for any or all targeted indications. The FDA, other regulatory authorities, our collaboration or development partners or we may suspend or terminate clinical trials at any time. Even if one or more of our product candidates were approved for sale, the occurrence of even a limited number of toxicities or adverse effects when used in large populations may cause the FDA or other regulatory authorities to impose restrictions on, or stop, the further marketing of such drugs. Indications of potential adverse effects or toxicities that may occur in clinical trials and that we believe are not significant during the course of such clinical trials may actually turn out later to constitute serious adverse effects or toxicities when a drug has been used in large populations or for extended periods of time. Any failure or significant delay in completing preclinical studies or clinical trials for our product candidates, or in receiving and maintaining regulatory approval for the sale of any drugs resulting from our product candidates, may severely harm our reputation and business.

Products and technologies of other companies may render some or all of our products and product candidates noncompetitive or obsolete.

Developments by others may render our products, product candidates, or technologies obsolete or uncompetitive. Technologies developed and utilized by the biotechnology and pharmaceutical industries are changing continuously and substantially. Competition in antibody-based technologies is intense and is expected to increase in the future as a number of established biotechnology firms and large chemical and pharmaceutical companies advance in these fields. Many of these competitors may be able to develop products and processes competitive with or superior to our own for many reasons, including that they may have:

- significantly greater financial resources;
- larger research and development and marketing staffs;
- larger production facilities;

- entered into arrangements with, or acquired, biotechnology companies to enhance their capabilities; or
- extensive experience in preclinical testing and human clinical trials.

These factors may enable others to develop products and processes competitive with or superior to our own or those of our collaborators. In addition, a significant amount of research in biotechnology is being carried out in universities and other non-profit research organizations. These entities are becoming increasingly interested in the commercial value of their work and may become more aggressive in seeking patent protection and licensing arrangements. Furthermore, many companies and universities tend not to announce or disclose important discoveries or development programs until their patent position is secure or, for other reasons, later; as a result, we may not be able to track development of competitive products, particularly at the early stages. Positive or negative developments in connection with a potentially competing product may have an adverse impact on our ability to raise additional funding on acceptable terms. For example, if another product is perceived to have a competitive advantage, or another product's failure is perceived to increase the likelihood that our product will fail, then investors may choose not to invest in us on terms we would accept or at all.

The examples below pertain to competitive events in the market, but are not intended to be representative of all existing competitive events.

We are developing XOMA 358, a fully human negative allosteric modulating insulin receptor antibody, as a novel treatment for non-drug-induced, endogenous hyperinsulinemic hypoglycemia (low blood glucose caused by excessive insulin produced by the body). Certain other companies are developing products based on improved versions of glucagon, a hormone naturally secreted by the pancreas that counteracts the effects of insulin by raising blood glucose levels.

- Biodel Inc. is developing a formulation of glucagon designed to remain stable in solution for a longer period than existing commercial formulations. FDA has granted orphan drug designation for Biodel's glucagon for the prevention of hypoglycemia in the CHI population
- S-cubed Limited is developing a synthetic form of glucagon. It is expected to be given under the skin using a special infusion pump. The European Medicines Agency ("EMA") has granted orphan drug designation for S-cubed glucagon for the treatment of CHI patients.
- Xeris Pharmaceuticals is developing a soluble glucagon. The FDA and EMA have granted orphan drug designation for Xeris' soluble glucagon for the prevention of severe, persistent hypoglycemia in patients with CHI.

We may be unable to price our products effectively or obtain adequate reimbursement for sales of our products, which would prevent our products from becoming profitable.

If we or our third-party collaborators or licensees succeed in bringing our product candidates to the market, they may not be considered cost effective, and reimbursement to the patient may not be available or may not be sufficient to allow us to sell our products on a competitive basis. In both the United States and elsewhere, sales of medical products and treatments are dependent, in part, on the availability of reimbursement to the patient from third-party payors, such as government and private insurance plans. Third-party payors are increasingly challenging the prices charged for pharmaceutical products and services. Our business is affected by the efforts of government and third-party payors to contain or reduce the cost of healthcare through various means. In the United States, there have been and will continue to be a number of federal and state proposals to implement government controls on pricing.

In addition, the emphasis on managed care in the United States has increased and will continue to increase the pressure on the pricing of pharmaceutical products. We cannot predict whether any legislative or regulatory proposals will be adopted or the effect these proposals or managed care efforts may have on our business.

We do not know whether there will be, or will continue to be, a viable market for the products in which we have an ownership or royalty interest.

Even if products in which we have an interest receive approval in the future, they may not be accepted in the marketplace. In addition, we or our collaborators or licensees may experience difficulties in launching new products, many of which are novel and based on technologies that are unfamiliar to the healthcare community. We have no assurance healthcare providers and patients will accept such products, if developed. For example, physicians and/or patients may not accept a product for a particular indication because it has been biologically derived (and not discovered and developed by more traditional means) or if no biologically derived products are currently in widespread use in that indication. Similarly, physicians may not accept a product if they believe other products to be more effective or more cost effective or are more comfortable prescribing other products.

Furthermore, government agencies, as well as private organizations involved in healthcare, from time to time publish guidelines or recommendations to healthcare providers and patients. Such guidelines or recommendations can be very influential and may adversely affect product usage directly (for example, by recommending a decreased dosage of a product in conjunction with a concomitant therapy or a government entity withdrawing its recommendation to screen blood donations for certain viruses) or indirectly (for example, by recommending a competitive product over our product). Consequently, we do not know if physicians or patients will adopt or use our products for their approved indications.

Even approved and marketed products are subject to risks relating to changes in the market for such products. Introduction or increased availability of generic versions of products can alter the market acceptance of branded products. In addition, unforeseen safety issues may arise at any time, regardless of the length of time a product has been on the market.

We are exposed to an increased risk of product liability claims.

The testing, marketing and sales of medical products entails an inherent risk of allegations of product liability. In the past, we were party to product liability claims filed against Genentech Inc. and, even though Genentech agreed to indemnify us in connection with these matters and these matters have been settled, there can be no assurance other product liability lawsuits will not result in liability to us or that our insurance or contractual arrangements will provide us with adequate protection against such liabilities. In the event of one or more large, unforeseen awards of damages against us, our product liability insurance may not provide adequate coverage. A significant product liability claim for which we were not covered by insurance or indemnified by a third party would have to be paid from cash or other assets, which could have an adverse effect on our business and the value of our common stock. To the extent we have sufficient insurance coverage, such a claim would result in higher subsequent insurance rates. In addition, product liability claims can have various other ramifications, including loss of future sales opportunities, increased costs associated with replacing products, a negative impact on our goodwill and reputation, and divert our management's attention from our business, each of which could also adversely affect our business and operating results.

If we and our partners are unable to protect our intellectual property, in particular our patent protection for our principal products, product candidates and processes, and prevent its use of the covered subject matter by third parties, our ability to compete in the market will be harmed, and we may not realize our profit potential.

We rely on patent protection, as well as a combination of copyright, trade secret, and trademark laws to protect our proprietary technology and prevent others from duplicating our products or product candidates. However, these means may afford only limited protection and may not:

- prevent our competitors from duplicating our products;
- prevent our competitors from gaining access to our proprietary information and technology; or
- permit us to gain or maintain a competitive advantage.

Because of the length of time and the expense associated with bringing new products to the marketplace, we and our collaboration and development partners hold and are in the process of applying for a number of patents in the United States and abroad to protect our product candidates and important processes and also have obtained or have the right to obtain exclusive licenses to certain patents and applications filed by others. However, the mere issuance of a patent is not conclusive as to its validity or its enforceability. The U.S. Federal Courts, the U.S. Patent & Trademark Office or equivalent national courts or patent offices elsewhere may invalidate our patents or find them unenforceable. The America Invents Act introduced post-grant review procedures subjecting U.S. patents to post-grant review procedures similar to European oppositions. U.S. patents owned or licensed by us may therefore be subject to post-grant review procedures, as well as other forms of review and re-examination. A decision in such proceedings adverse to our interests could result in the loss of valuable patent rights which would have a material adverse effect on our business. In addition, the laws of foreign countries may not protect our intellectual property rights effectively or to the same extent as the laws of the United States. If our intellectual property rights are not protected adequately, we may not be able to commercialize our technologies, products, or services, and our competitors could commercialize our technologies, which could result in a decrease in our sales and market share that would harm our business and operating results. Specifically, the patent position of biotechnology companies generally is highly uncertain and involves complex legal and factual questions. The legal standards governing the validity of biotechnology patents are in transition, and current defenses as to issued biotechnology patents may not be adequate in the future. Accordingly, there is uncertainty as to:

- whether any pending or future patent applications held by us will result in an issued patent, or whether issued patents will provide meaningful protection against competitors or competitive technologies;
- whether competitors will be able to design around our patents or develop and obtain patent protection for technologies, designs or methods that are more effective than those covered by our patents and patent applications; or

- the extent to which our product candidates could infringe on the intellectual property rights of others, which may lead to costly litigation, result in the payment of substantial damages or royalties, and/or prevent us from using technology that is essential to our business.

We established a portfolio of patents, both United States and foreign, related to our bacterial cell expression technology, including claims to novel promoter sequences, secretion signal sequences, compositions and methods for expression and secretion of recombinant proteins from bacteria, including immunoglobulin gene products. Most of the more important licensed European patents in our bacterial cell expression patent portfolio expired in July 2008 or earlier. The last of the more important licensed United States patents in our bacterial cell expression ("BCE") patent portfolio expired in December 2014. The last-to-expire patent licensed under the majority of our BCE license agreements is Canadian patent 1,341,235, which is expected to expire in May 2018.

If certain patents issued to others are upheld or if certain patent applications filed by others issue and are upheld, we may require licenses from others to develop and commercialize certain potential products incorporating our technology or we may become involved in litigation to determine the proprietary rights of others. These licenses, if required, may not be available on acceptable terms, and any such litigation may be costly and may have other adverse effects on our business, such as inhibiting our ability to compete in the marketplace and absorbing significant management time.

Due to the uncertainties regarding biotechnology patents, we also have relied and will continue to rely upon trade secrets, know-how and continuing technological advancement to develop and maintain our competitive position. All of our employees have signed confidentiality agreements under which they have agreed not to use or disclose any of our proprietary information. Research and development contracts and relationships between us and our scientific consultants and potential customers provide access to aspects of our know-how that are protected generally under confidentiality agreements. These confidentiality agreements may be breached or may not be enforced by a court. To the extent proprietary information is divulged to competitors or to the public generally, such disclosure may affect our ability to develop or commercialize our products adversely by giving others a competitive advantage or by undermining our patent position.

Litigation regarding intellectual property can be costly and expose us to risks of counterclaims against us.

We may be required to engage in litigation or other proceedings to protect our intellectual property. The cost to us of this litigation, even if resolved in our favor, could be substantial. Such litigation also could divert management's attention and resources. In addition, if this litigation is resolved against us, our patents may be declared invalid, and we could be held liable for significant damages. In addition, we may be subject to a claim that we are infringing another party's patent. If such claim is resolved against us, we or our collaborators may be enjoined from developing, manufacturing, selling or importing products, processes or services unless we obtain a license from the other party.

Such license may not be available on reasonable terms, thus preventing us from using these products, processes or services and adversely affecting our revenue.

Risks Related to Government Regulation

We may not obtain orphan drug exclusivity, or we may not receive the full benefit of orphan drug exclusivity even if we obtain such exclusivity.

The FDA has awarded orphan drug status for XOMA 358 for congenital hyperinsulinism. Under the Orphan Drug Act, the first company to receive FDA approval for a drug for the designated orphan drug indication will obtain seven years of marketing exclusivity, during which time the FDA may not approve another company's application for the same drug for the same orphan indication unless the FDA concludes that the later drug is safer, more effective or makes a major contribution to patient care. Even though we have obtained orphan drug designation for certain product candidates for certain indications and even if we obtain orphan drug designation for our future product candidates or for other indications, due to the uncertainties associated with developing pharmaceutical products, we may not be the first to obtain marketing approval of our product candidates for any particular orphan indication, or we may not obtain approval for an indication for which we have obtained orphan drug designation. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not protect the product effectively from competition because different drugs can be approved for the same indication. Even after an orphan drug is approved, the FDA can subsequently approve another drug for the same orphan indication if the FDA concludes that the later drug is safer, more effective or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug, nor gives the drug any advantage in the regulatory review or approval process.

Even after FDA approval, a product may be subject to additional testing or significant marketing restrictions, its approval may be withdrawn or it may be removed voluntarily from the market.

Even if we receive regulatory approval for our product candidates, we will be subject to ongoing regulatory oversight and review by the FDA and other regulatory entities. The FDA, the EMA, or another regulatory agency may impose, as a condition of the approval, ongoing requirements for post-approval studies or post-approval obligations, including additional research and development and clinical trials, and the FDA, EMA or other regulatory agency subsequently may withdraw approval based on these additional trials.

Even for approved products, the FDA, EMA or other regulatory agency may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion, marketing and/or production of such product. In addition, the labeling, packaging, adverse event reporting, storage, advertising, promotion and record-keeping for our products are subject to extensive regulatory requirements.

Furthermore, marketing approval of a product may be withdrawn by the FDA, the EMA or another regulatory agency or such a product may be withdrawn voluntarily by the company marketing it based, for example, on subsequently arising safety concerns. The FDA, EMA and other agencies also may impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Healthcare reform measures and other statutory or regulatory changes could adversely affect our business.

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our products, if approved, profitably. Among policy makers and payers in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

We expect that the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively the "ACA"), as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any approved product. An expansion in the government's role in the U.S. healthcare industry may cause general downward pressure on the prices of prescription drug products, lower reimbursements for providers, reduce product utilization and adversely affect our business and results of operations. Moreover, certain politicians, including presidential candidates, have announced plans to regulate the prices of pharmaceutical products. We cannot know what form any such legislation may take or the market's perception of how such legislation would affect us. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our current product candidates and/or those for which we may receive regulatory approval in the future.

We are subject to various state and federal healthcare related laws and regulations that may impact the commercialization of our product candidates or could subject us to significant fines and penalties.

Our operations may be directly or indirectly subject to various state and federal healthcare laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act and state and federal privacy and security laws. These laws may impact, among other things, the commercial operations for any of our product candidates that may be approved for commercial sale.

The federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. The Anti-Kickback Statute is broad and prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Penalties for violations of the federal Anti-Kickback Statute include criminal penalties and civil sanctions such as fines, penalties, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs.

The federal False Claims Act prohibits persons from knowingly filing, or causing to be filed, a false claim to, or the knowing use of false statements to obtain payment from the federal government. Suits filed under the False Claims Act, known as "qui tam" actions, can be brought by any individual on behalf of the government and such individuals, commonly known as "whistleblowers", may share in any amounts paid by the entity to the government in fines or settlement. The filing of qui tam actions has caused a number of pharmaceutical, medical device and other healthcare companies to have to defend a False Claims Act action. When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim. Various states also have enacted laws modeled after the federal False Claims Act.

The Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters. The health care fraud statute prohibits knowingly and willfully executing a scheme to defraud any health care benefit program, including private payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. HIPAA, as amended by the Health Information Technology and Clinical Health Act ("HITECH"), and its implementing regulations, also impose certain requirements relating to the privacy, security and transmission of individually identifiable health information. We take our obligation to maintain our compliance with these various laws and regulations seriously.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians. The ACA, among other things, imposed new requirements on manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the Centers for Medicare & Medicaid Services ("CMS"), information related to payments or other "transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and group purchasing organizations to report annually to CMS ownership and investment interests held by physicians (as defined above) and their immediate family members and payments or other "transfers of value" to such physician owners and their immediate family members. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year (or up to an aggregate of $1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests not reported in an annual submission.

Many states also have adopted laws similar to each of the federal laws described above, some of which apply to healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs. In addition, some states have laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources, and to report information related to payments and other transfers of value to physicians and other healthcare providers; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws, it is possible that some of our business activities could be subject to challenge under one or more of such laws. The ACA also make several important changes to the federal Anti-Kickback Statute, false claims laws, and health care fraud statute by weakening the intent requirement under the anti-kickback and health care fraud statutes that may make it easier for the government, or whistleblowers to charge such fraud and abuse violations. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes.

If we are found to be in violation of any of the laws and regulations described above or other applicable state and federal healthcare laws, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from government healthcare reimbursement programs and the curtailment or restructuring of our operations, any of which could have a material adverse effect on our business and results of operations.

As we do more business internationally, we will be subject toadditional political, economic and regulatory uncertainties.

We may not be able to operate successfully in any foreign market. We believe that because the pharmaceutical industry is global in nature, international activities will be a significant part of our future business activities and when and if we are able to generate income, a substantial portion of that income will be derived from product sales and other activities outside the United States. Foreign regulatory agencies often establish standards different from those in the United States, and an inability to obtain foreign regulatory approvals on a timely basis could put us at a competitive disadvantage or make it uneconomical to proceed with a product or product candidate's development. International sales may be limited or disrupted by:

- imposition of government controls;
- export license requirements;
- political or economic instability;
- trade restrictions;
- changes in tariffs;
- restrictions on repatriating profits;
- exchange rate fluctuations; and
- withholding and other taxation.

Risks Related to Our Reliance on Third Parties

We rely on third parties to provide services in connection with our product candidate development and manufacturing programs. The inadequate performance by or loss of any of these service providers could affect our product candidate development.

Several third parties provide services in connection with our preclinical and clinical development programs, including*in vitro* and *in vivo* studies, assay and reagent development, immunohistochemistry, toxicology, pharmacokinetics, clinical trial support, manufacturing and other outsourced activities. If these service providers do not adequately perform the services for which we have contracted or cease to continue operations and we are not able to find a replacement provider quickly or we lose information or items associated with our product candidates, our development programs may be delayed.

Our agreements with other third parties, many of which are significant to our business, expose us to numerous risks.

Our financial resources and our marketing experience and expertise are limited. Consequently, our ability to develop products successfully depends, to a large extent, upon securing the financial resources and/or marketing capabilities of third parties. For example, we have licensed our bacterial cell expression technology, a set of enabling technologies used to discover and screen, as well as develop and manufacture, recombinant antibodies and other proteins for commercial purposes, to over 60 companies. As of March 7, 2016, we were aware of three products manufactured using this technology that have received FDA approval: Genentech's LUCENTIS® (ranibizumab injection) for treatment of neovascular wet age-related macular degeneration, Macular Edema Following Vein Occulsion, Diabetic Macular Edema, and Diabetic Retinopathy in patients with Diabetic Macular Edema; UCB's CIMZIA® (certolizumab pegol) for treatment of Crohn's disease and rheumatoid arthritis; and Pfizer's TRUMENBA®, a meningococcal group B vaccine. In the third quarter of 2009, we sold our LUCENTIS royalty interest to Genentech, andin the third quarter of 2010, we sold our CIMZIA royalty interest. We are receiving a fraction of a percentage royalty on sales of TRUMENBA.

Because our collaborators, licensees, suppliers and contractors are independent third parties, they may be subject to different risks than we are and have significant discretion in, and different criteria for, determining the efforts and resources they will apply related to their agreements with us. If these collaborators, licensees, suppliers and contractors do not successfully perform the functions for which they are responsible, we may not have the capabilities, resources or rights to do so on our own.

We do not know whether we, our collaborators or licensees will successfully develop and market any of the products that are or may become the subject of any of our collaboration or licensing arrangements. In some cases these arrangements provide for funding solely by our collaborators or licensees, and in other cases, all of the funding for certain projects and a significant portion of the funding for other projects is to be provided by our collaborator or licensee, and we provide the balance of the funding. Even when we have a collaborative relationship, other circumstances may prevent it from resulting in successful development of marketable products. In addition, third-party arrangements such as ours also increase uncertainties in the related decision-making processes and resulting progress under the arrangements, as we and our collaborators or licensees may reach different conclusions, or support different paths forward, based on the same information, particularly when large amounts of technical data are involved. Under our contract with NIAID, we invoice using NIH provisional rates, and these are subject to future audits at the discretion of NIAID's contracting office. These audits can result in an adjustment to revenue previously reported, which potentially could be significant.

Although we continue to evaluate additional strategic alliances and potential partnerships, we do not know whether or when any such alliances or partnerships will be entered into.

Failure of our products to meet current Good Manufacturing Practices standards may subject us to delays in regulatory approval and penalties for noncompliance.

In December of 2015, we completed the sale of our manufacturing facility to Agenus and we are now almost completely reliant on third parties to produce material for preclinical work, clinical trials, and commercial product.

Our contract manufacturers are required to produce our clinical product candidates under current Good Manufacturing Practices ("cGMP") to meet acceptable standards for use in our clinical trials and for commercial sale, as applicable. If such standards change, the ability of contract manufacturers to produce our product candidates on the schedule we require for our clinical trials or to meet commercial requirements may be affected. In addition, contract manufacturers may not perform their obligations under their agreements with us or may discontinue their business before the time required by us to successfully produce clinical and commercial supplies of our product candidates.

Our contract manufacturers are subject to pre-approval inspections and periodic unannounced inspections by the FDA and corresponding state and foreign authorities to ensure strict compliance with cGMP and other applicable government regulations and corresponding foreign standards. We do not have control over a third-party manufacturer's compliance with these regulations and standards. Any difficulties or delays in our contractors' manufacturing and supply of our product candidates or any failure of our contractors to maintain compliance with the applicable regulations and standards could increase our costs, cause us to reduce revenue, make us postpone or cancel clinical trials, prevent or delay regulatory approval by the FDA and corresponding state and foreign authorities, prevent the import and/or export of our product candidates, or cause any of our product candidates that may be approved for commercial sale to be recalled or withdrawn.

Certain of our technologies are in-licensed from third parties, so our capabilities using them are restricted and subject to additional risks.

We license technologies from third parties. These technologies include but are not limited to phage display technologies licensed to us in connection with our bacterial cell expression technology licensing program and antibody products. However, our use of these technologies is limited by certain contractual provisions in the licenses relating to them, and although we have obtained numerous licenses, intellectual property rights in the area of phage display are particularly complex. If the owners of the patent rights underlying the technologies that we license do not properly maintain or enforce those patents, our competitive position and business prospects could be harmed. If we are unable to maintain our licenses, patents or other intellectual property we could lose important protections that are material to continuing our operations and for future prospects. They may determine not to pursue litigation against other companies that are infringing these patents, or they may pursue such litigation less aggressively than we would. Our licensors also may seek to terminate our license, which could cause us to lose the right to use the licensed intellectual property and adversely affect our ability to commercialize our technologies, products or services.

Because many of the companies with which we do business also are in the biotechnology sector, the volatility of that sector can affect us indirectly as well as directly.

As a biotechnology company that collaborates with other biotechnology companies, the same factors that affect us directly also can adversely impact us indirectly by affecting the ability of our collaborators, partners and others with whom we do business to meet their obligations to us and reduce our ability to realize the value of the consideration provided to us by these other companies.

For example, in connection with our licensing transactions, we have in the past and may in the future agree to accept equity securities of the licensee in payment of license fees. The future value of these or any other shares we receive is subject both to market risks affecting our ability to realize the value of these shares and more generally to the business and other risks to which the issuer of these shares may be subject.

Risks Related to an Investment in Our Common Stock

Our share price may be volatile, and there may not be an active trading market for our common stock.

There can be no assurance the market price of our common stock will not decline below its present market price or there will be an active trading market for our common stock. The market prices of biotechnology companies have been and are likely to continue to be highly volatile. Fluctuations in our operating results and general market conditions for biotechnology stocks could have a significant impact on the volatility of our common stock price. We have experienced significant volatility in the price of our common stock. From January 1, 2015, through March 7, 2016, the share price of our common stock has ranged from a high of $4.93 to a low of $0.69. Factors contributing to such volatility include, but are not limited to:

- results of preclinical studies and clinical trials;
- information relating to the safety or efficacy of products or product candidates;
- developments regarding regulatory filings;
- announcements of new collaborations;
- failure to enter into collaborations;
- developments in existing collaborations;
- our funding requirements and the terms of our financing arrangements;
- technological innovations or new indications for our therapeutic products and product candidates;
- introduction of new products or technologies by us or our competitors;
- sales and estimated or forecasted sales of products for which we receive royalties, if any;
- government regulations;
- developments in patent or other proprietary rights;
- the number of shares issued and outstanding;
- the number of shares trading on an average trading day;
- announcements regarding other participants in the biotechnology and pharmaceutical industries; and
- market speculation regarding any of the foregoing.

We may issue additional equity securities and thereby materially and adversely affect the price of our common stock.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, including pursuant to our At Market Issuance Sales Agreement ("ATM") with Cowen and Company, LLC , our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders. We are authorized to issue, without stockholder approval, 1,000,000 shares of preferred stock, of which none were issued and outstanding as of March 7, 2016, which may give other stockholders dividend, conversion, voting, and liquidation rights, among other rights, which may be superior to the rights of holders of our common stock. In addition, we are authorized to issue, generally without stockholder approval, up to 277,333,332 shares of common stock, of which 119,615,729 were issued and outstanding as of March 7, 2016. If we issue additional equity securities, the price of our common stock may be materially and adversely affected.

In addition, funding from collaboration partners and others has in the past and may in the future involve issuance by us of our common stock. We cannot be certain how the purchase price of such shares, the relevant market price or premium, if any, will be determined or when such determinations will be made.

Any issuance by us of equity securities, whether through an underwritten public offering, an at the market offering, a private placement, in connection with a collaboration or otherwise could result in dilution in the value of our issued and outstanding shares, and a decrease in the trading price of our common stock.

We may sell additional equity or debt securities to fund our operations, which may result in dilution to our stockholders and impose restrictions on our business.

In order to raise additional funds to support our operations, we may sell additional equity or debt securities, including under our ATM with Cowen and Company, LLC, which would result in dilution to our stockholders or impose restrictive covenants that may adversely impact our business. The sale of additional equity or convertible debt securities would result in the issuance of additional shares of our capital stock and dilution to all of our stockholders. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we are unable to expand our operations or otherwise capitalize on our business opportunities, our business, financial condition and results of operations could be materially adversely affected and we may not be able to meet our debt service obligations.

If we fail to meet continued listing standards of NASDAQ, our common stock may be delisted, which could have a material adverse effect on the liquidity of our common stock.

Our common stock is currently traded on the Nasdaq Global Market tier of the Nasdaq Stock Market ("NASDAQ"). NASDAQ has requirements that a company must meet in order to remain listed on NASDAQ. In particular, NASDAQ rules require us to maintain a minimum bid price of $1.00 per share of our common stock. As previously disclosed in our filings with the SEC on September 4, 2015, we received a letter from the staff (the "Staff") of NASDAQ on September 4, 2015, providing notification that, for the previous 30 consecutive business days, the bid price for the Company's common stock had closed below the minimum $1.00 per share requirement for continued listing under NASDAQ's Listing Rule 5450(a)(1), requiring a minimum bid price of $1.00 per share (the "Minimum Bid Price Requirement"). On November 2, 2015, the Staff notified us that it had determined that for the last 10 consecutive business days, from October 19, 2015 to October 30, 2015, the closing bid of our common stock had been at or above the minimum $1.00 per share price. Accordingly, we have regained compliance with the Minimum Bid Price Requirement and this matter is now closed. In February 2016 and March 2016, our stock has closed below the minimum $1.00 per share. There can be no assurance that we will continue to meet the Minimum Bid Price Requirement, or any other requirement in the future. If we fail to meet the Minimum Bid Price Requirement, NASDAQ may initiate the delisting process with another notification letter. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease.

Our organizational documents contain provisions that may prevent transactions that could be beneficial to our stockholders and may insulate our management from removal.

Our charter and by-laws:

- require certain procedures to be followed and time periods to be met for any stockholder to propose matters to be considered at annual meetings of stockholders, including nominating directors for election at those meetings; and
- authorize our Board of Directors to issue up to 1,000,000 shares of preferred stock without stockholder approval and to set the rights, preferences and other designations, including voting rights, of those shares as the Board of Directors may determine.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), that may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from merging or combining with us.

These provisions of our organizational documents and the DGCL, alone or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of common stock, could limit the ability of stockholders to approve transactions that they may deem to be in their best interests, and could make it considerably more difficult for a potential acquirer to replace management.

As a public company in the United States, we are subject to the Sarbanes-Oxley Act. We have determined our disclosure controls and procedures and our internal control over financial reporting are effective. We can provide no assurance that we will, at all times, in the future be able to report that our internal controls over financial reporting are effective.

Companies that file reports with the Securities and Exchange Commission, or the SEC, including us, are subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires management to establish and maintain a system of internal control over financial reporting, and annual reports on Form 10-K filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, must contain a report from management assessing the effectiveness of our internal control over financial reporting. Ensuring we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a time-consuming effort that needs to be re-evaluated frequently. Failure on our part to have effective internal financial and accounting controls would cause our financial reporting to be unreliable, could have a material adverse effect on our business, operating results, and financial condition, and could cause the trading price of our common stock to fall.

Risks Related to Employees, Location, Data Integrity, and Litigation

The loss of key personnel, including our Chief Executive Officer, could delay or prevent achieving our objectives.

Our research, product development and business efforts could be affected adversely by the loss of one or more key members of our scientific or management staff, particularly our executive officers: John Varian, our Chief Executive Officer; Patrick J. Scannon, M.D., Ph.D., our Executive Vice President and Chief Scientific Officer; Paul D. Rubin, M.D., our Senior Vice President, Research and Development and Chief Medical Officer; James R. Neal, our Senior Vice President and Chief Operating Officer; and Thomas Burns, our Vice President, Finance and Chief Financial Officer. We currently do not have key person insurance on any of our employees.

Because we are a relatively small biopharmaceutical company with limited resources, we may not be able to attract and retain qualified personnel.

Our success in developing marketable products and achieving a competitive position will depend, in part, on our ability to attract and retain qualified scientific and management personnel, particularly in areas requiring specific technical, scientific or medical expertise. After a series of restructuring activities and asset sales during 2015, we had approximately 86 employees as of March 7, 2016. We may require additional experienced executive, accounting, research and development, legal, administrative and other personnel from time to time in the future. There is intense competition for the services of these personnel, especially in California. Moreover, we expect that the high cost of living in the San Francisco Bay Area, where our headquarters are located, may impair our ability to attract and retain employees in the future. If we do not succeed in attracting new personnel and retaining and motivating existing personnel, our operations may suffer and we may be unable to implement our current initiatives or grow effectively.

Calamities, power shortages or power interruptions at our Berkeley headquarters and research laboratories could disrupt our business and adversely affect our operations.

Our principal operations are located in Northern California, including our corporate headquarters and research laboratories in Berkeley, California. This location is in an area of seismic activity near active earthquake faults. Any earthquake, terrorist attack, fire, power shortage or other calamity affecting our facilities may disrupt our business and could have material adverse effect on our business and results of operations.

Our business and operations would suffer in the event of system failures.

Despite the implementation of security measures, our internal computer systems and those of our current and any future collaborators, licensees, suppliers, contractors and consultants are vulnerable to damage from cyber−attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. We could experience failures in our information systems and computer servers, which could be the result of a cyber−attack and could result in an interruption of our normal business operations and require substantial expenditure of financial and administrative resources to remedy. System failures, accidents or security breaches can cause interruptions in our operations and can result in a material disruption of our development programs and other business operations. The loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Similarly, we rely on third parties to supply components for and manufacture our products and product candidates, and conduct clinical trials of our product candidates, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the development of any of our other product candidates could be delayed or otherwise adversely affected.

Data breaches and cyber-attacks could compromise our intellectual property or other sensitive information and cause significant damage to our business and reputation.

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. We believe companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, all ranging in sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past year, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access or disclosure of our information or intellectual property could compromise our intellectual property and expose sensitive business information. A data security breach could also lead to public exposure of personal information of our clinical trial patients, customers and others. Cyber-attacks could cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. These incidents could also subject us to liability, expose us to significant expense and cause significant harm to our reputation and business.

We and certain of our officers and directors have been named as defendants in shareholder lawsuits. These lawsuits, and potential similar or related lawsuits, could result in substantial damages, divert management's time and attention from our business, and have a material adverse effect on our results of operations.

Securities-related class action and shareholder derivative litigation has often been brought against companies, including many biotechnology companies, which experience volatility in the market price of their securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies often experience significant stock price volatility in connection with their product development programs.

On July 24, 2015, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California, captioned*Markette v. XOMA Corp., et al.* (Case No. 3:15-cv-3425-HSG) naming as defendants us and certain of our officers. The complaint asserts that all defendants violated Section 10(b) of the the Exchange Act and SEC Rule 10b-5, by making materially false or misleading statements regarding the Company's EYEGUARD-B study between November 6, 2014 and July 21, 2015. The plaintiff also alleges that certain of our officers violated Section 20(a) of the Exchange Act. The plaintiff seeks class certification, an award of unspecified compensatory damages, an award of reasonable costs and expenses, including attorneys' fees, and other further relief as the Court may deem just and proper. We are awaiting the appointment of a lead plaintiff by the Court. We believe the allegations have no merit and we intend to vigorously defend against the claims.

On October 1, 2015, a stockholder purporting to act on our behalf, filed a derivative lawsuit in the Superior Court of California for the County of Alameda, purportedly asserting claims on behalf of the Company against certain of our officers and the members of our board of directors, captioned *Silva v. Scannon, et al.* (Case No. RG15787990). The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust enrichment based on the dissemination of allegedly false and misleading statements related to the Company's EYEGUARD-B study. The plaintiff is seeking unspecified monetary damages and other relief, including reforms and improvements to our corporate governance and internal procedures. This action is currently stayed pending further developments in the securities class action. Management believes the allegations have no merit and intends to vigorously defend against the claims.

On November 16, and November 25, 2015, two derivative lawsuits were filed purportedly on our behalf in the United States District Court for the Northern District of California, captioned Fieser v. Van Ness, et al. (Case No. 4:15-CV-05236-HSG) and Csoka v. Varian, et al. (Case No. 3:15-cv-05429-SI), against certain of our officers and the members of our board of directors. The lawsuits assert claims for breach of fiduciary duty and other violations of law based on the dissemination of allegedly false and misleading statements related to the our EYEGUARD-B study. Plaintiffs seek unspecified monetary damages and other relief including reforms and improvements to our corporate governance and internal procedures. Our response to the Fieser complaint is currently due on April 4, 2016. Our response to the Csoka Complaint is currently due on April 18, 2016. Management believes the allegations have no merit and intend to vigorously defend against the claims.

It is possible that additional suits will be filed, or allegations received from stockholders, with respect to these same or other matters and also naming us and/or our officers and directors as defendants. These and any other related lawsuits are subject to inherent uncertainties, and the actual defense and disposition costs will depend upon many unknown factors. The outcome of these lawsuits are necessarily uncertain. We could be forced to expend significant resources in the defense of these suits and we may not prevail. In addition, we may incur substantial legal fees and costs in connection with these lawsuits. We currently are not able to estimate the possible cost to us from these lawsuits, as they are currently at an early stage, and we cannot be certain how long it may take to resolve these matters or the possible amount of any damages that we may be required to pay. We have not established any reserve for any potential liability relating to these lawsuits. It is possible that we could, in the future, incur judgments or enter into settlements of claims for monetary damages. A decision adverse to our interests on these actions could result in the payment of substantial damages, or possibly fines, and could have a material adverse effect on our cash flow, results of operations and financial position.

Monitoring, initiating and defending against legal actions, including the currently pending litigation, are time-consuming for our management, are likely to be expensive and may detract from our ability to fully focus our internal resources on our business activities. The outcome of litigation is always uncertain, and in some cases could include judgments against us that require us to pay damages, enjoin us from certain activities, or otherwise affect our legal or contractual rights, which could have a significant adverse effect on our business. In addition, the inherent uncertainty of the currently pending litigation and any future litigation could lead to increased volatility in our stock price and a decrease in the value of an investment in our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters and research laboratories are located in Berkeley and Emeryville, California. We currently lease three buildings that house our office space and research and development laboratories. Our building leases expire in the period from 2021 to 2023, and total minimum lease payments due from January 2016 until expiration of the leases is $26.0 million. We have the option to renew our lease agreements for periods ranging from three to ten years.

Item 3. Legal Proceedings

On July 24, 2015, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California captioned *Markette v. XOMA Corp., et al.* (Case No. 3:15-cv-3425-HSG) against us, our Chief Executive Officer and our Chief Medical Officer. The complaint asserts that all defendants violated Section 10(b) the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and SEC Rule 10b-5, by making materially false or misleading statements regarding the Company's EYEGUARD-B study between November 6, 2014 and July 21, 2015. The plaintiff also alleges that Messrs. Varian and Rubin violated Section 20(a) of the Exchange Act. The plaintiff seeks class certification, an award of unspecified compensatory damages, an award of reasonable costs and expenses, including attorneys' fees, and other further relief as the Court may deem just and proper. We are awaiting the appointment of a lead plaintiff by the Court. Based on a review of the allegations, the Company believes that the plaintiff's allegations are without merit, and intends to vigorously defend against the claims.

On October 1, 2015, a stockholder purporting to act on our behalf, filed a derivative lawsuit in the Superior Court of California for the County of Alameda, purportedly asserting claims on behalf of the Company against certain of our officers and the members of our board of directors, captioned *Silva v. Scannon, et al.* (Case No. RG15787990). The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust enrichment based on the dissemination of allegedly false and misleading statements related to the Company's EYEGUARD-B study. The plaintiff is seeking unspecified monetary damages and other relief, including reforms and improvements to our corporate governance and internal procedures. This action is currently stayed pending further developments in the securities class action Management believes the allegations have no merit and intends to vigorously defend against the claims.

On November 16, and November 25, 2015, two derivative lawsuits were filed purportedly on our behalf in the United States District Court for the Northern District of California, captioned *Fieser v. Van Ness, et al.* (Case No. 4:15-CV-05236-HSG) and *Csoka v. Varian, et al.* (Case No. 3:15-cv-05429-SI), against certain of our officers and the members of our board of directors. The lawsuits assert claims for breach of fiduciary duty and other violations of law based on the dissemination of allegedly false and misleading statements related to the Company's EYEGUARD-B study. Plaintiffs seek unspecified monetary damages and other relief including reforms and improvements to our corporate governance and internal procedures. Our response to the Fieser complaint is currently due on April 4, 2016. Our response to the Csoka Complaint is currently due on April 18, 2016. Management believes the allegations have no merit and intend to vigorously defend against the claims.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity

Our common stock trades on The Nasdaq Global Market tier of the Nasdaq Stock Market ("NASDAQ") under the symbol "XOMA." The following table sets forth the quarterly range of high and low reported sale prices of our common stock on NASDAQ for the periods indicated:

	Price Range	
	High	Low
2015		
First Quarter	$ 4.33	$ 3.22
Second Quarter	$ 4.41	$ 2.92
Third Quarter	$ 4.93	$ 0.69
Fourth Quarter	$ 2.03	$ 0.90
2014		
First Quarter	$ 9.57	$ 4.77
Second Quarter	$ 5.54	$ 3.42
Third Quarter	$ 4.95	$ 3.66
Fourth Quarter	$ 5.95	$ 3.50

On March 7, 2016, there were 832 stockholders of record of our common stock, one of which was Cede & Co., a nominee for Depository Trust Company ("DTC"). All of the shares of our common stock held by brokerage firms, banks and other financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC and are therefore considered to be held of record by Cede & Co. as one stockholder.

Dividend Policy

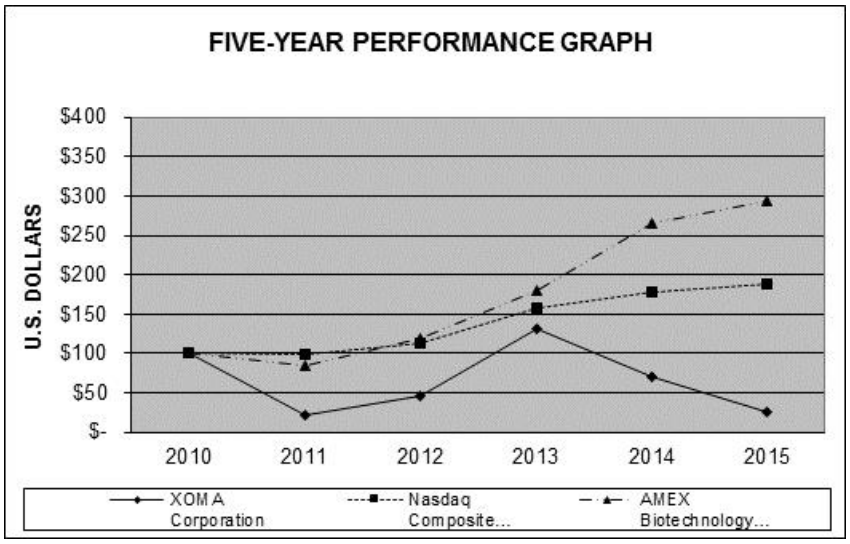
We have not paid dividends on our common stock. We currently intend to retain any earnings for use in the development and expansion of our business. We, therefore, do not anticipate paying cash dividends on our common stock in the foreseeable future. In addition, our loan agreement with Hercules generally restricts the declaration and payment of cash dividends.

Recent Sales of Unregistered Securities

Except as previously reported in our quarterly reports on Form 10-Q and current reports on Form 8-K filed with the Securities and Exchange Commission, or SEC, during the year ended December 31, 2015, there were no unregistered sales of equity securities by us during the year ended December 31, 2015.

Performance Graph

The following graph compares the five-year cumulative total stockholder return for XOMA common stock with the comparable cumulative return of certain indices. The graph assumes $100 invested on the same date in each of the indices. Returns of the company are not indicative of future performance.



This Section is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of XOMA Corporation under the Securities Act, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

As of December 31,	XOMA Corporation	Nasdaq Composite Index	AMEX Biotechnology Index
2010	$ 100.00	$ 100.00	$ 100.00
2011	$ 22.42	$ 98.20	$ 84.11
2012	$ 46.78	$ 113.82	$ 119.22
2013	$ 131.19	$ 157.44	$ 179.59
2014	$ 69.98	$ 178.53	$ 265.03
2015	$ 25.93	$ 188.75	$ 293.92

Item 6. Selected Financial Data

The following table contains our selected financial information including consolidated statement of operations and consolidated balance sheet data for the years 2011 through 2015. The selected financial information has been derived from our audited consolidated financial statements. The selected financial information should be read in conjunction with *Item 8: Financial Statements and Supplementary Data* and *Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this Annual Report. The data set forth below is not necessarily indicative of the results of future operations.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data					
Total revenues	$ 55,447	$ 18,866	$ 35,451	$ 33,782	$ 58,196
Restructuring costs	3,699	84	328	5,074	—
Operating costs and expenses	91,472	100,614	93,328	85,332	92,151
Loss from operations	(39,724)	(81,832)	(58,205)	(56,624)	(33,955)
Other income (expense), net (1)	19,118	43,531	(65,867)	(14,515)	1,227
Loss before taxes	(20,606)	(38,301)	(124,072)	(71,139)	(32,728)
Income tax benefit (expense), net	—	—	14	74	(15)
Net loss	$ (20,606)	$ (38,301)	$ (124,058)	$ (71,065)	$ (32,743)
Basic net loss per share of common stock	$ (0.17)	$ (0.36)	$ (1.43)	$ (1.10)	$ (1.04)
Diluted net loss per share of common stock	$ (0.17)	$ (0.67)	$ (1.43)	$ (1.10)	$ (1.04)

	December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Balance Sheet Data					
Cash and cash equivalents	$ 65,767	$ 78,445	$ 101,659	$ 45,345	$ 48,344
Marketable securities	$ 496	$ —	$ 19,990	$ 39,987	$ —
Current assets	$ 72,219	$ 83,613	$ 127,060	$ 95,837	$ 62,695
Working capital	$ 48,924	$ 47,367	$ 97,415	$ 72,004	$ 42,064
Total assets	$ 74,880	$ 89,402	$ 134,782	$ 105,676	$ 78,036
Current liabilities	$ 23,295	$ 36,246	$ 29,645	$ 23,833	$ 20,631
Long-term liabilities (2)	$ 53,894	$ 50,057	$ 109,124	$ 60,376	$ 42,394
Redeemable convertible preferred stock, at par value	$ —	$ —	$ —	$ —	$ —
Accumulated deficit	$ (1,140,083)	$ (1,119,477)	$ (1,081,176)	$ (957,118)	$ (886,053)
Total stockholders' (deficit) equity	$ (2,309)	$ 3,099	$ (3,987)	$ 21,467	$ 15,011

We have paid no dividends in the past five years.

(1) 2015, 2014 and 2013 and 2012 include $17.8 million, $45.8 million, ($61.0) million and ($9.2) million, respectively, related to the revaluation of contingent warrant liabilities issued in connection with equity financings in June 2009, February 2010, March 2012 and December 2014. All outstanding warrants issued in June 2009 and February 2010 expired in June 2014 and February 2015, respectively.

(2) 2015, 2014 2013 and 2012 include $10.5 million, $31.8 million, $69.9 million and $15.0 million, respectively, related to contingent warrant liabilities in connection with equity financings in June 2009, February 2010, March 2012 and December 2014. All outstanding warrants issued in June 2009 and February 2010 expired in June 2014 and February 2015, respectively. The balance in 2015, 2014, 2013, 2012, and 2011 includes a term loan from Hercules, which had a principal balance equal to $20.0 million as of December 31, 2015 and a term loan from GECC, which had a principal balance equal to zero, $5.2 million, $9.4 million, $12.5 million, and $10.0 million as of December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

XOMA Corporation ("XOMA"), a Delaware corporation, is a development stage biotechnology company with a portfolio of therapeutic antibodies. Our product candidates are the result of our expertise in developing new monoclonal antibodies, which have created new opportunities to potentially treat a wide range of endocrine diseases. We discover and develop innovative antibody-based therapeutics. Several of our antibodies have unique properties due to their interaction at allosteric sites on a specific protein rather than at the orthosteric, or active, sites. The antibodies are designed to either enhance or diminish the protein's activity as desired. We believe allosteric modulating antibodies may be more selective and offer a safety advantage in certain disease indications when compared to more traditional modes of action.

Our business efforts are focused on advancing the assets in our portfolio of compounds that could treat a variety of endocrine diseases. Our product candidates are in various stages of development and are subject to regulatory approval before they can be commercially launched.

We currently have five assets in our endocrine portfolio, two of which were developed as part of our proprietary XOMA Metabolism ("XMet") platform. We believe the XMet platform is highly novel as it targets the insulin receptor and has generated new classes of fully human allosteric modulating monoclonal antibodies known as Selective Insulin Receptor Modulators ("SIRMs"). One program of SIRMs produced by the XMet Platform is a negative allosteric modulator of the insulin receptor ("XMetD"). We intend to advance the following two antibodies derived from the XMetD program, which presents potential new therapeutic approaches to the treatment of rare diseases that involve insulin and result in severe hypoglycemia.

- XOMA 358, a potential long-acting treatment for hyperinsulinemic hypoglycemia; and
- XOMA 129, a potential rapid onset, short-acting treatment for severe acute hypoglycemia.

Our endocrine portfolio also includes what we believe is a Phase 2-ready product candidate, XOMA 213, targeting the prolactin receptor as well as research-stage programs targeting the parathyroid receptor ("PTH1R") and the adrenal corticotropic hormone ("ACTH").

Given our focus on endocrine diseases, we have determined that gevokizumab no longer fits our strategic focus and we have decided to stop all development activities on the asset. As a result, we are closing the Phase 3 program in patients suffering from pyoderma gangrenosum ("PG") and will immediately pursue licensing discussions with potential interested parties. Further information regarding our corporate strategy and proprietary products is included in Part 1 Item 1 of this annual report on Form 10-K.

Significant Developments in 2015

Licensing

- On September 30, 2015, we entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis International") pursuant to which we have granted to Novartis International an exclusive, world-wide, royalty-bearing license to XOMA's anti-TGFβ program. Under the terms of the license agreement, we received $37 million in the form of an upfront payment and are eligible to receive up to $480 million if all development, regulatory, and commercial milestones are met. In addition, we are eligible to receive royalties on product sales that range from the mid-single digits to the low double digits. In connection with this license agreement, we have agreed to reduce our royalty rate associated with sales of Novartis International' clinical stage anti-CD40 antibodies. All other terms of the 2004 collaboration agreement remained unchanged.
- In December 2015, we entered into a settlement and amended license agreement with Pfizer Inc. ("Pfizer"), pursuant to which we granted Pfizer a fully-paid, royalty-free, worldwide, irrevocable, non-exclusive license rights to our patented bacterial cell expression technology for phage display and other research, development and manufacturing of antibody products for a cash payment by Pfizer of $3.8 million in full satisfaction of all obligations to us under the August 27, 2007 license agreement between XOMA Ireland Limited and Pfizer, including but not limited to potential milestone, royalty and other fees under the 2007 license agreement.

- In December 2015, we entered into a license agreement with Novo Nordisk A/S ("Novo Nordisk") pursuant to which we granted to Novo Nordisk an exclusive, world-wide, royalty-bearing license to our XMetA program of allosteric monoclonal antibodies that positively modulate the insulin receptor, subject to our retained commercialization rights for rare disease indications. Novo Nordisk has an option to add these additional rights to its license upon payment of an option fee to us. Under the agreement, we received a $5.0 million upfront payment. Based on the achievement of pre-specified criteria, we are eligible to receive up to $290.0 million in development, regulatory and commercial milestones. We are also eligible to receive royalties on sales of licensed products, which are tiered based on sales levels and range from a mid-single digit percentage rate to up to a high single digit percentage rate.

XOMA 358

- In March 2015, we announced that we successfully completed a Phase 1 clinical study of XOMA 358, a fully human, allosteric monoclonal antibody that attenuates both the binding of insulin to its receptor and downstream insulin signaling. We have presented the data at the ENDO 2015 meeting and at the American Diabetes Association's 75th Scientific Sessions. XOMA 358 is being evaluated for the treatment of non-drug-induced, endogenous hyperinsulinemic hypoglycemia.
- In June 2015, we announced that we have been granted Orphan Drug Designation for XOMA 358 by the FDA for the treatment of congenital hyperinsulinism, a hereditary disease resulting in lack of insulin regulation and profound hypoglycemia that can result in seizures and brain damage.
- In October 2015, we initiated a single-dose Phase 2 proof-of-concept study of XOMA 358 in patients with congenital hyperinsulinism. In addition, we intend to initiate a single-dose Phase 2 proof-of-concept study in patients who experience hyperinsulinism post bariatric surgery.

Financing

- On January 9, 2015, we entered into Amendment No. 2 to our loan agreement with Servier, initially entered into on December 30, 2010, and subsequently amended by a Consent, Transfer, Assumption and Amendment Agreement entered into as of August 12, 2013. Amendment No. 2 modified the maturity date of the loan from January 13, 2016 to three tranches of principal to be paid as follows: €3.0 million on January 15, 2016, €5.0 million on January 15, 2017 and €7.0 million on January 15, 2018. All other terms of the Servier Loan Agreement remained unchanged.
- On February 27, 2015, we entered into a loan and security agreement with Hercules Technology Growth Capital, Inc. (the "Hercules Term Loan"), under which we borrowed $20.0 million. We used a portion of the proceeds under the Hercules Term Loan to repay the General Electric Capital Corporation ("GECC") outstanding principle balance, final payment fee, prepayment fee, and accrued interest amounts totaling $5.5 million.
- On June 19, 2015, we and Novartis Vaccines and Diagnostics, Inc. ("NVDI"), agreed to extend the maturity date on the approximately $13.5 million of outstanding debt under our secured note agreement from June 21, 2015 to September 30, 2015. On September 30, 2015, in connection with the license agreement entered into with Novartis International, NVDI agreed to extend the maturity date on the $13.5 million of outstanding debt under our secured note agreement to September 30, 2020. All other terms of the note agreement remained unchanged.

Restructuring

- On August 21, 2015, in connection with our efforts to lower operating expenses and preserve capital while continuing to focus on our product pipeline, we implemented a workforce reduction of 38 employees and the elimination of 20 open positions. On September 29, 2015, we terminated an additional five employees and on October 20, 2015, we terminated an additional nine employees. In addition, we cancelled our contracts with clinical manufacturing organizations and site investigators following the discontinuation of our EYEGUARD-B and EYEGUARD-E studies, as discussed below.

Sale of Manufacturing Facility and Biodefense Assets

- On November 4, 2015, we entered into an asset purchase agreement (the "Nanotherapeutics Purchase Agreement") with Nanotherapeutics Inc. ("Nanotherapeutics"), pursuant to which Nanotherapeutics agreed, subject to the terms and conditions set forth in the Nanotherapeutics Purchase Agreement, to acquire our biodefense business and related assets (including, subject to regulatory approval, certain contracts with the U.S. government), and to assume certain liabilities of XOMA (the "Transaction"). As part of the Transaction, the parties will, subject to the terms and conditions of the asset purchase agreement and the satisfaction of certain conditions, enter into an intellectual property license agreement (the "License Agreement"), pursuant to which we agreed to license to Nanotherapeutics, subject to the terms and conditions set forth in the License Agreement, certain intellectual property rights related to the purchased assets. Under the License Agreement, we are eligible for up to $4.5 million of cash payments upon Nanotheraputics' execution of a contract with the Defense Threat Reduction Agency. In addition, we are eligible to receive 15% royalties on net sales of products.
- On November 5, 2015, we entered into an asset purchase agreement (the "Agenus Purchase Agreement") with Agenus West, LLC, a wholly-owned subsidiary of Agenus Inc. ("Agenus"), pursuant to which Agenus agreed, subject to the terms and conditions set forth in the Agenus Purchase Agreement, to acquire our pilot scale manufacturing facility in Berkeley, California, together with certain related assets, including a license to certain intellectual property related to the purchased assets, and to assume certain liabilities of XOMA, in consideration for the payment to us of up to $5.0 million in cash and the issuance to XOMA of shares of Agenus' common stock having an aggregate value of up to $1.0 million. The Agenus Purchase Agreement closed on December 31, 2015. At closing, we received net cash of $4.7 million, net of the assumed liabilities of $0.3 million. In addition to the cash consideration, we received 109,211 shares of common stock of Agenus with an aggregate value of $0.5 million. The remaining common stock of Agenus will only be received upon our satisfaction of certain operational matters, which XOMA may or may not be able to satisfy. We believe that the assets related to the manufacturing facility and certain other assets sold to Agenus include all key inputs and processes necessary to generate output from a market participant's perspective. Accordingly, we have determined that such assets qualify as a business.

Gevokizumab

- On May 28, 2015, we announced that the gevokizumab Phase 3 EYEGUARD-B study, sponsored by Servier, reached its target exacerbation event as specified in the study design. The objective of the first part of this study was to demonstrate the superiority of gevokizumab, as compared to placebo, on top of the current standard of care (immunosuppressant therapy and oral corticosteroids) in reducing the risk of Behçet's disease uveitis exacerbations and to assess the safety of gevokizumab. On July 22, 2015, we announced the Phase 3 EYEGUARD-B study did not reach its primary endpoint of time to first acute ocular exacerbation. On September 28, 2015, Servier notified us of its intention to terminate our collaboration and license agreement and return the gevokizumab rights to XOMA. The termination of the collaboration and license agreement will be effective on March 25, 2016.
- In March 2016, we announced we are closing our Phase 3 study of gevokizumab in PG. A preliminary review of the data from the study did not show a clear signal of activity in PG.

Critical Accounting Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and the related disclosures, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts in our consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, assumptions and judgments described below that have the greatest potential impact on our consolidated financial statements, including those related to revenue recognition, research and development activities warrant liabilities and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from these estimates under different assumptions or conditions.

The consolidated financial statements include the accounts of XOMA and its wholly-owned subsidiaries. All significant intercompany accounts and transactions among the entities have been eliminated.

While our significant accounting policies are more fully described in Note 2 to the Consolidated Financial Statements, we believe the following policies to be the most critical to an understanding of our financial condition and results of operations because they require us to make estimates, assumptions and judgments about matters that are inherently uncertain.

Revenue Recognition

License and Collaborative Fees

Revenue from non-refundable license, technology access or other payments under license and collaborative agreements where we have a continuing obligation to perform is recognized as revenue over the estimated period of the continuing performance obligation. We estimate the performance period at the inception of the arrangement and re-evaluate it each reporting period. Management makes its best estimate of the period over which it expects to fulfill the performance obligations, which may include clinical development activities. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the performance period. This re-evaluation may shorten or lengthen the period over which the remaining revenue is recognized. Changes to these estimates are recorded on a prospective basis.

Our license and collaboration agreements with certain third parties also provide for contingent payments to be paid to us based solely upon the performance of the partner. For such contingent payments we recognize the payments as revenue upon completion of the milestone event, once confirmation is received from the third party, provided that collection is reasonably assured and the other revenue recognition criteria have been satisfied.

Contract Revenue

Contract revenue for research and development involves our providing research and development and manufacturing services to collaborative partners, biodefense contractors or others. Cost reimbursement revenue under collaborative agreements is recognized as the related research and development costs are incurred, as provided for under the terms of these agreements. Revenue for certain contracts is accounted for by a proportional performance, or output-based, method where performance is based on estimated progress toward elements defined in the contract. The amount of contract revenue and related costs recognized in each accounting period are based on estimates of the proportional performance during the period. Adjustments to estimates based on actual performance are recognized on a prospective basis and do not result in reversal of revenue should the estimate to complete be extended.

In addition, revenue related to certain research and development contracts is billed based on actual hours incurred by XOMA related to the contract, multiplied by full-time equivalent ("FTE") rates plus a mark-up. The FTE rates are developed based on our best estimates of labor, materials and overhead costs. For certain contracts, such as our government contracts, the FTE rates are agreed upon at the beginning of the contract and are subject to review or audit by the contracting party at any time. Under our contracts with NIAID, a part of the NIH, we bill using NIH provisional rates and thus are subject to future audits at the discretion of NIAID's contracting office. These audits can result in adjustments to previously reported revenue.

In 2011, the NIH conducted an audit of our actual data under two contracts for the period from January 1, 2007, through December 31, 2009, and developed final billing rates for this period. As a result, we retroactively applied these NIH rates to the invoices from this period, which resulted in an increase in revenue of $3.1 million from the NIH, excluding $0.9 million billed to the NIH in 2010 as a result of a comparison of 2009 calculated costs incurred and costs billed to the government under provisional rates. Final rates were settled for one contract resulting in the recognition of revenue of $2.0 million in 2012. The remaining deferred revenue in connection with the 2011 NIH rate audit will be recognized upon negotiation with and approval by NIH. In 2014, upon completion of a NIAID review of hours and external expenses for the period spanning from 2008 to 2013, XOMA agreed to exclude certain hours and external expense resulting in a $1.8 million adjustment, which reduced deferred revenue and accounts receivable.

Upfront fees associated with contract revenue are recorded as license and collaborative fees and are recognized ratably over the expected benefit period under the arrangement. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the arrangement.

Research and Development Expenses

We expense research and development costs as incurred. Research and development expenses consist of direct costs such as salaries and related personnel costs, and material and supply costs, and research-related allocated overhead costs, such as facilities costs. In addition, research and development expenses include costs related to clinical trials. From time to time, research and development expenses may include up-front fees and milestones paid to collaborative partners for the purchase of rights to in-process research and development. Such amounts are expensed as incurred.

Our accrual for clinical trials is based on estimates of the services received and efforts expended pursuant to contracts with clinical trial centers and clinicalresearch organizations. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients, and completion of portions of the clinical trial or similar conditions. We may terminate these contracts upon written notice and we are generally only liable for actual effort expended by the organizations to the date of termination, although in certain instances we may be further responsible for termination fees and penalties. We make estimates of our accrued expenses as of each balance sheet date based on the facts and circumstances known to us at that time. Expenses resulting from clinical trials are recorded when incurred based, in part, on estimates as to the status of the various trials. There have been no material adjustments to our prior period accrued estimates for clinical trial activities through December 31, 2015.

Biopharmaceutical development includes a series of steps, including *in vitro* and *in vivo* preclinical testing, and Phase 1, 2 and 3 clinical studies in humans. Each of these steps is typically more expensive than the previous step, but actual timing and the cost to us depends on the product being tested, the nature of the potential disease indication and the terms of any collaborative or development arrangements with other companies or entities. After successful conclusion of all of these steps, regulatory filings for approval to market the products must be completed, including approval of manufacturing processes and facilities for the product.

Stock-based Compensation

Stock-based compensation expense for stock options and other stock awards is estimated at the grant date based on the award's fair value-based measurement and is recognized on a straight-line basis over the award's vesting period, assuming appropriate forfeiture rates. The valuation of stock-based compensation awards is determined at the date of grant using the Black-Scholes option pricing model (the "Black-Scholes Model"). This model requires highly complex and subjective inputs, such as the expected term of the option, expected volatility, and risk-free interest rate. Further, the forfeiture rate also impacts the amount of aggregate compensation. These inputs are subjective and generally require significant analysis and judgment to develop. Our current estimate of volatility is based on the historical volatility of our stock price. To the extent volatility in our stock price increases in the future, our estimates of the fair value of options granted in the future could increase, thereby increasing stock-based compensation cost recognized in future periods. To establish an estimate of expected term, we consider the vesting period and contractual period of the award and our historical experience of stock option exercises, post-vesting cancellations and volatility. To establish an estimate of forfeiture rate, we consider our historical experience of option forfeitures and terminations. The risk-free rate is based on the yield available on United States Treasury zero-coupon issues. We review our valuation assumptions quarterly and, as a result, we likely will change our valuation assumptions used to value stock-based awards granted in future periods. Stock-based compensation expense is recognized ratably over the requisite service period. In the future, as additional empirical evidence regarding these input estimates becomes available, we may change or refine our approach of deriving these input estimates. These changes could impact our fair value-based measurement of stock options granted in the future. Changes in the fair value-based measurement of stock awards could materially impact our operating results.

Warrants

We have issued warrants to purchase shares of our common stock in connection with financing activities. We account for some of these warrants as a liability at estimated fair value and others as equity at estimated fair value. The estimated fair value of the outstanding warrants is estimated using the Black-Scholes Model. The Black-Scholes Model requires inputs, such as the expected term of the warrants, expected volatility and risk-free interest rate. These inputs are subjective and require significant analysis and judgment to develop. For the estimate of the expected term, we use the full remaining contractual term of the warrant. We determine the expected volatility based on the historical stock price volatility of XOMA's underlying stock. The assumptions associated with contingent warrant liabilities are reviewed each reporting period and changes in the estimated fair value of these contingent warrant liabilities are recognized as gain or loss in the revaluation of contingent warrant liabilities line in the consolidated statement of comprehensive loss.

Results of Operations

Revenues

Total revenues for the years ended December 31, 2015, 2014, and 2013, were as follows (in thousands):

	Year Ended December 31,			2014-2015	2013-2014
	2015	2014	2013	Change	Change
License and collaborative fees	$ 49,064	$ 5,683	$ 11,028	$ 43,381	$ (5,345)
Contract and other	6,383	13,183	24,423	(6,800)	(11,240)
Total revenues	$ 55,447	$ 18,866	$ 35,451	$ 36,581	$ (16,585)

License and Collaborative Fees

License and collaborative fees include fees and milestone payments related to the out-licensing of our products and technologies. The primary components of license and collaboration fees in 2015 were $46.3 million in upfront and milestone payments relating to various out-licensing arrangements, $1.6 million in annual maintenance fees relating to various out-licensing arrangements and $1.2 million in revenue recognized related to the loan agreement with Servier. The $46.3 million included $37.0 million upfront payment from Novartis, $5.0 million upfront payment from Novo Nordisk and $3.8 million payment from Pfizer.

The primary components of license and collaboration fees in 2014 were $3.0 million in milestone payments relating to various out-licensing arrangements, $1.9 million in revenue recognized related to the loan agreement with Servier and $0.8 million in upfront fees and annual maintenance fees relating to various out-licensing arrangements.

The primary components of license and collaboration fees in 2013 were $8.6 million in milestone payments relating to various out-licensing arrangements, including $7.0 million milestone payment from Novartis, $1.6 million in revenue recognized related to the loan agreement with Servier, and $0.8 million in upfront fees and annual maintenance fees relating to various out-licensing arrangements.

The generation of future revenues related to license and other collaborative fees is dependent on our ability to attract new licensees and new collaboration partners to our antibody technologies, or the achievement of milestones by our existing licensees.

Contract and Other Revenues

Contract and other revenues include agreements where we provide contracted research and development services to our contract and collaboration partners, including Servier and NIAID. Contract and other revenues also include net product sales and royalties. The following table shows the activity in contract and other revenues for the years ended December 31, 2015, 2014, and 2013 (in thousands):

	Year Ended December 31,			2014-2015	2013-2014
	2015	2014	2013	Change	Change
NIAID	$ 5,084	$ 9,565	$ 9,098	$ (4,481)	$ 467
Servier	1,178	3,523	13,568	(2,345)	(10,045)
Other	121	95	1,757	26	(1,662)
Total contract and other revenues	$ 6,383	$ 13,183	$ 24,423	$ (6,800)	$ (11,240)

The 2015 decrease in contract and other revenues, as compared with 2014, was primarily due to reduced activity under our existing NIAID contracts and decreased reimbursements from Servier under our collaboration agreement.

The 2014 decrease in contract and other revenues, as compared with 2013, was primarily due to a decrease of $6.3 million in reimbursements from Servier under our collaboration agreement due to meeting the initial $50.0 million cap of fully reimbursable NIU costs in third quarter of 2013. Also contributing to the decrease were a decrease of $3.9 million for the partial funding of fixed dose combination of perindopril arginine and amlodipine besylate (“FDC1”) Phase 3 trial received from Servier in 2013 for which there was no equivalent payment received in 2014, a decrease of $0.8 million received from ACEON sales and a decrease of $0.7 million in manufacturing activities for Allergan. The decreases in contract and other revenue were partially offset by a $0.5 million increase in NIAID related revenue.

We expect total revenue to decrease in 2016 compared to 2015 levels based on anticipated licensing activities, the termination of our collaboration with Servier, and the expected novation of our NIAID contract to Nanotherapeutics.

Research and Development Expenses

Research and development expenses were $70.9 million in 2015, compared with $80.7 million in 2014 and $74.9 million in 2013. The decrease of $9.8 million in 2015, as compared with 2014, was primarily due to a decrease of $3.1 million in salaries and related expenses, a decrease of $3.5 million in internal and external manufacturing costs, a decrease of $1.9 million in clinical trial costs related to spending on our erosive osteoarthritis of the hand (“EOA”) studies in 2014, and a decrease of $1.1 million in research and development materials costs. The increase of $5.8 million in 2014, as compared with 2013, was primarily due to an increase of $4.9 million in clinical trial-related costs, an increase of $4.8 million in salaries and related personnel costs and an increase of $2.2 million in outside consulting services, partially offset by a $5.9 million decrease in external manufacturing activities.

Salaries and related personnel costs are a significant component of research and development expenses. We recorded $28.7 million in research and development salaries and employee-related expenses in 2015, compared with $31.8 million in 2014 and $27.0 million in 2013. Included in these expenses for 2015 were $21.8 million for salaries and benefits, $1.9 million for bonus expense and $5.0 million for stock-based compensation, which is a non-cash expense. The decrease of $3.1 million in 2015, as compared with 2014, was primarily due to a decrease of $2.6 million in salaries and benefits and a decrease of $0.5 million in stock-based compensation. The decrease in stock-based compensation in 2015, included $0.8 million related to the reversal of expense for forfeitures of stock awards related to our restructuring activities in the second half of 2015.

We recorded $31.8 million in research and development salaries and employee-related expenses in 2014, compared with $27.0 million in 2013. Included in these expenses for 2014 were $23.4 million for salaries and benefits, $2.8 million for bonus expense and $5.6 million for stock-based compensation. The increase of $4.8 million in 2014, as compared with 2013, was primarily due to an increase of $1.6 million in salaries and benefits resulting from increased headcount and an increase of $3.2 million in stock-based compensation, which is a non-cash expense.

Our research and development activities can be divided into earlier-stage programs and later-stage programs. Earlier-stage programs include molecular biology, process development, pilot-scale production and preclinical testing. Later-stage programs include clinical testing, regulatory affairs and manufacturing clinical supplies. The costs associated with these programs are summarized below (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Earlier stage programs	$ 39,495	$ 28,327	$ 40,840
Later stage programs	31,357	52,421	34,011
Total	$ 70,852	$ 80,748	$ 74,851

Our research and development activities also can be divided into those related to our internal projects and those projects related to collaborative and contract arrangements. The costs related to internal projects versus collaborative and contract arrangements are summarized (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Internal projects	$ 50,206	$ 51,281	$ 47,489
Collaborative and contract arrangements	20,646	29,467	27,362
Total	$ 70,852	$ 80,748	$ 74,851

In 2015, the gevokizumab program, for which we incurred the largest amount of expense, accounted for more than 40% but less than 50% of our total research and development expenses. A second development program, XMet, accounted for more than 30% but less than 40% of our total research and development expenses. All remaining development programs accounted for less than 10% of our total research and development.

In 2014, the gevokizumab program, for which we incurred the largest amount of expense, accounted for more than 40% but less than 50% of our total research and development expenses. A second development program, XMet, accounted for more than 10% but less than 20% of our total research and development expenses and a third development program, NIAID, accounted for more than 10% but less than 20% of our total research and development expenses.

In 2013, the gevokizumab program, for which we incurred the largest amount of expense, accounted for more than 40% but less than 50% of our total research and development expenses. XMet, accounted for more than 20% but less than 30% of our total research and development expenses. NIAID accounted for more than 10% but less than 20% of our total research and development expenses.

We expect our research and development spending in 2016 will be reduced as compared with 2015 levels due to our 2015 restructuring efforts, our strategic focus on our endocrine portfolio, and reduced spending on gevokizumab.

Future research and development spending also may be impacted by potential new licensing or collaboration arrangements, as well as the termination of existing agreements. Beyond this, the scope and magnitude of future research and development expenses are difficult to predict at this time.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include salaries and related personnel costs, facilities cost and professional fees. In 2015, selling, general and administrative expenses were $20.6 million compared with $19.9 million in 2014 and $18.5 million in 2013. The increase of $0.7 million in 2015 as compared with 2014 was primarily due to a $1.5 million increase in consulting services, primarily related to our out-licensing activities and a $1.0 million increase in legal fees, partially offset by a $0.5 million decrease in stock-based compensation, which is a non-cash expense and a $2.0 million decrease in salaries and related personnel costs. The decrease in stock-based compensation for the year ended December 31, 2015 included $0.7 million related to the reversal of expense for forfeitures of stock awards related to our restructuring activities in the second half of 2015.

The increase in selling, general and administrative expenses in 2014, as compared with 2013 was primarily due to a $3.6 million increase in salaries and related personnel costs, primarily reflecting an increase of $2.5 million in stock-based compensation, partially offset by a $1.7 million decrease in professional service costs.

We expect selling, general and administrative expenses in 2016 to be reduced as compared to 2015 levels due to our 2015 restructuring efforts.

Restructuring and Other Charges

On July 22, 2015, we announced the Phase 3 EYEGUARD-B study of gevokizumab in patients with Behçet's disease uveitis, run by Servier, did not meet the primary endpoint of time to first acute ocular exacerbation. In August 2015, we announced our intention to end the EYEGUARD global Phase 3 program. On August 21, 2015, in connection with our efforts to lower operating expenses and preserve capital while continuing to focus on our endocrine product pipeline, we implemented a restructuring plan (the "2015 Restructuring") that included a workforce reduction resulting in the termination of 38 employees and the elimination of 20 open positions. On September 29, 2015, we terminated an additional five employees and on October 20, 2015, we terminated an additional nine employees.

During the year ended December 31, 2015, we recorded charges of $2.9 million related to severance, other termination benefits and outplacement services. In addition, we recognized an additional restructuring charge of $0.8 million in contract termination costs in the year ended December 31, 2015, which primarily include costs in connection with the discontinuation of the EYEGUARD studies.

In 2014 and 2013, we recorded restructuring charges of $0.1 million and $0.3 million, respectively, for facility costs related to restructuring activities initiated in 2012.

Other Income (Expense), Net

Interest Expense

Amortization of debt issuance costs and discounts are included in interest expense. Interest expense is shown below for the years ended December 31, 2015, 2014, and 2013 (in thousands):

	Year Ended December 31,			2014-2015	2013-2014
	2015	2014	2013	Change	Change
Hercules loan	$ 2,223	$ —	$ —	$ 2,223	$ —
Servier loan	1,083	2,330	2,152	(1,247)	178
GECC term loan	548	1,638	2,064	(1,090)	(426)
Novartis note	329	312	362	17	(50)
Other	11	23	53	(12)	(30)
Total interest expense	$ 4,194	$ 4,303	$ 4,631	$ (109)	$ (328)

Interest expense related to the Servier loan and GECC term loan decreased by $1.2 million and $1.1 million, respectively, in 2015, compared with 2014. The decrease was due to the $1.9 million balance of imputed interest remaining at the time the Servier loan was amended in January 2015 now being amortized over the extended term of the loan and the extinguishment of the GECC term loan in February 2015. This decrease was partially offset by an increase of $2.2 million in interest expense due to our $20.0 million term loan with Hercules Technology Growth Capital, Inc. that was entered into in February 2015. A portion of the proceeds from the Hercules Term Loan was used to repay our outstanding loan with GECC and we recorded a loss of $0.4 million upon the extinguishment of the GECC term loan.

The decrease in interest expense in 2014 as compared to 2013 was dueprimarily to a decrease in the principal balance of the GECC term loan.

We expect interest expense during 2016 to decrease as compared with 2015 due to the decrease in the principal balances of the Hercules and Servier loans.

Other Income (Expense), Net

The following table shows the activity in other income (expense), net for the years ended December 31, 2015, 2014, and 2013 (in thousands):

	Year Ended December 31,			2014-2015 Change	2013-2014 Change
	2015	2014	2013		
Other income (expense), net					
Gain on sale of business	$ 3,505	$ —	$ —	$ 3,505	$ —
Unrealized foreign exchange gains (losses)	1,870	2,447	(442)	(577)	2,889
Realized foreign exchange gain (loss)	69	—	(90)	69	90
Gain (loss) on sale of assets	18	—	(281)	18	281
Unrealized loss on foreign exchange options	(6)	(355)	(127)	349	(228)
Other	44	(31)	743	75	(774)
Total other income (expense), net	$ 5,500	$ 2,061	$ (197)	$ 3,439	$ 2,258

The gain on sale of business for the year ended December 31, 2015 is related to the $3.5 million gain recognized from the sale of our pilot scale manufacturing facility, including certain equipment, to Agenus in 2015. We believe that the assets related to the manufacturing facility and certain other assets sold to Agenus include all key inputs and processes necessary to generate output from a market participant's perspective. Accordingly, we have determined that such assets qualify as a business. Unrealized foreign exchange gains (losses) for the years ended December 31, 2015, 2014, and 2013 are primarily related to the re-measurement of the €15 million Servier loan.

Revaluation of Contingent Warrant Liabilities

We have issued warrants that contain provisions that are contingent on the occurrence of a change in control, which could conditionally obligate us to repurchase the warrants for cash in an amount equal to their estimated fair value using the Black-Scholes Model on the date of such change in control. Due to these provisions, we account for the warrants issued as a liability at estimated fair value. In addition, the estimated liability related to the warrants is revalued at each reporting period until the earlier of the exercise of the warrants, at which time the liability will be reclassified to stockholders' equity at its then estimated fair value, or expiration of the warrants.

We revalued the March 2012 warrants at December 31, 2015 using the Black-Scholes Model and recorded a $15.6 million reduction in the estimated fair value as a gain on the revaluation of contingent warrant liabilities line of our consolidated statement of comprehensive loss for the year ended December 31, 2015. The decrease in the estimated fair value of the warrants is primarily due to the decrease in the market price of our common stock at December 31, 2015 as compared to December 31, 2014. We revalued the warrants at December 31, 2014 and recorded a $39.5 million reduction in the estimated fair value in 2014 as a gain on the revaluation of contingent warrant liabilities line of our consolidated statement of comprehensive loss for the year ended December 31, 2014.

We revalued the December 2014 warrants at December 31, 2015 using the Black-Scholes Model and recorded a $2.2 million reduction in the estimated fair value as a gain on the revaluation of contingent warrant liabilities line of our consolidated statement of comprehensive loss for the year ended December 31, 2015. The decrease in the estimated fair value of the warrants is primarily due to the decrease in the market price of our common stock at December 31, 2015 as compared to December 31, 2014. We revalued the warrants at December 31, 2014 and recorded a $5.1 million reduction in the estimated fair value in 2014 as a gain on the revaluation of contingent warrant liabilities line of our consolidated statement of comprehensive loss for the year ended December 31, 2014.

The activity during the year ended December 31, 2014 also included the change in estimated fair value for the February 2010 warrants that expired in February 2015. We revalued the warrants at December 31, 2014 using the Black-Scholes Model and recorded a $1.0 million reduction in the estimated fair value as a gain on the revaluation of contingent warrant liabilities line of our consolidated statement of comprehensive loss for the year ended December 31, 2014.

Liquidity and Capital Resources

The following table summarizes our cash, cash equivalents and marketable securities, our working capital and our cash flow activities for each of the periods presented (in thousands):

	December 31,		
	2015	2014	Change
Cash and cash equivalents	$ 65,767	$ 78,445	$ (12,678)
Marketable securities	$ 496	$ —	$ 496
Working capital	$ 48,924	$ 47,367	$ 1,557

	Year Ended December 31,			2014-2015	2013-2014
	2015	2014	2013	Change	Change
Net cash used in operating activities	$ (30,892)	$ (78,282)	$ (45,915)	$ 47,390	$ (32,367)
Net cash provided by investing activities	4,450	19,675	18,840	(15,225)	835
Net cash provided by financing activities	13,801	35,560	83,389	(21,759)	(47,829)
Effect of exchange rate changes on cash	(37)	(167)	—	130	(167)
Net (decrease) increase in cash and cash equivalents	$ (12,678)	$ (23,214)	$ 56,314	$ 10,536	$ (79,528)

Cash Used in Operating Activities

The decrease in net cash used in operating activities in 2015 as compared to 2014 was due to increased licensing fee revenue, including the $37.0 million upfront fee from Novartis, combined with decreased R&D spending related to internal and external manufacturing costs and a decrease in clinical trial costs primarily resulting from the completion in 2014 of our Phase 2 study in EOA.

The increase in net cash used in operating activities in 2014 as compared to 2013 was primarily due to an increase in research and development spending primarily related to gevokizumab clinical development programs and an increase in salaries and related personnel expenses primarily related to an increase in headcount.

Cash Used in Investing Activities

Net cash provided by investing activities for the year ended December 31, 2015 was primarily related to proceeds from the sale of our manufacturing facility of $4.9 million, partially offset by $0.4 million in purchases of property and equipment.

Net cash provided by investing activities for the year ended December 31, 2014 was primarily due to the $20.0 million in proceeds from maturities of short-term investments, partially offset by $0.3 million in purchases of property and equipment.

Net cash provided by investing activities for the year ended December 31, 2013 was primarily due to the $40.0 million in proceeds from maturities of short-term investments, partially offset by $20.0 million in purchases of short-term investments and $1.2 million in purchases of property and equipment.

Cash Provided by Financing Activities

Net cash provided by financing activities for the year ended December 31, 2015 was primarily related to proceeds from the Hercules Term Loan of $20.0 million and proceeds from the issuance of common stock of $0.5 million. These cash inflows were partially offset by $6.1 million of principal payments on the GECC Term Loan, and payment of debt issuance costs of $0.5 million on the Hercules Term Loan.

Net cash provided by financing activities for the year ended December 31, 2014 was primarily related to net proceeds received from the issuance of common stock of $37.7 million, net of offering expenses, from the December 2014 registered direct offering, and $3.7 million from employee stock purchases. These cash inflows were partially offset by $5.9 million of principal payments on our loans with GECC and Novartis.

Net cash provided by financing activities for the year ended December 31, 2013 was primarily related to net proceeds received from the issuance of common stock of $29.4 million from the August 2013 public offering, $53.6 million from the December 2013 public offering, $2.2 million of net proceeds from the exercise of warrants, and $1.4 million of net proceeds received from employee stock purchases. These cash inflows were partially offset by $3.1 million of principal payments on our loan with GECC.

ATM Agreement

On November 12, 2015, we entered into an At Market Issuance Sales Agreement (the "2015 ATM Agreement") with Cowen and Company, LLC ("Cowen"), under which we may offer and sell from time to time at our sole discretion shares of our common stock through Cowen as our sales agent, in an aggregate amount not to exceed the amount that can be sold under our registration statement on Form S-3 (File No. 333-201882) filed with the SEC on the same date. Cowen may sell the shares by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act, including without limitation sales made directly on The Nasdaq Global Market, on any other existing trading market for our common stock or to or through a market maker. Cowen also may sell the shares in privately negotiated transactions, subject to our prior approval. We will pay Cowen a commission equal to 3% of the gross proceeds of the sales price of all shares sold through it as sales agent under the 2015 ATM Agreement. For the year ended December 31, 2015, no shares of common stock have been sold under this agreement.

Hercules Term Loan

The Company and Hercules Technology Growth Capital, Inc. entered into the Hercules Term Loan on February 27, 2015 (the "Closing Date"), under which we borrowed $20.0 million. The Hercules Term Loan has a variable interest rate that is the greater of either (i) 9.40% plus the prime rate as reported from time to time in The Wall Street Journal minus 7.25%, or (ii) 9.40%. The payments under the Hercules Term Loan are interest only until one month prior to July 1, 2016. The interest-only period will be followed by equal monthly payments of principal and interest amortized over a 30-month schedule through the scheduled maturity date of September 1, 2018. As security for its obligations under the Hercules Term Loan, we granted a security interest in substantially all of our existing and after-acquired assets, excluding our intellectual property assets. We used a portion of the proceeds under the Hercules Term Loan to repay the outstanding principle balance, final payment fee, prepayment fee, and accrued interest totaling $5.5 million from GECC.

If we prepay the loan prior to the loan maturity date, we will pay Hercules a prepayment charge, based on a prepayment fee equal to 3.00% of the amount prepaid, if the prepayment occurs in any of the first 12 months following the Closing Date, 2.00% of the amount prepaid, if the prepayment occurs after 12 months from the Closing Date but prior to 24 months from the closing date, and 1.00% of the amount prepaid if the prepayment occurs after 24 months from the Closing Date. The Hercules Term Loan includes customary affirmative and restrictive covenants, but does not include any financial maintenance covenants, and also includes standard events of default, including payment defaults. Upon the occurrence of an event of default, a default interest rate of an additional 5% may be applied to the outstanding loan balances, and Hercules may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Hercules Term Loan.

We incurred debt issuance costs of $0.5 million in connection with the Hercules Term Loan. We will be required to pay a final payment fee equal to $1.2 million on the maturity date, or such earlier date as the term loan is paid in full. The debt issuance costs and final payment fee are being amortized and accreted, respectively, to interest expense over the term of the term loan using the effective interest method.

In connection with the Hercules Term Loan, we issued unregistered warrants that entitle Hercules to purchase up to an aggregate of 181,268 unregistered shares of XOMA common stock at an exercise price equal to $3.31 per share. These warrants were exercisable immediately and have a five-year term expiring in February 2020. We allocated the aggregate proceeds of the Hercules Term Loan between the warrants and the debt obligation. The estimated fair value of the warrants issued to Hercules of $0.5 million was determined using the Black-Scholes Model and was recorded as a discount to the debt obligation. The discount is being amortized over the term of the loan using the effective interest method. The warrants are classified in stockholders' equity on the consolidated balance sheet. At December 31, 2015, the net carrying value of the Hercules Term Loan was $19.7 million.

Servier Loan

In December 2010, we entered into a loan agreement with Servier (the "Servier Loan Agreement"), which provided for an advance of up to €15.0 million. The loan was fully funded in January 2011, with the proceeds converting to approximately $19.5 million at the exchange rate on the date of funding. The loan is secured by an interest in XOMA's intellectual property rights to all gevokizumab indications worldwide, excluding certain rights in the U.S. and Japan. Interest is calculated at a floating rate based on a Euro Inter-Bank Offered Rate ("EURIBOR") and is subject to a cap. The interest rate is reset semi-annually in January and July of each year. The interest rate for the initial interest period was 3.22% and was reset semi-annually ranging from 2.05% to 3.83%. Interest for the six-month period from mid-January 2015 through mid-July 2015 was reset to 2.16%. Interest for the six-month period from mid-July 2015 through mid-January 2016 was reset to 2.05%. In January 2015 and July 2015, the Company made payments of $0.2 million in accrued interest to Servier. Interest is payable semi-annually; however, the Servier Loan Agreement provides for a deferral of interest payments over a period specified in the agreement. During the deferral period, accrued interest will be added to the outstanding principal amount for the purpose of interest calculation for the next six-month interest period. On the repayment commencement date, all unpaid and accrued interest shall be paid to Servier, and thereafter, all accrued and unpaid interest shall be due and payable at the end of each six-month period. The loan would have matured in 2016. In addition, the loan becomes immediately due and payable upon certain customary events of default. On January 9, 2015, Servier and we entered into Amendment No. 2 ("Loan Amendment") which extended the maturity date of the loan from January 13, 2016 to three tranches of principal to be repaid as follows: €3.0 million on January 15, 2016, €5.0 million on January 15, 2017, and €7.0 million on January 15, 2018. On September 28, 2015, Servier notified us of its intention to terminate the Collaboration Agreement, as amended and return the gevokizumab rights to XOMA. The termination will be effective on March 25, 2016 and does not result in a change to the maturity date of our loan with Servier. At December 31, 2015, the outstanding principal balance under this loan was $16.4 million using the December 31, 2015 Euro to U.S. Dollar exchange rate of 1.091.

* * *

We have incurred operating losses since inception and have an accumulated deficit of $1.1 billion at December 31, 2015. Management expects operating losses and negative cash flows to continue for the foreseeable future. As of December 31, 2015, we had $66.3 million in cash, cash equivalents and marketable securities, which is available to fund future operations. Taking into account the repayment of our outstanding debt classified within current liabilities on our Consolidated Balance Sheet as of December 31, 2015, we anticipate that we have adequate resources to fund operations through at least December 31, 2016.

Our ability to raise additional capital in the equity and debt markets, should we choose to do so, is dependent on a number of factors, including, but not limited to, the market demand for our common stock, which itself is subject to a number of pharmaceutical development and business risks and uncertainties, as well as the uncertainty that we would be able to raise such additional capital at a price or on terms that are favorable to us.

Commitments and Contingencies

Schedule of Contractual Obligations

Payments by period due under contractual obligations at December 31, 2015, are as follows (in thousands):

Contractual Obligations	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Operating leases(1)	$ 26,015	$ 3,631	$ 7,574	$ 8,016	$ 6,794
Capital lease(1)	319	131	188	—	—
Debt obligations(2)					
Principal and final payment fee	51,192	6,892	30,617	13,683	—
Interest	6,066	2,147	1,938	1,981	—
Total	$ 83,592	$ 12,801	$ 40,317	$ 23,680	$ 6,794

(1) *See Note 13: Commitment and Contingencies to the accompanying consolidated financial statements for further discussion.*

(2) See *Item 7A: Quantitative and Qualitative Disclosures about Market Risk* and *Note 8: Long-Term Debt and Other Financings* to the accompanying consolidated financial statements for further discussion of our debt obligation. Refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations* for further information regarding the Hercules Loan Agreement.

We lease administrative and research facilities and office equipment under operating leases expiring on various dates through April 2023. These leases require us to pay taxes, insurance, maintenance and minimum lease payments. In addition to the above, we have committed to make potential future milestone payments to third parties as part of licensing and development programs. Payments under these agreements become due and payable only upon the achievement by us of certain developmental, regulatory and/or commercial milestones. Because it is uncertain if and when these milestones will be achieved, such contingencies, aggregating up to $57.7 million (assuming one product per contract meets all milestones) have not been recorded on our consolidated balance sheet as of December 31, 2015. We are also obligated to pay royalties, ranging generally from 0.5% to 3.5% of the selling price of the licensed component and up to 40% of any sublicense fees to various universities and other research institutions based on future sales or licensing of products that incorporate certain products and technologies developed by those institutions. We are unable to determine precisely when and if our payment obligations under the agreements will become due as these obligations are based on future events, the achievement of which is subject to a significant number of risks and uncertainties.

Although operations are influenced by general economic conditions, we do not believe inflation had a material impact on financial results for the periods presented. We believe that we are not dependent on materials or other resources that would be significantly impacted by inflation or changing economic conditions in the foreseeable future.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance codified in Accounting Standards Codification ("ASC") 606, *Revenue Recognition — Revenue from Contracts with Customers*, which amends the guidance in ASC 605, *Revenue Recognition.* The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting update to defer the effective date by one year for public entities such that it is now applicable for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for periods beginning after December 15, 2016. Entities would have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). This ASU introduces an explicit requirement for management to assess if there is substantial doubt about an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management must assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date. Disclosures are required if conditions give rise to substantial doubt. ASU 2014-15 is effective for all entities in the first annual period ending after December 15, 2016. The adoption of this guidance is not expected to have any impact on our financial position and results of operations.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We early adopted ASU 2015-03 as of January 1, 2015, as permitted. There is no impact of early adoption of ASU 2015-03 on the consolidated statements of comprehensive loss.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes. This ASU amends the existing guidance to require presentation of deferred tax assets and liabilities as noncurrent within a classified statement of financial position. We early adopted ASU 2015-17 effective December 2015 on a prospective basis. The adoption did not have an impact on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, related to accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified the guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The guidance will become effective for us beginning in the first quarter of 2018. Early adoption is permitted. We are evaluating the impact of the adoption of this accounting guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes Topic 840, Leases. From a lessee accounting perspective, the core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. Reasonably certain is a high threshold that is consistent with and intended to be applied in the same way as the reasonably assured threshold under Topic 840. In addition, also consistent with Topic 840, a lessee (and a lessor) should exclude most variable lease payments in measuring lease assets and lease liabilities, other than those that depend on an index or a rate or are in substance fixed payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Under Topic 842, there continues to be a differentiation between finance leases (which replaces capital leases) and operating leases. However, the principal difference from the previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The accounting applied by a lessor is largely unchanged from that applied under Topic 840. The guidance will become effective for us beginning in the first quarter of 2019. Early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients primarily focused on leases that commenced before the effective date of Topic 842, including continuing to account for leases that commence before the effective date in accordance with previous guidance, unless the lease is modified. We are evaluating the impact of the adoption of the standard on our consolidated financial statements.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio and our loan facilities. By policy, we make our investments in high-quality debt securities, limit the amount of credit exposure to any one non-U.S. Treasury issuer, and limit duration by restricting the term of the instrument. We generally hold investments to maturity, with a weighted average portfolio period of less than twelve months. However, if the need arose to liquidate such securities before maturity, we may experience losses on liquidation.

We hold interest-bearing instruments that are classified as cash and cash equivalents. Fluctuations in interest rates can affect the principal values and yields of fixed income investments. If interest rates in the general economy were to rise rapidly in a short period of time, our fixed income investments could lose value. As of December 31, 2015, our marketable securities of $0.5 million were comprised of equity held in a publicly traded company. We do not believe that a change in the market rates of interest would have any significant impact on the realizable value of our investment portfolio.

The following table presents the amounts and related weighted average interest rates of our cash and cash equivalents at December 31, 2015 and 2014 (in thousands, except interest rate):

	Maturity	Carrying Amount (in thousands)	Fair Value (in thousands)	Weighted Average Interest Rate
December 31, 2015				
Cash and cash equivalents	Daily to 90 days	$ 65,767	$ 65,767	0.05 %
December 31, 2014				
Cash and cash equivalents	Daily to 90 days	$ 78,445	$ 78,445	0.07 %

As of December 31, 2015, we have an outstanding principal balance on our note with Novartis of $13.7 million, which is due in 2020. The interest rate on this note is charged at a rate of USD six-month London Interbank Offered Rate ("LIBOR") plus 2%, which was 2.81% at December 31, 2015. No further borrowing is available under this note.

As of December 31, 2015, we have an outstanding principal balance on our loan with Servier of €15.0 million, which converts to approximately $16.4 million at December 31, 2015. The interest rate on this loan is charged at a floating rate based on a Euro Inter-Bank Offered Rate ("EURIBOR") and subject to a cap. The interest rate for the initial interest period was 3.22% and was reset semi-annually ranging from 2.05% to 3.83%. Interest for the six-month period from mid-January 2015 through mid-July 2015 was reset to 2.16%. Interest for the six-month period from mid-July 2015 through mid-January 2016 was reset to 2.05%. No further borrowing is available under this loan.

As of December 31, 2015, we have an outstanding principal balance on our loan with Hercules of $20.0 million. The interest rate on this loan is the greater of either (i) 9.40% plus the prime rate as reported from time to time in The Wall Street Journal minus 7.25%, or (ii) 9.40%.

The variable interest rate related to our long-term debt instruments is based on LIBOR for our Novartis note, EURIBOR for our Servier loan and the prime rate for the Hercules loan. We estimate a hypothetical 100 basis point change in interest rates could increase or decrease our interest expense by approximately $0.3 million on an annualized basis.

Foreign Currency Risk

We have debt, incur expenses, and may be owed milestones denominated in foreign currencies. The amount of debt owed, expenses incurred, or milestones owed to us will be impacted by fluctuations in these foreign currencies. When the U.S. Dollar weakens against foreign currencies, the U.S. Dollar value of the foreign-currency denominated debt, expense, and milestones increases, and when the U.S. Dollar strengthens against these currencies, the U.S. dollar value of the foreign-currency denominated debt, expense, and milestones decreases. Consequently, changes in exchange rates will affect the amount we are required to repay on our €15.0 million loan from Servier and may affect our results of operations. We estimate that a hypothetical 0.01 change in the Euro to USD exchange rate could increase or decrease our unrealized gains or losses by approximately $0.2 million.

Our loan from Servier was fully funded in January 2011, with the proceeds converting to approximately $19.5 million using the January 13, 2011 Euro-to-U.S.-Dollar exchange rate of 1.3020. At December 31, 2015, the €15.0 million outstanding principal balance under the Servier Loan Agreement equaled approximately $16.4 million using the December 31, 2015 Euro-to-USD exchange rate of 1.091. In May 2011, in order to manage our foreign currency exposure relating to our principal and interest payments on our loan from Servier, we entered into two foreign exchange option contracts to buy €1.5 million and €15.0 million in January 2014 and January 2016, respectively. Upfront premiums paid on these foreign exchange option contracts totaled $1.5 million. As of December 31, 2015, one option contract had expired. The remaining foreign exchange option contract had a fair value of zero at December 31, 2015 and expired in January 2016. Our use of derivative financial instruments represents risk management; we do not enter into derivative financial contracts for trading purposes.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements of the registrant, related notes and report of independent registered public accounting firm are set forth beginning on page F-1 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Vice President, Finance, and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15the promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Our disclosure controls and procedures are intended to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Vice President, Finance and Chief Financial Officer, as the principal executive and financial officers, respectively, to allow timely decisions regarding required disclosures. Based on this evaluation, our Chief Executive Officer and our Vice President, Finance and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Management, including our Chief Executive Officer and our Vice President, Finance and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-159f). The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements in accordance with accounting principles generally accepted in the United States.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—*Integrated Framework (2013 Framework).* Based on our assessment we believe that, as of December 31, 2015, our internal control over financial reporting is effective based on those criteria.

The Company's internal control over financial reporting as of December 31, 2015, has been audited by Ernst & Young, LLP, independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young's report on the Company's internal control over financial reporting follows.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of XOMA Corporation

We have audited XOMA Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). XOMA Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, XOMA Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of XOMA Corporation as December 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2015, of XOMA Corporation and our report dated March 9, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Redwood City, California
March 9, 2016

PART III

Item 10. Directors, Executive Officers, Corporate Governance

Certain information regarding our executive officers required by this Item is set forth as a Supplementary Item at the end of Part I of this Form 10-K (pursuant to Instruction 3 to Item 401(b) of Regulation S-K). Other information required by this Item will be included in the Company's proxy statement for the 2016 Annual General Meeting of Stockholders ("2016 Proxy Statement"), under the sections labeled *"Item 1—Election of Directors"* and *"Compliance with Section 16(a) of the Securities Exchange Act of 1934"*, and is incorporated herein by reference. The 2016 Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates.

Code of Ethics

The Company's Code of Ethics applies to all employees, officers and directors including the Chief Executive Officer (principal executive officer) and the Vice President, Finance and Chief Financial Officer (principal financial and principal accounting officer) and is posted on the Company's website at www.xoma.com. We intend to satisfy the applicable disclosure requirements regarding amendments to, or waivers from, provisions of our Code of Ethics by posting such information on our website.

Item 11. Executive Compensation

Information required by this Item will be included in the sections labeled *"Compensation of Executive Officers", "Summary Compensation Table", "Grants of Plan-Based Awards", "Outstanding Equity Awards as of December 31, 2015", "Option Exercises and Shares Vested", "Pension Benefits", "Non-Qualified Deferred Compensation"* and *"Compensation of Directors"* appearing in our 2016 Proxy Statement, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this Item will be included in the sections labeled *"Stock Ownership"* and *"Equity Compensation Plan Information"* appearing in our 2016 Proxy Statement, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this Item will be included in the section labeled *"Transactions with Related Persons"* appearing in our 2016 Proxy Statement, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this Item will be included in the section labeled *"Item 3—Appointment of Independent Registered Public Accounting Firm"* appearing in our 2016 Proxy Statement, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are included as part of this Annual Report on Form 10-K:

(1) Financial Statements:

All financial statements of the registrant referred to in Item 8 of this Report on Form 10-K.

(2) Financial Statement Schedules:

All financial statements schedules have been omitted because the required information is included in the consolidated financial statements or the notes thereto or is not applicable or required.

(3) Exhibits:

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

SIGNA TURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 9th day of March 2016.

XOMA CORPORATION

By: /s/ JOHN VARIAN
John Varian
Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John Varian and Thomas Burns, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John Varian **(John Varian)**	Chief Executive Officer (Principal Executive Officer) and Director	March 9, 2016
/s/ Thomas Burns **(Thomas Burns)**	Vice President, Finance and Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 9, 2016
/s/ Patrick J. Scannon **(Patrick J. Scannon)**	Executive Vice President and Chief Scientific Officer and Director	March 9, 2016
/s/ W. Denman Van Ness **(W. Denman Van Ness)**	Chairman of the Board of Directors	March 9, 2016
/s/ William K. Bowes, Jr. **(William K. Bowes, Jr.)**	Director	March 9, 2016
/s/ Peter Barton Hutt **(Peter Barton Hutt)**	Director	March 9, 2016
 (Joseph M. Limber)	Director	March 9, 2016
/s/ Timothy P. Walbert **(Timothy P. Walbert)**	Director	March 9, 2016
/s/ Jack L. Wyszomierski **(Jack L. Wyszomierski)**	Director	March 9, 2016

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of XOMA Corporation

We have audited the accompanying consolidated balance sheets of XOMA Corporation as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, stockholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of XOMA Corporation at December 31, 2015 and 2014, and the consolidated results of its operations, and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), XOMA Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 9, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Redwood City, California
March 9, 2016

XOMA Corporation
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 65,767	$ 78,445
Marketable securities	496	—
Trade and other receivables, net	4,069	3,309
Prepaid expenses and other current assets	1,887	1,859
Total current assets	72,219	83,613
Property and equipment, net	1,997	5,120
Other assets	664	669
Total assets	$ 74,880	$ 89,402
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 6,831	$ 5,990
Accrued and other liabilities	7,025	9,892
Deferred revenue – current	3,198	1,089
Interest bearing obligations – current	5,910	19,018
Accrued interest on interest bearing obligations – current	331	257
Total current liabilities	23,295	36,246
Deferred revenue – non-current	—	1,939
Interest bearing obligations – non-current	42,757	16,290
Contingent warrant liabilities	10,464	31,828
Other liabilities – non-current	673	—
Total liabilities	77,189	86,303
Commitments and Contingencies (Note 13)		
Stockholders' (deficit) equity:		
Preferred stock, $0.05 par value, 1,000,000 shares authorized, 0 issued and outstanding	—	—
Common stock, $0.0075 par value, 277,333,332 shares authorized, 119,045,592 and 115,892,450 shares issued and outstanding at December 31, 2015 and 2014, respectively	893	869
Additional paid-in capital	1,136,881	1,121,707
Accumulated deficit	(1,140,083)	(1,119,477)
Total stockholders' (deficit) equity	(2,309)	3,099
Total liabilities and stockholders' (deficit) equity	$ 74,880	$ 89,402

The accompanying notes are an integral part of these consolidated financial statements.

XOMA Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands, except per share amounts)

	Year Ended December 31,		
	2015	**2014**	**2013**
Revenues:			
License and collaborative fees	$ 49,064	$ 5,683	$ 11,028
Contract and other	6,383	13,183	24,423
Total revenues	55,447	18,866	35,451
Operating expenses:			
Research and development	70,852	80,748	74,851
Selling, general and administrative	20,620	19,866	18,477
Restructuring	3,699	84	328
Total operating expenses	95,171	100,698	93,656
Loss from operations	(39,724)	(81,832)	(58,205)
Other income (expense):			
Interest expense	(4,194)	(4,303)	(4,631)
Other income (expense), net	5,500	2,061	(197)
Revaluation of contingent warrant liabilities	17,812	45,773	(61,039)
Loss before taxes	(20,606)	(38,301)	(124,072)
Benefit from income taxes	—	—	14
Net loss	$ (20,606)	$ (38,301)	$ (124,058)
Basic net loss per share of common stock	$ (0.17)	$ (0.36)	$ (1.43)
Diluted net loss per share of common stock	$ (0.17)	$ (0.67)	$ (1.43)
Shares used in computing basic net loss per share of common stock	117,803	107,435	86,938
Shares used in computing diluted net loss per share of common stock	117,803	115,333	86,938
Other comprehensive loss:			
Net loss	$ (20,606)	$ (38,301)	$ (124,058)
Net unrealized (loss) gain on available-for-sale securities	—	1	(9)
Comprehensive loss	$ (20,606)	$ (38,300)	$ (124,067)

The accompanying notes are an integral part of these consolidated financial statements.

XOMA Corporation
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(in thousands)

	Common Stock		Paid-In	Accumulated Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	(Deficit) Equity
Balance, December 31, 2012	82,447	$ 615	$ 977,962	$ 8	$ (957,118)	$ 21,467
Exercise of stock options, contributions to 401(k) and incentive plans	933	7	2,213	—	—	2,220
Vesting of restricted stock units	801	6	(6)	—	—	—
Stock-based compensation expense	—	—	5,099	—	—	5,099
Sale of shares of common stock	19,661	147	82,799	—	—	82,946
Exercise of warrants	1,544	12	8,336	—	—	8,348
Net loss	—	—	—	—	(124,058)	(124,058)
Other comprehensive loss	—	—	—	(9)	—	(9)
Balance, December 31, 2013	105,386	787	1,076,403	(1)	(1,081,176)	(3,987)
Exercise of stock options, contributions to 401(k) and incentive plans	1,065	11	4,515	—	—	4,526
Vesting of restricted stock units	981	7	(7)	—	—	—
Stock-based compensation expense	—	—	10,772	—	—	10,772
Sale of shares of common stock	8,097	61	37,725	—	—	37,786
Issuance of warrants	—	—	(10,258)	—	—	(10,258)
Exercise of warrants	363	3	2,557	—	—	2,560
Net loss	—	—	—	—	(38,301)	(38,301)
Other comprehensive income	—	—	—	1	—	1
Balance, December 31, 2014	115,892	869	1,121,707	—	(1,119,477)	3,099
Exercise of stock options, contributions to 401(k) and incentive plans	542	4	1,463	—	—	1,467
Vesting of restricted stock units	1,202	9	(9)	—	—	—
Stock-based compensation expense	—	—	9,727	—	—	9,727
Issuance of warrants	—	—	450	—	—	450
Exercise of warrants	1,410	11	3,543	—	—	3,554
Net loss	—	—	—	—	(20,606)	(20,606)
Balance, December 31, 2015	119,046	$ 893	$ 1,136,881	$ —	$ (1,140,083)	$ (2,309)

The accompanying notes are an integral part of these consolidated financial statements.

XOMA Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows used in operating activities:			
Net loss	$ (20,606)	$ (38,301)	$ (124,058)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,532	1,856	2,575
Common stock contribution to 401(k)	986	870	828
Stock-based compensation expense	9,727	10,772	5,099
Revaluation of contingent warrant liabilities	(17,812)	(45,773)	61,039
Amortization of debt discount, final payment fee on debt, and debt issuance costs	1,413	2,707	2,470
Gain on sale of business in connection with Agenus asset purchase agreement	(3,505)	—	—
(Gain) loss on sale and retirement of property and equipment	(18)	—	281
Loss on loan extinguishment	429	—	—
Unrealized (gain) loss on foreign currency exchange	(1,870)	(2,280)	662
Unrealized loss on foreign exchange options	6	355	127
Other non-cash adjustments	—	(9)	(20)
Changes in assets and liabilities:			
Trade and other receivables, net	(761)	472	4,486
Prepaid expenses and other current assets	(28)	(662)	481
Accounts payable and accrued liabilities	(1,621)	(3,774)	2,901
Accrued interest on interest bearing obligations	380	(1,444)	2,284
Deferred revenue	356	(2,983)	(3,399)
Other liabilities	500	(88)	(1,671)
Net cash used in operating activities	(30,892)	(78,282)	(45,915)
Cash flows from investing activities:			
Purchase of investments	—	—	(19,991)
Proceeds from maturities of investments	—	20,000	40,000
Purchases of property and equipment	(430)	(325)	(1,169)
Proceeds from sale of business in connection with Agenus asset purchase agreement	4,862	—	—
Proceeds from sale of property and equipment	18	—	—
Net cash provided by investing activities	4,450	19,675	18,840
Cash flows from financing activities:			
Proceeds from issuance of common stock, net of issuance costs	481	41,442	84,338
Proceeds from exercise of warrants	1	35	2,176
Proceeds from issuance of long term debt	20,000	—	—
Debt issuance costs and loan fees	(512)	—	—
Principal payments – debt	(6,128)	(5,917)	(3,125)
Principal payments – capital lease	(41)	—	—
Net cash provided by financing activities	13,801	35,560	83,389
Effect of exchange rate changes on cash	(37)	(167)	—
Net (decrease) increase in cash and cash equivalents	(12,678)	(23,214)	56,314
Cash and cash equivalents at the beginning of the year	78,445	101,659	45,345
Cash and cash equivalents at the end of the year	$ 65,767	$ 78,445	$ 101,659
Supplemental Cash Flow Information:			
Cash paid for interest	$ 1,927	$ 3,009	$ 1,262
Non-cash investing and financing activities:			
Marketable securities received in conjunction with the disposal of business	$ 496	$ —	$ —
Equipment acquired through capital lease	$ 323	$ —	$ —
Reclassification of contingent warrant liability to equity upon exercise of warrants	$ (3,552)	$ (2,526)	$ (6,171)
Issuance of warrants	$ 450	$ 10,258	$ —
Interest added to principal balances on long-term debt	$ 327	$ 313	$ 935
Investment in Symplmed Pharmaceuticals, LLC	$ —	$ —	$ 171

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business

XOMA Corporation ("XOMA" or the "Company"), a Delaware corporation, combines a portfolio of clinical programs and research activities to develop innovative therapeutic antibodies that it intends to commercialize. XOMA focuses its scientific research on allosteric modulation, which offers opportunities for new classes of therapeutic antibodies to treat a wide range of human diseases. XOMA's scientific research has produced five product candidates to treat diseases within the endocrine therapeutic area. These include candidates from the XMet platform, which consists of several Selective Insulin Receptor Modulator antibodies that could offer new approaches in the treatment of metabolic diseases. The lead compound from the XMet platform, XOMA 358, is a fully human monoclonal negative allosteric modulating antibody that binds to insulin receptors and attenuates insulin action. XOMA intends to investigate this compound as a novel treatment for non-drug-induced, endogenous hyperinsulinemic hypoglycemia (low blood glucose caused by excessive insulin produced by the body). In October 2015, the Company initiated a Phase 2 proof-of-concept study for XOMA 358 in patients with congenital hyperinsulinemia. XOMA's endocrine portfolio also includes a Phase 2 ready product candidate targeting the prolactin receptor as well as other preclinical or research stage programs. The Company's products are presently in various stages of development and are subject to regulatory approval before they can be commercially launched.

On July 22, 2015, the Company announced the Phase 3 EYEGUARD-B study of gevokizumab in patients with Behçet's disease uveitis, run by Servier, its partner for gevokizumab, did not meet the primary endpoint of time to first acute ocular exacerbation. In August 2015, XOMA announced its intention to end the EYEGUARD global Phase 3 program. In September 2015, Servier notified XOMA of its intention to terminate the Amended and Restated Collaboration and License Agreement dated February 14, 2012, as later amended on November 4, 2014 and January 9, 2015, and return the gevokizumab rights to XOMA. Termination of the collaboration agreement with Servier will be effective on March 25, 2016. As gevokizumab does not fit the Company's strategic focus on endocrine diseases, the Company announced in March 2016 it is closing its Phase 3 study in pyoderma gangrenosum.

Liquidity and Management Plans

The Company has incurred operating losses since its inception and had an accumulated deficit of $1.1 billion at December 31, 2015. Management expects operating losses and negative cash flows to continue for the foreseeable future. As of December 31, 2015, the Company had $66.3 million in cash, cash equivalents and marketable securities, which is available to fund future operations. Taking into account the repayment of its outstanding debt classified within current liabilities on the Company's consolidated balance sheet as of December 31, 2015, the Company anticipates that it has adequate resources to fund its operations through December 31, 2016.

The Company's ability to raise additional capital in the equity and debt markets, should the Company choose to do so, is dependent on a number of factors, including, but not limited to, the market demand for the Company's common stock, which itself is subject to a number of pharmaceutical development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company.

2. Basis of Presentation and Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions among consolidated entities were eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. On an on-going basis, management evaluates its estimates including, but not limited to, those related to contingent warrant liabilities, revenue recognition, debt amendments, research and development expense, long-lived assets, restructuring liabilities, legal contingencies, derivative instruments and stock-based compensation. The Company bases its estimates on historical experience and on various other market-specific and other relevant assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates, such as the Company's billing under government contracts and the Company's accrual for clinical trial expenses. Under the Company's contracts with the National Institute of Allergy and Infectious Diseases ("NIAID"), a part of the National Institutes of Health ("NIH"), the Company bills using NIH provisional rates and thus is subject to future audits at the discretion of NIAID's contracting office. These audits can result in an adjustment to revenue previously reported which potentially could be significant. The Company's accrual for clinical trials is based on estimates of the services received and efforts expended pursuant to contracts with clinical trial centers and clinical research organizations. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients, and completion of portions of the clinical trial or similar conditions.

Revenue Recognition

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. The determination of criteria (2) is based on management's judgments regarding whether a continuing performance obligation exists. The determination of criteria (3) and (4) are based on management's judgments regarding the nature of the fee charged for products or services delivered and the collectability of those fees. Allowances are established for estimated uncollectible amounts, if any.

The Company recognizes revenue from its license and collaboration arrangements, contract services, product sales and royalties. Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered items. Each deliverable in the arrangement is evaluated to determine whether it meets the criteria to be accounted for as a separate unit of accounting or whether it should be combined with other deliverables. In order to account for the multiple-element arrangements, the Company identifies the deliverables included within the arrangement and evaluates which deliverables represent separate units of accounting. Analyzing the arrangement to identify deliverables requires the use of judgment, and each deliverable may be an obligation to deliver services, a right or license to use an asset, or another performance obligation. The consideration received is allocated among the separate units of accounting based on their respective fair values and the applicable revenue recognition criteria are applied to each of the separate units. Advance payments received in excess of amounts earned are classified as deferred revenue until earned.

License and Collaborative Fees

Revenue from non-refundable license, technology access or other payments under license and collaborative agreements where the Company has a continuing obligation to perform is recognized as revenue over the estimated period of the continuing performance obligation. The Company estimates the performance period at the inception of the arrangement and reevaluates it each reporting period. Management makes its best estimate of the period over which it expects to fulfill the performance obligations, which may include clinical development activities. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the performance period. This reevaluation may shorten or lengthen the period over which the remaining revenue is recognized. Changes to these estimates are recorded on a prospective basis.

License and collaboration agreements with certain third parties also provide for contingent payments to be paid to XOMA based solely upon the performance of the partner. For such contingent payments revenue is recognized upon completion of the milestone event, once confirmation is received from the third party, provided that collection is reasonably assured and the other revenue recognition criteria have been satisfied. Milestone payments that are not substantive or that require a continuing performance obligation on the part of the Company are recognized over the expected period of the continuing performance obligation. Amounts received in advance are recorded as deferred revenue until the related milestone is completed.

Payment related to an option to purchase the Company's commercialization rights is considered substantive if, at the inception of the arrangement, the Company is at risk as to whether the collaboration partner will choose to exercise the option. Factors that the Company considers in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, the Company does not consider the item underlying the option to be a deliverable at the inception of the arrangement and the associated option fees are not included in allocable arrangement consideration, assuming the option is not priced at a significant and incremental discount. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, the Company would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in allocable arrangement consideration.

Contract and Other Revenues

Contract revenue for research and development involves the Company providing research and development and manufacturing services to collaborative partners, biodefense contractors or others. Cost reimbursement revenue under collaborative agreements is recorded as contract and other revenues and is recognized as the related research and development costs are incurred, as provided for under the terms of these agreements. Revenue for certain contracts is accounted for by a proportional performance, or output-based, method where performance is based on estimated progress toward elements defined in the contract. The amount of contract revenue and related costs recognized in each accounting period are based on management's estimates of the proportional performance during the period. Adjustments to estimates based on actual performance are recognized on a prospective basis and do not result in reversal of revenue should the estimate to complete be extended. In 2014, the Company had a $1.8 million adjustment to decrease previously invoiced balances from the NIAID contract (see Note 4).

Up-front fees associated with contract revenue are recorded as license and collaborative fees and are recognized in the same manner as the final deliverable, which is generally ratably over the period of the continuing performance obligation. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the arrangement.

Royalty revenue and royalty receivables are recorded in the periods these royalty amounts are earned, if estimable and collectibility is reasonably assured. The royalty revenue and receivables recorded in these instances are based upon communication with collaborative partners or licensees, historical information and forecasted sales trends.

Research and Development Expenses

The Company expenses research and development costs as incurred. Research and development expenses consist of direct costs such as salaries and related personnel costs, and material and supply costs, and research-related allocated overhead costs, such as facilities costs. In addition, research and development expenses include costs related to clinical trials. From time to time, research and development expenses may include up-front fees and milestones paid to collaborative partners for the purchase of rights to in-process research and development. Such amounts are expensed as incurred.

The Company's accrual for clinical trials is based on estimates of the services received and efforts expended pursuant to contracts with clinical trial centers and clinical research organizations. The Company may terminate these contracts upon written notice and is generally only liable for actual effort expended by the organizations to the date of termination, although in certain instances the Company may be further responsible for termination fees and penalties. The Company makes estimates of its accrued expenses as of each balance sheet date based on the facts and circumstances known to the Company at that time. Expenses resulting from clinical trials are recorded when incurred based, in part on estimates as to the status of the various trials. In 2014, the Company changed its methodology of accrual for the per-patient component of clinical trial expense from straight-line over the patient treatment period to scheduled costs as projected by the contract research organization. The change resulted in a $0.2 million adjustment to the Company's accrued estimates for clinical trial activities from inception of the trials through December 31, 2014.

Stock-Based Compensation

The Company recognizes compensation expense for all stock-based payment awards made to the Company's employees, consultants and directors that are expected to vest based on estimated fair values. The valuation of stock option awards is determined at the date of grant using the Black-Scholes Option Pricing Model (the "Black-Scholes Model"). The Black-Scholes Model requires inputs such as the expected term of the option, expected volatility and risk-free interest rate. To establish an estimate of expected term, the Company considers the vesting period and contractual period of the award and its historical experience of stock option exercises, post-vesting cancellations and volatility. The estimate of expected volatility is based on the Company's historical volatility. The risk-free rate is based on the yield available on United States Treasury zero-coupon issues corresponding to the expected term of the award.

The valuation of restricted stock units ("RSUs") is determined at the date of grant using the Company's closing stock price.

To establish an estimate of forfeiture rate, the Company considers its historical experience of option forfeitures and terminations. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates.

Restructuring Charges

Restructuring costs, which primarily include termination benefits and contract termination costs, are recorded at estimated fair value. Key assumptions in determining the restructuring costs include the terms and payments that may be negotiated to terminate certain contractual obligations and the timing of employees leaving the Company.

Cash, Cash Equivalents and Marketable Securities

The Company considers all highly liquid debt instruments with maturities of three months or less at the time the Company acquires them and that can be liquidated without prior notice or penalty to be cash equivalents.

All marketable securities have been classified as "available-for-sale" and are carried at fair value, with unrealized gains and losses, net of tax, if any, reported in other comprehensive income (loss). The estimate of fair value is based on publicly available market information. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income (expense), net. The Company reviews its instruments for other-than-temporary impairment whenever the value of the instrument is less than the amortized cost. The cost of investments sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in other income (expense), net.

Property and Equipment and Long-Lived Assets

Property and equipment is stated at cost less depreciation. Equipment depreciation is calculated using the straight-line method over the estimated useful lives of the assets (three to seven years). Leasehold improvements, buildings and building improvements are depreciated using the straight-line method over the shorter of the lease terms or the useful lives (one to fifteen years). Depreciation expense for assets acquired through capital leases is included in depreciation expense in the consolidated statements of comprehensive loss. Upon the sale or retirement of assets, the cost and related accumulated depreciation and amortization are removed from the consolidated balance sheets, and the resulting gain or loss, if any, is reflected in other income (expense), net in the consolidated statements of comprehensive loss. Repairs and maintenance costs are charged to expense as incurred.

Long-lived assets include property and equipment. The carrying value of our long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. During the years ended December 31, 2015, 2014, and 2013, there were no such impairment losses recognized.

Warrants

The Company has issued warrants to purchase shares of its common stock in connection with financing activities. The Company accounts for some of these warrants as a liability at fair value and others as equity at fair value. The fair value of the outstanding warrants is estimated using the Black-Scholes Model. The Black-Scholes Model requires inputs such as the expected term of the warrants, expected volatility and risk-free interest rate. These inputs are subjective and require significant analysis and judgment to develop. For the estimate of the expected term, the Company uses the full remaining contractual term of the warrant. The Company determines the expected volatility assumption in the Black-Scholes Model based on historical stock price volatility observed on XOMA's underlying stock. The assumptions associated with contingent warrant liabilities are reviewed each reporting period and changes in the estimated fair value of these contingent warrant liabilities are recognized in revaluation of contingent warrant liabilities within the consolidated statements of comprehensive loss.

Income Taxes

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount which is more likely than not to be realizable.

The recognition, derecognition and measurement of a tax position is based on management's best judgment given the facts, circumstances and information available at each reporting date. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Net Loss per Share of Common Stock

Basic net loss per share of common stock is based on the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share of common stock is based on the weighted average number of shares outstanding during the period, adjusted to include the assumed conversion of certain stock options, RSUs, and warrants for common stock. The calculation of diluted loss per share of common stock requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to earnings (loss) per share of common stock for the period, adjustments to net income or net loss used in the calculation are required to remove the change in fair value of the warrants for the period. Likewise, adjustments to the denominator are required to reflect the related dilutive shares.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance codified in Accounting Standards Codification ("ASC") 606, *Revenue Recognition — Revenue from Contracts with Customers*, which amends the guidance in ASC 605, *Revenue Recognition.* The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting update to defer the effective date by one year for public entities such that it is now applicable for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for periods beginning after December 15, 2016. Entities would have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). This ASU introduces an explicit requirement for management to assess if there is substantial doubt about an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management must assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date. Disclosures are required if conditions give rise to substantial doubt. ASU 2014-15 is effective for all entities in the first annual period ending after December 15, 2016. The adoption of this guidance is not expected to have any impact on the Company's financial position and results of operations.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company early adopted ASU 2015-03 as of January 1, 2015, as permitted. There is no impact of early adoption of ASU 2015-03 on the consolidated statements of comprehensive loss. The impact of early adoption on the consolidated balance sheets for the periods presented is noted in the table below (in thousands):

	December 31, 2015			December 31, 2014		
	Prior to Adoption of ASU 2015-03	ASU 2015-03 Adjustment	As Adopted	Prior to Adoption of ASU 2015-03	ASU 2015-03 Adjustment	As Adopted
Prepaid expenses and other current assets	$ 2,076	$ (189)	$ 1,887	$ 2,088	$ (229)	$ 1,859
Total current assets	$ 72,408	$ (189)	$ 72,219	$ 83,842	$ (229)	$ 83,613
Other assets	$ 838	$ (174)	$ 664	$ 669	$ -	$ 669
Total assets	$ 75,243	$ (363)	$ 74,880	$ 89,631	$ (229)	$ 89,402
Interest bearing obligations – current	$ 6,099	$ (189)	$ 5,910	$ 19,247	$ (229)	$ 19,018
Total current liabilities	$ 23,484	$ (189)	$ 23,295	$ 36,475	$ (229)	$ 36,246
Interest bearing obligations – long-term	$ 42,931	$ (174)	$ 42,757	$ 16,290	$ -	$ 16,290
Total liabilities	$ 77,552	$ (363)	$ 77,189	$ 86,532	$ (229)	$ 86,303

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes. This ASU amends the existing guidance to require presentation of deferred tax assets and liabilities as noncurrent within a classified statement of financial position. The Company early adopted ASU 2015-17 effective December 2015 on a prospective basis. The adoption did not have an impact on the consolidated financial statements of the Company.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, related to accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified the guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The guidance will become effective for the Company beginning in the first quarter of 2018. Early adoption is permitted. The Company is evaluating the impact of the adoption of this accounting guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes Topic 840, Leases. From a lessee accounting perspective, the core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. Reasonably certain is a high threshold that is consistent with and intended to be applied in the same way as the reasonably assured threshold under Topic 840. In addition, also consistent with Topic 840, a lessee (and a lessor) should exclude most variable lease payments in measuring lease assets and lease liabilities, other than those that depend on an index or a rate or are in substance fixed payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Under Topic 842, there continues to be a differentiation between finance leases (which replaces capital leases) and operating leases. However, the principal difference from the previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The accounting applied by a lessor is largely unchanged from that applied under Topic 840. The guidance will become effective for the Company beginning in the first quarter of 2019. Early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients primarily focused on leases that commenced before the effective date of Topic 842, including continuing to account for leases that commence before the effective date in accordance with previous guidance, unless the lease is modified. The Company is evaluating the impact of the adoption of the standard on its consolidated financial statements.

3. Consolidated Financial Statement Detail

Cash and Cash Equivalents

At December 31, 2015, cash and cash equivalents consisted of demand deposits of $23.2 million and money market funds of $42.6 million with maturities of less than 90 days at the date of purchase. At December 31, 2014, cash and cash equivalents consisted of demand deposits of $10.8 million and money market funds of $67.6 million with maturities of less than 90 days at the date of purchase.

Marketable Securities

At December 31, 2015, marketable securities consisted of an investment in the common stock of a public entity of $0.5 million. At December 31, 2014, there were no marketable securities. The Company had no unrealized gains or losses associated with its marketable securities as of December 31, 2015.

Foreign Exchange Options

The Company holds debt and may incur revenue and expenses denominated in foreign currencies, which exposes it to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and the Euro. The Company is required in the future to make principal and accrued interest payments in Euros on its €15.0 million loan from Servier (see Note 8). In order to manage its foreign currency exposure related to these payments, in May 2011, the Company entered into two foreign exchange option contracts to buy €1.5 million and €15.0 million in January 2014 and January 2016, respectively. By having these option contracts in place, the Company's foreign exchange rate risk is reduced if the U.S. dollar weakens against the Euro. However, if the U.S. dollar strengthens against the Euro, the Company is not required to exercise these options, but will not receive any refund on premiums paid.

Upfront premiums paid on these foreign exchange option contracts totaled $1.5 million. The fair values of these option contracts are revalued at each reporting period and are estimated based on pricing models using readily observable inputs from actively quoted markets. The fair values of these option contracts are included in other assets on the consolidated balance sheet and changes in fair value on these contracts are included in other income (expense), net on the consolidated statements of comprehensive loss.

As of December 31, 2014, one option contract had expired. The remaining foreign exchange option was revalued at December 31, 2015 and 2014 and the fair value was zero. The Company recognized losses of $6,000, $0.4 million, and $0.1 million related to the revaluation of these options for the years ended December 31, 2015, 2014, and 2013, respectively.

Trade and Other Receivables, net

Trade receivables are stated at their net realizable value. Specific allowances are recorded for known troubled accounts or based on other available information. The Company reviews their exposure to accounts receivable, including the requirement for allowances based on management's judgment. The Company has not historically experienced any significant losses. As of December 31, 2015 and 2014, the allowance for doubtful accounts amounted to $0.2 million and $0.4 million, respectively. Trade receivables are written off after all reasonable means to collect the full amount have been exhausted. The Company has not historically experienced any significant losses.

Trade and other receivables consisted of the following (in thousands):

	December 31,	
	2015	2014
Trade receivables, net	$ 3,718	$ 2,993
Other receivables	351	316
Total	$ 4,069	$ 3,309

Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	December 31,	
	2015	2014
Equipment and furniture	$ 14,431	$ 28,638
Buildings, leasehold and building improvements	2,776	9,343
Construction-in-progress	243	337
Land	—	310
	17,450	38,628
Less: Accumulated depreciation and amortization	(15,453)	(33,508)
Property and equipment, net	$ 1,997	$ 5,120

As of December 31, 2015, property and equipment held under capital leases, included under construction-in-progress above, amounted to $0.2 million, with accumulated depreciation of zero. Depreciation and amortization expense was $1.5 million, $1.9 million, and $2.9 million for the years ended December 31, 2015, 2014, and 2013, respectively. In December 2015, the Company completed the sale of its land, building and certain equipment used for its manufacturing operations (see Note 6). The related cost and accumulated depreciation and amortization amounts of $15.9 million and $13.7 million, respectively, have been removed from the consolidated balance sheet and a gain of $3.5 million was recorded on the other income (expense), net line of the Company's consolidated statements of comprehensive loss for the year ended December 31, 2015.

Accrued and Other Liabilities

Accrued and other liabilities consisted of the following (in thousands):

	December 31,	
	2015	2014
Accrued management incentive compensation	$ 2,609	$ 4,295
Accrued payroll and other benefits	2,156	3,061
Accrued legal and accounting fees	517	409
Accrued restructuring costs	459	—
Accrued clinical trial costs	406	1,424
Other	878	703
Total	$ 7,025	$ 9,892

4. Collaborative, Licensing and Other Arrangements

Collaborative and Other Agreements

Novartis

In November 2008, the Company restructured its product development collaboration with Novartis AG ("Novartis") entered into in 2004 for the development and commercialization of antibody products for the treatment of cancer. Under the restructured agreement, the Company received $6.2 million in cash and $7.5 million in the form of debt reduction on its existing loan facility with Novartis. In addition, the Company could, in the future, receive potential milestones of up to $14.0 million and royalty rates which ranged from low-double digit to high-teen percentage rates for two ongoing product programs, CD40 and prolactin receptor antibodies and options to develop or receive royalties on additional programs. In exchange, Novartis received control over the CD40 and prolactin receptor antibody programs, as well as the right to expand the development of these programs into additional indications outside of oncology. Novartis has returned control of the prolactin receptor antibody program to the Company; which is now referred to as XOMA 213. The Company's right to royalty-style payments expires on the later of the expiration of any licensed patent covering each product or 20 years from the launch of each product that is produced from a cell line provided to Novartis by XOMA. In 2013, the Company received a $7.0 million milestone relating to one currently active program. Pursuant to the obligations under the agreement, in January 2014, the Company made a payment, equal to 25 percent of the milestone received, or $1.75 million, toward its outstanding debt obligation to Novartis. In 2014 and 2015, no revenue was recognized under the collaboration agreement with Novartis.

A loan facility of up to $50.0 million was available to the Company to fund up to 75% of its share of development expenses incurred beginning in 2005 (see Note 8).

On September 30, 2015 (the "Effective Date"), the Company and Novartis International Pharmaceutical Ltd. ("Novartis International") entered into a license agreement (the "License Agreement") pursuant to which the Company granted Novartis International an exclusive, world-wide, royalty-bearing license to the Company's anti-transforming growth factor beta (TGFβ) antibody program (the "anti-TGFβ Program"). Under the terms of the License Agreement, Novartis International has worldwide rights to the anti-TGFβ Program and is responsible for the development and commercialization of antibodies and products containing antibodies arising from the anti-TGFβ Program. Within 90 days of the Effective Date, the Company was required to transfer certain proprietary know-how, materials and inventory relating to the anti-TGFβ Program to Novartis International. The transfer of certain proprietary know-how, materials and inventory relating to the anti-TGFβ Program to Novartis International was completed in the fourth quarter of 2015.

Under the License Agreement, the Company received a $37.0 million upfront fee. The Company is also eligible to receive up to a total of $480.0 million in development, regulatory and commercial milestones. Any such payments will be treated as contingent consideration and recognized as revenue when they are achieved, as the Company has no performance obligations under the License Agreement beyond the initial 90-day period. No milestone payments have been received as of December 31, 2015. The Company is also eligible to receive royalties on sales of licensed products, which are tiered based on sales levels and range from a mid-single digit percentage rate to up to a low double-digit percentage rate. Novartis International's obligation to pay royalties with respect to a particular product and country will continue for the longer of the date of expiration of the last valid patent claim covering the product in that country, or ten years from the date of the first commercial sale of the product in that country.

The License Agreement contains customary termination rights relating to material breach by either party. Novartis International also has a unilateral right to terminate the License Agreement on an antibody-by-antibody and country-by-country basis or in its entirety on one hundred eighty days' notice.

The Company identified the following performance deliverables under the License Agreement: (i) the license, (ii) regulatory services to be delivered within 90 days from the Effective Date and (iii) transfer of materials, process and know-how, also to be delivered within 90 days from the Effective Date. The Company considered the provisions of the multiple-element arrangement guidance in determining how to recognize the revenue associated with these deliverables. The Company determined that none of the deliverables have standalone value and therefore has accounted for them as a single unit of account. The Company recognized the entire upfront payment as revenue in the consolidated statement of comprehensive loss as it had completed its performance obligations as of December 31, 2015.

In connection with the execution of the License Agreement, XOMA and Novartis Vaccines Diagnostics, Inc. ("NVDI") executed an amendment to their Amended and Restated Research, Development and Commercialization Agreement dated July 1, 2008, as amended, relating to anti-CD40 antibodies (the "Collaboration Agreement Amendment"). Pursuant to the Collaboration Agreement Amendment, the parties agreed to reduce the royalty rates and period that XOMA is eligible to receive on sales of NVDI's clinical stage anti-CD40 antibodies. These royalties are tiered based on sales levels and now range from a mid-single digit percentage rate to up to a low double-digit percentage rate and royalties are payable until the later of any licensed patent covering each product or ten years from the launch of each product. In addition, XOMA and NVDI amended the note agreement to extend the maturity date of the note from September 30, 2015 to September 30, 2020 (see Note 8). All other terms of the Amended and Restated Research, Development and Commercialization Agreement remained unchanged.

Servier

In December 2010, the Company entered into a license and collaboration agreement ("Collaboration Agreement") with Servier, to jointly develop and commercialize gevokizumab in multiple indications, which provided for a non-refundable upfront payment of $15.0 million that was received by the Company in January 2011. The upfront payment was recognized over the eight month period that the initial group of deliverables were provided to Servier. In addition, the Company received a loan of €15.0 million, which was fully funded in January 2011, with the proceeds converting to $19.5 million at the date of funding (see Note 8). Under the terms of the Collaboration Agreement, Servier had worldwide rights to cardiovascular disease and diabetes indications and had rights outside the United States and Japan to all other indications, including non-infectious intermediate, posterior or pan-uveitis ("NIU"), Behçet's disease uveitis, pyoderma gangrenosum, and other inflammatory and oncology indications. XOMA retained development and commercialization rights in the United States and Japan for all indications other than cardiovascular disease and diabetes.

Under the Collaboration Agreement, Servier funded all activities to advance the global clinical development and future commercialization of gevokizumab in cardiovascular-related diseases and diabetes. Also, Servier funded the first $50.0 million of gevokizumab global clinical development and chemistry, manufacturing and controls expenses related to the three pivotal clinical trials under the EYEGUARD program. All remaining expenses related to these three pivotal clinical trials were shared equally between Servier and the Company. For the years ended December 31, 2015, 2014, and 2013, the Company recorded revenue of $1.2 million, $3.5 million, and $13.6 million, respectively, from this Collaboration Agreement.

On January 9, 2015, concurrent with a loan amendment (see Note 8), the Company and Servier entered into Amendment No. 2 to the Collaboration Agreement ("Collaboration Amendment"). Under the Collaboration Agreement, the Company was eligible to receive up to approximately €356.5 million in the aggregate in milestone payments if the Company re-acquired cardiovascular and/or diabetes rights for use in the United States, and approximately €633.8 million in aggregate milestone payments if the Company did not re-acquire those rights. Under the Collaboration Amendment, the Company was eligible to receive up to €341.5 million in the aggregate in milestone payments in the event the Company re-acquired the cardiovascular and/or diabetes rights for use in the United States and approximately €618.8 million if the Company did not re-acquire those rights. The milestone reductions were related to a low prevalence indication for which Servier would not have pursued development had these payments been required. All other terms of the Collaboration Agreement remained unchanged.

On September 28, 2015, Servier notified XOMA of its intention to terminate the Collaboration Agreement, as amended, and return the gevokizumab rights to XOMA. The termination will be effective on March 25, 2016, and does not result in a change to the maturity date of the Company's loan with Servier (see Note 8). As the Company will no longer be required to provide services to Servier under the Collaboration Agreement beyond the effective date, the Company will amortize the remaining deferred revenue through March 2016. As of December 31, 2015, the deferred revenue – current associated with this collaboration was $0.6 million.

NIAID

In September 2008, the Company announced that it had been awarded a $64.8 million multiple-year contract funded with federal funds from NIAID (Contract No. HHSN272200800028C), to continue the development of anti-botulinum antibody product candidates. The contract work is being performed on a cost plus fixed fee basis over a three-year period. The Company recognizes revenue under the arrangement as the services are performed on a proportional performance basis. In 2011, the NIH conducted an audit of the Company's actual data for period from January 1, 2007 through December 31, 2009 and developed final billing rates for this period. As a result, the Company retroactively applied these NIH rates to the invoices from this period resulting in an increase in revenue of $1.1 million from the NIH, excluding $0.9 million billed to the NIH in 2010 resulting from the Company's performance of a comparison of 2009 calculated costs incurred and costs billed to the government under provisional rates. In 2014, upon completion of a NIAID review of hours and external expenses, XOMA agreed to exclude certain hours and external expenses resulting in a $1.8 million adjustment to decrease previously invoiced balances. The adjustment was offset by a $1.9 million deferred revenue balance that was recorded in 2012 as a result of a rate adjustment for the period 2007 to 2009. This adjustment reduced accounts receivable and deferred revenue by $1.8 million to reflect the final settlement of the 2008 to 2013 hours and external review. The remaining $0.1 million in deferred revenue in connection with the 2011 NIH rate audit will be recognized upon completion of negotiations with and approval by the NIH. The Company recognized revenue of $0.2 million, $1.2 million and $4.4 million under this contract, for the years ended December 31, 2015, 2014 and 2013, respectively.

In October 2011, the Company announced that NIAID had awarded the Company a new contract under Contract No. HHSN272201100031C for up to $28.0 million over five years to develop broad-spectrum antitoxins for the treatment of human botulism poisoning. The contract work is being performed on a cost plus fixed fee basis over the life of the contract and the Company is recognizing revenue under the arrangement as the services are performed on a proportional performance basis. The Company recognized revenue of $4.9 million, $8.4 million and $4.7 million under this contract, for the years ended December 31, 2015, 2014 and 2013, respectively.

Takeda

In November 2006, the Company entered into a fully funded collaboration agreement with Takeda for therapeutic monoclonal antibody discovery and development. Under the agreement, Takeda will make up-front, annual maintenance and milestone payments to the Company, fund its research and development and manufacturing activities for preclinical and early clinical studies and pay royalties on sales of products resulting from the collaboration. Takeda will be responsible for clinical trials and commercialization of drugs after an Investigational New Drug Application submission and is granted the right to manufacture once the product enters into Phase 2 clinical trials. During the collaboration, the Company will discover therapeutic antibodies against targets selected by Takeda. The Company will recognize revenue on the up-front and annual payments on a straight-line basis over the expected term of each target antibody discovery, on the research and development and manufacturing services as they are performed on a time and materials basis, on the milestones when they are achieved and on the royalties when the underlying sales occur. The Company recognized revenue of $0.1 million, $1.6 million and $0.1 million under this agreement for the years ended December 31, 2015, 2014 and 2013, respectively.

Under the terms of this agreement, the Company may receive milestone payments aggregating up to $19.0 million relating to one undisclosed product candidate and low single-digit royalties on future sales of all products subject to this license. In addition, in the event Takeda were to develop additional future qualifying product candidates under the terms of the agreement, the Company would be eligible for milestone payments aggregating up to $20.8 million for each such qualifying product candidate. The Company's right to milestone payments expires on the later of the receipt of payment from Takeda of the last amount to be paid under the agreement or the cessation of all research and development activities with respect to all program antibodies, collaboration targets and/or collaboration products. The Company's right to royalties expires on the later of 13.5 years from the first commercial sale of each royalty-bearing discovery product or the expiration of the last-to-expire licensed patent.

In February 2009, the Company expanded its existing collaboration agreement with Takeda to provide Takeda with access to multiple antibody technologies, including a suite of research and development technologies and integrated information and data management systems. The Company may receive milestones of up to $3.3 million per discovery product candidate and low single-digit royalties on future sales of all antibody products subject to this license. The Company's right to milestone payments expires on the later of the receipt of payment from Takeda of the last amount to be paid under the agreement or the cessation of all research and development activities with respect to all program antibodies, collaboration targets and/or collaboration products. The Company's right to royalties expires on the later of 10 years from the first commercial sale of such royalty-bearing discovery product, or the expiration of the last-to-expire licensed patent.

Pfizer

In August 2007, the Company entered into a license agreement (the "2007 Agreement") with Pfizer Inc. ("Pfizer") for non-exclusive, worldwide rights for XOMA's patented bacterial cell expression technology for research, development and manufacturing of antibody products. Under the terms of the 2007 Agreement, the Company received a license fee payment of $30.0 million in 2007.

From 2011 through 2015, the Company received milestone payments aggregating $4.2 million.

On December 3, 2015, the Company and Pfizer entered into a settlement and amended license agreement pursuant to which XOMA granted Pfizer a fully-paid, royalty-free, worldwide, irrevocable, non-exclusive license right to XOMA's patented bacterial cell expression technology for phage display and other research, development and manufacturing of antibody products. Under the amended license agreement, the Company received a cash payment of $3.8 million in full satisfaction of all obligations to XOMA under the 2007 Agreement, including but not limited to potential milestone, royalty and other fees under the 2007 Agreement. The Company recognized the entire payment from Pfizer as revenue upon delivery of the license in 2015.

In August 2005, the Company entered into a license agreement with Wyeth (subsequently acquired by Pfizer) for non-exclusive, worldwide rights for certain of XOMA's patented bacterial cell expression technology for vaccine manufacturing. Under the terms of this agreement, the Company received a milestone payment in November 2012 relating to TRUMENBA®, a meningococcal group B vaccine marketed by Pfizer. The Company receives a fraction of a percentage of sales of TRUMENBA as royalties. The Company's right to royalties expires on a country-by-country basis upon the later of the expiration of the last-to-expire licensed patent or 10 years from the first commercial sale of TRUMENBA.

Novo Nordisk

On December 1, 2015, the Company and Novo Nordisk A/S ("Novo Nordisk ") entered into a license agreement pursuant to which XOMA has granted to Novo Nordisk an exclusive, world-wide, royalty-bearing license to XOMA's XMetA program of allosteric monoclonal antibodies that positively modulate the insulin receptor (the "XMetA Program"), subject to XOMA's retained commercialization rights for rare disease indications. Novo Nordisk has an option to add these retained rights to its license upon payment of an option fee.

Novo Nordisk will have worldwide rights to the XMetA Program and will be solely responsible at its expense for the development and commercialization of antibodies and products containing antibodies arising from the XMetA Program, subject to the Company's retained rights described above. The Company has transferred certain proprietary know-how and materials relating to the XMetA Program to Novo Nordisk. Under the agreement, XOMA received a $5.0 million, non-creditable, non-refundable, upfront payment. Based on the achievement of pre-specified criteria, XOMA is eligible to receive up to $290.0 million in development, regulatory and commercial milestones. No milestone payments have been received as of December 31, 2015. XOMA is also eligible to receive royalties on sales of licensed products, which are tiered based on sales levels and range from a mid-single digit percentage rate to up to a high single digit percentage rate. Novo Nordisk's obligation to pay development and commercialization milestones will continue for so long as Novo Nordisk is developing or selling products under the agreement, subject to the maximum milestone payment amounts set forth above. Novo Nordisk's obligation to pay royalties with respect to a particular product and country will continue for the longer of the date of expiration of the last valid patent claim covering the product in that country, or ten years from the date of the first commercial sale of the product in that country.

The agreement contains customary termination rights relating to material breach by either party. Novo Nordisk also has a unilateral right to terminate the agreement in its entirety upon 90 days' notice.

The Company identified the following performance deliverables under the agreement: (i) the license, and (ii) the transfer of technology and know-how to be delivered within 60 days from December 1, 2015. The Company has delivered the majority of the technology and know-how to Novo Nordisk as of December 31, 2015 and determined that any remaining items are perfunctory to the arrangement. Accordingly, the Company has recognized the entire $5.0 million upfront fee as revenue in 2015.

5. Fair Value Measurements

The Company records its financial assets and liabilities at fair value. The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, marketable securities, trade receivable and accounts payable, approximate their fair value due to their short maturities. Fair value is defined as the exchange price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance for fair value establishes a framework for measuring fair value and a fair value hierarchy that prioritizes the inputs used in valuation techniques. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, either directly or indirectly, other than quoted prices in active markets for similar assets or liabilities, that are not active or other inputs that are not observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; therefore, requiring an entity to develop its own valuation techniques and assumptions.

The following tables set forth the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as follows (in thousands):

	Fair Value Measurements at December 31, 2015 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds (1)	$ 42,590	$ —	$ —	$ 42,590
Marketable securities	496	—	—	496
Total	$ 43,086	$ —	$ —	$ 43,086
Liabilities:				
Contingent warrant liabilities	$ —	$ —	$ 10,464	$ 10,464

	Fair Value Measurements at December 31, 2014 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds (1)	$ 67,569	$ —	$ —	$ 67,569
Foreign exchange options (2)	—	6	—	6
Total	$ 67,569	$ 6	$ —	$ 67,575
Liabilities:				
Contingent warrant liabilities	$ —	$ —	$ 31,828	$ 31,828

(1) Included in cash and cash equivalents

(2) Included in other assets

During the years ended December 31, 2015 and 2014, there were no transfers between Level 1, Level 2, or Level 3 assets or liabilities reported at fair value on a recurring basis and the valuation techniques used did not change compared to the Company's established practice.

The estimated fair value of the foreign exchange options as of December 31, 2015 was zero. The estimated fair value of the foreign exchange options at December 31, 2015 and 2014 was determined using readily observable market inputs from actively quoted markets obtained from various third-party data providers. These inputs, such as spot rate, forward rate and volatility have been derived from readily observable market data, meeting the criteria for Level 2 in the fair value hierarchy. The change in the fair value is recorded in other income (expense), net line of the consolidated statements of comprehensive loss.

The estimated fair value of the contingent warrant liabilities at December 31, 2015 and 2014 was determined using the Black-Scholes Model, which requires inputs such as the expected term of the warrants, volatility and risk-free interest rate. These inputs are subjective and generally require significant analysis and judgment to develop. The Company's common stock price represents a significant input that affects the valuation of the warrants. The change in the fair value is recorded as a gain or loss in the revaluation of contingent warrant liabilities line of the consolidated statements of comprehensive loss.

The estimated fair value of the contingent warrant liabilities was estimated using the following range of assumptions at December 31, 2015 and 2014:

	December 31,	
	2015	2014
Expected volatility	166% - 183%	70% - 73%
Risk-free interest rate	0.64% - 0.74%	0.03% - 0.67%
Expected term (in years)	0.94 - 1.19	0.09 - 2.19

The following table provides a summary of changes in the fair value of the Company's Level 3 financial liabilities for the years ended December 31, 2015 and 2014 (in thousands):

Balance at December 31, 2013	$	69,869
Initial fair value of warrants issued in December 2014 warrant		10,258
Reclassification of contingent warrant liability to equity upon exercise of warrants		(2,526)
Decrease in estimated fair value of contingent warrant liabilities upon revaluation		(45,773)
Balance at December 31, 2014		31,828
Reclassification of contingent warrant liability to equity upon exercise of warrants		(3,552)
Decrease in estimated fair value of contingent warrant liabilities upon revaluation		(17,812)
Balance at December 31, 2015	$	10,464

The fair value of the Company's outstanding interest-bearing obligations is estimated using the net present value of the payments, discounted at an interest rate that is consistent with market interest rates, which is a Level 2 input. The carrying amount and the estimated fair value of the Company's outstanding interest-bearing obligations at December 31, 2015 and 2014 are as follows (in thousands):

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Hercules term loan	$ 19,653	$ 21,231	$ —	$ —
Servier loan	15,331	15,185	16,290	17,068
Novartis note	13,683	13,394	13,357	12,923
General Electric Capital Corporation term loan	—	—	5,661	6,470
Total	$ 48,667	$ 49,810	$ 35,308	$ 36,461

6. Dispositions

Biodefense Assets

On November 4, 2015, XOMA and Nanotherapeutics Inc. ("Nanotherapeutics") entered into an asset purchase agreement (the "Nanotherapeutics Purchase Agreement"), pursuant to which Nanotherapeutics agreed, subject to the terms and conditions set forth in the Nanotherapeutics Purchase Agreement, to acquire XOMA's biodefense business and related assets (including, subject to regulatory approval, certain contracts with the U.S. government), and to assume certain liabilities of XOMA (the "Transaction"). As part of the Transaction, the parties will, subject to the terms and conditions of the asset purchase agreement and the satisfaction of certain conditions, enter into an intellectual property license agreement (the "License Agreement"), pursuant to which XOMA agreed to license to Nanotherapeutics, subject to the terms and conditions set forth in the License Agreement, certain intellectual property rights related to the purchased assets. Under the License Agreement, the Company is eligible to receive up to $4.5 million of cash payments upon Nanotherapeutics' execution of a contract with the Defense Threat and Reduction Agency. In addition, the Company is eligible to receive 15% royalties on net sales of products.

Manufacturing Facility

On November 5, 2015, XOMA and Agenus West, LLC, a wholly-owned subsidiary of Agenus Inc. ("Agenus"), entered into an asset purchase agreement (the "Agenus Purchase Agreement"), pursuant to which Agenus agreed, subject to the terms and conditions set forth in the Agenus Purchase Agreement, to acquire XOMA's manufacturing facility in Berkeley, California, together with certain related assets, including certain intellectual property related to the purchased assets under an intellectual property license agreement, and to assume certain liabilities of XOMA, in consideration for the payment to XOMA of up to $5.0 million in cash and the issuance to XOMA of shares of Agenus' common stock having an aggregate value of up to $1.0 million.

On December 31, 2015, XOMA completed the sale of the manufacturing facility, including certain related equipment and furniture, and the grant of non-exclusive licenses for certain of its patents and general know-how to Agenus for cash consideration of $4.7 million, net of the assumed liabilities of $0.3 million at closing. In addition to the cash consideration, XOMA received 109,211 shares of common stock of Agenus with an aggregate value of $0.5 million. The remaining $0.5 million of Agenus common stock will only be received upon the Company's satisfaction of certain organizational matters, which XOMA may or may not be able to satisfy. Agenus also paid $0.2 million to the Company as consideration for the employees who would not have otherwise been retained by the Company had the manufacturing facility closed on October 31, 2015. At closing, the carrying value of the assets sold was $2.2 million. The Company believes that the assets related to the manufacturing facility and certain other assets sold to Agenus include all key inputs and processes necessary to generate output from a market participant's perspective. Accordingly, the Company has determined that such assets qualify as a business. The Company recorded the gain on the sale of a business of $3.5 million in the other income (expense), net line of the consolidated statement of comprehensive loss for the year ended December 31, 2015.

7. Restructuring Charges

On July 22, 2015, the Company announced the Phase 3 EYEGUARD-B study of gevokizumab in patients with Behçet's disease uveitis, run by Servier, did not meet the primary endpoint of time to first acute ocular exacerbation. Due to the results and the Company's belief they would be predictive of results in its other EYEGUARD studies, in August 2015, XOMA announced its intention to end the EYEGUARD global Phase 3 program. On August 21, 2015, the Company, in connection with its efforts to lower operating expenses and preserve capital while continuing to focus on its endocrine product pipeline, implemented a restructuring plan (the "2015 Restructuring") that included a workforce reduction resulting in the termination of 38 employees. The Company terminated an additional five employees on September 29, 2015 and an additional nine employees on October 20, 2015.

During the year ended December 31, 2015, the Company recorded charges of $2.9 million related to severance, other termination benefits and outplacement services in connection with the workforce reduction resulting from the 2015 Restructuring. In addition, the Company recognized an additional restructuring charge of $0.8 million in contract termination costs, which primarily include costs in connection with the discontinuation of the EYEGUARD studies.

Of the $3.7 million total expenses associated with the restructuring activities during 2015, the Company paid $3.2 million in 2015 and expects to pay approximately $0.5 million in 2016.

In January 2012, the Company implemented a streamlining of operations, which resulted in a restructuring plan (the "2012 Restructuring") designed to sharpen its focus on value-creating opportunities led by gevokizumab and its unique antibody discovery and development capabilities. The restructuring plan included a reduction of XOMA's personnel by 84 positions, or 34%. These staff reductions resulted primarily from the Company's decisions to utilize a contract manufacturing organization for Phase 3 and commercial antibody production, and to eliminate internal research functions that are non-differentiating or that can be obtained cost effectively by contract service providers.

During the years ended December 31, 2015, 2014 and 2013, the Company incurred zero, $0.1 million and $0.3 million, respectively in restructuring charges related to facility costs resulting from the 2012 Restructuring.

The outstanding restructuring liabilities are included in accrued and other liabilities on the consolidated balance sheets. As of December 31, 2015 and 2014, the components of these liabilities are shown below (in thousands):

	Employee Severance and Other Benefits	Contract Termination Costs	Facility Charges (1)	Total
Balance at December 31, 2013	$ —	$ —	$ 21	$ 21
Restructuring charges	—	—	84	84
Cash payments	—	—	(128)	(128)
Adjustments	—	—	23	23
Balance at December 31, 2014	—	—	—	—
Restructuring charges	2,933	766	—	3,699
Cash payments	(2,590)	(650)	—	(3,240)
Balance at December 31, 2015	$ 343	$ 116	$ —	$ 459

(1) Includes moving and relocation costs, and lease payments, net of sublease payments.

8. Long-Term Debt and Other Financings

Novartis Note

In May 2005, the Company executed a secured note agreement (the "Note Agreement") with Novartis, which was due and payable in full in June 2015. Under the Note Agreement, the Company borrowed semi-annually to fund up to 75% of the Company's research and development and commercialization costs under its collaboration arrangement with Novartis, not to exceed $50.0 million in aggregate principal amount. Interest on the principal amount of the loan accrues at six-month LIBOR plus 2%, which was equal to 2.81% at December 31, 2015, and is payable semi-annually in June and December of each year. Additionally, the interest rate resets in June and December of each year. At the Company's election, the semi-annual interest payments could be added to the outstanding principal amount, in lieu of a cash payment, as long as the aggregate principal amount does not exceed $50.0 million. The Company made this election for all interest payments. Accrued interest of $0.3 million, $0.3 million and $0.4 million was added to the principal balance of the note for the years ended December 31, 2015, 2014 and 2013, respectively. Loans under the Note Agreement were secured by the Company's interest in its collaboration with Novartis, including any payments owed to it thereunder. Pursuant to the terms of the arrangement as restructured in November 2008, the Company did not make any additional borrowings under the Novartis note.

In June 2015, the Company and Novartis Vaccines and Diagnostics, Inc. ("NVDI"), agreed to extend the maturity date of the Note Agreement from June 21, 2015, to September 30, 2015 (the "June 2015 Extension Letter").

On September 30, 2015, concurrent with the execution of the License Agreement with Novartis International as discussed in Note 4, XOMA and NVDI executed an amendment to the June 2015 Extension Letter (the "Secured Note Amendment"). Pursuant to the Secured Note Amendment, the parties further extended the maturity date of the June 2015 Extension Letter from September 30, 2015 to September 30, 2020, and eliminated the mandatory prepayment previously required to be made with certain proceeds of pre-tax profits and royalties. In addition, upon achievement of a specified development and regulatory milestone, the then-outstanding principal amount of the note will be reduced by $7.3 million rather than the Company receiving such amount as a cash payment. All other terms of the original Note Agreement remain unchanged.

Pursuant to its obligations under the collaboration with NVDI, in January 2014, the Company made a payment, equal to 25 percent of a $7.0 million milestone received, or $1.75 million, toward its outstanding debt obligation to NVDI.

As of December 31, 2015, the outstanding principal balance under this Secured Note Amendment was $13.7 million and was included in interest bearing obligations – long term in the Company's consolidated balance sheet. As of December 31, 2014, the outstanding principal balance under this arrangement was $13.4 million and was included in interest bearing obligations – current in the Company's consolidated balance sheet.

Servier Loan Agreement

In December 2010, in connection with the Collaboration Agreement entered into with Servier, the Company executed a loan agreement with Servier (the "Servier Loan Agreement"), which provided for an advance of up to €15.0 million. The loan was fully funded in January 2011, with the proceeds converting to approximately $19.5 million at that time. The loan is secured by an interest in XOMA's intellectual property rights to all gevokizumab indications worldwide, excluding certain rights in the U.S. and Japan. Interest is calculated at a floating rate based on a Euro Inter-Bank Offered Rate ("EURIBOR") and subject to a cap. The interest rate is reset semi-annually in January and July of each year. The interest rate for the initial interest period was 3.22% and was reset semi-annually ranging from 2.05% to 3.83%. Interest for the six-month period from mid-January 2015 through mid-July 2015 was reset to 2.16%. Interest for the six-month period from mid-July 2015 through mid-January 2016 was reset to 2.05%. Interest is payable semi-annually; however, the Servier Loan Agreement provides for a deferral of interest payments over a period specified in the agreement. During the deferral period, accrued interest will be added to the outstanding principal amount for the purpose of interest calculation for the next six-month interest period. On the repayment commencement date, all unpaid and accrued interest shall be paid to Servier and thereafter, all accrued and unpaid interest shall be due and payable at the end of each six-month period. In January 2016, the Company made payments to Servier of $0.2 million in accrued interest as well as the principal balance due described below.

On January 9, 2015, Servier and the Company entered into Amendment No. 2 ("Loan Amendment") to the Servier Loan Agreement initially entered into on December 30, 2010 and subsequently amended by a Consent, Transfer, Assumption and Amendment Agreement entered into as of August 12, 2013. The Loan Amendment extended the maturity date of the loan from January 13, 2016 to three tranches of principal to be repaid as follows: €3.0 million on January 15, 2016, €5.0 million on January 15, 2017, and €7.0 million on January 15, 2018. All other terms of the Servier Loan Agreement remained unchanged. The loan will be immediately due and payable upon certain customary events of default. The Company determined that the Loan Amendment resulted in a loan modification.

Upon initial issuance, the loan had a stated interest rate lower than the market rate based on comparable loans held by similar companies, which represents additional value to the Company. The Company recorded this additional value as a discount to the carrying value of the loan amount, at its fair value of $8.9 million. The fair value of this discount, which was determined using a discounted cash flow model, represents the differential between the stated terms and rates of the loan, and market rates. Based on the association of the loan with the collaboration arrangement, the Company recorded the offset to this discount as deferred revenue.

The loan discount was amortized to interest expense under the effective interest method over the remaining life of the loan. The loan discount balance at the time of the Loan Amendment was $1.9 million, which was being amortized over the remaining term of the Loan Amendment. The Company recorded non-cash interest expense resulting from the amortization of the loan discount of $0.7 million, $1.9 million and $1.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015 and 2014, the net carrying value of the loan was $15.3 million and $16.2 million, respectively. For the years ended December 31, 2015 and 2014, the Company recorded unrealized foreign exchange losses of $0.2 million and $0.3 million, respectively, related to the re-measurement of the loan discount. For the year ended December 31, 2013, the Company recorded an unrealized foreign exchange gain of $0.2 million related to the re-measurement of the loan discount.

On September 28, 2015, Servier terminated the Collaboration Agreement with the required 180-day notice and none of the acceleration clauses were triggered; therefore, the termination of the Collaboration Agreement had no impact on the loan balance as of December 31, 2015.

The outstanding principal balance under this loan was $16.4 million and $18.2 million, using a euro to US dollar exchange rate of 1.091 and 1.216, as of December 31, 2015 and 2014, respectively. The Company recorded unrealized foreign exchange gains of $1.9 million and $2.4 million for the years ended December 31, 2015 and 2014, related to the re-measurement of the loan. The Company recognized an unrealized foreign exchange loss of $0.8 million for the year ended December 31, 2013, related to the re-measurement of the loan.

General Electric Capital Corporation Term Loan

In December 2011, the Company entered into a loan agreement (the "GECC Loan Agreement") with General Electric Capital Corporation ("GECC"), under which GECC agreed to make a term loan in an aggregate principal amount of $10.0 million (the "Term Loan") to the Company, and upon execution of the GECC Loan Agreement, GECC funded the Term Loan.

In connection with the GECC Loan Agreement, the Company issued to GECC unregistered warrants that entitle GECC to purchase up to an aggregate of 263,158 unregistered shares of XOMA common stock at an exercise price equal to $1.14 per share. These warrants are exercisable immediately and have a five-year term expiring in December 2016. As of December 31, 2015 and 2014, all of these warrants were outstanding.

In September 2012, the Company entered into an amendment to the GECC Loan Agreement which provided for an additional term loan in the amount of $4.6 million, increasing the term loan obligation to $12.5 million (the "Amended Term Loan") and provided for an interest-only monthly repayment period following the effective date of the amendment through March 1, 2013, at a stated interest rate of 10.9% per annum. Thereafter, the Company was obligated to make monthly principal payments of $347,222, plus accrued interest, over a 27-month period commencing on April 1, 2013, and through June 15, 2015, at which time the remaining outstanding principal amount of $3.1 million, plus accrued interest, was due. The Company incurred debt issuance costs of approximately $0.2 million and was required to make a final payment fee in the amount of $875,000 on the date upon which the outstanding principal amount was required to be repaid in full. This final payment fee replaced the original final payment fee of $500,000. The debt issuance costs and final payment fee were being amortized and accreted, respectively, to interest expense over the term of the Amended Term Loan using the effective interest method.

In connection with the amendment, on September 27, 2012 the Company issued to GECC unregistered stock purchase warrants, which entitle GECC to purchase up to an aggregate of 39,346 shares of XOMA common stock at an exercise price equal to $3.54 per share. These warrants are exercisable immediately and have a five-year term expiring in September 2017. As of December 31, 2015, all of these warrants were outstanding.

The Company allocated the aggregate proceeds of the GECC Term Loan between the warrants and the debt obligation based on their relative fair values. The estimated fair value of the warrants issued to GECC was determined using the Black-Scholes Model. The fair value of the warrants with the GECC Loan Agreement and the subsequent September 27, 2012 amendment had estimated fair values of $0.2 million and $0.1 million, respectively, and were recorded as a discount to the debt obligation, which was amortized over the term of the loan using the effective interest method. The warrants are classified in permanent equity on the consolidated balance sheets.

The Company may prepay the Amended Term Loan voluntarily in full, but not in part, and any voluntary and certain mandatory prepayments were subject to a prepayment premium of 3% in the first year after the effective date of the loan amendment, 2% in the second year and 1% thereafter, with certain exceptions. The Company was also required to pay the $875,000 final payment fee in connection with any voluntary or mandatory prepayment. On the effective date of the loan amendment, the Company paid an accrued final payment fee in the amount of $0.2 million relating to the original final payment fee of $500,000.

At December 31, 2014, the outstanding principal balance under the Amended Term Loan was $5.2 million.

The GECC Term Loan was paid in full on February 27, 2015, when Hercules Technology Growth Capital, Inc. ("Hercules") and the Company entered into a loan and security agreement (the "Hercules Term Loan"), under which the Company borrowed $20.0 million. The Company used a portion of the proceeds under the Hercules Term Loan to repay GECC's outstanding principle balance, final payment fee, prepayment fee, and accrued interest totaling $5.5 million. A loss on extinguishment of $0.4 million from the payoff of the GECC Term Loan was recognized as interest expense during the year ended December 31, 2015.

Hercules Term Loan

On February 27, 2015 ("Closing Date"), the Company entered into the Hercules Term Loan as described above. The Hercules Term Loan has a variable interest rate that is the greater of either (i) 9.40% plus the prime rate as reported from time to time in The Wall Street Journal minus 7.25%, or (ii) 9.40%. The payments under the Hercules Term Loan are interest only until one month prior to July 1, 2016. The interest-only period will be followed by equal monthly payments of principal and interest amortized over a 30-month schedule through the scheduled maturity date of September 1, 2018. As security for its obligations under the Hercules Term Loan, the Company granted a security interest in substantially all of its existing and after-acquired assets, excluding its intellectual property assets.

If the Company prepays the loan prior to the loan maturity date, it will pay Hercules a prepayment charge, based on a prepayment fee equal to 3.00% of the amount prepaid, if the prepayment occurs in any of the first 12 months following the Closing Date, 2.00% of the amount prepaid, if the prepayment occurs after 12 months from the Closing Date but prior to 24 months from the Closing Date, and 1.00% of the amount prepaid if the prepayment occurs after 24 months from the Closing Date. The Hercules Term Loan includes customary affirmative and restrictive covenants, but does not include any financial maintenance covenants, and also includes standard events of default, including payment defaults. Upon the occurrence of an event of default, a default interest rate of an additional 5% may be applied to the outstanding loan balances, and Hercules may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Hercules Term Loan.

The Company incurred debt issuance costs of $0.5 million in connection with the Hercules Term Loan. The Company will be required to pay a final payment fee equal to $1.2 million on the maturity date, or such earlier date as the term loan is paid in full. The debt issuance costs and final payment fee are being amortized and accreted, respectively, to interest expense over the term of the term loan using the effective interest method. The Company recorded non-cash interest expense resulting from the amortization of the debt issuance costs and accretion of the final payment of $0.5 million for the year ended December 31, 2015.

In connection with the Hercules Term Loan, the Company issued unregistered warrants that entitle Hercules to purchase up to an aggregate of 181,268 unregistered shares of XOMA common stock at an exercise price equal to $3.31 per share. These warrants were exercisable immediately and have a five-year term expiring in February 2020. The Company allocated the aggregate proceeds of the Hercules Term Loan between the warrants and the debt obligation. The fair value of the warrants issued to Hercules was determined using the Black-Scholes Model and was estimated to be $0.5 million. The estimated fair value of the warrants was recorded as a discount to the debt obligation. The debt discount is being amortized over the term of the loan using the effective interest method. The warrants are classified in stockholders' equity on the consolidated balance sheets. As of December 31, 2015, all of these warrants were outstanding.

The Company evaluated the Hercules Term Loan in accordance with accounting guidance for derivatives and determined there was de minimis value to the identified derivative features of the loan at inception and December 31, 2015.

As of December 31, 2015, the outstanding principal balance of the Hercules Term Loan was $20.0 million. At December 31, 2015, the net carrying value of the Hercules Term Loan was $ 19.7 million.

Aggregate future principal, final fee payments and discounts of the Company's total interest bearing obligations as of December 31, 2015 are as follows (in thousands):

Year Ended December 31,	Amounts
2016	$ 9,038
2017	14,677
2018	17,879
2019	—
2020	15,664
	57,258
Less: Interest, final payment fee, discount and issuance cost	(8,591)
	48,667
Less: interest bearing obligations – current	(5,910)
Interest bearing obligations – non-current	$ 42,757

Interest Expense

Amortization of debt issuance costs and discounts are included in interest expense. Interest expense in the consolidated statements of comprehensive loss for the years ended December 31, 2015, 2014, and 2013 relates to the following debt instruments (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Hercules loan	$ 2,223	$ —	$ —
Servier loan	1,083	2,330	2,152
GECC term loan	548	1,638	2,064
Novartis note	329	312	362
Other	11	23	53
Total interest expense	$ 4,194	$ 4,303	$ 4,631

9. Income Taxes

The total income tax benefit consists of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Federal income tax benefit	$ —	$ —	$ (14)
Total	$ —	$ —	$ (14)

The Company has significant losses in 2015, 2014 and 2013 and as such there was no income tax expense for the years ended December 31, 2015, 2014, and 2013. The income tax benefit in 2013 relates to federal refundable credits.

Reconciliation between the tax provision computed at the federal statutory income tax rate of 34% and the Company's actual effective income tax rate is as follows:

	Year Ended December 31,		
	2015	2014	2013
Federal tax at statutory rate	34%	34%	34%
Warrant valuation	29%	40%	-17%
Permanent items and other	-15%	-1%	0%
Valuation allowance	-48%	-73%	-17%
Total	0%	0%	0%

The significant components of net deferred tax assets as of December 31, 2015 and 2014 were as follows (in thousands):

	December 31,	
	2015	2014
Capitalized research and development expenses	$ 50,808	$ 50,852
Net operating loss carryforwards	115,869	105,042
Research and development and other credit carryforwards	24,268	12,108
Other	18,748	22,060
Total deferred tax assets	209,693	190,062
Valuation allowance	(209,693)	(190,062)
Net deferred tax assets	$ —	$ —

The net increase (decrease) in the valuation allowance was $19.6 million, $29.9 million, and $(73.9) million for the years ended December 31, 2015, 2014, and 2013, respectively.

As of December 31, 2015, the Company had federal net operating loss carry-forwards of approximately $311.5 million and state net operating loss carry-forwards of approximately $202.7 million to offset future taxable income. The net operating loss carry-forwards include $5.2 million which relates to stock option deductions that will be recognized through additional paid in capital when utilized. As such, these deductions are not reflected in the Company's deferred tax assets. No federal net operating loss carry-forward expired in 2015, 2014, and 2013. California net operating losses of $22.4 million, $54.3 million, and $16.8 million, expired in the years 2015, 2014, and 2013, respectively.

Accounting standards provide for the recognition of deferred tax assets if realization of such assets is more likely than not. Based upon the weight of available evidence, which includes the Company's historical operating performance and carry-back potential, the Company has determined that total deferred tax assets should be fully offset by a valuation allowance.

Based on an analysis under Section 382 of the Internal Revenue Code (which subjects the amount of pre-change NOLs and certain other pre-change tax attributes that can be utilized to an annual limitation), the Company experienced ownership changes in 2009 and 2012 which substantially limit the future use of its pre-change Net Operating Losses ("NOLs") and certain other pre-change tax attributes per year. The Company has excluded the NOLs and R&D credits that will expire as a result of the annual limitations in the deferred tax assets as of December 31, 2015. To the extent that the Company does not utilize its carry-forwards within the applicable statutory carry-forward periods, either because of Section 382 limitations or the lack of sufficient taxable income, the carry-forwards will expire unused.

The Company files income tax returns in the U.S. federal jurisdiction, State of California,Maryland, Alabama, Texas and Ireland. The Internal Revenue Service has completed an audit of the Company's 2009 and 2010 federal income tax returns which resulted in no change. The Company's federal income tax returns for tax years 2012 and beyond remain subject to examination by the Internal Revenue Service. The Company's State and Irish income tax returns for tax years 2011 and beyond remain subject to examination by state tax authorities and Irish Revenue Commissioner. In addition, all of the net operating losses and research and development credit carry-forwards that may be used in future years are still subject to adjustment.

The following table summarizes the Company's activity related to its unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Balance at January 1	$ 5,503	$ 4,274	$ 4,104
Increase related to current year tax position	2,687	720	164
Increase related to prior year tax position	1,476	509	6
Balance at December 31	$ 9,666	$ 5,503	$ 4,274

As of December 31, 2015, the Company had a total of $8.0 million of net unrecognized tax benefits, none of which would affect the effective tax rate upon realization. The Company currently has a full valuation allowance against its U.S. net deferred tax assets which would impact the timing of the effective tax rate benefit should any of these uncertain tax positions be favorably settled in the future.

The Company does not expect the unrecognized tax benefits to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2015, the Company has not accrued interest or penalties related to uncertain tax positions.

10. Compensation and Other Benefit Plans

The Company grants qualified and non-qualified stock options, RSUs, common stock and other stock-based awards under various plans to directors, officers, employees and other individuals. Stock options are granted at exercise prices of not less than the fair market value of the Company's common stock on the date of grant. Generally, stock options granted to employees fully vest four years from the grant date and expire ten years from the date of the grant or three months from the date of termination of employment (longer in case of death or certain retirements). However, certain options granted to employees vest monthly or immediately, certain options granted to directors vest monthly over one year or three years and certain options may fully vest upon a change of control of the Company or may accelerate based on performance-driven measures. Additionally, the Company has an Employee Stock Purchase Plan ("ESPP") that allows employees to purchase Company shares at a purchase price equal to 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last day of the offering period.

Employee Stock Purchase Plan

Under the ESPP plan approved by the Company's stockholders in May 1998 (the "1998 ESPP"), the Company is authorized to issue up to 233,333 shares of common stock to employees through payroll deductions at a purchase price per share equal to 95% of the closing price of XOMA shares on the exercise date. An employee may elect to have payroll deductions made under the 1998 ESPP for the purchase of shares in an amount not to exceed 15% of the employee's compensation.

In May 2015, the Company's stockholders approved the Employee Stock Purchase Plan (the "2015 ESPP") which replaced the 1998 ESPP. Under the 2015 ESPP, the Company reserved 300,000 shares of common stock for issuance as of its effective date of July 1, 2015, subject to adjustment in the event of a stock split, stock dividend, combination or reclassification or similar event. The 2015 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. The 2015 ESPP provides for six-month offering periods ending on May 31 and November 30 of each year, with the exception of the first offering period, which lasts from July 1, 2015 through November 30, 2015, as the Company transition from the Company's legacy employee stock purchase plan. At the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last day of the offering period.

During the years ended December 31, 2015, 2014, and 2013, employees purchased 120,595, 17,702, and 15,262 shares of common stock, respectively, under the ESPP plans. Net payroll deductions under 1998 ESPP and 2015 ESPP totaled $170,000, $74,000, and $60,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

Deferred Savings Plan

Under section 401(k) of the Internal Revenue Code of 1986, the Board of Directors adopted, effective June 1, 1987, a tax-qualified deferred compensation plan for employees of the Company. Participants may make contributions which defer up to 50% of their eligible compensation per payroll period, up to a maximum for 2015 of $18,000 (or $24,000 for employees over 50 years of age) and for 2014 of $17,500 (or $23,000 for employees over 50 years of age). The Company may, at its sole discretion, make contributions each plan year, in cash or in shares of the Company's common stock, in amounts which match up to 50% of the salary deferred by the participants. The expense related to these contributions was $0.8 million, $1.0 million, and $0.9 million for the years ended December 31, 2015, 2014, and 2013, respectively, and 100% was paid in common stock in each year.

Stock Option Plans

In May 2010, the Compensation Committee and the full Board adopted, and in July 2010 the Company's stockholders approved, a new equity-based compensation plan, the 2010 Long Term Incentive and Share Award Plan, which has since been amended and restated as the Amended and Restated 2010 Long Term Incentive and Stock Award Plan (the "Long Term Incentive Plan"). The Long Term Incentive Plan is intended to consolidate the Company's long-term incentive compensation under a single plan, by replacing the Option Plan, the Restricted Plan and the 1992 Directors Share Option Plan (the "Directors Plan") going forward, and to provide a more current set of terms pursuant to which to provide this type of compensation. In May 2014, the Company's stockholders approved an amendment to the Company's Long Term Incentive Plan to (a) increase the number of shares of common stock issuable over the term of the plan by an additional 5,350,000 to 18,771,206 shares in the aggregate and (b) provide that, for each stock appreciation right, restricted share, restricted stock unit, performance share, performance unit, dividend equivalent or other stock-based award issued, the number of available shares under the plan will be reduced by 1.18 shares.

The Long Term Incentive Plan grants stock options, RSUs, and other stock-based awards to eligible employees, consultants and directors. No further grants or awards will be made under the Option Plan, the Restricted Share Plan or the Directors Plan. Shares underlying options previously issued under the Option Plan, the Restricted Share Plan or the Directors Plan that are currently outstanding will, upon forfeiture, cancellation, surrender or other termination, become available under the Long Term Incentive Plan. Stock-based awards granted under the Long Term Incentive Plan may be exercised when vested and generally expire ten years from the date of the grant or three to six months from the date of termination of employment (longer in case of death or certain retirements). Vesting periods vary based on awards granted, however, certain stock-based awards may vest immediately or may accelerate based on performance-driven measures.

As of December 31, 2015, the Company had 3,935,778 shares available for grant under the stock option plans. As of December 31, 2015, options and RSUs covering 10,148,543 shares of common stock were outstanding under the stock option plans.

Stock Options

The stock options vest monthly over four years for employees and one year for directors. Stock options held by employees who qualify for retirement age (defined as employees that are a minimum of 55 years of age and the sum of their age plus years of full-time employment with the Company exceeds 70 years) vest on the earlier of scheduled vest date or the date of retirement.

Stock Option Plans Summary

The following table summarizes the Company's stock option activity:

	2015		2014		2013	
	Number of shares	Weighted Average Exercise Price Per Share	Number of shares	Weighted Average Exercise Price Per Share	Number of shares	Weighted Average Exercise Price Per Share
Outstanding at beginning of year	7,702,309	$ 8.15	7,216,041	$ 8.42	6,788,383	$ 8.99
Granted	1,797,222	3.78	1,891,989	6.69	1,168,203	3.13
Exercised	(163,663)	1.89	(915,911)	3.91	(589,355)	2.26
Forfeited, expired or cancelled	(1,645,571)	12.51	(489,810)	14.36	(151,190)	17.46
Outstanding at end of year	7,690,297	6.33	7,702,309	8.15	7,216,041	8.42
Exercisable at end of year	5,604,615	$ 6.93	4,908,925	$ 9.98	4,814,926	$ 11.14
Weighted-average grant-date fair value		$ 2.60		$ 4.49		$ 2.27

The aggregate intrinsic value of stock options exercised in 2015, 2014, and 2013 was $0.4 million, $2.9 million, and $1.7 million, respectively.

As of December 31, 2015, there were 7,486,402 stock options vested and expected to vest with a weighted average exercise price per share of $6.37, aggregate intrinsic value of $13,000, and a weighted average remaining contractual term of 6.3 years. As of December 31, 2015, there were 5,604,615 stock options exercisable with an aggregate intrinsic value of $10,000 and a weighted average remaining contractual term of 5.7 years.

As of December 31, 2015, $4.8 million of total unrecognized compensation expense related to stock options is expected to be recognized over a weighted average period of 2.2 years.

Restricted Stock Units

RSUs generally vest over three years for employees and one year for directors. In 2015, the Company granted certain RSUs with a one-year vesting period. RSUs held by employees who qualify for retirement age (defined as employees that are a minimum of 55 years of age and the sum of their age plus years of full-time employment with the Company exceeds 70 years) vest on the earlier of scheduled vest date or the date of retirement.

Unvested RSU activity for the year ended December 31, 2015 is summarized below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested balance at January 1, 2015	1,953,879	$ 5.46
Granted	2,113,432	3.25
Vested	(1,184,147)	4.64
Forfeited	(757,403)	4.48
Unvested balance at December 31, 2015	2,125,761	$ 4.07

The total grant-date fair value of RSUs that vested in 2015, 2014 and 2013 was $5.5 million, $3.9 million and $1.6 million, respectively. As of December 31, 2015, $4.9 million of total unrecognized compensation expense related to employee RSUs was expected to be recognized over a weighted average period of 1.5 years.

Stock-based Compensation Expense

The fair value of stock options granted during the years ended December 31, 2015, 2014, and 2013, was estimated based on the following weighted average assumptions for:

	Year Ended December 31,		
	2015	2014	2013
Dividend yield	0%	0%	0%
Expected volatility	84%	92%	92%
Risk-free interest rate	1.40%	1.72%	0.89%
Expected term	5.6 years	5.6 years	5.6 years

The following table shows total stock-based compensation expense for stock options, RSUs and ESPP in the consolidated statements of comprehensive loss (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Research and development	$ 5,022	$ 5,557	$ 2,358
Selling, general and administrative	4,705	5,215	2,741
Total stock-based compensation expense	$ 9,727	$ 10,772	$ 5,099

11. Net Loss per Share of Common Stock

Potentially dilutive securities are excluded from the calculation of diluted net loss per share of common stock if their inclusion is anti-dilutive.

The following table shows the weighted-average outstanding securities considered anti-dilutive and therefore excluded from the computation of diluted net loss per share (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Common stock options and RSUs	11,011	6,666	7,087
Warrants for common stock	19,210	2,073	15,839
Total	30,221	8,739	22,926

The following is a reconciliation of the numerators and denominators used in calculating basic and diluted net loss per share of common stock (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Numerator			
Net loss	$ (20,606)	$ (38,301)	$ (124,058)
Basic			
Adjustment for revaluation of contingent warrant liabilities	—	(39,512)	—
Diluted	$ (20,606)	$ (77,813)	$ (124,058)
Denominator			
Weighted average shares outstanding used for basic net loss per share	117,803	107,435	86,938
Effect of dilutive warrants	—	7,898	—
Weighted average shares outstanding and dilutive securities used for diluted net loss per share	117,803	115,333	86,938

12. Capital Stock

Registered Direct Offerings

On December 8, 2014, the Company completed a registered direct offering of 8,097,165 shares of its common stock, and accompanying warrants to purchase one share of common stock for each share purchased at an offering price of $4.94 per share to certain institutional investors. Total gross proceeds from the offering were approximately $40.0 million before deducting underwriting discounts, commissions and estimated offering expenses totaling approximately $2.3 million. The warrants, which represent the right to acquire up to an aggregate of 8,097,165 shares of common stock, are exercisable immediately, have a two-year term and an exercise price of $7.90 per share. As of December 31, 2015, all of these warrants were outstanding.

Underwritten Offerings

On August 23, 2013, the Company completed an underwritten public offering of 8,736,187 shares of its common stock, including 1,139,502 shares of its common stock that were issued upon the exercise of the underwriters' 30-day over-allotment option, at a public offering price of $3.62 per share. Total gross proceeds from the offering were approximately $31.6 million, before deducting underwriting discounts and commissions and estimated offering expenses totaling approximately $2.2 million.

On December 18, 2013, the Company completed an underwritten public offering of 10,925,000 shares of its common stock, including 1,425,000 shares of its common stock that were issued upon the exercise of the underwriters' 30-day over-allotment option, at a public offering price of $5.25 per share. Total gross proceeds from the offering were approximately $57.4 million, before deducting underwriting discounts and commissions and estimated offering expenses totaling approximately $3.8 million.

ATM Agreements

On February 4, 2011, the Company entered into an At Market Issuance Sales Agreement (the "2011 ATM Agreement"), with McNicoll, Lewis & Vlak LLC (now known as MLV & Co. LLC). From the inception of the 2011 ATM Agreement through December 31, 2012, the Company sold a total of 7,572,327 shares of common stock under this agreement for aggregate gross proceeds of $14.6 million. No shares of common stock have been sold under this agreement since February 3, 2012. Total offering expenses incurred related to sales under the 2011 ATM Agreement from inception to December 31, 2012, were $0.5 million. As of December 31, 2014, the 2011 ATM Agreement expired.

On November 12, 2015, the Company entered into an At Market Issuance Sales Agreement (the "2015 ATM Agreement") with Cowen and Company, LLC ("Cowen"), under which the Company may offer and sell from time to time at its sole discretion shares of its common stock through Cowen as its sales agent, in an aggregate amount not to exceed the amount that can be sold under the Company's registration statement on Form S-3 (File No. 333-201882) filed with the SEC on the same date. Cowen may sell the shares by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act, including without limitation sales made directly on The NASDAQ Global Market, on any other existing trading market for the Company's common stock or to or through a market maker. Cowen also may sell the shares in privately negotiated transactions, subject to the Company's prior approval. The Company will pay Cowen a commission equal to 3% of the gross proceeds of the sales price of all shares sold through it as sales agent under the 2015 ATM Agreement. For the year ended December 31, 2015, no shares of common stock have been sold under this agreement.

Common Stock Warrants

As of December 31, 2015 and 2014, the following common stock warrants were outstanding (in thousands, except for per share amounts):

Issuance Date	Expiration Date	Balance Sheet Classification	Exercise Price per Share	Number of Shares at December 31, 2015	Number of Shares at December 31, 2014
February 2010	February 2015	Contingent warrant liabilities	$ 10.50	—	1,260
December 2011	December 2016	Stockholders' equity	$ 1.14	263	263
March 2012	March 2017	Contingent warrant liabilities	$ 1.76	9,585	12,109
September 2012	September 2017	Stockholders' equity	$ 3.54	39	39
December 2014	December 2016	Contingent warrant liabilities	$ 7.90	8,097	8,097
February 2015	February 2020	Stockholders' equity	$ 3.31	181	—
				18,165	21,768

In February 2015, the Company issued Hercules five-year warrants in connection with the Hercules Term Loan (see Note 8) that entitle Hercules to purchase up to an aggregate of 181,268 unregistered shares of XOMA's common stock at an exercise price equal to $3.31 per share. The warrants are classified in stockholders' (deficit) equity on the consolidated balance sheets. As of December 31, 2015, all of these warrants were outstanding.

In December 2014, in connection with a registered direct offering to select institutional investors, the Company issued two-year warrants to purchase up to an aggregate of 8,097,165 shares of XOMA's common stock at an exercise price of $7.90 per share. These warrants contain provisions that are contingent on the occurrence of a change in control, which could conditionally obligate the Company to repurchase the warrants for cash in an amount equal to their estimated fair value using the Black-Scholes Model on the date of such change in control. Due to these provisions, the Company accounts for the warrants issued in December 2014 as a liability at estimated fair value. In addition, the estimated fair value of the liability related to the warrants is revalued at each reporting period until the earlier of the exercise of the warrants, at which time the liability will be reclassified to stockholders' equity at its then estimated fair value, or expiration of the warrants. On December 8, 2014, the date of issuance, the fair value of the warrants was estimated to be $10.3 million using the Black-Scholes Model. The Company revalued the warrants at December 31, 2015 using the Black-Scholes Model, and recorded a $2.2 million reduction in the estimated fair value as a gain on the revaluation of contingent warrant liabilities line of the Company's consolidated statement of comprehensive loss. The decrease in the estimated fair value of the warrants is primarily due to the decrease in the market price of XOMA's common stock at December 31, 2015 as compared to December 31, 2014. As of December 31, 2015 and 2014, 8,097,165 of these warrants were outstanding and had an estimated fair value of $3.0 million and $5.2 million, respectively.

In September 2012, the Company issued to GECC five-year warrants in connection with the amendment to the GECC Loan Agreement (see Note 8) that entitle GECC to purchase up to an aggregate of 39,346 unregistered shares of XOMA's common stock at an exercise price equal to $3.54 per share. The warrants are classified in stockholders' equity on the consolidated balance sheets. As of December 31, 2015 and 2014, all of these warrants were outstanding.

In March 2012, in connection with an underwritten offering, the Company issued five-year warrants to purchase 14,834,577 shares of XOMA's common stock at an exercise price of $1.76 per share. These warrants contain provisions that are contingent on the occurrence of a change in control, which could conditionally obligate the Company to repurchase the warrants for cash in an amount equal to their estimated fair value using the Black-Scholes Model on the date of such change in control. Due to these provisions, the Company accounts for the warrants issued in March 2012 as a liability at estimated fair value. In addition, the estimated fair value of the liability related to the warrants is revalued at each reporting period until the earlier of the exercise of the warrants, at which time the liability will be reclassified to stockholders' equity at its then estimated fair value, or expiration of the warrants. During the year ended December 31, 2015, warrants to purchase 2,524,265 of common stock were exercised, of which 2,523,515 were cashless exercises, resulting in an issuance of 1,410,474 shares of common stock. The Company revalued the warrants immediately prior to the exercise dates and recognized $2.2 million as a gain on the revaluation of contingent warrant liabilities line of the Company's consolidated statement of comprehensive loss. The estimated fair value of the exercised warrants of $3.6 million was reclassified from contingent warrant liabilities to stockholders' (deficit) equity on the consolidated balance sheet. The Company revalued the remaining warrants at December 31, 2015 using the Black-Scholes Model and recorded a $13.4 million reduction in the estimated fair value as a gain on the revaluation of contingent warrant liabilities line of the Company's consolidated statement of comprehensive loss. The decrease in the estimated fair value of the warrants is primarily due to the decrease in the market price of XOMA's common stock at December 31, 2015 compared to December 31, 2014. As of December 31, 2015 and 2014, 9,585,153 and 12,109,418, respectively, of these warrants were outstanding and had an estimated fair value of $7.5 million and $26.7 million, respectively.

In December 2011, the Company issued to GECC five-year warrants in connection with a loan agreement (see Note 8) that entitle GECC to purchase up to an aggregate of 263,158 unregistered shares of XOMA's common stock at an exercise price equal to $1.14 per share. The warrants are classified in stockholders' equity on the consolidated balance sheets. As of December 31, 2015 and 2014, all of these warrants were outstanding.

In February 2010, in connection with an underwritten offering, the Company issued five-year warrants to purchase 1,260,000 shares of XOMA's common stock at an exercise price of $10.50 per share. The warrants contained provisions that were contingent on the occurrence of a change in control, which could conditionally obligate the Company to repurchase the warrants for cash in an amount equal to their estimated fair value using the Black-Scholes Model on the date of such change in control. Due to these provisions, the Company accounted for the warrants as liabilities at their estimated fair value. As of December 31, 2014, all of the warrants were outstanding and the estimated fair value was de minimis. All of these warrants expired unexercised in February 2015.

In June 2009, the Company issued warrants to certain institutional investors as part of a registered direct offering. The warrants represented the right to acquire an aggregate of up to 347,826 shares of XOMA's common stock over a five year period beginning December 11, 2009 at an exercise price of $19.50 per share. The warrants contained provisions that were contingent on the occurrence of a change in control, which could conditionally obligate the Company to repurchase the warrants for cash in an amount equal to their estimated fair value using the Black-Scholes Model on the date of such change in control. Due to these provisions, the Company accounted for the warrants as liabilities at their estimated fair value. As of December 31, 2014, all of these warrants had expired unexercised.

13. Legal Proceedings, Commitments and Contingencies

Collaborative Agreements, Royalties and Milestone Payments

The Company has committed to make potential future milestone payments to third parties as part of licensing and development programs. Payments under these agreements become due and payable only upon the achievement by the Company of certain developmental, regulatory and/or commercial milestones. Because it is uncertain if and when these milestones will be achieved, such contingencies, aggregating up to $57.7 million (assuming one product per contract meets all milestones events) have not been recorded on the accompanying consolidated balance sheets. The Company is unable to determine precisely when and if payment obligations under the agreements will become due as these obligations are based on milestone events, the achievement of which is subject to a significant number of risks and uncertainties.

Legal Proceedings

On July 24, 2015, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California, captioned *Markette v. XOMA Corp., et al.* (Case No. 3:15-cv-3425-HSG) against the Company, its Chief Executive Officer and its Chief Medical Officer. The complaint asserts that all defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and SEC Rule 10b-5, by making materially false or misleading statements regarding the Company's EYEGUARD-B study between November 6, 2014 and July 21, 2015. The plaintiff also alleges that Messrs. Varian and Rubin violated Section 20(a) of the Exchange Act. The plaintiff seeks class certification, an award of unspecified compensatory damages, an award of reasonable costs and expenses, including attorneys' fees, and other further relief as the Court may deem just and proper. The Company is awaiting the appointment of a lead plaintiff by the Court. Based on a review of the allegations, the Company believes that the plaintiff's allegations are without merit, and intends to vigorously defend against the claims. Currently, the Company does not believe that the outcome of this matter will have a material adverse effect on its business or financial condition, although an unfavorable outcome could have a material adverse effect on its results of operations for the period in which such a loss is recognized. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this lawsuit.

On October 1, 2015, a stockholder purporting to act on the behalf of the Company, filed a derivative lawsuit in the Superior Court of California for the County of Alameda, purportedly asserting claims on behalf of the Company against certain of officers and the members of board of directors of the Company, captioned *Silva v. Scannon, et al*. (Case No. RG15787990). The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust enrichment based on the dissemination of allegedly false and misleading statements related to the Company's EYEGUARD-B study. The plaintiff is seeking unspecified monetary damages and other relief, including reforms and improvements to the Company's corporate governance and internal procedures. This action is currently stayed pending further developments in the securities class action. Management believes the allegations have no merit and intends to vigorously defend against the claims. Currently, the Company does not believe that the outcome of this matter will have a material adverse effect on its business or financial condition, although an unfavorable outcome could have a material adverse effect on its results of operations for the period in which such a loss is recognized. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this lawsuit.

On November 16, and November 25, 2015, two derivative lawsuits were filed purportedly on the Company's behalf in the United States District Court for the Northern District of California, captioned *Fieser v. Van Ness, et al.* (Case No. 4:15-CV-05236-HSG) and *Csoka v. Varian, et al.* (Case No. 3:15-cv-05429-SI), against certain of the Company's officers and the members of its board of directors. The lawsuits assert claims for breach of fiduciary duty and other violations of law based on the dissemination of allegedly false and misleading statements related to the Company's EYEGUARD-B study. Plaintiffs seek unspecified monetary damages and other relief including reforms and improvements to the Company's corporate governance and internal procedures. The Company's response to the Fieser complaint is currently due on April 4, 2016. The Company's response to the Csoka Complaint is currently due on April 18, 2016. Management believes the allegations have no merit and intend to vigorously defend against the claims. Currently, the Company does not believe that the outcome of this matter will have a material adverse effect on its business or financial condition, although an unfavorable outcome could have a material adverse effect on its results of operations for the period in which such a loss is recognized. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this lawsuit.

Operating Leases

As of December 31, 2015, the Company leased administrative, research facilities, and office equipment under operating leases expiring on various dates through April 2023. These leases require the Company to pay taxes, insurance, maintenance and minimum lease payments. For each facility lease, the Company has two successive renewal options to extend the lease for five years upon the expiration of the initial lease term, or the expiration of the first renewal lease term.

The Company estimates future minimum lease payments, excluding sub-lease income as of December 31, 2015 to be (in thousands):

Year Ended December 31,	Amounts
2016	$ 3,631
2017	3,732
2018	3,842
2019	3,956
2020	4,060
Thereafter	6,794
Total minimum lease payments	$ 26,015

Total rental expense, including other costs required under the Company's leases, was approximately $3.7 million, $3.5 million and $3.5 million for the years ended December 31, 2015, 2014, and 2013, respectively. Rental expense based on leases allowing for escalated rent payments are recognized on a straight-line basis. At the expiration of the lease, the Company is required to restore certain of its leased property to certain conditions in place at the time of lease inception. The Company believes these costs will not be material to its operations.

On December 31, 2015, in conjunction with the closing of the Agenus Purchase Agreement, the Company entered into sublease agreements with Agenus for portions of two leased buildings through December 31, 2016. The terms of the sublease agreements commenced on December 31, 2015 and will expire on December 31, 2016, subject to early termination by Agenus. Under the terms of the agreements, the Company will receive an aggregate of $0.3 million over the sublease term.

Capital Leases

During the year ended December 31, 2015, the Company has entered into capital lease agreements for certain network hardware and equipment for use by the Company and its employees. The lease term is for three years. The current portion of capital lease obligations is included in the accrued and other liabilities line and the noncurrent capital lease obligations is included in other liabilities – long term line in the consolidated balance sheet as of December 31, 2015.

The following is a schedule of future minimum lease payments due under the capital lease obligation as of December 31, 2015 (in thousands):

Year Ended December 31,	Amounts
2016	$ 131
2017	116
2018	72
Total capital lease obligations	319
Less: amount representing interest	(37)
Present value of net minimum capital lease payments	282
Less: current portion	(109)
Total noncurrent capital lease obligations	$ 173

14. Concentration of Risk, Segment and Geographic Information

Concentration of Risk

Cash equivalents, marketable securities, and receivables are financial instruments which potentially subject the Company to concentrations of credit risk, as well as liquidity risk for certain cash equivalents such as money market funds. The Company has not encountered such issues during 2015. The Company's policy is to focus on investments with high credit quality and liquidity to limit the amount of credit exposure. The Company currently maintains a portfolio of cash equivalents and have not experienced any losses.

The Company has not experienced any significant credit losses and does not generally require collateral on receivables. For the year ended December 31, 2015, one customer represented 67% of total revenue, and as of December 31, 2015, four customers represented 39%, 25%, 18% and 10% of the accounts receivable balance.

For the year ended December 31, 2014, two customers represented 51% and 28% of total revenues, and as of December 31, 2014, three customers represented 44%, 34% and 12% of the accounts receivable balance.

For the year ended December 31, 2013, three customers represented 43%, 26%, and 20% of total revenues.

Segment Information

The Company has determined that it operates in one business segment as it only reports operating results on an aggregate basis to the chief operating decision maker of the Company. The Company's property and equipment is held primarily in the United States.

Geographic Information

Revenue attributed to the following geographic regions for the years ended December 31, 2015, 2014, and 2013 was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
United States	$ 10,685	$ 11,756	$ 19,955
Europe	44,662	5,510	15,396
Asia Pacific	100	1,600	100
Total	$ 55,447	$ 18,866	$ 35,451

15. Subsequent Events

The Company has evaluated, for potential recognition and disclosure, events that occurred from the balance sheet date through March 9th, 2016, the date the financial statements were available to be issued.

16. Quarterly Financial Information (unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2015 and 2014:

	Consolidated Statements of Operations			
	Quarter Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share amounts)			
2015				
Total revenues (1)	$ 2,651	$ 2,539	$ 2,074	$ 48,183
Restructuring costs	—	—	(2,561)	(1,138)
Operating costs and expenses	(25,224)	(24,752)	(23,191)	(18,305)
(Loss) income from operations	(22,573)	(22,213)	(23,678)	28,740
Other income (expense), net (2)	855	(1,546)	23,198	(3,389)
Net (loss) income	$ (21,718)	$ (23,759)	$ (480)	$ 25,351
Basic net (loss) income per share of common stock	$ (0.19)	$ (0.20)	$ (0.00)	$ 0.21
Diluted net (loss) income per share of common stock(3)	$ (0.19)	$ (0.20)	$ (0.00)	$ 0.21
2014				
Total revenues	$ 3,410	$ 5,973	$ 5,136	$ 4,347
Restructuring costs	(84)	—	—	—
Operating costs and expenses (4)	(26,800)	(24,750)	(25,589)	(23,475)
Loss from operations	(23,474)	(18,777)	(20,453)	(19,128)
Other income (expense), net (2)	18,787	6,880	6,054	11,810
Net loss	$ (4,687)	$ (11,897)	$ (14,399)	$ (7,318)
Basic net loss per share of common stock	$ (0.04)	$ (0.11)	$ (0.13)	$ (0.07)
Diluted net loss per share of common stock	$ (0.21)	$ (0.17)	$ (0.17)	$ (0.12)

(1) In the fourth quarter of 2015, the total revenues include upfront and milestone payments relating to various out-licensing arrangements, including a $37.0 million upfront payment from Novartis, a $5.0 million upfront payment from Novo Nordisk and a $3.8 million payment from Pfizer.

(2) Fluctuations in 2015 and 2014 primarily relate to (losses) gains on the revaluation of the contingent warrant liabilities and a $3.5 million gain from the sale of the Company's manufacturing facility during the three months ended December 31, 2015 (see Note 6).

(3) For the quarter ended December 31, 2015, the Company's diluted net income per share of common stock was computed by giving effect to all potentially dilutive common stock equivalents outstanding during the period.

(4) In 2014, the Company corrected an immaterial error driven by certain stock-based compensation expense in the fourth quarter of 2014, resulting in a decrease to operating expenses and net loss by $1.6 million and a decrease to basic and diluted loss per share of $0.01 and $0.02, respectively, for the three months ended December 31, 2014.

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	01/03/2012
3.2A	Certificate of Amendment of Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	05/31/2012
3.2B	Certificate of Amendment of Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	05/28/2014
3.3	By-laws of XOMA Corporation	8-K	000-14710	3.2	01/03/2012
4.1	Reference is made to Exhibits 3.1, 3.2 and 3.3				
4.2	Specimen of Common Stock Certificate	8-K	000-14710	4.1	01/03/2012
4.3	Form of Warrant (December 2011 Warrants)	10-K	000-14710	4.9	03/14/2012
4.4	Form of Warrant (March 2012 Warrants)	8-K	000-14710	4.1	03/07/2012
4.5	Form of Warrant (September 2012 Warrants)	8-K	000-14710	4.10	10/03/2012
4.6	Registration Rights Agreement, dated June 12, 2014, by and among XOMA Corporation, 667, L.P., Baker Brothers Life Sciences, L.P., and 14159, L.P.	8-K	000-14710	4.1	06/12/2014
4.7	Form of Warrants (December 2014 Warrants)	8-K	000-14710	4.1	12/09/2014
4.8	Warrant Agreement, by and between XOMA Corporation and Hercules Technology III, L.P., dated February 27, 2015	10-Q	000-14710	4.10	05/07/2015
10.1*	1981 Share Option Plan as amended and restated	S-8	333-171429	10.1	12/27/2010
10.2*	Form of Share Option Agreement for 1981 Share Option Plan	10-K	000-14710	10.1A	03/11/2008
10.3*	Restricted Share Plan as amended and restated	S-8	333-171429	10.1	12/27/2010
10.4*	Form of Share Option Agreement for Restricted Share Plan	10-K	000-14710	10.2A	03/11/2008
10.5*	2007 CEO Share Option Plan	8-K	000-14710	10.7	08/07/2007
10.6*	1992 Directors Share Option Plan as amended and restated	S-8	333-171429	10.1	12/27/2010
10.7*	Form of Share Option Agreement for 1992 Directors Share Option Plan (initial grants)	10-K	000-14710	10.3A	03/11/2008
10.8*	Form of Share Option Agreement for 1992 Directors Share Option Plan (subsequent grants)	10-K	000-14710	10.3B	03/11/2008
10.9*	2002 Director Share Option Plan	S-8	333-151416	10.10	06/04/2008
10.10*	XOMA Corporation Amended and Restated 2010 Long Term Incentive and Stock Award Plan	S-8	000-14710	99.1	09/12/2014
10.11*	Form of Stock Option Agreement for Amended and Restated 2010 Long Term Incentive and Stock Award Plan	10-K	000-14710	10.6A	03/14/2012
10.12*	Form of Restricted Stock Unit Agreement for Amended and Restated 2010 Long Term Incentive and Stock Award Plan	10-K	000-14710	10.6B	03/14/2012
10.13*	Management Incentive Compensation Plan as amended and restated	8-K	000-14710	10.3	11/06/2007
10.14*	CEO Incentive Compensation Plan	10-K	000-14710	10.4A	03/11/2008

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.15*	Amendment No. 1 to CEO Incentive Compensation Plan	10-K	000-14710	10.7B	03/14/2012
10.16*	Bonus Compensation Plan	10-K	000-14710	10.4B	03/11/2008
10.17	Form of Amended and Restated Indemnification Agreement for Officers	10-K	000-14710	10.6	03/08/2007
10.18	Form of Amended and Restated Indemnification Agreement for Employee Directors	10-K	000-14710	10.7	03/08/2007
10.19	Form of Amended and Restated Indemnification Agreement for Non-employee Directors	10-K	000-14710	10.8	03/08/2007
10.20*	Employment Agreement entered into between XOMA (US) LLC and Fred Kurland, dated as of December 29, 2008	10-K/A	000-14710	10.7B	12/27/2010
10.21*	Amended and Restated Employment Agreement entered into between XOMA (US) LLC and Charles C. Wells, dated as of December 30, 2008	10-K/A	000-14710	10.7D	12/27/2010
10.22*	Officer Employment Agreement dated March 19, 2013 between XOMA Corporation and Paul Rubin	10-K	000-14710	10.23	03/12/3014
10.23*	Employment Agreement effective as of January 4, 2012 between XOMA (US) LLC and John Varian	10-K	000-14710	10.10G	03/14/2012
10.24*	Officer Employment Agreement dated March 10, 2014 between XOMA Corporation and Pat Scannon	10-K	000-14710	10.25	03/12/2014
10.25*	Change of Control Agreement entered into between XOMA Ltd. and John Varian, dated January 4, 2012	10-K	000-14710	10.12A	03/14/2012
10.26*	Retention Benefit Agreement entered into between XOMA Corporation and John Varian, dated March 11, 2014	10-K	000-14710	10.28	03/12/2014
10.27*	Employment Agreement by and between XOMA Corporation and Thomas Burns, dated as of April 3, 2015	10-Q	000-14710	10.4	05/07/2015
10.28*	2015 Employee Stock Purchase Plan	S-8	333-204367	99.1	05/21/2015
10.29*	Form of Subscription Agreement and Authorization of Deduction under the 2015 Employee Stock Purchase Plan	S-8	333-204367	99.2	05/21/2015
10.30+*	Change of Control and Severance Agreement entered into between XOMA Corporation and Thomas Burns, dated October 28, 2015				
10.31+*	Change of Control Agreement entered into between XOMA Corporation and Jim Neal, dated January 3, 2011				
10.32+*	Employment Agreement entered into between XOMA Corporation and Jim Neal, dated October 29, 2014				
10.33	Lease of premises at 804 Heinz Street, Berkeley, California dated February 13, 2013	10-K	000-14710	10.29	03/12/2014
10.34	Lease of premises at 2910 Seventh Street, Berkeley, California dated February 13, 2013	10-K	000-14710	10.30	03/12/2014
10.35	First amendment to lease of premises at 2910 Seventh Street, Berkeley, California dated February 22, 2013	10-K	000-14710	10.31	03/12/2014

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.36	Lease of premises at 5860 and 5864 Hollis Street, Emeryville, California dated February 13, 2013	10-K	000-14710	10.32	03/12/2014
10.37†	License Agreement by and between XOMA Ireland Limited and MorphoSys AG, dated as of February 1, 2002	10-K	000-14710	10.43	02/01/2002
10.38†	License Agreement, dated as of December 29, 2003, by and between Diversa Corporation (n/k/a BP Biofuels Advanced Technology Inc.) and XOMA Ireland Limited	8-K/A	000-14710	2	03/19/2004
10.39	First Amendment, dated October 28, 2014, to the License Agreement between XOMA (US) LLC (assigned to it by XOMA Ireland Limited) and BP Biofuels Advanced Technology Inc. (previously Diversa Corporation, previously Verenium Corporation).	10-Q	000-14710	10.3	11/06/2014
10.40†	GSSM License Agreement, effective as of May 2, 2008, by and between Verenium Corporation (n/k/a BP Biofuels Advanced Technology Inc.) and XOMA Ireland Limited	10-K	000-14710	10.25A	03/10/2011
10.41†	Secured Note Agreement, dated as of May 26, 2005, by and between Chiron Corporation and XOMA (US) LLC	10-Q	000-14710	10.3	08/08/2005
10.42†	Amended and Restated Research, Development and Commercialization Agreement, executed November 7, 2008, by and between Novartis Vaccines and Diagnostics, Inc. (formerly Chiron Corporation) and XOMA (US) LLC	10-K	000-14710	10.24C	03/11/2009
10.43†	Amendment No. 1 to Amended and Restated Research, Development and Commercialization Agreement, effective as of April 30, 2010, by and between Novartis Vaccines and Diagnostics, Inc. and XOMA (US) LLC	10-K	000-14710	10.25B	03/14/2012
10.44†	Collaboration Agreement, dated as of November 1, 2006, between Takeda Pharmaceutical Company Limited and XOMA (US) LLC	10-K	000-14710	10.46	03/08/2007
10.45	First Amendment to Collaboration Agreement, effective as of February 28, 2007, between Takeda Pharmaceutical Company Limited and XOMA (US) LLC	10-Q/A	000-14710	10.48	03/05/2010
10.46	Second Amendment to Collaboration Agreement, effective as of February 9, 2009, among Takeda Pharmaceutical Company Limited and XOMA (US) LLC	10-K	000-14710	10.31B	03/11/2009
10.47†	License Agreement, effective as of August 27, 2007, by and between Pfizer Inc. and XOMA Ireland Limited	8-K	000-14710	2	09/13/2007
10.48†	Discovery Collaboration Agreement dated September 9, 2009, by and between XOMA Development Corporation and Arana Therapeutics Limited	10-Q/A	000-14710	10.35	03/05/2010
10.49†	Collaboration and License Agreement dated as of December 30, 2010, by and between XOMA Ireland Limited, Les Laboratoires Servier and Institut de Recherches Servier	10-K	000-14710	10.42	03/10/2011
10.50†	Amended and Restated Collaboration and License Agreement dated as of February 14, 2012, by and between XOMA Ireland Limited, Les Laboratoires Servier and Institut de Recherches Servier	10-K	000-14710	10.41A	03/14/2012

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.51†	Loan Agreement dated as of December 30, 2010, by and between XOMA Ireland Limited and Les Laboratoires Servier	10-K/A	000-14710	10.42A	05/26/2011
10.52†	Amended and Restated License and Commercialization Agreement effective as of January 11, 2012, by and between Les Laboratoires Servier and XOMA Ireland Limited	10-K	000-14710	10.44	03/14/2012
10.53†	Amendment No. 2, effective January 9, 2015, to the Loan Agreement, effective December 30, 2010, by and among XOMA (US) LLC, Les Laboratoires Servier and Institut de Recherches Servier	10-K	000-14710	10.71	03/11/2015
10.54†	Amendment No. 2, effective January 9, 2015, to the Amended and Restated Collaboration and License Agreement, effective February 14, 2012, by and among XOMA (US) LLC, Les Laboratoires Servier and Institut de Recherches Servier	10-K	000-14710	10.72	03/11/2015
10.55	Amendment No. 1, effective November 4, 2014, to the Amended and Restated Collaboration and License Agreement, effective February 14, 2012, by and among XOMA (US) LLC (assigned from XOMA Ireland Limited), Les Laboratoires Servier and Institut de Recherches Servier	10-K	000-14710	10.73	03/11/2015
10.56	Amendment No. 1 (Consent, Transfer, Assumption and Amendment), effective January 9, 2015, to the Loan Agreement, effective December 30, 2010, by and among XOMA (US) LLC, Les Laboratoires Servier and Institut de Recherches Servier	10-K	000-14710	10.74	03/11/2015
10.57	Loan and Security Agreement, dated February 27, 2015, by and among XOMA Corporation, XOMA(US) LLC and XOMA Commercial as borrowers and Hercules Technology Growth Capital, Inc., as agent and lender	10-Q	000-14710	10.3	05/07/2015
10.58	Letter Agreement, dated June 19, 2015, by and between XOMA (US) LLC and Novartis Vaccines and Diagnostics, Inc.	10-Q	000-14710	10.1	08/10/2015
10.59†	License Agreement, dated September 30, 2015, by and between XOMA (US) LLC and Novartis Institutes for Biomedical Research, Inc.	10-Q	000-14710	10.2	11/06/2015
10.60	Amended Secured Note Agreement, dated September 30, 2015, by and between XOMA (US) LLC and Novartis Institutes for Biomedical Research, Inc.	10-Q	000-14710	10.3	11/06/2015
10.61†	Amendment to Amended and Restated Research, Development and Commercialization Agreement, dated September 30, 2015, by and between XOMA (US) LLC and Novartis Institutes for Biomedical Research, Inc.	10-Q	000-14710	10.4	11/06/2015
10.62	Sales Agreement, dated November 12, 2015, by and between XOMA Corporation and Cowen and company, LLC	8-K	001-14710	10.1	11/12/2015
10.63+†	License Agreement, dated December 1, 2015, by and between XOMA (US) LLC and Novo Nordisk A/S				
10.64+	Settlement and Amended License Agreement dated December 3, 2015, by and between XOMA (US) LLC, as a successor-in-interest of XOMA Ireland Limited and Pfizer Inc.				

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.65+†	Asset Purchase Agreement dated November 5, 2015 by and between the Company and Agenus West, LLC				
21.1+	Subsidiaries of the Company				
23.1+	Consent of Independent Registered Public Accounting Firm				
24.1+	Power of Attorney (included on the signature pages hereto)				
31.1+	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
31.2+	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
32.1+	Certification of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)(1)				
99.1+	Press Release dated March 9, 2016				
101.INS+	XBRL Instance Document				
101.SCH+	XBRL Taxonomy Extension Schema Document				
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB+	XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document				

† Confidential treatment has been granted with respect to certain portions of this exhibit. This exhibit omits the information subject to this confidentiality request. Omitted portions have been filed separately with the SEC.

* Indicates a management contract or compensation plan or arrangement.

+ Filed herewith

(1) This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 10.30

XOMA CORPORATION

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement (the "Agreement") is made and entered into effective as of April 3, 2015 (the "Effective Date"), by and between Thomas Burns (the "Employee") and XOMA Corporation, a Delaware corporation (the "Company").

R E C I T A L S

A. It is expected that the Company may from time to time consider the possibility of a Change of Control (as hereinafter defined). The Board of Directors of the Company (the "Board") recognizes that such consideration could be a distraction to the Employee and could cause the Employee to consider alternative employment opportunities.

B. The Board believes that it is in the best interest of the Company and its shareholders to provide the Employee with an incentive to continue the Employee's employment and to maximize the value of the Company upon a Change of Control for the benefit of its shareholders.

C. In order to provide the Employee with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Employee with certain severance benefits upon the Employee's termination of employment following a Change of Control.

D. The parties intend that this Agreement shall operate in addition to, and not in replacement of, the Officer Employment Agreement effective as of April 3, 2015.

AGREEMENT

In consideration of the mutual covenants herein contained and the continued employment of the Employee by the Company, the parties agree as follows:

1. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) "Cause" shall mean (i) the Employee has been convicted of any crime or offense constituting a felony under applicable law, including, without limitation, any act of dishonesty such as embezzlement, theft or larceny, (ii) the Employee has acted or refrained from acting in respect of any of the duties and responsibilities which have been assigned to him in accordance with this Agreement or the Existing Agreement and shall fail to desist from such action or inaction within thirty (30) days after the Employee's receipt of notice from the Company of such action or inaction and the Board determines that such action or inaction constituted gross negligence or a willful act of malfeasance or misfeasance of the Employee in respect of such duties, or (iii) the Employee has breached any material term of this Agreement or the Existing Agreement and shall fail to correct such breach within thirty (30) days after the Employee's receipt of notice from the Company of such breach.

(b) "Change of Control" shall mean the occurrence of any of the following events:

(i) a merger, amalgamation or acquisition in which the Company is not the surviving or continuing entity, except for a transaction the principal purpose of which is to change the jurisdiction of the Company's organization;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii) any other reorganization or business combination in which fifty percent (50%) or more of the Company's outstanding voting securities are transferred to different holders in a single transaction or series of related transactions;

(iv) any approval by the shareholders of the Company of a plan of complete liquidation of the Company;

(v) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities; or

(vi) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who (A) are directors of the Company as of the date hereof, (B) are elected, or nominated for election, to the Board with the affirmative votes of the directors of the Company as of the date hereof, or (C) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those directors whose election or nomination was not in connection with any transaction described in subsections (i) through (v) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(c) "Change of Control Protection Period" shall mean the period commencing one (1) month prior to the execution of the definitive agreement for a Change of Control and eighteen (18) months following the closing of a Change of Control.

(d) "Compensation Continuation Period" shall mean the period of time commencing with termination of the Employee's employment as a result of Involuntary Termination at any time within a Change of Control Protection Period and ending with the date eighteen (18) months following the date of the Employee's Involuntary Termination.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Involuntary Termination" shall mean (i) the failure of a successor or an acquiring company to offer the Employee the position held by Employee on the date of this Agreement (or, if higher, a subsequent position of the Employee) with the successor or acquiring company following a Change of Control; (ii) without the Employee's express written consent, a

substantial reduction, without good business reasons, of the rights, privileges and perquisites available to the Employee immediately prior to such reduction; (iii) without the Employee's express written consent, a material diminution in the authority, responsibilities, duties or reporting lines held or possessed by the Employee prior to the Change of Control; (iv) without the Employee's express written consent, a reduction by the Company of the Employee's base salary or target bonus as in effect immediately prior to such reduction; (v) without the Employee's express written consent, a material reduction by the Company in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee's overall benefits package is significantly reduced; (vi) without the Employee's express written consent, the relocation of the regular offices of the Employee to a facility or a location more than thirty (30) miles further from the Employee's current location (unless such new facility or location is closer to the Employee's residence); (vii) any purported termination of the Employee by the Company which is not effected for Cause or for which the grounds relied upon are not valid; or (viii) the failure of the Company to obtain the assumption of this Agreement by any successors contemplated in Section 7 below.

2. Term of Agreement. This Agreement shall terminate upon the date that all obligations of the parties hereto under this Agreement have been satisfied or, if earlier, on the date, prior to a Change of Control Protection Period, the Employee is no longer employed by the Company.

3. At-Will Employment. The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or the Existing Agreement or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination.

4. Change of Control and Severance Benefits.

(a) Option Acceleration and Extended Exercise Period. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time within a Change of Control Protection Period, then the exercisability of all options granted to the Employee by the Company (including any such options granted or assumed by the surviving or continuing entity of the Change of Control) and still outstanding (the "Options") shall automatically be accelerated so that all the Options may be exercised immediately upon such Involuntary Termination for any or all of the shares subject thereto and the post-termination exercise period of each Option shall be extended to sixty (60) months (but in no event beyond the remainder of the maximum term of the Option). The Options shall continue to be subject to all other terms and conditions of the Company's share option plans and the applicable option agreements between the Employee and the Company.

(b) Outplacement Program. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time within a Change of Control Protection Period, the Employee will immediately become entitled to participate in a twelve (12) month executive outplacement program provided by an executive outplacement service, at the Company's expense not to exceed fifteen thousand dollars ($15,000).

(c) Termination Following a Change of Control.

(i) Cash Severance Payment Upon Involuntary Termination. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time within a Change of Control Protection Period, then the Employee shall be entitled to receive a severance payment equal to the sum of (A) an amount equal to 1 times the Employee's annual base salary as in effect immediately prior to the Involuntary Termination, plus (B) an amount equal to 1 times Employee's target bonus as in effect for the fiscal year in which the Involuntary Termination occurs. Such severance payments shall be in lieu of any other severance payment to which the Employee shall be entitled as a result of such termination pursuant to this Agreement, any employment agreement with or offer letter from the Company or any of its affiliates or the Company's or any of its affiliate's then existing severance plans and policies. The severance payment described in Section 4(c)(i)(A) shall be paid in monthly installments over eighteen (18) months (the "Severance Payment Period"), with the first two (2) of such monthly installments being paid sixty (60) days after the date of termination and the remaining monthly installments being paid monthly thereafter until fully paid, and the severance payments described in Section 4(c)(i)(B) shall be paid in a lump sum sixty (60) days after the date of termination; provided, however, that all of such severance payments shall be subject to the requirements of Section 4(c)(iii) and Section 9 below.

(ii) Provision of Group Health and Certain Other Benefits. In addition, during a period of eighteen (18) months following the termination of Employee's employment as a result of an Involuntary Termination at any time within a Change of Control Protection Period, (A) the Company shall make available and pay for the full cost of the coverage (plus an additional amount to pay for the taxes on such payments, if any, plus any taxes on such additional amount, such amount to be paid no later than ten (10) days prior to the date such taxes are due) of the Employee and Employee's spouse and eligible dependents under any group health plans of the Company on the date of such termination of employment at the same level of health (i.e., medical, vision and dental) coverage and benefits as in effect for the Employee or such covered dependents on the date immediately preceding the date of the Employee's termination; provided, however, that (1) the Employee and Employee's spouse and eligible dependents each constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal Revenue Code of 1986, as amended; and (2) the Employee elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA; and (B) if Employee is, at the time of such termination, an eligible participant in the Company's mortgage differential program, the Company shall continue to make mortgage assistance payments to Employee pursuant to such program as in effect at the time of such termination. Notwithstanding the foregoing, the payments by the Company for such group health coverage and/or mortgage assistance, as applicable, shall cease prior to the expiration of the eighteen (18) month period in this Section 4(c)(ii) upon the employment of the Employment by another employer. Furthermore, if, at the time of the termination of Employee's employment as a result of an Involuntary Termination at any time within a Change of Control Protection Period, Employee is the obligor of a "forgivable" loan (i.e., a loan which by its terms is to be considered forgiven by the Company and paid by the obligor in circumstances other than actual repayment) from the Company, then, notwithstanding any provisions of such loan to the contrary, such loan shall remain outstanding, and the forgiveness thereof shall continue, for a period of eighteen (18)

months following such termination in accordance with the terms of such loan in effect at the time of such termination; *provided, however,* that at the end of such period of eighteen (18) months, the outstanding balance of such loan shall be immediately due and payable, together with any accrued and unpaid interest thereon.

(iii) Section 409A of the Code. Notwithstanding any provision to the contrary in this Agreement, if the Employee is deemed on the date of his or her "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment or benefit (including, without limitation, any mortgage assistance payment or loan forgiveness referred to above) that is considered deferred compensation under Section 409A payable on account of a "separation from service" that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (after taking into account any applicable exceptions to such requirement), such payment or benefit shall be made or provided on the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of the Employee's "separation from service," or (ii) the date of the Employee's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 4(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the Employee's "termination of employment" (and corollary terms) with the Company shall be construed to refer to Employee's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company.

(iv) Voluntary Resignation or Termination for Cause. If the Employee's employment with the Company terminates as a result of the Employee's voluntary resignation which is not an Involuntary Termination or if the Employee is terminated for Cause at any time after a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, but may be eligible for those benefits (if any) as may then be established under the Company's then existing severance and benefits plans and policies at the time of such termination.

(d) Disability or Death. If the Employee's employment with the Company terminates due to the Employee's death or disability following a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, except for those (if any) as may be then established under the Company's then existing severance and benefits plans and policies at the time of such disability or death. In the event of the Employee's death or disability after the termination of the Employee's employment with the Company as a result of an Involuntary Termination within a Change of Control Protection Period, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees shall be entitled to receive severance or other benefits hereunder.

(e) Accrued Wages and Vacation; Expenses. Without regard to the reason for, or the timing of, the Employee's termination of employment (and without duplication of any

similar benefits under any employment agreement with the Company or any of its affiliates): (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the date of termination; (ii) the Company shall pay the Employee all of the Employee's accrued and unused vacation through the date of termination; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the date of termination. These payments shall be made promptly upon termination, within the period of time mandated by law, and in no event later than ten (10) days after the date of termination.

5. Conditional Nature of Severance Payments.

(a) Non-Compete. The Employee shall not, to the detriment of the Company or any of its affiliates, disclose or reveal to any unauthorized person any trade secret or other confidential information relating to the Company or its affiliates or to any businesses operated by them, and the Employee confirms that such information constitutes the exclusive property of the Company. The Employee shall not otherwise act or conduct himself to the material detriment of the Company or its affiliates, or in a manner which is inimical or contrary to the interests thereof, and, for a period of twenty-four (24) months following the termination of Employee's employment as a result of an Involuntary Termination at any time within a Change of Control Protection Period, shall not, directly or indirectly, engage in or render any service (whether to a person, firm or business) in direct competition with the Company; provided, however, that the Employee's ownership of less than five percent (5%) of the outstanding stock of a corporation shall not itself be deemed to constitute such competition. The Employee recognizes that the possible restrictions on his activities which may occur as a result of his performance of his obligations under this Section 5(a) are required for the reasonable protection of the Company and its investments. For purposes hereof, "in direct competition" means engaged in the research, development and/or production of biological materials intended for use as therapeutic, prophylactic or diagnostic products in one or more of the same indications, and that utilize one or more of the same scientific bases (e.g., in the case of a therapeutic antibody, targets the same signal initiating pathway), as a product or product candidate the research, development and/or production of which is an active part of the Company's business plan at the time of Employee's termination.

(b) Non-Disparagement. The Employee and the Company agree to refrain from any defamation, libel or slander of the other and its respective officers, directors, employees, representatives, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns or tortious interference with the contracts and relationships of the other and its respective officers, directors, employees, representatives, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns.

(c) Understanding of Covenants. The Employee represents that the Employee (i) is familiar with the foregoing covenants not to compete and not to disparage, and (ii) is fully aware of the Employee's obligations hereunder, including, without limitation, the reasonableness of the length of time, scope and geographic coverage of the covenant not to compete.

6. Golden Parachute Excise Tax. In the event that the benefits provided for in this Agreement or otherwise payable to the Employee constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") that are subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Employee shall receive (i) a one-time payment from the Company sufficient to pay such excise tax (the "Excise Tax Gross-Up"), and (ii) an additional one-time payment from the Company sufficient to pay the additional excise tax and federal, state and local income and employment taxes arising from the Excise Tax Gross-Up made by the Company to the Employee pursuant to this Section 6 (the "Additional Gross-Up"). Unless the Company and the Employee otherwise agree in writing, the determination of the Employee's excise tax liability and the amount required to be paid under this Section 6 shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"). The initial Excise Tax Gross-Up and Additional Gross-Up payments hereunder, if any, shall either be (x) paid to the Employee no later than ten (10) days prior to the due date for the payment of any excise tax, or (y) paid to the Internal Revenue Service on behalf of the Employee no later than the due date for the payment of any excise tax. In the event that the Excise Tax incurred by the Employee is determined by the Internal Revenue Service to be greater or lesser than the amount so determined by the Accountants, the Company and the Employee agree to promptly (but in no event later than the end of the calendar year in which the applicable taxes are paid to (or received from) the Internal Revenue Service) make such additional payment, including interest and any tax penalties, to the other party as the Accountants reasonably determine is appropriate. For purposes of making the calculations required by this Section 6, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on interpretations concerning the application of the Code for which there is a "substantial authority" tax reporting position. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 6. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 6.

7. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, amalgamation, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. Without the written consent of the Company, the Employee shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be

enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notices.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination shall be communicated by a notice of termination to the other party hereto given in accordance with this Section 8. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

9. Execution of Release Agreement Upon Termination. As a condition of entering into this Agreement and receiving the benefits under Section 4, the Employee agrees to execute, on or before the date that is fifty (50) days following the date of termination, and not revoke a release of claims agreement substantially in the form attached hereto as Exhibit A upon the termination of the Employee's employment with the Company. Such release shall not, however, apply to the rights and claims of the Employee under this Agreement, any indemnification agreement between the Employee and the Company (or its successor or acquirer), the by-laws of the Company (or its successor or acquirer), the share award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

10. Arbitration.

(a) Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in San Francisco or Alameda County, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). The cost of the arbitration shall be borne in full by the Company (or its successor or acquirer) but each of the Employee and the Company (or its successor or acquirer) shall bear his or its own legal fees and other cost in such arbitration subject to a possible award of attorneys fees and costs by the arbitrator as provided in the arbitration ruling. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final,

conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

(b) The arbitrator shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. The Employee hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) The Employee understands that nothing in this Section 10 modifies the Employee's at-will employment status. Either the Employee or the Company can terminate the employment relationship at any time, with or without cause.

(d) THE EMPLOYEE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. THE EMPLOYEE UNDERSTANDS THAT SUBMITTING ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION TO THE EXTENT PERMITTED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF THE EMPLOYEE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED; NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION.

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, *et seq*;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

11. Miscellaneous Provisions.

(a) Mitigation. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source. However, the Employee shall not be entitled to receive the health coverage and benefits contemplated by this Agreement in the event that the Employee receives similar health coverage and benefits as a result of new employment during the Compensation Continuation Period.

(b) Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Integration. This Agreement represents the entire agreement and understanding between the parties with respect to the subject matter herein but shall not supersede any employment agreement between the Company or any of its affiliates and the Employee, any indemnification agreement between the Employee and the Company (or its successor or acquirer), the share award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Tax Withholdings. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

(g) Compliance with Section 409A of the Code.

(h) It is intended that this Agreement will comply with Section 409A of the Code and any regulations and guidelines promulgated thereunder (collectively, "Section 409A"), to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. If an amendment of the Agreement is necessary in order for it to comply with Section 409A of the Code, the parties hereto will negotiate in good faith to amend the Agreement in a manner that preserves the original intent of the parties to the extent reasonably possible. No action or failure to act pursuant to this Section 11(g) shall subject the Company to any claim, liability, or expense, and the Company shall not have any obligation to indemnify or otherwise protect the Employee from the obligation to pay any taxes, interest or penalties pursuant to Section 409A of the Code.

(i) With respect to any reimbursement or in-kind benefit arrangements of the Company and its subsidiaries that constitute deferred compensation for purposes of Section 409A, except as otherwise permitted by Section 409A, the following conditions shall be applicable: (A) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year (except that the health and dental plans may impose a limit on the amount that may be reimbursed or paid), (B) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (C) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days after termination of employment"), the actual date of payment within the specified period shall be within the sole discretion of the Company. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement, and it shall be effective as of the day and year first above written.

COMPANY:

XOMA CORPORATION

By: /s/ John Varian
John Varian
Chief Executive Officer

EMPLOYEE:

/s/ Thomas Burns
Thomas Burns

EXHIBIT A

FORM RELEASE OF CLAIMS AGREEMENT

This Release of Claims Agreement (this "Agreement") is made and entered into by and between XOMA Corporation (the "Company") and Thomas Burns (the "Employee").

WHEREAS, the Employee was employed by the Company; and

WHEREAS, the Company and the Employee have entered into a Change of Control Severance Agreement effective as of April 3, 2015 (the "Severance Agreement").

NOW THEREFORE, in consideration of the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Employee (collectively referred to as the "Parties") desiring to be legally bound do hereby agree as follows:

1. Termination. The Employee's employment with the Company terminated on [DATE].

2. Consideration. Subject to and in consideration of the Employee's release of claims as provided herein, the Company has agreed to pay the Employee certain benefits and the Employee has agreed to provide certain benefits to the Company, both as set forth in the Severance Agreement.

3. Release of Claims. The Employee agrees that the foregoing consideration represents settlement in full of all currently outstanding obligations owed to the Employee by the Company. The Employee, on the Employee's own behalf and the Employee's respective heirs, family members, executors and assigns, hereby fully and forever releases the Company and its past, present and future officers, agents, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, parents, predecessor and successor corporations, and assigns, from, and agrees not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings concerning any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that the Employee may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date (as defined below) of this Agreement including, without limitation:

(a) any and all claims relating to or arising from the Employee's employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, the Employee's right to purchase, or actual purchase of shares of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment, termination in violation of public policy, discrimination, breach of contract (both express and implied), breach of a covenant of good faith and fair dealing (both express and implied), promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment and conversion;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, The Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, and Labor Code Section 201, *et seq*. and Section 970, *et seq*. and all amendments to each such Act as well as the regulations issued thereunder;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) any and all claims for attorneys' fees and costs.

The Employee agrees that the release set forth in this Section 3 shall be and remain in effect in all respects as a complete general release as to the matters released. Notwithstanding the foregoing, this release does not extend to any obligations now or subsequently incurred under this Agreement, the Severance Agreement, the Indemnification Agreement between the Employee and the Company (or its successor or acquirer), the outstanding share award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

4. Acknowledgment of Waiver of Claims under ADEA. The Employee acknowledges that the Employee is waiving and releasing any rights the Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. The Employee and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. The Employee acknowledges that the consideration given for this waiver and release agreement is in addition to anything of value to which the Employee was already entitled. The Employee further acknowledges that the Employee has been advised by this writing that (a) the Employee should consult with an attorney prior to executing this Agreement; (b) the Employee has at least twenty-one (21) days within which to consider this Agreement; (c) the Employee has seven (7) days following the execution of this Agreement by the Parties to revoke the Agreement; and (d) this Agreement shall not be effective until the revocation period has expired. Any revocation should be in writing and delivered to the Company by the close of business on the seventh (7th) day from the date that the Employee signs this Agreement.

5. Civil Code Section 1542. The Employee represents that the Employee is not aware of any claims against the Company other than the claims that are released by this Agreement. The Employee acknowledges that the Employee has been advised by legal counsel and is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HER OR HER MUST HAVE MATERIALLY AFFECTED HER OR HER SETTLEMENT WITH THE DEBTOR.

The Employee, being aware of said code section, agrees to expressly waive any rights the Employee may have thereunder, as well as under any other statute or common law principles of similar effect.

6. No Pending or Future Lawsuits. The Employee represents that the Employee has no lawsuits, claims or actions pending in the Employee's name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. The Employee also represents that the Employee does not intend to bring any claims on the Employee's own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein except, if necessary, with respect to the agreements listed in the last sentence of Section 3 of this Agreement.

7. Confidentiality. The Employee agrees to use the Employee's best efforts to maintain in confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as "Release Information"). The Employee agrees to take every reasonable precaution to prevent disclosure of any Release Information to third parties and agrees that there will be no publicity, directly or indirectly, concerning any Release Information. The Employee agrees to take every precaution to disclose Release Information only to those attorneys, accountants, governmental entities and family members who have a reasonable need to know of such Release Information.

8. No Adverse Cooperation. The Employee agrees the Employee will not act in any manner that might damage the business of the Company. The Employee agrees that the Employee will not counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges or complaints by any third party against the Company and/or any officer, director, employee, agent, representative, shareholder or attorney of the Company, unless compelled under a subpoena or other court order to do so.

9. Costs. The Parties shall each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

10. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. The Employee represents and warrants

that the Employee has the capacity to act on the Employee's own behalf and on behalf of all who might claim through the Employee to bind them to the terms and conditions of this Agreement.

11. No Representations. The Employee represents that the Employee has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Neither party has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.

12. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

13. Entire Agreement. This Agreement and the Severance Agreement and the agreements and plans referenced therein represent the entire agreement and understanding between the Company and the Employee concerning the Employee's separation from the Company, and supersede and replace any and all prior agreements and understandings concerning the Employee's relationship with the Company and the Employee's compensation by the Company. This Agreement may only be amended in writing signed by the Employee and an executive officer of the Company.

14. Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

15. Effective Date. This Agreement is effective eight (8) days after it has been signed by the Parties (the "Effective Date") unless it is revoked by the Employee within seven (7) days of the execution of this Agreement by the Employee.

16. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

17. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

(a) they have read this Agreement;

(b) they have been represented in the preparation, negotiation and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) they understand the terms and consequences of this Agreement and of the releases it contains; and

(d) they are fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

XOMA CORPORATION

By: _____

Title: _____

Date: _____

EMPLOYEE

_____

Thomas Burns

Date: _____

Exhibit 10.31

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement (the "Agreement") dated this 3rd day of January, 2011 (the "Effective Date"), is between James R. Neal (the "Employee") and XOMA Corporation, a Delaware corporation (the "Company").

R E C I T A L S

A. It is expected that the Company may from time to time consider the possibility of a Change of Control (as hereinafter defined). The Board of Directors of the Company (the "Board") recognizes that such consideration could be a distraction to the Employee and could cause the Employee to consider alternative employment opportunities.

B. The Board believes that it is in the best interest of the Company and its shareholders to provide the Employee with an incentive to continue the Employee's employment and to maximize the value of the Company upon a Change of Control for the benefit of its shareholders.

C. In order to provide the Employee with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Company and the Employee have agreed to enter into this Agreement to provide the Employee with certain severance benefits upon the Employee's termination of employment following a Change of Control.

D. XOMA (US) LLC, a wholly-owned subsidiary of the Company, and the Employee have previously entered into an Officer Employment Agreement effective as of January 3, 2012 (the "Existing Agreement"), that provides the Employee with certain severance benefits upon the Employee's termination of employment.

E. The parties intend that this Agreement shall operate in addition to, and not in replacement of, the Existing Agreement.

AGREEMENT

In consideration of the mutual covenants herein contained and the continued employment of the Employee by the Company, the parties agree as follows:

1. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) "Cause" shall mean that the Company will have the right to terminate Employee's employment as the result of :

(i) willful material fraud or material dishonesty in connection with Employee's performance hereunder;

(ii) failure by Employee to materially perform the material duties of his job as Vice President, Business Development, as documented pursuant to the Company's performance management process and procedures;

(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.

(b) "Change of Control" shall mean the occurrence of any of the following events:

(i)a merger, amalgamation or acquisition in which the Company is not the surviving or continuing entity, except for a transaction the principal purpose of which is to change the jurisdiction of the Company's organization;

(ii)the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii)any other reorganization or business combination in which fifty percent (50%) or more of the Company's outstanding voting securities are transferred to different holders in a single transaction or series of related transactions;

(iv)any approval by the shareholders of the Company of a plan of complete liquidation of the Company;

(v)any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities; or

(c) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who (A) are directors of the Company as of the date hereof, (B) are elected, or nominated for election, to the Board with the affirmative votes of the directors of the Company as of the date hereof, or (C) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those directors whose election or nomination was not in connection with any transaction described in subsections (i) through (v) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(d) "Change of Control Protection Period" shall mean the period commencing one (1) month prior to the execution of the definitive agreement for a Change of Control and terminating eighteen (18) months following the closing of a Change of Control.

(e) "Compensation Continuation Period" shall mean the period of time commencing with termination of the Employee's employment as a result of Involuntary Termination at any time within a Change of Control Protection Period and ending with the date eighteen (18) months following the date of the Employee's Involuntary Termination.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Involuntary Termination" shall mean (i) the failure of a successor or an acquiring company to offer the Employee the position held by Employee on the date of this Agreement (or, if higher, a subsequent position of the Employee) with the successor or acquiring company following a Change of Control; (ii) without the Employee's express written consent, a substantial reduction, without good business reasons, of the rights, privileges and perquisites available to the Employee immediately prior to such reduction; (iii) without the Employee's express written consent, a material diminution in the authority, responsibilities, duties or reporting lines held or possessed by the Employee prior to the Change of Control; (iv) without the Employee's express written consent, a reduction by the Company of the Employee's base salary or target bonus as in effect immediately prior to such reduction; (v) without the Employee's express written consent, a material reduction by the Company in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee's overall benefits package is significantly reduced; (vi) without the Employee's express written consent, the relocation of the regular offices of the Employee to a facility or a location more than thirty (30) miles further from the Employee's current location (unless such new facility or location is closer to the Employee's residence); (vii) any purported termination of the Employee by the Company which is not effected for Cause or for which the grounds relied upon are not valid; or (viii) the failure of the Company to obtain the assumption of this Agreement by any successors contemplated in Section 7 below.

2. Term of Agreement. This Agreement shall become effective on November 1, 2012 and terminate upon the date that all obligations of the parties hereto under this Agreement have been satisfied or, if earlier, on the date, prior to a Change of Control Protection Period, the Employee is no longer employed by the Company.

3. Employment. The Company and the Employee acknowledge that, effective as of November 1, 2012, the Employee's employment shall be, and shall continue to be, governed by the Existing Agreement and applicable law. If the Employee's employment terminates after November 1, 2012, for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or the Existing Agreement or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination.

4. Change of Control and Severance Benefits.

(a) Option Acceleration and Extended Exercise Period. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time within a Change of Control Protection Period, then the exercisability of all options granted to the Employee by the Company (including any such options granted or assumed by the surviving or continuing entity of the Change of Control) and still outstanding (the "Options") shall automatically be accelerated so that all the Options may be exercised immediately upon such Involuntary Termination for any or all of the shares subject thereto and the post-termination exercise period of each Option shall be extended to sixty (60) months (but in no event beyond the remainder of the maximum term of the Option). The Options shall continue to be subject to all other terms and conditions of the Company's share option plans and the applicable option agreements between the Employee and the Company.

(b) Outplacement Program. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time within a Change of Control Protection Period, the Employee will immediately become entitled to participate in a twelve (12) month executive outplacement program provided by an executive outplacement service, at the Company's expense not to exceed fifteen thousand dollars ($15,000).

(c) Termination Following a Change of Control.

(d) Cash Severance Payment Upon Involuntary Termination. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time within a Change of Control Protection Period, then the Employee shall be entitled to receive a severance payment equal to the sum of (A) an amount equal to 1.5 times Employee's annual base salary as in effect immediately prior to the Involuntary Termination, plus (B) an amount equal to 1.5 times Employee's target bonus as in effect for the fiscal year in which the Involuntary Termination occurs; provided that if Employee has been an officer of the Company for less than one year at the time of such termination, Employee's severance pay shall be limited to an amount equal to .75 times Employee's annual base salary as in effect immediately prior to the Involuntary Termination. Such severance payments shall be in lieu of any other severance payment to which the Employee shall be entitled as a result of such termination pursuant to this Agreement, any employment agreement with or offer letter from the Company or any of its affiliates or the Company's or any of its affiliate's then existing severance plans and policies. The severance payment described in Section 4(c)(i)(A) above shall be paid in monthly installments over nine (9) months (the "Severance Payment Period"), with the first two (2) of such monthly installments being paid in a lump sum sixty (60) days after the date of termination and the remaining monthly installments being paid monthly thereafter until fully paid. The severance payments described in Section 4(c)(i)(B) shall be paid in a lump sum sixty (60) days after the date of termination; provided, however, that all of such severance payments shall be subject to the requirements of Section 4(c)(iii) and Section 9 below.

(i) Provision of Group Health and Certain Other Benefits. In addition, during a period of eighteen (18) months following the termination of Employee's employment as a result of an Involuntary Termination at any time within a Change of Control Protection Period, (A) the Company shall make available and pay for the full cost of the coverage of the Employee and Employee's spouse and eligible dependents under any group health plans of the Company on the date of such termination of employment at the same level of health (i.e., medical, vision and den

tal) coverage and benefits as in effect for the Employee or such covered dependents on the date immediately preceding the date of the Employee's termination; provided, however, that (1) the Employee and Employee's spouse and eligible dependents each constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal Revenue Code of 1986, as amended; and (2) the Employee elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA; and (B) if Employee is, at the time of such termination, an eligible participant in the Company's mortgage differential program, the Company shall continue to make mortgage assistance payments to Employee pursuant to such program as in effect at the time of such termination. Notwithstanding the foregoing, the payments by the Company for such group health coverage and/or mortgage assistance, as applicable, shall cease prior to the expiration of the eighteen (18) month period in this Section 4(c)(ii) upon the employment of the Employee by another employer. Furthermore, if, at the time of the termination of Employee's employment as a result of an Involuntary Termination at any time within a Change of Control Protection Period, Employee is the obligor of a "forgivable" loan (i.e., a loan which by its terms is to be considered forgiven by the Company and paid by the obligor in circumstances other than actual repayment) from the Company, then, notwithstanding any provisions of such loan to the contrary, the outstanding balance of such loan shall be immediately due and payable, together with any accrued and unpaid interest thereon.

(ii) Section 409A of the Code. Notwithstanding any provision to the contrary in this Agreement, if the Employee is deemed on the date of his "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment or benefit (including, without limitation, any mortgage assistance payment or loan forgiveness referred to above) that is considered deferred compensation under Section 409A of the Code payable on account of a "separation from service" that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (after taking into account any applicable exceptions to such requirement), such payment or benefit shall be made or provided on the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of the Employee's "separation from service," or (ii) the date of the Employee's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 4(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the Employee's "termination of employment" (and corollary terms) with the Company shall be construed to refer to Employee's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company.

(iii) Resignation from the Board of Directors of the Company ("Board"). If Employee is a member of the Board at the time of termination of his employment with the Company (regardless of the reason(s) therefor), Employee shall be deemed to have resigned from the Board effective as of the date of such termination of employment, unless Employee and the Company agree otherwise in writing.

(iv) Voluntary Resignation or Termination for Cause. If the Employee's employment with the Company terminates as a result of the Employee's voluntary resignation which is not an Involuntary Termination or if the Employee is terminated for Cause at any time after a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, but may be eligible for those benefits (if any) as may then be established under the Company's then existing severance and benefits plans and policies at the time of such termination.

(e) Disability or Death. If the Employee's employment with the Company terminates due to the Employee's death or permanent disability following a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, except for those (if any) as may be then established under the Company's then existing severance and benefits plans and policies at the time of such disability or death. In the event of the Employee's death or permanent disability after the termination of the Employee's employment with the Company as a result of an Involuntary Termination within a Change of Control Protection Period, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees shall be entitled to receive severance or other benefits hereunder.

(f) Accrued Wages and Vacation; Expenses. Without regard to the reason for, or the timing of, the Employee's termination of employment (and without duplication of any similar benefits under any employment agreement with the Company or any of its affiliates): (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the date of termination; (ii) the Company shall pay the Employee all of the Employee's accrued and unused vacation through the date of termination; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the date of termination. These payments shall be made promptly upon termination, within the period of time mandated by law, and in no event later than ten (10) days after the date of termination.

(g) Release of Claims. As a condition of entering into this Agreement and receiving the benefits under this Section 4, the Employee agrees to execute, on or before the date that is fifty (50) days following the date of termination, and not revoke a release of claims agreement substantially in the form attached hereto as Exhibit A upon the termination of the Employee's employment with the Company. Such release shall not, however, apply to the rights and claims of the Employee under this Agreement, any indemnification agreement between the Employee and the Company (or its successor or acquirer), the bye-laws of the Company (or its successor or acquirer), the share award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

5. Post-Termination Obligations. All payments and benefits provided to Employee under this Agreement shall be subject to Employee's compliance with the following provisions during the term of his employment and/or a Change of Control Protection Period.

(a) Confidential Information and Competitive Conduct. The Employee shall not, to the detriment of the Company or any of its affiliates, disclose or reveal to any unauthorized person any trade secret or other confidential information relating to the Company or its affiliates or to any businesses operated by them, and the Employee confirms that such information constitutes the exclusive property of the Company. The Employee shall not otherwise act or conduct himself to the material detriment of the Company or its affiliates, or in a manner which is inimical or contrary to the interests thereof, and, for a period of nine (9) months following the termination of Employee's employment as a result of an Involuntary Termination at any time within a Change of Control Protection Period, shall not, directly or indirectly, engage in or render any service (whether to a person, firm or business) in direct competition with the Company; provided, however, that the Employee's ownership of less than five percent (5%) of the outstanding stock of a corporation shall not itself be deemed to constitute such competition. Employee recognizes that the possible restrictions on his activities which may occur as a result of his performance of his obligations under this Section 5 are required for the reasonable protection of the Company and its investments. For purposes hereof, "in direct competition" means engaged in the research, development and/or marketing and sale of biological materials intended for use as therapeutic products in one or more of the same indications, and that utilize one or more of the same scientific bases (e.g., in the case of a therapeutic antibody, targets the same signal initiating pathway), as a product or product candidate the research, development and/or marketing and sale of which is an active part of the Company's business plan at the time of Employee's termination.

(b) Non-Disparagement. The Employee and the Company agree to refrain from (i) any defamation, libel or slander or any communication of any facts or opinions that might tend to disparage, degrade or harm the reputation of the other and its respective officers, directors, employees, representatives, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns or (ii) tortious interference with the contracts and relationships of the other and its respective officers, directors, employees, representatives, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns.

(c) Agreement Not to Solicit Employees. Employee agrees that during the term of his employment with the Company or any entity owned by or affiliated with the Company (whether pursuant to this Agreement or otherwise), and for one (1) year following the termination thereof for any reason whatsoever, he will not, either directly or indirectly, on his own behalf or in the service or on behalf of others, solicit or divert, attempt to solicit or divert or induce or attempt to induce to discontinue employment with the Company, or any subsidiary or affiliate thereof, any person employed by the Company, or any subsidiary or affiliate thereof, whether or not such employee is a full time employee or a temporary employee of the Company, or any subsidiary or affiliate thereof, and whether or not such employment is for a determined period or is at-will.

(d) Failure of Employee to Comply. If, for any reason other than death or disability, Employee shall, without written consent of the Company, fail to comply with the provisions of Sections 5(a), (b) or (c) above, (i) his rights to any future payments or other benefits hereunder shall terminate immediately, (ii) the Company's obligations to make such

payments and provide such benefits shall cease immediately; and (iii) Employee shall refund to the Company all termination payments received by Employee pursuant to this Agreement.

(e) Understanding of Covenants. The Employee represents that the Employee (i) is familiar with the foregoing covenants not to compete, and not to disparage and not to solicit employees, and (ii) is fully aware of the Employee's obligations hereunder, including, without limitation, the reasonableness of the length of time, scope and geographic coverage of the covenant not to compete.

(f) Remedies. Employee agrees that monetary damages would not be ade-quate compensation for any loss incurred by the Company by reason of a breach of the provisions of this Section 5 and hereby agrees to waive the defense in any action for spe-cific performance that a remedy at law would be adequate.

6. Golden Parachute Excise Tax. In the event that the benefits provided for in this Agreement or otherwise payable to the Employee constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") that are subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Employee shall receive (i) a one-time payment from the Company sufficient to pay such excise tax (the "Excise Tax Gross-Up"), and (ii) an additional one-time payment from the Company sufficient to pay the additional excise tax and federal, state and local income and employment taxes arising from the Excise Tax Gross-Up made by the Company to the Employee pursuant to this Section 6 (the "Additional Gross-Up"). Unless the Company and the Employee otherwise agree in writing, the determination of the Employee's excise tax liability and the amount required to be paid under this Section 6 shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"). The initial Excise Tax Gross-Up and Additional Gross-Up payments hereunder, if any, shall either be (x) paid to the Employee no later than ten (10) days prior to the due date for the payment of any excise tax, or (y) paid to the Internal Revenue Service on behalf of the Employee no later than the due date for the payment of any excise tax. In the event that the Excise Tax incurred by the Employee is determined by the Internal Revenue Service to be greater or lesser than the amount so determined by the Accountants, the Company and the Employee agree to promptly (but in no event later than the end of the calendar year in which the applicable taxes are paid to (or received from) the Internal Revenue Service) make such additional payment, including interest and any tax penalties, to the other party as the Accountants reasonably determine is appropriate. For purposes of making the calculations required by this Section 6, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on interpretations concerning the application of the Code for which there is a "substantial authority" tax reporting position. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 6. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 6.

7. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, amalgamation, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. Without the written consent of the Company, the Employee shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

9. 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 in front of one neutral arbitrator in accordance with the then applicable Employment Dispute Resolution rules of the American Arbitration Association ("the AAA Rules"). Claims subject to arbitration shall include contract claims, tort claims and 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.

10. Miscellaneous Provisions.

(a) Mitigation. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source. However, the Employee shall not be entitled to receive the health coverage and benefits contemplated by this Agreement in the

event that the Employee receives similar health coverage and benefits as a result of new employment during the Compensation Continuation Period.

(b) Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Integration. This Agreement represents the entire agreement and understanding between the parties with respect to the subject matter herein but shall not supersede any employment agreement between the Company or any of its affiliates and the Employee, any indemnification agreement between the Employee and the Company (or its successor or acquirer), the share award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

(d) Governing Law. This Agreement has been executed and delivered in the State of California, and its validity interpretation, performance, and enforcement shall be governed by the laws of said State. The parties agree that any legal disputes concerning this Agreement, or Employee's next employment, will be filed in Alameda County, California.

(e) Severability. In the event any provision of this Agreement or any part hereof is held invalid, such invalidity shall not affect any remaining part of such provision or any other provision. If any court construes any provision of this Agreement to be illegal, void or unenforceable because of the duration or the area or matter covered thereby, such court shall reduce the duration, area or matter of such provision, and, in its reduced form, such provision shall then be enforceable and shall be enforced.

(f) Tax Withholdings. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

(g) Compliance with Section 409A of the Code.

(i) It is intended that this Agreement will comply with Section 409A of the Code and any regulations and guidelines promulgated thereunder (collectively, "Section 409A"), to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. If an amendment of the Agreement is necessary in order for it to comply with Section 409A, the parties hereto will negotiate in good faith to amend the Agreement in a manner that preserves the original intent of the parties to the extent reasonably possible. No action or failure to act pursuant to this Section 11(g) shall subject the Company to any claim, liability, or expense, and the Company shall not have any obligation to indemnify or otherwise protect the Employee from the obligation to pay any taxes, interest or penalties pursuant to Section 409A.

(ii) With respect to any reimbursement or in-kind benefit arrangements of the Company and its subsidiaries that constitute deferred compensation for purposes of Sec

tion 409A, except as otherwise permitted by Section 409A, the following conditions shall be applicable: (A) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year (except that the health and dental plans may impose a limit on the amount that may be reimbursed or paid), (B) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (C) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days after termination of employment"), the actual date of payment within the specified period shall be within the sole discretion of the Company. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(i) Effect of Prior Agreements. This Agreement contains the entire understanding between the parties hereto and, effective as of November 1, 2012, shall replace and supersede all prior change of control severance agreements between the Company and Employee, but shall not replace or supersede any indemnification agreement between the Employee and the Company (or its successor or acquirer), any share award agreement between the Employee and the Company (or its successor or acquirer), or any employee benefit plan in which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, and it shall be effective as of November 1, 2012.

COMPANY:

XOMA CORPORATION

By: /s/ John Varian
John Varian
Interim Chief Executive Officer

EMPLOYEE:

/s/ James R. Neal
James R. Neal

EXHIBIT A

FORM RELEASE OF CLAIMS AGREEMENT

This Release of Claims Agreement (this "Agreement") is made and entered into by and between XOMA Corporation (the "Company") and James R. Neal (the "Employee").

WHEREAS, the Employee was employed by the Company; and

WHEREAS, the Company and the Employee have entered into a Change of Control Severance Agreement effective as of November 1, 2012 (the "Severance Agreement").

NOW THEREFORE, in consideration of the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Employee (collectively referred to as the "Parties") desiring to be legally bound do hereby agree as follows:

1. Termination. The Employee's employment with the Company terminated on _____, 20___.

2. Consideration. Subject to and in consideration of the Employee's full and complete release of claims as provided herein, the Company has agreed to pay the Employee certain benefits and the Employee has agreed to provide certain benefits to the Company, both as set forth in the Severance Agreement.

3. Release of Claims. The Employee agrees that the foregoing consideration represents settlement in full of all currently outstanding obligations owed to the Employee by the Company. The Employee, on the Employee's own behalf and the Employee's respective heirs, family members, executors and assigns, hereby fully and forever releases the Company and its past, present and future officers, agents, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, parents, predecessor and successor corporations, and assigns, from, and agrees not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings concerning any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that the Employee may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date (as defined below) of this Agreement including, without limitation:

(a) any and all claims relating to or arising from the Employee's employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, the Employee's right to purchase, or actual purchase of shares of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law and securities fraud under any state or federal law;

(c) any and all claims based on contract, tort or statute including, but not limited to, claims for wrongful discharge of employment, termination in violation of public

policy, discrimination, breach of contract (both express and implied), breach of a covenant of good faith and fair dealing (both express and implied), promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment and conversion;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, The Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, and/or the California Labor Code and all amendments to each such Act/statute as well as the regulations issued thereunder;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) any and all claims for attorneys' fees and costs.

The Employee agrees that the release set forth in this Section 3 shall be and remain in effect in all respects as a complete general release as to the matters released. Notwithstanding the foregoing, this release does not extend to any obligations now or subsequently incurred under this Agreement, the post-termination obligations set forth in Section 5 of the Severance Agreement, the Indemnification Agreement between the Employee and the Company (or its successor or acquirer), the outstanding share award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

4. Acknowledgment of Waiver of Claims under ADEA. The Employee acknowledges that the Employee is waiving and releasing any rights the Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. The Employee and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. The Employee acknowledges that the consideration given for this waiver and release agreement is in addition to anything of value to which the Employee was already entitled. The Employee further acknowledges that the Employee has been advised by this writing that (a) the Employee should consult with an attorney prior to executing this Agreement; (b) the Employee has at least twenty-one (21) days within which to consider this Agreement; (c) the Employee has seven (7) days following the execution of this Agreement by the Parties to revoke the Agreement; and (d) this Agreement shall not be effective until the revocation period has expired. Any revocation should be in writing and delivered to the Legal Department of the Company by the close of business on the seventh (7th) day from the date that the Employee signs this Agreement.

5. Civil Code Section 1542. The Employee represents that the Employee is not aware of any claims against the Company other than the claims that are released by this Agreement. The Employee acknowledges that the Employee has been advised by legal counsel and is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HER OR HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HER OR HIM MUST HAVE MATERIALLY AFFECTED HER OR HIS SETTLEMENT WITH THE DEBTOR.

The Employee, being aware of said code section, agrees to expressly waive any rights the Employee may have thereunder, as well as under any other statute or common law principles of similar effect.

6. No Pending or Future Lawsuits. The Employee represents that the Employee has no injuries that have not yet been reported to the Company's workers' compensation carrier, no lawsuits, claims or actions pending in the Employee's name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. The Employee also represents that the Employee does not intend to bring any claims on the Employee's own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein except, if necessary, with respect to the agreements listed in the last sentence of Section 3 of this Agreement.

7. Confidentiality. The Employee agrees to use the Employee's best efforts to maintain in confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as "Release Information"). The Employee agrees to take every reasonable precaution to prevent disclosure of any Release Information to third parties and agrees that there will be no publicity, directly or indirectly, concerning any Release Information. The Employee agrees to take every precaution to disclose Release Information only to those attorneys, accountants, governmental entities and family members who have a reasonable need to know of such Release Information.

8. No Adverse Cooperation. The Employee agrees the Employee will not act in any manner that might damage the business of the Company. The Employee agrees that the Employee will not counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges or complaints by any third party against the Company and/or any officer, director, employee, agent, representative, shareholder or attorney of the Company, unless compelled under a subpoena or other court order to do so.

9. Costs. The Parties shall each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

10. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. The Employee represents and warrants that the Employee has the capacity to act on the Employee's own behalf and on behalf of all who might claim through the Employee to bind them to the terms and conditions of this Agreement.

11. No Representations. The Employee represents that the Employee has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Neither party has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.

12. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

13. Entire Agreement. This Agreement and the Severance Agreement and the agreements and plans referenced therein represent the entire agreement and understanding between the Company and the Employee concerning the Employee's separation from the Company, and supersede and replace any and all prior agreements and understandings concerning the Employee's relationship with the Company and the Employee's compensation by the Company. This Agreement may only be amended in writing signed by the Employee and an executive officer of the Company.

14. Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

15. Effective Date. This Agreement is effective eight (8) days after it has been signed by the Parties (the "Effective Date") unless it is revoked by the Employee within seven (7) days of the execution of this Agreement by the Employee.

16. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

17. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

(a) they have read this Agreement;

(b) they have been represented in the preparation, negotiation and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) they understand the terms and consequences of this Agreement and of the releases it contains; and

(d) they are fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

XOMA CORPORATION

By: _____

Title: _____

Date: _____

EMPLOYEE

_____

Name:

Date: _____

Exhibit 10.32

OFFICER EMPLOYMENT AGREEMENT

This Officer Employment Agreement ("Agreement"), dated this 29th day of October, 2015, by and between XOMA (US) LLC ("XOMA" or the "Company"), a Delaware limited liability company with its principal office at 2910 Seventh Street, Berkeley, California, and James R. Neal ("Employee"), an individual residing at 875 El Cerro Blvd., Danville, California.

WHEREAS, the Company wishes to enter into this Agreement to retain or assure the Company of the continued services of Employee; and

WHEREAS, Employee is willing to enter into this Agreement and to serve or to continue to serve in the employ of the Company upon the terms and conditions hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. Employment. The Company agrees to employ or to continue to employ Employee, and Employee agrees to be or continue to be employed by the Company, for the period referred to in Section 3 hereof and upon the other terms and conditions herein provided.

2. Position and Responsibilities. Employee shall devote his reasonable best efforts and substantially all of his time and attention to his employment by the Company. He shall perform the duties of Senior Vice President and Chief Operating Officer and/or such other reasonable duties as may be determined from time to time by the Chief Executive Officer of the Company ("CEO"). During his employment with the Company, Employee may not accept part time consulting or other business or non-profit opportunities without first obtaining written approval from the CEO.

3. Term of Employment. This Agreement shall become effective and the term of employment pursuant to this Agreement shall commence on October 29, 2015 and continue until October 31, 2016. This Agreement will be automatically extended (without further action by the parties) for an additional one–year term thereafter and again on each subsequent one-year anniversary thereof unless it is terminated by either the Employee or the Company at any time with thirty (30) days prior written notice, unless Employee is otherwise terminated by the Company or he resigns from the Company pursuant to Section 6 hereof.

4. Compensation and Reimbursement of Expenses.

(a) Compensation. For all services rendered by Employee as Senior Vice President and Chief Operating Officer, during his employment under this Agreement, the Company shall pay Employee as compensation a base salary at a rate of not less than $400,000.00 per annum. In addition, Employee shall be a participant in the Company's Management Incentive Compensation Plan ('MICP"). All taxes and governmentally required withholding shall be deducted in conformity with applicable laws.

(b) Share Options. Employee will be granted share options and/or other share or share-based awards from time to time as per the Company's standard practices and subject to approval by the Company's Board of Directors.

(c) Reimbursement of Expenses. The Company shall pay or reimburse Employee for all reasonable travel and other expenses incurred by Employee in performing his obligations under this Agreement in a manner consistent with past Company practice. The Company further agrees to furnish Employee with such assistance and accommodations as shall be suitable to the character of Employee's position with the Company, adequate for the performance of his duties and consistent with past Company practice.

5. Participation in Benefit Plans. The payments provided in Section 4 hereof are in addition to benefits Employee is entitled to under any group hospitalization, health, dental care, disability insurance, surety bond, death benefit plan, travel and/or accident insurance, other allowance and/or executive compensation plan, including, without limitation, any senior staff incentive plan, capital accumulation programs, restricted or non-restricted share purchase plan, share option plan, retirement income or pension plan or other present or future group employee benefit plan or program of the Company for which key executives are or shall become eligible, and Employee shall be eligible to receive during the period of his employment under this Agreement, all benefits and emoluments for which key executives are eligible under every such plan or program to the extent permissible under the general terms and provisions of such plans or programs and in accordance with the provisions thereof.

6. Termination of Employment.

(a) Termination by Employee. As provided in Section 3, Employee has the right to terminate his employment with the Company at any time and for any reason. Employee will not be entitled to any severance pay or other benefits from the Company if he terminates his employment with the Company, except if such termination is for Good Reason in accordance with the terms hereof. In case of termination of this Agreement for Good Reason by Employee, Employee shall be entitled to the severance pay and other benefits set forth in Section 7 hereof. "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 and other benefits set forth in Section 7 hereof.

(b) Termination by the Company Without Cause. Employee may be terminated by the Company without Cause (as defined below), but in such case, Employee shall be entitled to the severance pay and other benefits set forth in Section 7 hereof.

(c) Termination Upon Death or Permanent Disability. Except as required by law and as provided in Section 7 hereof, all benefits and other rights of Employee hereunder shall be terminated by the death or permanent disability of the Employee. For the purposes of this Agreement, permanent disability is defined as Employee being incapable of performing his duties to the Company by reason of any medically determined physical or mental impairment that can be expected to last for a period of more than six consecutive months from the first date of the Employee's absence due to the disability. The Company will give Employee at least four weeks written notice of termination due to such disability.

(d) Termination by the Company for Cause. The Company may terminate Employee's employment for cause, in which case, Employee will not be entitled to any severance pay. For the purposes of this Agreement, the Company will have Cause to terminate Employee's employment as the result of:

(i) willful material fraud or material dishonesty in connection with Employee's performance hereunder;

(ii) failure by Employee to materially perform the material duties of his job as Senior Vice President and Chief Operating Officer, as documented pursuant to the Company's performance management process and procedures;

(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.

(e) Notice and Opportunity to Cure. Notwithstanding the foregoing, it shall be a condition precedent to the Company's right to terminate the Employee's employment for the reasons set forth in Sections 6(d)(ii) or (iii) of this Agreement that (i) the Company shall first have given the Employee written notice stating with specificity the reason for the termination ("breach") and (ii) if such breach is capable of cure or remedy, Employee will have a period of thirty (30) days after the notice is given to remedy the breach, unless such breach cannot be cured or remedied within thirty (30) days, in which case the period for remedy or cure shall be extended for a reasonable time (not to exceed an additional thirty (30) days), provided the Employee has made and continues to make a diligent effort to effect such remedy or cure.

(f) Resignation from the Board of Directors of the Company's Parent Company ("Board"). If Employee is a member of the Board at the time of termination of his employment

with the Company (regardless of the reason(s) therefor), Employee shall be deemed to have resigned from the Board effective as of the date of such termination of employment, unless Employee and the Company agree otherwise in writing.

(g) Return of Company Property. Upon termination of employment for any reason, Employee shall immediately return to the Company all documents, telephones, computers, pagers, keys, credit cards, other property and records of the Company, and all copies thereof, within Employee's possession, custody or control.

7. Severance Pay and Other Benefits. The following provisions of this Section 7 shall apply upon the occurrence of an event of termination as provided in Section 6(a) for Good Reason, Section 6(b) or Section 6(c).

(a) Cash Severance Pay. The Company shall pay Employee, or in the event of his subsequent death or permanent disability, his beneficiary or beneficiaries of his estate, as the case may be, as severance pay or liquidated damages, or both, (i) a severance payment in an amount equal to 0.75 times Employee's annual base salary as in effect immediately prior to the termination, and (ii) a severance payment equal to a prorated portion of the Employee's annual target bonus in effect for the fiscal year in which the termination occurs calculated by multiplying the annual target bonus by a fraction, the numerator of which shall be the number of calendar months (including a portion of any such month) during which the Employee was employed by the Company prior to the occurrence of the termination during such fiscal year, and the denominator of which shall be 12; provided that if Employee has been an officer of the Company for less than one year at the time of such termination, Employee's severance pay shall be limited to an amount equal to .5 times Employee's annual base salary as in effect immediately prior to the termination ; and provided further, if Employee is terminated other than for Cause under Section 6(d) above, after December 31 of any year in which he was a participant in the MICP, Employee shall be entitled to receive his bonus payment for the year just ended consistent with his performance against his MICP objectives. Such severance payments shall be in lieu of any other severance payment to which the Employee shall be entitled as a result of such termination pursuant to this Agreement, any other employment agreement with or offer letter from the Company or any of its affiliates or the Company's or any of its affiliate's then existing severance plans and policies, except in those circumstances where the provisions of the Change of Control Severance Agreement, effective as of November 1, 2012, between Employee and XOMA Corporation (f/k/a XOMA Ltd.), by such agreement's express terms, apply, in which case the provisions of such agreement providing for severance payment(s) to Employee as a result of such termination shall apply in lieu of the provisions of this Agreement relating thereto. The severance payment described in Section 7(a)(i) above, shall be paid in monthly installments over nine (9) months (the "Severance Payment Period"), with the first two (2) of such monthly installments being paid after expiration of any revocation period therefore and sixty (60) days after the date of termination and the remaining monthly installments being paid monthly thereafter until fully paid. The severance payments described in Section 7(a)(ii) above, shall be paid in a lump sum sixty (60) days after the date of termination; provided, however, that all of such severance payments shall be subject to the requirements of Section 7(c) and Section 7(e) below.

(b) Group Health Coverage and Certain Other Benefits. In addition, during a period of nine (9) months following an event of termination under Section 6(a), for Good Reason

only, or Section 6(b), (i) the Company shall pay for the full cost of the coverage of the Employee and Employee's spouse and eligible dependents under any group health plans of the Company on the date of such termination of employment at the same level of health (i.e., medical, vision and dental) coverage and benefits as in effect for the Employee or such covered dependents on the date immediately preceding the date of the Employee's termination; provided, however, that (A) Employee and Employee's spouse and eligible dependents each constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Internal Revenue Code of 1986, as amended (the "Code"); and (B) Employee elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA; and (ii) if Employee is, at the time of such termination, an eligible participant in the Company's mortgage differential program, the Company shall continue to make mortgage assistance payments to Employee pursuant to such program as in effect at the time of such termination. Notwithstanding the foregoing, the payments by the Company for such group health coverage and/or mortgage assistance, as applicable, shall cease prior to the expiration of the nine (9) month period in this Section 7(b) upon the employment of the Employee by another employer. Furthermore, if, at the time of the termination of Employee's employment under paragraph 6(a), Employee is the obligor of a "forgivable" loan (i.e., a loan which by its terms is to be considered forgiven by the Company and paid by the obligor in circumstances other than actual repayment) from the Company, then, notwithstanding any provisions of such loan to the contrary, the outstanding balance of such loan shall be immediately due and payable, together with any accrued and unpaid interest thereon.

(c) Section 409A of the Code. Notwithstanding any provision to the contrary in this Agreement, if the Employee is deemed on the date of his "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment or benefit (including, without limitation, any mortgage assistance payment or loan forgiveness referred to above) that is considered deferred compensation under Section 409A of the code payable on account of a "separation from service" that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (after taking into account any applicable exceptions to such requirement), such payment or benefit shall be made or provided on the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of the Employee's "separation from service," or (ii) the date of the Employee's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 7(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the Employee's "termination of employment" (and corollary terms) with the Company shall be construed to refer to Employee's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company.

(d) Outplacement Program. Upon the occurrence of an event of termination under Section 6(a) for Good Reason or Section 6(b), Employee will immediately become entitled to

participate in a six (6) month executive outplacement program provided by an executive outplacement service selected by the Company, at the Company's expense not to exceed eight thousand dollars ($8,000) paid directly to the outplacement service.

(e) Release of Claims. As a condition of entering into this Agreement and receiving the severance benefits under this Section 7, Employee agrees to execute, on or before the date that is fifty (50) days following the date of termination, and not revoke a release of claims agreement substantially in the form attached hereto as Exhibit A upon the termination of the Employee's employment with the Company. Such release shall not, however, apply to the rights and claims of the Employee under this Agreement, any indemnification agreement between the Employee and XOMA Corporation (or its successor or acquirer), the bylaws of XOMA Corporation (or its successor or acquirer), the share award agreements between the Employee and XOMA Corporation (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

8. Post-Termination Obligations. All payments and benefits provided to Employee under this Agreement shall be subject to Employee's compliance with the following provisions during the term of his employment and for the Severance Payment Period:

(a) Confidential Information and Competitive Conduct. Employee shall not, to the detriment of the Company, or any of its affiliates, disclose or reveal to any unauthorized person any trade secret or other confidential information relating to the Company or its affiliates or to any businesses operated by them, and Employee confirms that such information constitutes the exclusive property of the Company. Employee shall not otherwise act or conduct himself to the material detriment of the Company or its affiliates, or in a manner which is inimical or contrary to the interests thereof, and, for a period of nine (9) months following an event of termination under Sections 6(a) or (b), shall not, directly or indirectly, engage in or render any service (whether to a person, firm or business) in direct competition with the Company; provided, however, that Employee's ownership of less than five percent (5%) of the outstanding stock of a corporation shall not itself be deemed to constitute such competition. Employee recognizes that the possible restrictions on his activities which may occur as a result of his performance of his obligations under this Section 8 are required for the reasonable protection of the Company and its investments. For purposes hereof, "in direct competition" means engaged in the research, development and/or marketing and sale of biological materials intended for use as therapeutic products in one or more of the same indications, and that utilize one or more of the same scientific bases (e.g., in the case of a therapeutic antibody, targets the same signal initiating pathway), as a product or product candidate the research, development and/or marketing and sale of which is an active part of the Company's business plan at the time of Employee's termination.

(b) Agreement Not to Solicit Employees. Employee agrees that during the term of his employment with the Company or any entity owned by or affiliated with the Company (whether pursuant to this Agreement or otherwise), and for one (1) year following the termination thereof for any reason whatsoever, he will not, either directly or indirectly, on his own behalf or in the service or on behalf of others, solicit or divert, attempt to solicit or divert or induce or attempt to induce to discontinue employment with the Company, or any subsidiary or affiliate thereof, any person employed by the Company, or any subsidiary or affiliate thereof, whether or

not such employee is a full time employee or a temporary employee of the Company, or any subsidiary or affiliate thereof, and whether or not such employment is for a determined period or is at-will.

(c) Non-Disparagement. The Employee and the Company agree to refrain from (i) any defamation, libel or slander or any communication of any facts or opinions that might tend to disparage, degrade or harm the reputation of the other and its respective officers, directors, employees, representatives, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns or (ii) tortious interference with the contracts and relationships of the other and its respective officers, directors, employees, representatives, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns.

(d) Failure of Employee to Comply. If, for any reason other than death or disability, Employee shall, without written consent of the Company, fail to comply with the provisions of Sections 8(a), (b) or (c) above, (i) his rights to any future payments or other benefits hereunder shall terminate immediately; (ii) the Company's obligations to make such payments and provide such benefits shall cease immediately; and (iii) Employee shall refund to the Company all termination payments received by Employee pursuant to this Agreement.

(e) Understanding of Covenants. The Employee represents that the Employee (i) is familiar with the foregoing covenants not to compete, not to solicit and not to disparage, and (ii) is fully aware of the Employee's obligations hereunder, including, without limitation, the reasonableness of the length of time, scope and geographic coverage of the covenant not to compete.

(f) Remedies. Employee agrees that monetary damages would not be adequate compensation for any loss incurred by the Company by reason of a breach of the provisions of this Section 8 and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

9. General Provisions.

(a) Binding Agreement. This Agreement shall be binding upon, and inure to the benefit of, Employee and the Company and their respective permitted successors and assigns.

(b) Compliance with Section 409A of the Code.

(i) It is intended that this Agreement will comply with Section 409A of the Code and any regulations and guidelines promulgated thereunder (collectively, "Section 409A"), to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. If an amendment of the Agreement is necessary in order for it to comply with Section 409A, the parties hereto will negotiate in good faith to amend the Agreement in a manner that preserves the original intent of the parties to the extent reasonably possible. No action or failure to act pursuant to this Section 9(b) shall subject the Company to any claim, liability, or expense, and the Company shall not have any obligation to indemnify or otherwise protect the Employee from the obligation to pay any taxes, interest or penalties pursuant to Section 409A.

(ii) With respect to any reimbursement or in-kind benefit arrangements of the Company and its subsidiaries that constitute deferred compensation for purposes of Section 409A, except as otherwise permitted by Section 409A, the following conditions shall be applicable: (A) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year (except that the health and dental plans may impose a limit on the amount that may be reimbursed or paid), (B) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (C) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days after termination of employment"), the actual date of payment within the specified period shall be within the sole discretion of the Company. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A.

(c) Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

10. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, amalgamation, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. Without the written consent of the Company, the Employee shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

11. Miscellaneous Provisions.

(a) Amendment of Agreement. This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) Waiver. No term or condition of this Agreement shall be deemed to have been waived except by written instrument of the party charged with such waiver. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived.

12. Severability. In the event any provision of this Agreement or any part hereof is held invalid, such invalidity shall not affect any remaining part of such provision or any other provision. If any court construes any provision of this Agreement to be illegal, void or unenforceable because of the duration or the area or matter covered thereby, such court shall reduce the duration, area or matter of such provision, and, in its reduced form, such provision shall then be enforceable and shall be enforced.

13. Governing Law. This Agreement has been executed and delivered in the State of California, and its validity interpretation, performance, and enforcement shall be governed by the laws of said State. The parties agree that any legal disputes concerning this Agreement, or Employee's next employment, will be filed in Alameda County, California.

14. Legal Fees. If any action or proceeding in arbitration or law is commenced to enforce any of the provisions or rights under this Agreement or Exhibit A hereto, 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.

15. 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 in front of one neutral arbitrator in accordance with the then applicable Employment Dispute Resolution rules of the American Arbitration Association ("the AAA Rules"). Claims subject to arbitration shall include contract claims, tort claims and 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.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument

17. Effect of Prior Agreements. This Agreement contains the entire understanding between the parties hereto and, effective as of October 29, 2015, shall replace and supersede all prior employment agreements between the Company and Employee, but shall not replace or

supersede the Change of Control Severance Agreement referred to above, any indemnification agreement between the Employee and XOMA Corporation (or its successor or acquirer), the share award agreements between the Employee and XOMA Corporation (or its successor or acquirer), or any employee benefit plan in which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

IN WITNESS WHEREOF, each of the parties hereto has signed this Agreement, and it shall be effective as of October 29, 2015.

XOMA (US) LLC

/s/ John Varian
By: John Varian

Executive Officer

/s/ James R. Neal
James R. Neal

EXHIBIT A

FORM RELEASE OF CLAIMS AGREEMENT

This Release of Claims Agreement (this "Agreement") is made and entered into by and between XOMA (US) LLC (the "Company") and James R. Neal (the "Employee").

WHEREAS, the Employee was employed by the Company; and

WHEREAS, the Company and the Employee have entered into an Officer Employment Agreement effective as of October 29, 2015 (the "Employment Agreement").

NOW THEREFORE, in consideration of the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Employee (collectively referred to as the "Parties") desiring to be legally bound do hereby agree as follows:

1. Termination. The Employee's employment with the Company terminated on _____, 20__.

2. Consideration. Subject to and in consideration of the Employee's full and complete release of claims as provided herein, the Company has agreed to pay the Employee certain benefits and the Employee has agreed to provide certain benefits to the Company, both as set forth in the Employment Agreement.

3. Release of Claims. The Employee agrees that the foregoing consideration represents settlement in full of all currently outstanding obligations owed to the Employee by the Company. The Employee, on the Employee's own behalf and the Employee's respective heirs, family members, executors and assigns, hereby fully and forever releases the Company and its past, present and future officers, agents, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, parents, predecessor and successor corporations, and assigns, from, and agrees not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings concerning any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that the Employee may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date (as defined below) of this Agreement including, without limitation:

(a) any and all claims relating to or arising from the Employee's employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, the Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law and securities fraud under any state or federal law;

(c) any and all claims based on contract, tort or statute including, but not limited to, claims for wrongful discharge of employment, termination in violation of public policy, discrimination, breach of contract (both express and implied), breach of a covenant of good faith

and fair dealing (both express and implied), promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment and conversion;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, The Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, and/or the California Labor Code and all amendments to each such Act/statute as well as the regulations issued thereunder;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) any and all claims for attorneys' fees and costs.

The Employee agrees that the release set forth in this Section 3 shall be and remain in effect in all respects as a complete general release as to the matters released. Notwithstanding the foregoing, this release does not extend to any obligations now or subsequently incurred under this Agreement, the post-termination obligations set forth in Section 8 of the Employment Agreement, the Indemnification Agreement between the Employee and the Company (or its successor or acquirer), the outstanding stock award agreements between the Employee and the Company (or its successor or acquirer), or any employee benefit plan of which the Employee is a participant and under which all benefits due under such plan have not yet been paid or provided.

4. Acknowledgment of Waiver of Claims under ADEA. The Employee acknowledges that the Employee is waiving and releasing any rights the Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. The Employee and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. The Employee acknowledges that the consideration given for this waiver and release agreement is in addition to anything of value to which the Employee was already entitled. The Employee further acknowledges that the Employee has been advised by this writing that (a) the Employee should consult with an attorney prior to executing this Agreement; (b) the Employee has at least twenty-one (21) days within which to consider this Agreement; (c) the Employee has seven (7) days following the execution of this Agreement by the Parties to revoke the Agreement; and (d) this Agreement shall not be effective until the revocation period has expired. Any revocation should be in writing and delivered to the Legal Department at the Company by the close of business on the seventh (7th) day from the date that the Employee signs this Agreement.

5. Civil Code Section 1542. The Employee represents that the Employee is not aware of any claims against the Company other than the claims that are released by this Agreement. The Employee acknowledges that the Employee has been advised by legal counsel and is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HER OR HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HER OR HIM MUST HAVE MATERIALLY AFFECTED HER OR HIS SETTLEMENT WITH THE DEBTOR.**

The Employee, being aware of said code section, agrees to expressly waive any rights the Employee may have thereunder, as well as under any other statute or common law principles of similar effect.

6. No Pending or Future Lawsuits. The Employee represents that the Employee has no injuries that have not yet been reported to the Company's workers' compensation carrier and no lawsuits, claims or actions pending in the Employee's name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. The Employee also represents that the Employee does not intend to bring any claims on the Employee's own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein except, if necessary, with respect to the agreements listed in the last sentence of Section 4 of this Agreement.

7. Confidentiality. The Employee agrees to use the Employee's best efforts to maintain in confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as "Release Information"). The Employee agrees to take every reasonable precaution to prevent disclosure of any Release Information to third parties and agrees that there will be no publicity, directly or indirectly, concerning any Release Information. The Employee agrees to take every precaution to disclose Release Information only to those attorneys, accountants, governmental entities and family members who have a reasonable need to know of such Release Information.

8. No Adverse Cooperation. The Employee agrees the Employee will not act in any manner that might damage the business of the Company. The Employee agrees that the Employee will not counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges or complaints by any third party against the Company and/or any officer, director, employee, agent, representative, shareholder or attorney of the Company, unless compelled under a subpoena or other court order to do so.

9. Costs. The Parties shall each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

10. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. The Employee represents and warrants that the

Employee has the capacity to act on the Employee's own behalf and on behalf of all who might claim through the Employee to bind them to the terms and conditions of this Agreement.

11. No Representations. The Employee represents that the Employee has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Neither party has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.

12. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

13. Entire Agreement. This Agreement and the Employment Agreement and the agreements and plans referenced therein represent the entire agreement and understanding between the Company and the Employee concerning the Employee's separation from the Company, and supersede and replace any and all prior agreements and understandings concerning the Employee's relationship with the Company and the Employee's compensation by the Company. This Agreement may only be amended in writing signed by the Employee and an executive officer of the Company.

14. Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

15. Effective Date. This Agreement is effective eight (8) days after it has been signed by the Parties (the "Effective Date") unless it is revoked by the Employee within seven (7) days of the execution of this Agreement by the Employee.

16. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

17. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

(a) they have read this Agreement;

(b) they have been represented in the preparation, negotiation and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) they understand the terms and consequences of this Agreement and of the releases it contains; and

(d) they are fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

XOMA (US) LLC

By:

Title:

Date:

EMPLOYEE

Date:

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 10.63

EXCLUSIVE LICENSE AGREEMENT

This **Exclusive License Agreement** (the **"Agreement"**) is entered into and made effective as of the First day of December, 2015 (the "**Effective Date**") by and between XOMA (US) LLC, a limited liability company organized under the laws of Delaware having offices at 2910 Seventh Street, Berkeley, California, USA ("**XOMA**"), and **Novo Nordisk A/S**, a corporation organized under the laws of the Kingdom of Denmark ("**Novo Nordisk**"), having an address of Novo Alle, 2880 Bagsværd, Denmark, CVR No. 24 25 67 90. XOMA and Novo Nordisk are sometimes referred to herein individually as a **"Party"** and collectively as the **"Parties"**.

RECITALS

Whereas, XOMA has conducted research and development with respect to its XMetA antibody program, directed to the discovery, research and development of partial agonist monoclonal antibodies directed against the human insulin receptor that do not alter the dose response curve of insulin receptor signaling in response to insulin, and possesses proprietary technology, intellectual property and materials with respect thereto;

Whereas, Novo Nordisk possesses expertise in the manufacture, development and commercialization of human therapeutic products;

Whereas, Novo Nordisk desires to acquire an exclusive license to the XMetA antibody program and to research, develop and commercialize the resulting products, and XOMA is willing to grant such license and rights, all on the terms and conditions set forth herein;

Whereas, Novo Nordisk intends to [*];

Whereas, XOMA retains the right to commercialize any XMetA product developed by Novo Nordisk in orphan indications world-wide; and

Whereas, Novo Nordisk retains an option to buy XOMA's commercialization right in orphan indications world-wide [*].

Now, Therefore, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement, the following capitalized terms, whether used in the singular or plural form, shall have the meanings set forth in this Article 1.

1.1 "**Acquired IP**" means any Patents and/or Know-How that (a) XOMA Controls immediately following an Acquisition that it did not Control immediately preceding such Acquisition, or (b) are owned or controlled by an Acquirer of XOMA immediately prior to the date of a Change of Control or thereafter other than Patents and Know-How owned or Controlled by XOMA immediately prior to the date of such Acquisition or Change of Control.

1.2 "**Acquisition**" means a license, merger, acquisition (whether of all of the stock or of all or substantially all of the assets of an entity or any operating or business division of an entity), reorganization, consolidation, combination or similar transaction after the Effective Date by or with XOMA or any of its Affiliates that is not a Change of Control of XOMA or any of its Affiliates.

1.3 "**Affiliate**" means, with respect to a particular Party, a person, corporation, partnership, or other entity that controls, is controlled by or is under common control with such Party. For the purposes of this definition, the word "control" (including, with correlative meaning, the terms "controlled by" or "under the common control with") means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity, whether by the ownership of fifty percent (50%) or more of the voting stock of such entity, or by contract or otherwise. For purposes of this definition, Novo A/S, the Novo Foundation and Novozymes A/S and their respective affiliates (other than Novo Nordisk's subsidiaries) shall not be considered Affiliates of Novo Nordisk.

1.4 "**AIA Proceedings**" means post-issuance patent challenges and other proceedings under the U.S. Leahy-Smith America Invents Act ("AIA").

1.5 "**Antibody**" means a polypeptide that is an antibody or is a part of an antibody, modified or unmodified, having at least one complementarity determining region (CDR) and which retains the ability to specifically bind antigen, and can include an antigen-binding heavy chain, light chain, heavy chain-light chain dimer, Fab fragment, F(ab')2 fragment, dAb, or an Fv fragment, including a single chain Fv (scFv).

1.6 **"[*]"** means [*] or [*] or [*].

1.7 "**BLA**" means a Biologics License Application filed with the FDA in the United States with respect to a Licensed Product, as defined in Title 21 of the U.S. Code of Federal Regulations, Section 601.2 et. seq., or a comparable filing for Regulatory Approval in a jurisdiction other than the United States.

1.8 **"Business Day"** means a week-day on which banking institutions in Denmark and the U.S. are open for business.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

1.9 **"Calendar Quarter"** means a period of three calendar months ending on 31 March, 30 June, 30 September or 31 December in any Calendar Year.

1.10 **"Calendar Year"** shall mean a period of twelve (12) consecutive calendar months ending on December 31.

1.11 **"Change of Control"** means, with respect to a Party, (a) completion of a merger, reorganization, amalgamation, arrangement, share exchange, consolidation, tender or exchange offer, private purchase, business combination, recapitalization or other transaction involving a Party as a result of which a Party is not the surviving entity or in which, if a Party is the surviving entity, the stockholders of such Party immediately prior to the consummation of such transaction do not, immediately after consummation of such transaction, possess a majority of the outstanding voting power and the power to elect a majority of the members of the board of directors of the ultimate company or entity resulting from such transaction immediately after consummation thereof (including a company or entity which as a result of such transaction owns the then-outstanding securities of a Party or all or substantially all of a Party's assets, either directly or through one or more subsidiaries); or (b) the sale or disposition to a Third Party of all or substantially all the assets of a Party (determined on a consolidated basis). The entity(ies) gaining control of such Party pursuant to a transaction described in the preceding sentence are referred to herein as the "**Acquirer**".

1.12 "**Commercialization**", with a correlative meaning for "**Commercialize**" and "**Commercializing**", means, with respect to a Licensed Product, all activities undertaken relating to the marketing, promotion (including advertising, detailing and continuing medical education), use, offering for sale, importing for sale, exporting for sale, distribution and sale of said Licensed Product and the commercial manufacturing of said Licensed Product, and, in each case, maintaining Regulatory Approvals necessary or useful to undertake such activities.

1.13 "**Commercially Reasonable Efforts**" means, with respect to a Party, the reasonable, diligent efforts and resources typically used [*] to perform the obligation at issue, which efforts shall not be less than those efforts [*] with respect to other products at a similar stage of development or in a similar stage of product life, with similar developmental risk profiles, of similar market and commercial potential, taking into account the competitiveness of the marketplace and the development of other product candidates (including the development of [*]), the proprietary position of the products, the regulatory structure involved, Regulatory Authority approved labeling, product profile, the profitability of the applicable products, issues of safety and efficacy, the likely timing of the product's entry into the market, pricing and reimbursement policy in the market, the likelihood of receiving Regulatory Approval and other relevant scientific, technical and commercial factors, in each case, without regard to any amounts payable under this Agreement.

1.14 "[*]" has the meaning set forth in Section [*].

1.15 "**Confidential Information**" means, with respect to a Party, all Know-How and information of any kind Controlled by such Party that is disclosed to the other Party under this Agreement, whether in oral, written, graphic, or electronic form, whether or not marked as confidential or proprietary, or that is otherwise expressly provided to be a Party's "Confidential

Information" hereunder. All Know-How disclosed pursuant to the Confidentiality Agreement between the Parties dated December 15, 2014, as amended, shall be deemed to be XOMA's Confidential Information disclosed hereunder.

1.16 "**Control**" other than for the purpose of Section 1.3 means, with respect to any material, Know-How or intellectual property right, that a Party whether by ownership or license, has the ability to grant to the other Party a license, or a sublicense (as applicable) to the foregoing on the terms and conditions set forth in this Agreement without violating the terms of any then-existing agreement or other arrangement with any Third Party and without misappropriating or infringing the proprietary or trade secret information of a Third Party.

1.17 "**Cover**", "**Covering**" or "**Covered**" means, with respect to a product, composition, technology, process or method, that, in the absence of ownership of or a license granted under a Valid Claim, the manufacture, use, offer for sale, sale or importation of such product or composition, or the practice of such technology, process or method, would infringe such Valid Claim (or, in the case of a Valid Claim that has not yet issued, would infringe such Valid Claim if it were to issue as then being prosecuted in good faith).

1.18 "**Covered Antibody**" means an Antibody that (a) [*], and (b) [*].

1.19 "[*]" means [*] and [*].

1.20 "**Develop**" or "**Development**" means all activities related to development of the Licensed Antibodies and Licensed Products, including research, preclinical and other non-clinical testing, test method development and stability testing, toxicology, formulation, manufacture process development, clinical studies (including manufacturing in support thereof, but excluding any commercial manufacturing), statistical analysis and report writing, the preparation and submission of Regulatory Materials, regulatory affairs with respect to the foregoing and all other activities necessary or reasonably useful or otherwise requested or required by a Regulatory Authority as a condition or in support of obtaining or maintaining a Regulatory Approval for the Licensed Product.

1.21 **"EMA"** means European Medicines Agency and any successor entity thereto.

1.22 "[*]" means [*] and [*] and [*], including [*], but excluding [*].

1.23 "**FDA**" means the United States Food and Drug Administration and any successor entity thereto.

1.24 "**Field**" means any and all uses.

1.25 "**First Commercial Sale**" means on a Licensed Product-by-Licensed Product basis, the first sale for end use to a Third Party of a Licensed Product in a given regulatory jurisdiction after Regulatory Approval has been obtained in such jurisdiction, provided, that "First Commercial Sale" shall not include (a) any sale by Novo Nordisk to an Affiliate or Sublicensee, or (b) sale, disposal or use of a Licensed Product for marketing, regulatory, development or charitable purposes, such as clinical trials, pre-clinical trials, compassionate use, named patient use, or indigent patient programs, in each case, without consideration.

1.26 "**Governmental Authority**" means any multi-national, federal, state, local, municipal, provincial or other government authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal).

1.27 "**Indication**" means any human disease, syndrome or medical condition for which Regulatory Approval has been obtained or may be sought to allow use in diagnoses, treatment, prevention or amelioration.

1.28 "**IND**" means (a) an Investigational New Drug Application as defined in the U.S. Food, Drug & Cosmetics Act and applicable regulations promulgated thereunder by the FDA; (b) a Clinical Trial Authorization filed with EU member states; or (c) the equivalent application to the equivalent Regulatory Authority in any other regulatory jurisdiction, the filing of which is necessary to initiate or conduct clinical testing of an investigational new drug in humans in such jurisdiction.

1.29 "**Initiates**" or "**Initiation**" means, with respect to a human clinical trial, the administration of the first dose of a Licensed Product or a placebo to the first patient/subject in such trial.

1.30 "**Know-How**" means any scientific or technical information and materials of any type, in any tangible or intangible form whatsoever, that is not in the public domain or otherwise publicly known, including discoveries, improvements, modifications, processes, methods, assays, designs, protocols, formulas, data, results, inventions, algorithms, know-how and trade secrets (in each case, whether or not patentable, copyrightable or otherwise), but excluding any Patents.

1.31 "**Laws**" means all laws, st atutes, rules, regulations, ordinances, guidances and other pronouncements having the effect of law of any federal, national, multinational, state, provincial, county, city or other political subdivision, domestic or foreign.

1.32 **"Licensed Antibody**" means [*]. "Licensed Antibody" excludes any Antibody that [*], including [*] and [*].

1.33 "**Licensed Know-How**" means all Know-How Controlled by XOMA as of the Effective Date or during the Term that is necessary or specifically useful for the Development, use, making, having made, manufacture, offering for sale, having sold or sale, importing, exporting and/or Commercialization of Licensed Antibodies or Licensed Products, but excluding in each case all Acquired IP.

1.34 "**Licensed Patents**" means the XMet Patents and the XOMA Background Patents.

1.35 "**Licensed Product**" means any pharmaceutical product containing a Licensed Antibody (alone or with other therapeutically active ingredients) that is formulated for therapeutic use in human beings, in all forms, presentations, formulations, methods of administration (including, without limitation, as part of a drug-device combination) and dosage forms.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

1.36 "**Licensed Technology**" means the Licensed Patents and the Licensed Know-How.

1.37 "[*]" means [*].

1.38 "**Major Markets**" means each of the following countries: the United States, Japan, the United Kingdom, France, Germany, Spain and Italy.

1.39 "**Net Sales**" means, with respect to a particular time period, the total amounts invoiced by Novo Nordisk, its Affiliates and their respective sublicensees for sales of Licensed Products made during such time period to unrelated Third Parties, less the following deductions to the extent actually allowed or incurred with respect to such sales, calculated in accordance with International Financial Reporting Standards as adopted by the EU:

(a) reasonable and customary discounts, including cash and quantity discounts, charge-back payments, administrative fees incurred directly in such discounting, and rebates actually granted to trade customers and distributors, including rebates and chargebacks or retroactive price reductions made to federal, state, or local governments (or their agencies), or any Third Party payor, administrator or contractor (not being a sublicensee for the relevant Licensed Produc t), including managed health organizations which arise solely in connection with sales of the Licensed Product;

(b) reasonable and customary credits or allowances actually granted for damaged, outdated, spoiled, returned or rejected Products, including, without limitation, in connection with recalls;

(c) charges included in the gross sales price for freight, insurance, transportation, postage, handling, insurance and any other charges relating to the sale, transportation, delivery or return of the Licensed Product to the extent that the charges are included in the invoice price to the buyer;

(d) amounts previously included in Net Sales of Licensed Product that are written off as uncollectible after reasonable collection efforts, in accordance with standard accounting practices of the applicable party as generally and consistently applied throughout such party's organization; and

(e) taxes, tariffs, duties or other governmental charges (other than income taxes) levied on, absorbed or otherwise imposed on sales of the Product in the Territory, as adjusted by any refunds.

Notwithstanding the foregoing, amounts billed by Novo Nordisk, its Affiliates, or their respective sublicensees for the sale of Licensed Products among Novo Nordisk, its Affiliates or their respective sublicensees for resale shall not be included in the computation of Net Sales hereunder. For purposes of determining Net Sales, a "sale" shall not include reasonable transfers or dispositions, at no cost, as samples or for charitable purposes, or transfers or dispositions at no cost for preclinical, clinical or regulatory purposes.

If a Licensed Product is sold in the form of a combination product containing a Licensed Product and one or more Novo Nordisk Separate Products (a "**Combination Product**"), the Net Sales of such Licensed Product for the purpose of calculating royalties and sales-based milestones owed under this Agreement for sales of such Licensed Product shall be the portion of the sale of such Combination Product allocable to the Licensed Product included in such Combination Product determined as follows: first, Novo Nordisk shall determine the actual Net Sales of such Combination Product (using the above provisions) and then such amount shall be multiplied by the fraction A/(A+B), where A is the average Calendar Quarter invoice price of the Licensed Product where sold separately in the country where the Combination Product is sold, and B is the average Calendar Quarter invoice price of the Novo Nordisk Separate Product where sold separately, in such country. If the Novo Nordisk Separate Product in such Combination Product is not sold separately in such country, Net Sales shall be calculated by multiplying actual Net Sales of such Combination Product by a fraction A/C where A is the average invoice price of such Licensed Product if sold separately in such country, and C is the average invoice price of such Combination Product in such country. If neither such Licensed Product nor the Novo Nordisk Separate Product in such Combination Product is sold separately in such country, the adjustment to Net Sales shall be determined by the Parties in good faith, using objective benchmarking information, where available, to reasonably reflect the fair market value of the contribution of such Licensed Product in such Combination Product.

If a Licensed Product is sold in the form of a [*], the Net Sales of such Licensed Product for the purpose of calculating royalties and sales-based milestones owed under this Agreement for sales of such Licensed Product shall be [*] determined as follows: first, Novo Nordisk shall determine the actual Net Sales [*] (using the above provisions) and then such amount shall be [*].

If a Licensed Product is sold in the form of a [*], the Net Sales of such Licensed Product for the purpose of calculating royalties and sales-based milestones owed under this Agreement for sales of such Licensed Product shall be [*] determined as follows: first, Novo Nordisk shall determine the actual Net Sales [*] (using the above provisions) and then such amount shall be [*]. [*].

1.40 "**Novo Nordisk Know-How**" means all Know-How that is generated, discovered or developed by or on behalf of Novo Nordisk or its Affiliates pursuant to this Agreement and is necessary or specifically useful for the Development, manufacture and/or Commercialization of Licensed Antibodies and Licensed Products [*]. Novo Nordisk Know-How excludes the Novo Nordisk Patents [*].

1.41 "**Novo Nordisk Patent**" means any Patent that (a) arises in connection with Novo Nordisk's activities under this Agreement, and (b) Covers (i) any Licensed Antibody or Licensed Product or the use, formulation, or manufacture thereof. Novo Nordisk Patent [*].

1.42 **"[*]"** means any [*], which is either (a) [*], or (b) [*]. For clarity, (b) above shall [*], if [*].

1.43 "**Novo Nordisk Separate Product**" means any therapeutically active ingredients or devices sold by Novo Nordisk, excluding the Licensed Antibodies and Licensed Products.

1.44 "**Orphan Indications**" means an Indication that satisfies the FDA or EMA criteria for an orphan or rare disease.

1.45 "**Patents**" means (a) pending patent applications and issued patents; (b) reissues, substitutions, confirmations, registrations, validations, re-examinations, additions, continuations, continued prosecution applications, continuations-in-part, or divisions of or to any patents or patent applications; and (c) the equivalent or counterpart of any of the foregoing.

1.46 "**Phase 1 Clinical Trial**" means a human clinical trial with the primary objective of characterizing the safety, tolerability, metabolism and pharmacokinetics of Licensed Product or that would otherwise satisfy the requirements of 21 C.F.R. §312.21(a) or an equivalent clinical trial in a country in the Territory other than the United States. The Licensed Product can be administered to subjects or patients as a single agent or in combination with other investigational or marketed agents and shall be deemed to have been initiated when the first patient in such study has received his or her initial dose of the Licensed Product.

1.47 "**Phase 2 Clinical Trial**" means a human clinical trial with the primary objective of characterizing efficacy as well as generating more detailed safety, dose ranges, tolerability, and pharmacokinetics information of Licensed Product as described in 21 C.F.R. §312.21(b), or an equivalent clinical trial in a country in the Territory other than the United States, and that is prospectively designed to generate sufficient data (if successful) to commence pivotal clinical trials. The Licensed Product can be administered to patients as a single agent or in combination with other investigational or marketed agents and shall be deemed to have been initiated when the first patient in such study has received his or her initial dose of the Licensed Product. Any clinical study conducted under a protocol which identifies such study as a "Phase 2" or a "Phase 1/2" study shall be deemed to be a Phase 2 Clinical Trial.

1.48 "**Phase 3 Clinical Trial**" means a human clinical trial with the primary objective of confirming with statistical significance the efficacy and safety of Licensed Product with the aim to obtain Regulatory Approval in the Indication being investigated in any country as described in 21 C.F.R. 312.21(c), or a comparable clinical study prescribed by the relevant Regulatory Authority in a country other than the United States. The Licensed Product can be administered to patients as a single agent or in combination with other investigational or marketed agents and shall be deemed to have been initiated when the first patient in such study has received his or her initial dose of the Licensed Product. Any clinical study conducted under a protocol which identifies such study as a "Phase 3", "Phase 2/3" or "pivotal" study shall be deemed to be a Phase 3 Clinical Trial.

1.49 "**PMDA**" means Japan's Pharmaceuticals and Medical Devices Agency and any successor entity thereto.

1.50 "**Prosecution and Maintenance**" or "**Prosecute and Maintain**" means, with regard to a Patent, the preparation, filing, prosecution and maintenance of such Patent, as well as re-examinations, reissues, appeals and requests for patent term adjustments, together with the initiation or defense of interferences, the initiation or defense of oppositions and other similar proceedings before a patent office with respect to the particular Patent, and any appeals therefrom, and any AIA Proceedings. For clarification, "Prosecution and Maintenance" or

"Prosecute and Maintain" shall not include any enforcement actions taken with respect to a Patent.

1.51 "**Regulatory Approval**" means, with respect to a Licensed Product in any country or jurisdiction, all approvals (including, where required, pricing and reimbursement approvals), registrations, licenses or authorizations from the relevant Regulatory Authority in a country or jurisdiction that is specific to the Licensed Product and necessary for the marketing or sale of such Licensed Product in such country or jurisdiction.

1.52 "**Regulatory Authority**" means, in a particular country or regulatory jurisdiction, any applicable Governmental Authority involved in granting Regulatory Approval and/or, to the extent required in such country or regulatory jurisdiction, pricing or reimbursement approval of a Licensed Product in such country or regulatory jurisdiction.

1.53 "**Regulatory Materials**" means regulatory applications, notifications, and registrations for Regulatory Approvals or other submissions made to or with a Regulatory Authority, together with all related correspondence to or from such Regulatory Authority, that are necessary or reasonably desirable in order to Develop or Commercialize a Licensed Product in a particular country, territory or possession in the Territory. Regulatory Materials include but is not limited to INDs, and BLAs, and amendments and supplements to any of the fo regoing, and applications for pricing, reimbursement and labelling approvals.

1.54 "**Retained Orphan Commercialization Rights**" has the meaning set forth in Section 2.2.

1.55 "**Retained Orphan Commercialization Option**" has the meaning set forth in Section 2.5.

1.56 **"Royalty Term"** has the meaning set forth in Section 5.3(c).

1.57 "**Target**" means human insulin receptor.

1.58 "**Territory**" means the world.

1.59 "**Taxes**" means taxes (other than income taxes), duties, tariffs or other governmental charges levied on the sale of Licensed Products, including, without limitation, consumption taxes.

1.60 "**Term**" has the meaning set forth in Section 10.1.

1.61 "**Third Party**" means any person or entity other than XOMA or Novo Nordisk or an Affiliate of either of them.

1.62 "**Third Party Claim**" has the meaning set forth in Section 8.1.

1.63 "**United States**" or "**U.S.**" means the United States of America, including its fifty (50) states and the District of Columbia .

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

1.64 "**Valid Claim**" means, on a country-by-country and Licensed Product-by-Licensed Product basis, a claim of an issued Licensed Patent or Novo Nordisk Patent or of a pending application for a Licensed Patent or Novo Nordisk Patent that, in each case, has not expired, lapsed, been refused without further possibility of appeal, revoked, cancelled or abandoned, or been dedicated to the public, disclaimed, or held unenforceable, invalid, or cancelled by a court or administrative agency of competent jurisdiction in an order or decision from which no appeal has been or can be taken, including through opposition, reexamination, reissue or disclaimer. An unissued claim in a pending Patent application shall only be deemed a Valid Claim (a) to the extent such claim has not been pending for more than [*] after the earliest filing date from which such Va lid Claim claims priority, or (b) with respect to a Licensed Product in a country that is Covered by such claim, such claim has not issued within [*] following the First Commercial Sale of such Licensed Product in such country, whichever occurs earlier, provided in each case that if such a claim ceases to be a Valid Claim by reason of the foregoing, then such claim shall again be deemed a Valid Claim in the event such claim subsequently issues within such Patent application.

1.65 "[*]" means [*].

1.66 "**XMet Patents**" means all the Patents Controlled by XOMA as of the Effective Date or during the Term Covering the [*], including the Patents listed in Exhibit B and all Patents claiming priority thereto.

1.67 "**XOMA Background Patents**" means all Patents Controlled by XOMA as of the Effective Date or during the Term that claim the use or manufacture of any Licensed Antibody or Licensed Product or the use of any Licensed Know-How, but excluding all Acquired IP and the XMet Patents.

ARTICLE 2

LICENSE AND OPTION GRANTS

2.1 Licenses to Novo Nordisk.

(a) Licensed Technology . Subject to the terms of this Agreement, and during the Term, XOMA hereby grants Novo Nordisk an exclusive, royalty-bearing license, sublicenseable as set forth in Section 2.1(b) below, under the Licensed Technology to Develop, use, make, have made, sell, offer for sale, have sold, import and otherwise Commercialize Licensed Antibodies and Licensed Products in the Field in the Territory. Notwithstanding the foregoing, the license granted pursuant to this Section 2.1(a) specifically excludes the Retained Orphan Commercialization Rights, unless and until Novo Nordisk exercises the Retained Orphan Commercialization Option under Section 2.5(a), in which event such rights shall be included in the foregoing license.

(b) Sublicenses. Novo Nordisk shall have the right to grant sublicenses (with the right to sublicense through multiple tiers) under the license in Section 2.1(a) provided that each such sublicense agreement is consistent with the terms and conditions of this Agreement. Novo Nordisk shall remain directly responsible for each such sublicensee's compliance with this

Agreement. Novo Nordisk shall, within thirty (30) days after granting any sublicense under Section 2.1(a) above, notify XOMA of the grant of such sublicense and provide XOMA with a redacted copy of such sublicense agreement, provided that such redacted copy shall disclose sufficient information to allow XOMA to confirm that such sublicense agreement is consistent with the terms and conditions of this Agreement.

2.2 XOMA Retained Rights. Notwithstanding the licenses granted to Novo Nordisk under Section 2.1(a):

(a) Retained Orphan Commercialization Rights. Subject to the Retained Orphan Commercialization Option, XOMA retains the exclusive rights (but not the obligation) to Commercialize Licensed Products, itself or with or through one or more of its Affiliates and/or Third Parties, in the Orphan Indications in the Territory (the "**Retained Orphan Commercialization Rights**"). The Parties shall [*], including that [*] and [*].

(b) [*]. If [*] and [*], then the Retained Orphan Commercialization Rights shall [*] in Orphan Indications. For the avoidance of doubt, the Retained Orphan Commercialization Rights shall be included under the license granted in Section 2.1(a), if Novo Nordisk exercises the Retained Orphan Commercialization Option under Section 2.5(a).

(c) Other Retained Rights. XOMA retains the right to practice the Licensed Technology in the Territory (i) to fulfill its rights and obligations under this Agreement and (ii) outside the scope of the license granted to Novo Nordisk in Section 2.1(a) above, including to develop and commercialize in the Territory any product that is not a Licensed Antibody or Licensed Product.

2.3 Negative Covenant; No Implied License; Reservation of Rights. Novo Nordisk covenants that it shall not, and it shall not permit any of its Affiliates or sublicensees to, use or practice any Licensed Technology outside the scope of the license granted to it under Section 2.1 above. Except as expressly set forth herein, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, under any trademarks, patents or patent applications owned or Controlled by the other Party. Each Party reserves all rights in its Patents, Know-How, trademarks and other intellectual property except as expressly granted under this Agreement.

2.4 [*]. [*] hereby covenants that it and its Affiliates [*] shall [*], shall [*] and shall [*] for (a) [*] or (b) [*], in each case [*] or [*] in accordance with [*]. "[*]" means [*], and [*].

2.5 Option Grant to Novo Nordisk.

(a) Retained Orphan Commercialization Option.

(i) XOMA hereby grants Novo Nordisk an exclusive option to expand the exclusive license granted in Section 2.1(a) to include the Retained Orphan Commercialization Rights (the "**Retained Orphan Commercialization Option**").

(ii) Novo Nordisk may exercise the Retained Orphan Commercialization Option at any time prior to [*] days following the date where [*], by

providing XOMA written notice that Novo Nordisk is exercising the Retained Orphan Commercialization Option. Novo Nordisk shall provide XOMA with written notice that [*] within [*] Business Days thereof. Within [*] Business Days from providing its written notice that it is exercising the Retained Orphan Commercialization Option, Novo Nordisk shall pay to XOMA a one-time, non-refundable fee of [*]) (the "**Retained Orphan Commercialization Option Fee**"). For clarity, the Retained Orphan Commercialization Option shall not be deemed to have been exercised until XOMA has received the Retained Orphan Commercialization Option Fee. Upon Novo Nordisk providing the written option exercise notice to XOMA within such [*] days period and paying the Retained Orphan Commercialization Option Fee as set forth above, XOMA's Retained Orphan Commercialization Rights shall terminate.

(iii) If Novo Nordisk [*] and does not within [*] days of [*] exercise the Retained Orphan Commercialization Option as described in subsection (ii) above or fails to make the Retained Orphan Commercialization Option Fee as set forth above, then the Retained Orphan Commercialization Option shall expire unexercised. If the Retained Orphan Commercialization Option expires unexercised, then XOMA shall keep the Retained Orphan Commercialization Rights under Section 2.2.

2.6 Rights in Bankruptcy. All rights and licenses granted under or pursuant to any section of this Agreement, including the licenses granted under this Article 2, are and will otherwise be deemed to be for purposes of Section 365(n) of the United States Bankruptcy Code (Title 11, U.S. Code), as amended (the "**Bankruptcy Code**"), licenses of rights to "intellectual property" as defined in Section 101(35A) of the Bankruptcy Code. Each Party will retain and may fully exercise all of its respective rights and elections under the Bankruptcy Code. Each Party agrees that the other Party, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code or any other provisions of applicable Law outside the United States that provide similar protection for intellectual property. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the U.S. Bankruptcy Code (the "Party subject to such proceeding"), the other Party (the "non-subject Party") shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, shall be promptly delivered to the non-subject Party (i) upon any such commencement of a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding (x) elects to and does continue to perform all of its obligations under this Agreement, or (y) rejects this Agreement and the non-subject Party elects to treat this Agreement as terminated, or (ii) if not delivered under clause (i) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor and the election by the non-subject Party to retain its rights under this Agreement.

ARTICLE 3

DEVELOPMENT AND COMMERCIALIZATION

3.1 General. Novo Nordisk shall be responsible at its own expense for the Development and Commercialization of Licensed Antibodies and Licensed Products in the Field, including obtaining Regulatory Approvals therefor. Novo Nordisk shall use Commercially

Reasonable Efforts to: (a) Develop (i) at least [*] or (ii) at least [*]; and (b) Commercialize a Licensed Product [*] where Regulatory Approvals are obtained.

Notwithstanding the above, Novo Nordisk shall [*] or [*]. Further, the obligation to [*] or [*] shall [*] if [*] and [*].

3.2 Technology Transfer.

(a) Promptly following the Effective Date, the Parties shall agree on a plan to transfer to Novo Nordisk the Licensed Know-How (including the [*] as described in Exhibit A) and such other Licensed Know-How as Novo Nordisk may reasonably request. XOMA shall provide Novo Nordisk with reasonable assistance to enable Novo Nordisk to implement the Licensed Know-How for sixty (60) days following the Effective Date.

(b) Novo Nordisk shall bear all costs of the activities conducted under this Section 3.2 approved by Novo Nordisk in writing in a pre-agreed budget.

3.3 Development Plan; Reporting. Novo Nordisk shall provide XOMA with an initial [*] development plan for the Licensed Antibodies and Licensed Products within sixty (60) days of the Effective Date. Novo Nordisk shall provide XOMA with written reports [*] relating to the activities of Novo Nordisk, its Affiliates and sublicensees with respect to the Development of Licensed Antibodies and Licensed Products in the Field in the Territory, both as to activities conducted during the prior reporting period and planned activities, on a Licensed Antibody-by-Licensed Antibody, Licensed Product-by-Licensed Product and Indication-by-Indication basis, in sufficient depth to enable XOMA to reasonably assess Novo Nordisk's compliance with Section 3.1. Novo Nordisk shall present such report to XOMA in conjunction with a meeting (either in person or by videoconference, as the Parties may agree) with XOMA and Novo Nordisk's personnel responsible for the conduct of such Development, which personnel shall include at least [*]. Such updates shall occur [*] per year until such time as [*], and [*] thereafter.

3.4 Subcontractors. Novo Nordisk shall have the right to engage subcontractors for the performance of its Development and Commercialization obligations, and shall cause the subcontractor(s) engaged by it to be bound by written obligations of confidentiality and where reasonably possible invention assignment consistent with those contained herein. Novo Nordisk shall remain at all times directly responsible for the performance of such subcontractor(s).

3.5 Records. Novo Nordisk shall maintain complete, current and accurate records of all work conducted by it in connection with the Development of the Licensed Antibodies and Licensed Products in the Field, and all data and other information as required by applicable Laws resulting from such work. Such records shall fully and properly reflect all work done and results achieved in the performance of the Development activities in good scientific and clinical manner appropriate for regulatory purposes.

3.6 Manufacturing. Novo Nordisk shall be solely responsible at its expense for the manufacture of Licensed Antibodies and Licensed Products for use in the Field in the Territory, both for Development and Commercial purposes. If Novo Nordisk does not exercise the Retained Orphan Commercialization Option, the Parties shall in good faith negotiate reasonable

terms for Novo Nordisk's supply of Licensed Products to XOMA in order for XOMA to be able to exploit the Retained Orphan Commercialization Rights.

3.7 Trademarks. Novo Nordisk shall have the right to brand the Licensed Products using Novo Nordisk-related trademarks and any other trademarks and trade names it determines appropriate for the Licensed Products, which may vary by country or within a country ("**Product Marks**"). Novo Nordisk shall own all rights in the Product Marks and register and maintain the Product Marks in the countries and regions it determines reasonably necessary. If the Retained Orphan Commercialization Option expires unexercised, then XOMA shall have the right to brand the Licensed Products Commercialized for Orphan Indications using XOMA-related trademarks and any other trademarks and trade names it determines appropriate for such Licensed Products, which may vary by country or within a country ("**XOMA Product Marks**"). XOMA shall own all rights in the XOMA Product Marks and register and maintain the XOMA Product Marks in the countries and regions it determines reasonably necessary.

3.8 [*]. It is not the Parties' intent that [*]. However, in the event that [*], [*] shall promptly, and no later than ten (10) Business Days following such [*] or, in any event as promptly as reasonably practicable, notify [*] so that [*]. Failure of [*] to notify [*] in writing of such [*] shall not [*], provided that, [*].

ARTICLE 4

REGULATORY MATTERS; COMPLIANCE

4.1 Regulatory Responsibilities.

(a) Novo Nordisk shall own all Regulatory Materials and Regulatory Approvals for the Licensed Antibodies and Licensed Products in the Field in the Territory. Novo Nordisk shall be solely responsible for preparing such Regulatory Materials at its sole expense. XOMA shall assist Novo Nordisk in connection with the preparation and filing of such Regulatory Materials, at Novo Nordisk's reasonable request and expense.

4.2 Adverse Events. At all times during which both Parties are Commercializing Licensed Products in their respective fields, in light of the fact that Licensed Antibodies and Licensed Products developed by Novo Nordisk have the same mechanism of action, each Party shall provide the other Party, on an annual basis and more frequently as reasonably requested by the other Party, a summary report of Adverse Events (as defined below), as well as those Serious Adverse Events that are attributable to the use of the Licensed Antibodies and Licensed Products. As used herein, unless defined differently by the FDA, "**Adverse Event**" means any side effect, injury, toxicity or sensitivity reaction, or any unexpected incident, and the severity thereof, whether or not determined to be attributable to any Product, and "**Serious Adverse Event**" means an Adverse Event which results in death, is immediately life-threatening, results in persistent and significant disability/incapacity or requires in-p atient hospitalization or prolongation of existing hospitalization, or is an overdose.

ARTICLE 5

FINANCIAL PROVISIONS

5.1 Upfront License Fee. Novo Nordisk shall pay to XOMA a one-time, non-refundable and non-creditable upfront license fee of Five Million Dollars (US$5,000,000). XOMA shall invoice Novo Nordisk for the upfront license fee according to Novo Nordisk invoicing template attached hereto as Exhibit C. Novo Nordisk shall pay such upfront licensee fee within ten (10) Business Days of its receipt of XOMA's invoice.

5.2 Milestone Payments. Novo Nordisk shall make the following non-refundable and non-creditable milestone payments to XOMA within [*] days after the first achievement of each milestone event for the first Licensed Product in the Territory as set forth in this Section 5.2 by Novo Nordisk, its Affiliates or sublicensees. Novo Nordisk shall notify XOMA in writing within [*] Business Days following the achievement of each milestone event. XOMA shall invoice Novo Nordisk for the milestone payments according to Novo Nordisk invoicing template attached hereto as Exhibit C.

(a) Development and Regulatory Milestones.

Milestone Event	Milestone Payment
(i)[*]	[*]
(ii)[*]	[*]
(iii)[*]	[*]
(iv)[*]	[*]
(v)[*]	[*]
(vi)[*]	[*]
(vii)[*]	[*]
(viii)[*]	[*]
(ix)[*]	[*]
(x)[*]	[*]
TOTAL Development & Regulatory Milestones	[*]

Each milestone payment by Novo Nordisk to XOMA under this Section 5.2(a) shall be payable [*]. The total amount of milestone payments made under this Section 5.2(a) and during the Term shall not exceed [*].

For clarity:

(1) If a particular milestone event for the Initiation of a clinical trial is achieved, then all prior milestone events for the Initiation of a clinical trial shall be deemed achieved upon

achievement of such milestone event, to the extent not previously achieved and paid. For clarity, "prior" refers to the relative order in the table above, e.g., milestone event (ii) being "prior" to milestone event (iii). Upon the achievement of any of milestone events (v), (vii) or (ix), all of milestone events (i) through (iv) shall be deemed achieved upon achievement of such milestone event, to the extent not previously achieved and paid.

(2) Milestone payment (vi) shall be deemed to be achieved if, at the time milestone (v) is achieved, [*]. Milestone payment (viii) shall be deemed to be achieved if, at the time milestone (vii) is achieved, [*]. Milestone payment (x) shall be deemed to be achieved if, at the time milestone (ix) is achieved, [*].

(b) Sales Milestones.

Novo Nordisk shall pay XOMA the following one-time milestone payments within [*] days only once after the first time each Licensed Product achieves the corresponding milestone event for annual world-wide Net Sales. XOMA shall invoice Novo Nordisk for the sales milestone payments according to Novo Nordisk invoicing template attached hereto as Exhibit C.

Milestone Event	Milestone Payment
(i) First time Annual Net Sales in Calendar Year for such Licensed Product equals or exceeds [*]	[*]
(ii) First time Annual Net Sales in Calendar Year for such Licensed Product equals or exceeds [*]	[*]
(iii) First time Annual Net Sales in Calendar Year for such Licensed Product equals or exceeds [*]	[*]
(iv) First time Annual Net Sales in Calendar Year for such Licensed Product equals or exceeds [*]	[*]

5.3 Royalties to XOMA.

(a) Royalty Rates. Novo Nordisk shall pay to XOMA a running royalty at the following tiered royalty rates on the Calendar Year Net Sales on a Licensed Product-by-Licensed Product basis in all countries of the Territory during the Royalty Term. XOMA shall invoice Novo Nordisk for the royalties according to Novo Nordisk invoicing template attached hereto as Exhibit C.

Annual Net Sales of a Licensed Product in the Territory for a Particular Calendar Year	Royalty Rate
Net Sales less than or equal to [*]	[*]
Net Sales greater than [*] and less than or equal to [*]	[*]
Net Sales greater than [*]	[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

For clarity, the royalty rate shall apply to each applicable Net Sales tier in a Calendar Year. Thus, for example, if Net Sales for a Licensed Product are [*], the royalty will be calculated as follows: [*].

(b) Royalty Rates in the Orphan Indications in the US. If Novo Nordisk exercises the Retained Orphan Commercialization Option, Novo Nordisk shall pay to XOMA a running royalty of [*] for all Licensed Products sold within Orphan Indications in the Territory [*]. The royalty shall be paid on the Calendar Year Net Sales on a Licensed Product-by-Licensed Product basis during the Royalty Term. XOMA shall invoice Novo Nordisk for the royalties according to Novo Nordisk invoicing template attached hereto as Exhibit C.

(c) Royalty Term. Royalties shall commence upon the First Commercial Sale of a Licensed Product in a country and shall expire on a country-by-country and Licensed Product-by-Licensed Product basis on the later of (i) ten (10) years after the First Commercial Sale of such Licensed Product in such country, or (ii) the expiration or determination of unenforceability or invalidation (from which no appeal can be taken) of the last Valid Claim of a Licensed Patent or Novo Nordisk Patent Covering the particular Licensed Product in such country (with respect to each country, the "**Royalty Term**").

(d) Royalty Reductions.

(i) If, on a country-by-country and Licensed Product-by-Licensed Product basis, [*] such Licensed Product in such country, then the royalty rate on Net Sales of such Licensed Product in such country shall be [*].

(ii) If, on a country-by-country and Licensed Product-by-Licensed Product basis, [*] or [*] (A) [*] or (B) [*], in each case that is [*] or [*], then [*] royalties otherwise payable to XOMA for Net Sales of such Licensed Product in such country [*].

(iii) If, on a country-by-country and Licensed Product-by-Licensed Product basis, [*] or [*], that [*] in connection with [*] or [*] and/or [*] under this Agreement, then [*] royalties otherwise payable to XOMA for Net Sales of such Licensed Product in such country [*].

(iv) In no event will the royalties payable to XOMA in any Calendar Quarter on Net Sales of any particular Licensed Product in a country be reduced by more than [*].

(e) Royalty Payments and Reports . Post any Regulatory Approval of a Licensed Product and within [*] days after the end of each Calendar Quarter during which Licensed Products have been sold, Novo Nordisk shall deliver to XOMA a report containing the following information for the prior Calendar Quarter on a Licensed Product-by-Licensed Product and country-by-country basis: (i) a calculation of Net Sales of each Licensed Product that is sold by Novo Nordisk, its Affiliates and sublicensees (which shall include per country gross sales, consolidated deductions and resulting Net Sales); and (ii) a calculation of payments due to XOMA with respect to the foregoing. Concurrent with these reports, Novo Nordisk shall remit to XOMA any payment due for the applicable Calendar Quarter. If no royalties are due to

XOMA for such reporting period, the report shall so state. The method of payment shall be by check or wire transfer to an address or account specified in writing by XOMA.

5.4 Foreign Exchange. The rate of exchange to be used in computing the amount of currency equivalent in U.S. Dollars of Net Sales invoiced in other currencies shall be made at the average of the exchange rates used in Novo Nordisk's systems, which are audited and available on the Danish central bank's web page (www.nationalbanken.dk).

5.5 Payment Method; Late Payments. All payments due to XOMA hereunder shall be made in U.S. Dollars by wire transfer of immediately available funds into an account designated by XOMA. If XOMA does not receive payment of any sum due to it on or before the due date, simple interest shall thereafter accrue on the sum due to XOMA until the date of payment at the lower of (a) the per annum rate of [*] over the then-current 30-day LIBOR rate reported in the Wall Street Journal, Eastern Edition, or (b) the maximum rate allowable by applicable Laws.

5.6 Records; Audits. Novo Nordisk will maintain complete and accurate records in sufficient detail to permit XOMA to confirm the accuracy of the calculation of royalty payments under this Agreement. Upon reasonable prior notice (which shall be no less than thirty (30) days), such records shall be available during regular business hours, and under obligations of confidence secured through a confidentiality agreement on reasonable and customary terms between the auditor and Novo Nordisk, for a period of three (3) years from the end of the Calendar Year to which they pertain for examination at the expense of XOMA, and not more often than once each Calendar Year, by an independent internationally recognized certified public accountant selected by XOMA and reasonably acceptable to Novo Nordisk, for the sole purpose of verifying the accuracy of the financial reports furnished by Novo Nordisk pursuant to this Agreement within the three (3) Calendar Year period preceding the date of the request for audit. While inspecting such accounts and records, the auditor must abide by all of Novo Nordisk's standard rules and regulations that are provided to such auditor and the auditor will not be allowed to take any copies of such accounts and records. Such auditor shall not disclose Novo Nordisk's Confidential Information. Any undisputed amounts shown to be owed but unpaid shall be paid within [*] days from the accountant's report, plus interest (as set forth in Section 5.5) from the original due date. XOMA shall bear the full cost of such audit unless such audit discloses an underpayment by Novo Nordisk of more than [*] of the amount due for the entire period being audited, in which case Novo Nordisk shall bear the full cost of such audit. [*]

5.7 Taxes.

(a) Except as otherwise provided in this Section 5.7, each Party shall be responsible for any tax obligations of its own due to this Agreement, including but not limited to income tax and capital gains tax, and neither Party shall have any obligation towards the other Party in the event that the other Party fails to fully comply with its tax obligations.

(b) All transfer, VAT, GST, documentary, sales, use, stamp, registration and other such taxes, and any conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with consummation of the transactions contemplated hereby, if any, shall be borne and paid by Novo Nordisk. Novo

Nordisk shall prepare and timely file all tax returns required under Danish law to be filed in respect of any such taxes. The Parties shall reasonably cooperate in accordance with applicable Laws to minimize any such transfer taxes payable in connection with this Agreement. Novo Nordisk represents that, as of the Effective Date, it is required to file tax returns only in Denmark and not in any other jurisdiction. If, due to its activities in connection with this Agreement, Novo Nordisk is required by any applicable Laws to file tax returns in any jurisdiction other than Denmark, then Novo Nordisk shall comply with such Laws.

(c) Subject to subsection (d) below, if any taxes are required to be withheld by Novo Nordisk, Novo Nordisk will: (i) deduct such taxes from the payment made to XOMA; (ii) timely pay the taxes to the proper taxing authority; (iii) promptly send proof of payment to XOMA; and (iv) reasonably assist XOMA in its efforts to obtain a credit for such tax payment. Each Party agrees to reasonably assist the other Party in lawfully claiming exemptions from and/or minimizing such deductions or withholdings under double taxation laws or similar circumstances.

(d) Notwithstanding anything to the contrary in this Agreement, if Novo Nordisk assigns or transfers some or all of its rights and obligations to any person or entity and if, as a result of such action, the withholding or deduction of tax required by applicable Law with respect to payments under this Agreement is increased, then any amount payable under this Agreement shall be increased to take into account such withheld taxes as may be necessary so that, after making all required withholdings (including withholdings on the withheld amounts), XOMA receives an amount equal to the sum it would have received had no such increased withholding been made.

ARTICLE 6

INTELLECTUAL PROPERTY

6.1 Ownership.

(a) Inventorship. Inventorship of all inventions made, generated or discovered in connection with this Agreement shall be determined in accordance with U.S. patent laws.

(b) Sole Inventions. Each Party shall own all inventions made, generated or discovered solely by its and its Affiliates' employees, agents or independent contractors in the course of conducting its activities under this Agreement, together with all intellectual property rights therein ("**Sole Inventions**").

(c) Disclosure of Patents. Each Party shall disclose to the other Party all Patent applications filed by or on behalf of such Party Covering Sole Inventions in connection with each semi-annual Patent Committee meeting.

6.2 Prosecution and Maintenance of Patents. Subject to subsections (a) and (b) below, decision making and costs associated with Prosecution and Maintenance of XOMA Background Patents shall be the sole responsibility of XOMA and decision making and costs

associated with Prosecution and Maintenance of Novo Nordisk Patents shall be the sole responsibility of Novo Nordisk.

(a) [*] Patents.

(i) The Parties acknowledge that [*] Patents that exist as of the Effective Date [*], and that [*]. The Parties further acknowledge that it is their intent, where reasonably practicable, to [*], and/or [*] or [*] without [*].

(ii) To coordinate the efficient Prosecution and Maintenance of the [*] Patents in accordance with the foregoing principles, the Parties shall establish a "**Patent Committee**" composed of one senior patent counsel representing each Party to oversee the Prosecution and Maintenance of the [*] Patents (as defined below) pursuant to this Section 6.2. The Patent Committee shall meet by telephone or videoconference at least twice per year, and more frequently as its members may agree. The first meeting of the Patent Committee shall be held within 90 days of the Effective Date.

(iii) The Parties shall engage outside patent counsel, reasonably acceptable to each Party, to conduct the Prosecution and Maintenance of the [*] Patents (including those [*] Patents). Decision-making and costs with respect to the Prosecution and Maintenance of such Patents shall be handled as follows: Subject to subsection (c) below, as between the Parties, [*] shall have the first right (but not the obligation) to Prosecute and Maintain the [*] Patents (including the [*] Patents) using such outside counsel. [*] shall keep [*] informed as to material developments with respect to the Prosecution and Maintenance of such Patents, including by timely providing copies of all substantive office actions or any other substantive documents that [*] receives from or submits to any patent office, including notice of all interferences, reissues, re-examinations, AIA Proceedings or oppositions, providing [*] a reasonable opportunity to review and comment on all substantive filings and communications with any patent agency regarding any such Patent, and giving good faith consideration to [*] comments with respect thereto. The Parties shall share [*] the costs of Prosecution and Maintenance of [*] Patents pursuant to this subsection (iii). The costs for Prosecution of [*] Patents shall be split [*] between XOMA and Novo Nordisk. The costs for Maintenance of [*] Patents shall be [*].

(b) [*] Patents.

(i) Subject to subsection (c) below, as between the Parties, [*] shall have the first right (but not the obligation) to Prosecute and Maintain the [*] Patents. [*] shall keep [*] informed as to material developments with respect to the Prosecution and Maintenance of the [*] Patents [*] in connection with [*], as determined in accordance with subsection (ii) below (such [*] Patents, the "[*] **Patents**"), including by providing copies of all substantive office actions or any other substantive documents that such Party receives from or submits to any patent office, including notice of all interferences, reissues, re-examinations, AIA Proceedings, or oppositions.

(ii) The Patent Committee shall determine from time to time which [*] Patents should be designated as [*] Patents and which [*] Patents should be considered [*]

Patents. The Patent Committee shall meet within ninety (90) days of the Effective Date to make the initial determination as to which [*] Patents shall be designated as [*] Patents and which [*] Patents should be considered [*] Patents and to determine the timing and process for making, reviewing and updating the designation of [*] Patents and [*] Patents going forward.

(iii) The Parties shall share [*] the costs of Prosecution and Maintenance of [*] Patents pursuant to this subsection (b). [*] the costs of Prosecution and Maintenance of the [*] Patents other than the [*] Patents pursuant to this subsection (b). Notwithstanding the foregoing, [*] with respect to one or more issued Patents or Patent applications (either on a country-by-country basis or world-wide) that are within [*] Patents. In such event, such Patents or Patent applications (and any Patents claiming priority thereto) shall be [*] and [*] and shall [*].

(c) **Abandonment.** If, during the Term, [*] in exercising its rights pursuant to subsection (a) or (b) above with respect to Prosecution and Maintenance of [*] Patent in any country, decides not to file such Patent, intends to allow such Patent to lapse or become abandoned without having first filed a substitute Patent, or no longer intends to pay the costs associated with Prosecution and Maintenance of such Patent ("**Abandonment**"), [*] shall notify in writing and consult with [*] regarding such decision or intention at least sixty (60) days prior to the date upon which the subject matter of such Patent shall become unpatentable or such Patent shall lapse or become abandoned, and [*] shall thereupon have the right (but not the obligation) to assume the Prosecution and Maintenance thereof at its own expense with counsel (including in-house counsel) of its own choice. For clarity, [*] shall not be obligated to inform [*] under this subsection (c) and [*] shall not have the rights set forth in this subsection (c) with respect to the Abandonment of any [*] Patent.

(d) **Assistance.** Each Party shall provide the other Party all reasonable assistance and cooperation in the Patent Prosecution and Maintenance efforts provided for in this Section 6.2 (a) and (b), including providing any necessary powers of attorney and executing any other required documents or instruments for such Prosecution and Maintenance.

6.3 **Defense of Claims Brought by Third Parties**.

(a) If a Party becomes aware of, or as of the Effective Date is aware of, any claim that the Development or Commercialization of a Licensed Antibody or Licensed Product in or for the Territory infringes or misappropriates the intellectual property rights of any Third Party, such Party shall promptly notify the other Party. In any such instance, the Parties shall as soon as practicable thereafter discuss in good faith regarding the best response to such notice, subject to Article 8.

(b) [*] shall have the sole right (but not the obligation) to defend such claim as relates to [*] at [*] cost and expense, subject to subsection (c) below. [*] shall keep [*] reasonably informed of the progress of any such defense, and [*] shall have the right to participate with counsel of its own choice at its own expense.

(c) If [*], then [*] shall have the sole right (but not the obligation) to defend any such claim as relates [*], at [*] cost and expense.

6.4 Enforcement. Each Party shall promptly notify the other Party in writing if it reasonably believes that any XOMA Patent or Novo Nordisk Patent is being infringed by a Third Party with respect to the manufacture, sale, offer for sale, use or importation in the Territory (collectively, "**Infringing Activities**"). [*] shall have the sole right, but not the obligation, to enforce the [*] Patents with respect to Infringing Activities, or to defend any declaratory judgment action with respect thereto. [*] shall have the first right, but not the obligation, to enforce the [*] Patents with respect to Infringing Activities, or to defend any declaratory judgment action with respect to the [*] Patents; provided that if [*] does not take action to enforce the [*] Patents within [*] of becoming aware of such infringement and such [*] Patent is not a Patent that [*] where [*], [*] shall have the right to enforce the [*] for Infringing Activities relating to the [*], unless [*]. [*] shall have the sole right, but not the obligation, to enforce (i) the [*] Patents with respect to Infringing Activities solely relating to the [*], if the [*], or (ii) the [*] Patents with respect to Infringing Activities, and in each case defend any declaratory judgment action against such Patents. The Party initiating or defending any such action under this Section 6.4 (the "**Enforcing Party**") shall keep the other Party reasonably informed of the progress of any such action, and such other Party shall have the right to participate with counsel of its own choice at its own expense. In any event, the other Party shall reasonably cooperate with the Enforcing Party, including providing information and materials, at the Enforcing Party's request and expense, and joining as a plaintiff to such action to the extent necessary for standing.

6.5 Recovery. Any recovery received as a result of any action under Section 6.3 or 6.4 shall be used first to reimburse the Parties for the costs and expenses (including reasonable attorneys' and professional fees) incurred in connection with such action (and not previously reimbursed). [*] any remaining recoveries, provided that any such remaining portion of recoveries [*] (including punitive or special damages included in such recoveries) shall be [*].

6.6 Patent Term Extension. [*] shall advise [*] in writing within five (5) Business Days of receipt or knowledge by [*] of any communications from any Regulatory Authority that may be reasonably considered pertinent to an extension of the term of a Patent [*] (including patent term restoration under the U.S. Patent Statutes (35 U.S.C. §§1-376) and supplementary protection certificates in the member states of the European Union or European Economic Area, or Switzerland) (collectively **"Extensions"**). [*] shall have the right [*] to seek an extension of the term of any patent within [*] Patent that was [*] and [*]. Any patent term extension application relating to [*] Patent shall be prepared, filed and prosecuted by [*]. [*] shall inform [*] in writing of its election of which patent [*] will apply for patent term restoration on in a given country [*] at least thirty (30) days prior to applying for such restoration in that country. [*] may request that [*] apply for an Extension of a Licensed Patent, and if consented to by [*] such consent not to be unreasonably withheld, the Parties will work jointly to obtain such extension at [*] cost and expense.

6.6 XMet Patents; Obligation to update Exhibit B. XOMA shall be obliged to update Exhibit B [*] with the first update being at [*] from the Effective Date of this Agreement.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES AND COVENANTS

7.1 Mutual Representations and Warranties. Each Party hereby represents, warrants, and covenants (as applicable) to the other Party as follows:

(a) Corporate Existence and Power. It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including, without limitation, the right to grant the licenses granted by it hereunder.

(b) Authority and Binding Agreement. As of the Effective Date, (i) it has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder; and (iii) the Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

(c) No Conflict. It is not a party to any agreement that would materially prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under the Agreement, and neither the execution or delivery of this Agreement nor the performance of any of the obligations that arise on its part out of this Agreement conflicts with, or will result in any breach of, any material contractual obligation with a Third Party.

7.2 Additional Representations and Warranties of XOMA. XOMA represents and warrants to Novo Nordisk that, as of the Effective Date [*]:

(a) XOMA has not made any grant of any rights under the XMet Patents or the XOMA Background Patents, or made any grant of any rights under the Licensed Know-How, that would conflict with the rights granted to Novo Nordisk under this Agreement, which grant is currently in effect or that may come into effect following the Effective Date, other than limited non-exclusive, non-commercial licenses granted under XOMA's intellectual property generally in connection with certain academic research collaborations and service agreements solely to permit the conduct of such research or services;

(b) XOMA has the rights under the Licensed Technology to grant the licenses to Novo Nordisk pursuant to this Agreement;

(c) XOMA has full legal or beneficial title and ownership to the XMet Patents and XOMA Background Patents, and Control of the Licensed Know-How, and the Licensed Technology is not subject to any restrictions, liens or encumbrances that would limit the rights granted to Novo Nordisk under this Agreement;

(d) no Third Party is infringing any of the Licensed Patents;

(e) it has not received any written notice from any Third Party asserting or alleging that any Development of any Licensed Antibodies by XOMA prior to the Effective Date infringed or misappropriated the intellectual property rights of such Third Party;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(f) there have been no inventorship or ownership challenges with respect to any of the Licensed Patents; and

(g) there are no actual, pending, alleged or threatened adverse actions, suits, administrative proceedings, claims, re-examinations, oppositions, interferences or formal governmental investigations involving the Licensed Antibodies and/or the Licensed Technology by or against XOMA or any of its Affiliates in or before any court, Governmental Authority or Regulatory Authority; and

(h) [*].

7.3 Disclaimer. Novo Nordisk understands that the Licensed Antibodies and Licensed Products are the subject of ongoing clinical research and development and that XOMA cannot assure the safety or efficacy of the Licensed Antibodies or Licensed Products.

7.4 Covenants.

(a) Mutual Covenants. Each Party hereby covenants that (i) its and its Affiliates', sublicensees' and representatives' performance in connection with this Agreement shall comply with all applicable Laws, and (ii) it will not employ or engage any Person who has been debarred by any Regulatory Authority, or, to such Party's knowledge, is the subject of debarment proceedings by a Regulatory Authority.

(b) XOMA Covenants.

(i) XOMA covenants to [*].

(ii) XOMA covenants to not subject the Licensed Technology to any restrictions, liens or encumbrances during the Term that would limit the rights granted to Novo Nordisk under this Agreement.

(iii) XOMA covenants to not terminate or amend any agreements with Third Parties during the Term in a way that would limit the rights granted to Novo Nordisk under this Agreement, except with Novo Nordisk's prior written consent, which consent shall not be unreasonably withheld.

7.5 No Other Representations or Warranties. EXCEPT AS EXPRESSLY STATED IN THIS ARTICLE 7, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, IS MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

ARTICLE 8

INDEMNIFICATION

8.1 Indemnification by XOMA. XOMA hereby agrees to defend, hold harmless and indemnify Novo Nordisk and its Affiliates, and their respective agents, directors, officers and employees (the "**Novo Nordisk Indemnitees**") from and against any and all damages, liabilities, expenses and/or losses, including without limitation reasonable legal expenses and attorneys' fees (collectively, "**Losses**") in each case resulting from Third Party suits, claims, actions and demands (each, a "**Third Party Claim**") arising directly or indirectly out of (a) the Development, manufacture or Commercialization of the Licensed Antibody or Licensed Products in accordance with the Retained Orphan Commercialization Rights by XOMA, its Affiliates or its licensees (other than Novo Nordisk or its successors-in-interest), including any product liability, personal injury, property damage or other damage resulting therefrom; (b) a breach of any of XOMA's obligations under this Agreement, including without limitation XOMA's representations and warranties set forth in Article 7, or (c) the negligence or willful misconduct of any XOMA Indemnitee (as defined below). XOMA's obligation to indemnify the Novo Nordisk Indemnitees pursuant to this Section 8.1 shall not apply to the extent that Novo Nordisk is required to indemnify XOMA pursuant to Section 8.2.

8.2 Indemnification by Novo. Novo Nordisk hereby agrees to defend, hold harmless and indemnify XOMA and its Affiliates, and their respective agents, directors, officers and employees (the "**XOMA Indemnitees**") from and against any and all Losses resulting from Third Party Claims arising directly or indirectly out of (a) the Development, manufacture or Commercialization of any Licensed Antibody or Licensed Product by Novo Nordisk, its Affiliates or its sublicensees, including any product liability, personal injury, property damage or other damage resulting therefrom; (b) a breach of any of Novo Nordisk's obligations under this Agreement, including without limitation Novo Nordisk's representations and warranties set forth in Article 7, or (c) the negligence or willful misconduct of any Novo Nordisk Indemnitee. Novo Nordisk's obligation to indemnify the XOMA Indemnitees pursuant to this Section 8.2 shall not apply to the extent that XOMA is required to indemnify Novo Nordisk pursuant to Section 8.1.

8.3 Procedure. In the event of any such claim against any Novo Nordisk Indemnitee or XOMA Indemnitee, the indemnified Party shall provide the indemnifying Party with prompt notice of the claim giving rise to the indemnification obligation pursuant to this Article 8 and the exclusive ability to defend (with the reasonable cooperation of the indemnified Party) or settle any such claim at its sole expense; *provided, however*, that the indemnifying Party shall not enter into any settlement for damages other than monetary damages without the indemnified Party's written consent, such consent not to be unreasonably withheld. The indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any claim or suit that has been assumed by the indemnifying Party. If the Parties cannot agree as to the application of Sections 8.1 and 8.2 to any particular Third Party Claim, the Parties may conduct separate defenses of such Third Party Claim. Each Party reserves the right to claim indemnity from the other in accordance with Sections 8.1 and 8.2 above upon resolution of the underlying claim, notwithstanding the provisions of this Section 8.3 requiring the indemnified Party to tender to the indemnifying Party the exclusive ability to defend such claim or suit.

8.4 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES OR LOSS OF PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTW ITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 8.4 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 8.1 OR 8.2, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN ARTICLE 9.

8.5 Insurance. Each Party shall procure and maintain insurance, including product liability insurance, adequate to cover its obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated at all times during which any Licensed Product is being clinically tested in human subjects or commercially distributed or sold by such Party. It is understood that such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 8. Each Party shall provide the other Party with written evidence of such insurance upon request. Each Party shall provide the other Party with written notice at least thirty (30) days prior to the cancellation, non-renewal or material change in such insurance or self-insurance which materially adversely affects the rights of the other Party hereunder.

ARTICLE 9

CONFIDENTIALITY

9.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party agrees that, for the Term and for a period of [*] after any termination or expiration of this Agreement, it shall keep in confidence with the same degree of care with which receiving Party holds its own confidential information, but in any event, no less than reasonable care, and shall not publish or otherwise disclose to any Third Party and shall not use for any purpose other than as provided for in this Agreement (which includes the exercise of any rights or the performance of any obligations hereunder) any Confidential Information of the other Party pursuant to this Agreement. The terms of this Agreement shall be considered Confidential Information of both Parties. The foregoing confidentiality and non-use obligations shall not apply to any portion of the Confidential Information that the receiving Party can demonstrate by competent written proof:

(a) was already known to the receiving Party or its Affiliate at the time of disclosure by the other Party, other than under an obligation of confidentiality, directly or indirectly (through multiple tiers), to XOMA or a XOMA Affiliate;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party or its Affiliate in breach of this Agreement;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(d) is subsequently disclosed to the receiving Party or its Affiliate by a Third Party who has a legal right to make such disclosure; or

(e) is subsequently independently discovered or developed by the receiving Party or its Affiliate without the aid, application, or use of the disclosing Party's Confidential Information, as evidenced by a contemporaneous writing.

9.2 Authorized Disclosure.

(a) Notwithstanding the obligations set forth in Section 9.1, a Party may disclose the other Party's Confidential Information to the extent:

(i) Such disclosure is reasonably necessary to such Party's directors, attorneys, independent accountants or financial advisors for the sole purpose of enabling such directors, attorneys, independent accountants or financial advisors to provide advice to the receiving Party in connection with its performance under this Agreement, provided that in each such case such directors, attorneys, independent accountants and financial advisors are bound by confidentiality and non-use obligations consistent with those contained in this Agreement;

(ii) Such disclosure is required by a valid order of a court or government agency, provided that in such event such Party shall promptly inform the other Party in writing of such required disclosure and provide the other Party with an opportunity to challenge or limit the disclosure obligations, subject to Section 9.4; or

(iii) Such disclosure is required by applicable Laws or good clinical practices for patient safety.

(b) Further, [*], a Party may [*] disclose the other Party's Confidential Information (i) to actual or potential investors, sublicensees, acquirers and or merger partners solely for the purpose of evaluating an actual or potential investment, (sub)license, acquisition or merger; provided that in each such case such actual or potential investors, (sub)licensees, acquirers or merger parties are bound by confidentiality and non-use obligations consistent with those contained in the Agreement; (ii) if such disclosure is reasonably necessary for the filing or prosecuting Patent rights as contemplated by this Agreement; or (iii) if such disclosure is reasonably necessary for prosecuting or defending litigation as contemplated by this Agreement [*].

(c) Notwithstanding subsection (b)(i) above, the receiving Party shall be allowed to disclose [*] the following Confidential Information to actual or potential investors, sublicensees, acquirers and or merger partners that are bound by confidentiality and non-use obligations consistent with those contained in the Agreement without the prior written consent of the disclosing Party:

(i) [*].

(ii) [*].

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

9.3 Publication.

(a) Novo Nordisk may make scientific or technical publications or presentations relating to any Licensed Antibody or Licensed Product. Novo Nordisk shall provide such proposed publication and presentations to XOMA at least forty (40) days prior to submission. XOMA shall have the right within thirty (30) days from receipt of the proposed publication or presentation to provide comments and to require modifications of the proposed publication or presentation for the followin g reasons: (A) to protect its Confidential Information, and/or (B) to delay such submission for an additional ninety (90) days as may be reasonably necessary to seek patent protection for the information disclosed in such proposed submission.

(b) XOMA shall not make any scientific or technical publication or presentation relating to any Licensed Antibody or Licensed Product, other than solely relating to the Retained Orphan Commercialization Rights, if the Retained Orphan Commercialization Option has expired unexercised. XOMA shall provide such proposed publication and presentations to Novo Nordisk at least forty (40) days prior to submission. Novo Nordisk shall have the right within thirty (30) days from receipt of the proposed publication or presentation to provide comments and to require modifications of the proposed publication or presentation for the following reasons: (A) to protect its Confidential Information, and/or (B) to delay such submission for an additional ninety (90) days as may be reasonably necessary to seek patent protection for the information disclosed in such proposed submission.

9.4 Publicity; Filing of Agreement; Use of Names.

(a) Subject to the rest of this Section 9.4, and except as may be required by applicable Law, no disclosure of the terms of this Agreement may be made by either Party or its Affiliates, and no Party shall use the name, trademark, trade name or logo of the other Party, its Affiliates or their respective employee(s) in any publicity, promotion, news release or disclosure relating to this Agreement or its subject matter, without the prior express written permission of the other Party, which permission shall not be unreasonably withheld or delayed.

(b) In the event a Party is required by any Securities Agency (as defined below) or stock exchange rules or regulations to publicly disclose any information provided by the other Party or to disclose the terms of this Agreement, such Party will give the other Party at least five (5) Business Days' prior written notice where reasonably practicable, will provide to such other Party a copy of the required disclosure, will, if requested by such other Party, to the extent permitted by applicable law, request confidential treatment of any financial and other materials terms of this Agreement not previously disclosed under this Section, and will consider in good faith any other comments of such other Party on such public disclosure. Notwithstanding the foregoing, each Party may list the other Party as a collaboration partner on its website and other media, and may use such other Party's name in connection therewith in accordance with such usage and display guidelines as such other Party provides. "**Securities Agency**" means the U.S. Securities and Exchange Commission and any successor agency thereto, and any foreign equivalent.

(c) During the Term, each Party shall have the right to issue a press release or make a public announcement concerning the achievement of any event that in accordance with

applicable Laws would be considered a material event for the Licensed Products under this Agreement, such as announcing the commencement and completion of clinical studies for the Licensed Products in countries of the Territory, the filing and obtaining of Regulatory Approvals for the Licensed Products in countries of the Territory, and the First Commercial Sale of the Licensed Products in countries of the Territory, by providing the other Party with reasonable advance written notice of the content thereof. Such other Party shall have the right to review and comment on such proposed press release or announcement and the Party seeking such disclosure shall take into consideration and incorporate when appropriate the comment from the other Party.

(d) Notwithstanding the foregoing, the Parties have agreed on language of a press release announcing the Agreement, attached hereto as **Exhibit E**, to be issued promptly after the execution of the Agreement by both Parties.

(e) The Parties agree that after a disclosure pursuant to this Section 9.4 has been reviewed and approved by the other Party, the disclosing Party may make subsequent public disclosures or issue a press release disclosing the same content without having to obtain the other Party's prior consent and approval.

9.5 Confidential Treatment. Confidential Information that is disclosed to a court, government agency, securities or stock exchange shall remain otherwise subject to the confidentiality and non-use provisions of this Article 9, and the Party disclosing Confidential Information pursuant to Applicable Laws or court order shall take all steps reasonably necessary, including seeking of confidential treatment or a protective order to ensure the continued confidential treatment of such Confidential Information.

9.6 Equitable Relief. Each Party and its Affiliates acknowledges that a breach of this Article 9 may reasonably or adequately be compensated in damages in an action at law and that such a breach may cause the other Party irreparable injury and damage and may be considered a material breach per section 10.3. By reason thereof, each Party and its Affiliates agree that the other Party may be entitled, in addition to any other remedies it may have under this Agreement or otherwise, to preliminary and permanent injunctive and other equitable relief to prevent or curtail any breach of the obligations relating to Confidential Information set forth herein by the other Party.

ARTICLE 10

TERM AND TERMINATION

10.1 Term. This Agreement shall become effective on the Effective Date and, unless earlier terminated pursuant to this Article 10, shall remain in effect, on a Licensed Product-by-Licensed Product basis and on a country-by-country basis, until expiration of the Royalty Term for such Licensed Product in such country (the "**Term**"). Upon expiration of the Term, the licenses granted to Novo Nordisk under Section 2.1 will convert to perpetual, fully paid-up, non-royalty-bearing licenses with respect to such Licensed Product in such country.

10.2 Termination for Convenience. Novo Nordisk may terminate this Agreement for its convenience upon ninety (90) days prior written notice.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

10.3 Termination for Material Breach.

(a) Notice. If either Party believes that the other is in material breach of this Agreement, then the Party holding such belief (the "**Non-Breaching Party**") may deliver written notice of such material breach to the other Party (the "**Notified Party**"). The Notified Party shall have [*] days from receipt of such written notice to cure non-payment breaches and [*] days to cure any other breach, and for breaches other than non-payment, if cure of such material breach cannot reasonably be effected within such [*] day period, to deliver to the Non-Breaching Party a plan reasonably calculated to cure such material breach within a timeframe that is reasonably prompt in light of the circumstances then prevailing but in no event longer than an additional [*] days. Following delivery of such a plan, the Notified Party shall diligently carry out the plan and cure the material breach within the timeframe set forth in the plan.

(b) Failure to Cure. If the Notified Party fails to cure a material breach of this Agreement as provided for and within the time period set forth in Section 10.3(a), then the Non-Breaching Party may terminate this Agreement upon written notice to the Notified Party.

(c) Disputes. If a Party gives notice of termination under this Section 10.3 and the other Party disputes whether such termination is proper under this Section 10.3, then the issue of whether this Agreement may properly be terminated upon expiration of the notice period (unless such material breach is cured as provided in Section 10.3(a)) shall be resolved in accordance with Article 11. If as a result of such dispute resolution process it is determined that the notice of termination was proper, then such termination shall be deemed to have been effective [*] days following the date of the notice of termination (or such other time period applicable pursuant to Section 10.3(a)). If as a result of such dispute resolution process it is determined that the notice of termination was improper, then no termination shall have occurred and this Agreement shall remain in effect.

10.4 Termination for Patent Challenge. Except to the extent the following is unenforceable under the laws of a particular jurisdiction, XOMA may terminate this Agreement in its entirety upon written notice to Novo Nordisk, if Novo Nordisk or any of its Affiliates or sublicensees (directly or indirectly, individually or in association with any other person or entity) challenges the validity, enforceability or scope of any Licensed Patent Controlled by XOMA or its Affiliates anywhere in the world. Such termination become effective on the date specified in the applicable termination notice.

10.5 Effects of Termination of the Agreement. Upon the early termination of this Agreement, the following shall apply (in addition to any other rights and obligations otherwise under this Agreement with respect to such termination):

(a) Novo Nordisk Termination for XOMA's Material Breach . If Novo Nordisk terminates this Agreement for XOMA's material breach in accordance with Section 10.3, then [*].

(b) All Other Terminations. Except for a termination by Novo Nordisk for XOMA's material breach in accordance with Section 10.3, upon any termination of this

Agreement, the following provisions shall apply, and shall be conducted by Novo Nordisk [*] except where expressly stated otherwise:

(i) **License Termination; Cessation of Development and Commercialization by Novo Nordisk**. All rights and licenses granted to Novo Nordisk under this Agreement shall terminate and be of no further force and effect. Novo Nordisk shall cease its Development (except as set forth in subsection (iv) below) and Commercialization of all Licensed Antibodies and Licensed Products throughout the Territory.

(ii) **Return of Confidential Information and Materials**. Each Party shall promptly return to the other Party all Know-How, data, materials and other Confidential Information made available by the other Party under this Agreement, except to the extent such items are subject to a continuing license hereunder.

(iii) **Licenses**. Effective upon the effective date of such termination:

(1) Novo Nordisk shall grant, and shall be deemed to have granted, to XOMA an exclusive, sublicenseable (through multiple tiers of sublicensees), worldwide, perpetual license under the Novo Nordisk Product IP (as defined below) solely to Develop, import, use, make, have made, offer for sale and sell, effective upon termination of this Agreement, Licensed Antibodies and Licensed Products for any and all uses. If [*] terminates this Agreement [*], the exclusive license to XOMA shall be [*]. Such [*] of a Licensed Product in a country and [*], or [*]. If, [*], there is [*], then [*] shall be [*]. In addition, [*] any Licensed Product [*] or [*].

(2) "**Novo Nordisk Product IP**" means (A) all Novo Nordisk Patents that contain an issued or pending claim that Covers the use, sale or manufacture of any Licensed Antibody or Licensed Product, (B) all Novo Nordisk Know-How made, generated or discovered in connection with work performed under this Agreement that, in each case, [*] and [*], provided however, that Novo Nordisk Product IP shall not include (i) [*] or (ii) any Patent or Know-How [*] if (a) [*] Patents or Know-How, (b) [*] such Patent or Know-How [*], or (c) [*] in connection with the license granted pursuant to subsection (1) above if such Patent or Know-How were to be included in such license. For clarity, an issued or pending Novo Nordisk Patent that Covers the use, sale or manufacture of any Licensed Antibody or Licensed Product, or any Novo Nordisk Know-How that [*], shall not be considered to be "Novo Nordisk Product IP", to the extent the Novo Nordisk Patent or Novo Nordisk Know-How contains any intellectual property rights included in (i) or (ii) above.

(iv) **Clinical Development Activities**. With respect to any clinical Development activities of Novo Nordisk directed to the Licensed Antibodies and Licensed Products that are in progress at the time of notice of termination, at XOMA's request prior to the effective date of termination, Novo Nordisk shall to the extent not prohibited by applicable Law or any Regulatory Authority, [*] any then on-going clinical trials of Licensed Antibodies and Licensed Products, [*], and transfer to XOMA any other such clinical Development activities, including responsibility for payment of all fees, costs and expenses associated with such clinical Development activities, and forward all reports and underlying data from such activities to XOMA which are reasonably necessary to enable such clinical Development activities to be

transferred to XOMA without interruption. Novo Nordisk may [*] from the materials transferred pursuant to this subsection (iv), provided that, to the extent [*] is reasonably necessary for the orderly and efficient transfer, completion, wind-down or closeout of such clinical Development activities, Novo Nordisk shall work reasonably with XOMA and its designees to support such transfer, completion, wind-down or closeout in a manner that will [*].

(v) **Regulatory Filings**. To the extent permitted by applicable Laws, and within two (2) months of XOMA's request, Novo Nordisk will assign to XOMA all Regulatory Approvals and Regulatory Materials submitted and Controlled by Novo Nordisk for the Licensed Antibodies and Licensed Products. If Novo Nordisk is restricted under applicable Laws from transferring ownership of any of the foregoing items to XOMA (including in order to continue to conduct any transition activities as contemplated in this Section 10.5, including the conduct of clinical Development activities, if applicable, pursuant to subsection (iv) above), Novo Nordisk shall grant XOMA (or its designee) an exclusive right of reference or use to such item. Novo Nordisk shall, at XOMA's request, take actions reasonably necessary to effect such transfer or grant of right of reference or use to XOMA, including by making such filings as may be required with Regulatory Authorities and other governmental authorities in the Territory that may be necessary to record such assignment or effect such transfer. All such Regulatory Approvals and Regulatory Materials shall be deemed to be XOMA's Confidential Information as of the effective date of such termination and the exceptions in Sections 9.1(a) and (e) shall not apply to Novo Nordisk with respect to such Regulatory Approvals and Regulatory Materials. To the extent permitted by applicable Laws, Novo Nordisk may [*] from the materials transferred pursuant to this subsection (v), provided that, to the extent such [*] is reasonably necessary for the orderly and efficient continuation of the activities covered by such Regulatory Approvals and Regulatory Materials, Novo Nordisk shall work reasonably with XOMA and its designees to [*] in a manner that will [*].

(vi) **Data.** Within six (6) months of the effective date of such termination, Novo Nordisk shall transfer and assign to XOMA, at no cost to XOMA, all necessary and relevant data from preclinical, non-clinical and clinical studies conducted by or on behalf of Novo Nordisk, its Affiliates or sublicensees relating to any Licensed Antibodies or Licensed Products and all pharmacovigilance data (including all adverse event databases) relating to any Licensed Antibodies or Licensed Products, provided however, that such data shall not include any [*]. All such data shall be deemed to be XOMA's Confidential Information as of the effective date of such termination and the exceptions in Sections 9.1(a) and (e) shall not apply to Novo Nordisk with respect thereto. At XOMA's request, Novo Nordisk shall provide XOMA with reasonable assistance with any inquiries and correspondence with Regulatory Authorities relating to any Licensed Antibody or Licensed Product for a period of [*] after such termination, and [*].

(vii) **Transition Assistance**. Novo Nordisk shall provide the following transitional assistance, at its own cost (except with respect to subsection (4) below).

(1) Upon request by XOMA, Novo Nordisk shall provide XOMA with the name and contact information of each Third Party that Novo Nordisk has a license agreement, collaboration agreement and/or vendor agreement with that specifically and solely relates to any Licensed Antibody or Licensed Product, or the Development, manufacture

and commercialization thereof, provided that Novo Nordisk has the right to disclose such information (or, if Novo Nordisk does not have such right, Novo Nordisk shall use commercially reasonable efforts to promptly obtain the other party's consent to so disclose such information). Novo Nordisk shall provide a written authorization to such Third Party, which authorization XOMA shall have the right to review and comment upon (and Novo Nordisk shall reasonably consider such comments), to allow such Third Party to share confidentially with XOMA all information and materials that specifically relate to any Licensed Antibody or Licensed Product, [*].

(2) Novo Nordisk shall, at XOMA's request, transfer (including when available, in electronic format) all relevant and necessary Know-How conceived under this Agreement relating to any Licensed Antibodies or Licensed Products, including the Development, use or manufacture thereof, to XOMA or its designee, including without limitation: study protocols, study results, analytical methodologies, CMC Information (including bulk and final product manufacturing processes, batch records, vendor information and validation documentation), analyses, in each case to the extent such materials pertain to any Licensed Antibodies or Licensed Products, and shall provide XOMA reasonable technical assistance in connection therewith. All such Know-How that relates specifically and solely to any Licensed Antibodies or Licensed Products shall be deemed to be XOMA's Confidential Information as of the effective date of such termination and the exceptions in Sections 9.1(a) and (e) shall not apply to Novo Nordisk with respect to such Know-How. Notwithstanding the above, [*].

(3) Novo Nordisk shall at the request of XOMA transfer to XOMA or its designee inventory of Licensed Antibodies and Licensed Products (including research materials, final product, bulk drug substance, intermediates, work-in-process, formulation materials, reference standards, drug product clinical reserve samples, packaged retention samples, and the like) then in the possession of Novo Nordisk or its Affiliates or sublicensees, provided however, that [*]. Unless the Agreement is terminated for material breach by Novo Nordisk under Section 10.3, [*]. The Parties will agree on the procedures by which to transfer [*] any stability studies to XOMA or its designee in a manner that minimizes the disruption of such studies. Novo Nordisk shall be permitted for a period of [*] following the effective date of termination to sell its existing stocks of finished and in-process Licensed Products, provided that Novo Nordisk pays to XOMA all royalty payments due on the sales of such Licensed Products in accordance with Sections 5.3 through 5.6 with respect thereto.

(viii) If at the time of termination, Novo Nordisk or its Affiliates are manufacturing a particular Licensed Product, then, at XOMA's request, Novo Nordisk shall: (A) continue to manufacture and supply XOMA with such Licensed Product at Novo Nordisk's manufacturing costs [*] for a period of [*] after such termination; (B) assign or transfer to XOMA any manufacturing agreement between Novo Nordisk and a Third Party contract manufacturer with respect to such Licensed Product, if Novo Nordisk has the right to do so (or, if Novo Nordisk does not have such right, Novo Nordisk shall use commercially reasonable efforts to promptly obtain the other party's consent to so assign such agreement to XOMA); and/or (C) transfer to XOMA (or its designee) all relevant and necessary Know-How and materials conceived under this Agreement, provided however, that [*], to enable XOMA or such designee

to assume the Manufacture and supply of such Licensed Product and shall provide reasonable technical assistance in connection therewith. [*].

(ix) Novo Nordisk shall transfer and assign, and shall ensure that its Affiliates transfer and assign, to XOMA, [*] (except if [*]), all Product Marks and internet domain names relating to any Product and any applications therefor (excluding any such marks that include, in whole or part, any corporate name or logos of Novo Nordisk or its Affiliates or sublicensees). XOMA and its Affiliates and licensees shall have the right to use other identifiers specific to such Product (e.g., Novo Nordisk compound identifiers). Novo Nordisk shall also transfer to XOMA any in-process applications for generic names for any Licensed Product.

10.6 Termination Press Releases. In the event of termination of this Agreement for any reason and subject to the provisions of Section 9.4, the Parties shall cooperate in good faith to coordinate public disclosure of such termination and the reasons therefor, and shall not, except to the extent required by applicable Laws, disclose such information without the prior approval of the other Party. The principles to be observed in such disclosures shall be accuracy, compliance with applicable Laws and regulatory guidance documents, and reasonable sensitivity to potential negative investor reaction to such news.

10.7 Survival. The following provisions shall survive any expiration or termination of this Agreement for the period of time specified: Articles 8, 9, 11 and 12, and Sections 2.6, 5.4, 5.5, 5.6, 5.7, 6.1, 10.5, 10.6 and 10.7 and any of the terms defined in Section 1 which are being referenced in any of the aforementioned surviving sections.

ARTICLE 11

DISPUTE RESOLUTION

11.1 Disputes. The Parties recognize that disputes as to certain matters may from time to time arise during the Term which relate to either Party's rights and/or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Article 11 to resolve any controversy or claim arising out of, relating to or in connection with any provision of this Agreement, if and when a dispute arises under this Agreement.

11.2 Internal Resolution. With respect to all disputes arising between the Parties under this Agreement, including, without limitation, any alleged breach under this Agreement or any issue relating to the interpretation or application of this Agreement, if the Parties are unable to resolve such dispute within thirty (30) Business Days after such dispute is first identified by either Party in writing to the other, the Parties shall refer such dispute to the Chief Executive Officers of the Parties (or any senior executive reporting directly to either Party's Chief Executive Officer) for attempted resolution by good faith negotiations within thirty (30) days after such notice is received. The foregoing shall not prevent either Party from seeking temporary or injunctive relief as it believes necessary, in its sole discretion, to protect its rights in connection with this Agreement.

11.3 Governing Law; Venue and Jurisdiction. This Agreement shall be governed by the laws of the State of New York, without giving effect to any conflicts of laws principles that would require the application of other law. Subject to Section 11 .2, any dispute, controversy or claim arising out of or related to this Agreement or any breach hereof shall be submitted to a federal court located in the county of New York, State of New York, United States of America. The Parties hereby consent to the exclusive jurisdiction and venue of such courts and waive any jurisdictional or venue objections to such courts, including without limitation *forum non conveniens*.

ARTICLE 12

MISCELLANEOUS

12.1 Entire Agreement; Amendment. This Agreement, including the Exhibits hereto, sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto with respect to the subject matter hereof and supersedes, as of the Effective Date, all prior agreements and understandings between the Parties with respect to the subject matter hereof. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

12.2 Force Majeure. Each Party shall be excused from the performance of its obligations under this Agreement to the extent that such performance is prevented by force majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting force majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Agreement, force majeure shall include conditions beyond the reasonable control of the nonperforming Party, including without limitation, an act of God or terrorism, war, civil commotion, epidemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm or like catastrophe. Notwithstanding the foregoing, a Party shall not be excused from making payments owed hereunder because of a force majeure affecting such Party. If a force majeure persists for more than ninety (90) days, then the Parties will discuss in good faith the modification of the Parties' obligations under this Agreement in order to mitigate the delays caused by such force majeure.

12.3 Notices. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement, and shall be addressed to the appropriate Party at the address specified below or such other address as may be specified by such Party in writing in accordance with this Section 12.3, and shall be deemed to have been given for all purposes (a) when received, if hand-delivered or sent by confirmed facsimile or a reputable courier service, or (b) five (5) business days after mailing, if mailed by first class certified or registered airmail, postage prepaid, return receipt requested.

If to XOMA:

XOMA Corporation
2910 Seventh Street
Berkeley, California 94710
Attention: Legal Department
Fax: +1 510 644 2011

With a required copy to:

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
Attention: Barbara A. Kosacz
Fax: +1 650 849 7400

If to Novo Nordisk:

Novo Nordisk A/S
Novo Alle
2880 Bagsværd
Denmark
Attn: Head of Business Development

With a required copy to:

Novo Nordisk A/S
Novo Alle
2880 Bagsværd
Denmark
Attn: General Counsel, Legal Department

12.4 No Strict Construction. This Agreement has been prepared jointly with the advice of counsel and shall not be strictly construed against either Party. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision.

12.5 Assignment. Neither Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other, such consent not to be unreasonably withheld, except that a Party may make such an assignment without the other Party's consent (a) to its Affiliates or (b) to a successor to substantially all of the business of such Party to which this Agreement relates (whether by merger, sale of stock, sale of assets or other transaction). If [*] assigns this Agreement to a Third Party that is [*], [*] shall be entitled to [*], provided that [*]. In addition, if such assignee [*], but [*], the foregoing sentence shall apply [*] Any permitted successor or assignee of rights and/or obligations hereunder shall, in writing to the other Party, expressly assume performance of such rights and/or obligations. Any permitted assignment shall be binding on the successors of the assigning Party. Any assignment or

attempted assignment by either Party in violation of the terms of this Section shall be null, void and of no legal effect.

12.6 XOMA Change of Control. XOMA (or its successor) shall provide Novo Nordisk with written notice of any Change of Control of XOMA within two (2) Business Days following the closing date of such transaction. In the event of a Change of Control of XOMA [*], then Novo Nordisk shall have the right, in its sole discretion, by written notice delivered to XOMA (or its successor) at any time during the one hundred eighty (180) days following the written notice, to require any one (1) or more of the following actions: (a) the Parties shall [*] (provided that, for clarity, the successor entity shall [*]), and (b) [*] Change of Control, [*] shall [*] to [*]. Further, upon any occurrence of a XOMA Change of Control [*], Novo Nordisk shall have the right to: (i) [*]; and (ii) [*]. All other provisions of this Agreement shall not be affected by a XOMA Change of Control and shall remain in full force and effect upon such XOMA Change of Control.

12.7 Performance by Affiliates. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement, and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by a Party's Affiliate of any of such Party's obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

12.8 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

12.9 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction from which no appeal can be or is taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

12.10 No Waiver. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the future enforcement of its rights under this Agreement, except with respect to an express written and signed waiver relating to a particular matter for a particular period of time.

12.11 Independent Contractors. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give either Party the power or authority to act for, bind, or commit the other Party in any way. Nothing herein shall be construed to create the relationship of partners, principal and agent, or joint-venture partners between the Parties.

12.12 English Language. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this

Agreement. To the extent this Agreement requires a Party to provide to the other Party Information, correspondence, notice and/or other documentation, such Party shall provide such Information, correspondence, notice and/or other documentation in the English language.

12.13 Interpretation. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable, and all references to gender shall include both genders and the neuter. Unless otherwise specified, references in this Agreement to any section shall include all subsections and paragraphs in such Section and references in this Agreement to any subsection shall include all paragraphs in such subsection. All references to days in this Agreement shall mean calendar days, unless otherwise specified. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any reference to any laws herein shall be construed as referring to such laws as from time to time enacted, repealed or amended; (b) any reference herein to any person shall be construed to include the person's permitted successors and assigns; (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof; and (d) all references herein to Articles, Sections, Schedules or Exhibits, unless otherwise specifically provided, shall be construed to refer to Articles, Sections, Schedules and Exhibits of this Agreement.

12.14 Counterparts. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Remainder of Page Intentionally Blank.

Signature Page Follows.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

In Witness Whereof, the Parties have executed this Agreement in duplicate originals by their duly authorized officers as of the Effective Date.

XOMA Corporation

By: /s/ Jim Neal

Name: Jim R. Neal

Title: COO

Novo Nordisk A/S

By: /s/ Peter Kurtzhals

Name: Peter Kurtzhals

Title: Senior Vice President

By: /s/ Mads Krogsgaard Thomsen

Name: Mads Krogsgaard Thomsen

Title: Executive Vice President

[ ] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit A

[*]

[ ] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit B

XMet Patents

[*]

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Exhibit C

NOVO NORDISK INVOICING TEMPLATE

In order to ensure timely settlement of invoices, you are kindly requested to observe the below guidelines when sending invoices or credit notes to NOVO NORDISK.

All invoices should be sent to:
Novo Nordisk A/S
PO box 1000
DK - 2880 Bagsværd

You may also invoice NOVO NORDISK via email by attaching the invoice as a PDF file, email address: [*]**.** NOVO NORDISK is unable to process invoices sent by telefax.

All invoices must include the following information:

- **Full name and NOVO NORDISK initials of the Project Director for NOVO NORDISK**: [*]

- It must be clearly stated that the document is an invoice
- A reference to the NOVO NORDISK agreement ID CMS 444617
- Value Added Tax number or Federal ID/registration number
- Bank information, including International Bank Account Number:

  1. International Bank Account Number :
  2. Bank Name: The name of beneficiary's bank:
  3. Bank Address: The address of beneficiary's bank:
  4. Bank Key #: ABA/Routing/Fedwire/Transit number/Sort Number
  5. Swift: Swift code
  6. Account Name: Under what name beneficiary's bank account is open:
  7. Account Number: Number of beneficiary's bank account and/or IBAN code, which is applicable in all EU countries.

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Exhibit D

[*]

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Exhibit E – Press release

*November 24, DRAFTv14-- final– **Not for Distribution***

XOMA Announces License Agreement with Novo Nordisk for XMetA Program in Diabetes

- Novo Nordisk acquires exclusive global rights to XMetA program for the treatment of diabetes
- XOMA retains commercialization rights for rare disease indications
- $5.0 million upfront payment
- Agreement includes up to $290.0 million in additional potential milestone payments
- XOMA is entitled to tiered royalties

Berkeley, Calif., Month Date, 2015 – XOMA Corporation (Nasdaq: XOMA), a leader in the discovery and development of therapeutic antibodies, announced today it has exclusively licensed the global development and commercialization rights to its XMetA program of allosteric monoclonal antibodies that up-regulate the insulin receptor to Novo Nordisk A/S. Under the terms of the agreement, XOMA retains commercialization rights for rare disease indications. Novo Nordisk has an option to add these additional rights in rare diseases to its license. XOMA will receive $5.0 million in the form of an upfront payment, and the agreement includes up to $290.0 million in additional potential development, regulatory, and commercial milestones (excluding potential option payments). In addition, XOMA is eligible to receive tiered royalties on product sales.

"Novo Nordisk is recognized globally as the leader in the development of therapies to treat diabetes mellitus. They have the expertise to further develop these first-in-class insulin receptor activators, discovered by XOMA's scientists," stated Jim Neal, Senior Vice President and Chief Operating Officer of XOMA. "Our corporate strategy is to develop novel therapeutics for endocrine diseases, particularly those that are considered rare, and we were able to structure the agreement with Novo Nordisk to retain commercialization rights of the XMetA program for rare indications."

"XOMA's scientists probed the insulin receptor in order to identify a novel way of treating type 2 diabetes mellitus. Their work resulted in the XMetA program, a series of novel, fully human, high affinity, allosteric monoclonal antibodies that are partial agonists of the insulin receptor. Over the past few years, we have made significant progress in understanding the pharmacology of the compounds in this program," stated Paul Rubin, MD, Senior Vice President Research and Development and Chief Medical Officer at XOMA. "In vitro data have shown the lead compound in the XMetA program mimics insulin's glucose regulatory functions, but none of its mitogenic actions. Most recently, weekly subcutaneous treatment with the lead molecule in the XMetA program in a clinically relevant animal model of diabetes resulted in robust decreases in hyperglycemia without hypoglycemia and weight gain, along with a significant absolute reduction in HbA1c of 1.2 percent. These findings have been peer-reviewed and are published in November 2015 online Journal of Pharmacology and Experimental

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Therapeutics. They provide greater confidence in the development potential of XMetA as a first-in-class pharmacotherapy w ith broad utility in type 2 diabetes."

About XMetA Program
Conventional monoclonal antibodies bind at the ligand-receptor binding site to provide either complete activation or inhibition. However, many receptors also have sites, termed allosteric sites, binding to which modulates the ligand-receptor interaction. XOMA developed proprietary methods for identifying allosteric modulating monoclonal antibodies using its ModulX™ technology platform and focuses part of its research effort towards the discovery of these types of antibodies. The compounds in the XMet programs, which include the licensed XMetA antibodies and XOMA's 129 and 358, are fully human, high-affinity, allosteric monoclonal antibodies that selectively modulate the insulin receptor (INSR).

XMetA antibodies bind with high-affinity to the INSR and have glucoregulatory activity, as well as reduce hypoglycemia and weight gain in preclinical models of diabetes. The antibodies are partial INSR agonists as they do not upregulate INSR activity to the same extent as insulin. Structurally unrelated to insulin, XMetA antibodies bind the INSR at a different site than insulin and do not significantly interfere with insulin binding.

About Novo Nordisk
Novo Nordisk is a global healthcare company with more than 90 years of innovation and leadership in diabetes care. This heritage has given its experience and capabilities that also enable it to help people defeat other serious chronic conditions: haemophilia, growth disorders and obesity. Headquartered in Denmark, Novo Nordisk employs approximately 40,300 people in 75 countries and markets its products in more than 180 countries. Novo Nordisk's B shares are listed on Nasdaq Copenhagen (Novo-B). Its ADRs are listed on the New York Stock Exchange (NVO). For more information, visit www.novonordisk.com.

About XOMA Corporation
XOMA Corporation is a leader in the discovery and development of therapeutic antibodies. The Company's innovative product candidates result from the Company's 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 six 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 recently initiated Phase 2 development activities for XOMA 358 in patients with congenital hyperinsulinism. Additionally, XOMA is developing gevokizumab (IL-1 beta modulating antibody) in an ongoing Phase 3 program enrolling patients with pyoderma gangrenosum, a rare ulcerative skin condition. For more information, visit www.xoma.com.

Forward-Looking Statements
Certain statements contained in this press release including, but not limited to, statements related to therapeutic potential of our product candidates, anticipated timing of clinical trials, anticipated timing of the release of clinical data, the anticipated process of clinical data analysis, the anticipated receipt by

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XOMA of royalty or milestone payments, cost savings and anticipated cost savings and capital reserves and cost saving activities or statements 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, 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 in XOMA's most recent filing on Form 10-K 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 applicable law.

# # #

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CONFIDENTIAL

SETTLEMENT AND AMENDED LICENSE AGREEMENT

This Settlement and Amended License Agreement ("Agreement"), effective as of December 3, 2015 (the "Effective Date"), is entered into by and between XOMA (US) LLC ("XOMA"), a Delaware limited liability company having offices located at 2910 Seventh Street Berkeley, CA 94710, as successor-in-interest of XOMA Ireland Limited, and Pfizer Inc. ("PFIZER"), a Delaware corporation having offices located at 235 East 42nd Street, New York, NY 10017.

WHEREAS, PFIZER and XOMA Ireland Limited previously entered into a Non- Exclusive License Agreement on August 27, 2007 (the "2007 Agreement"); and

WHEREAS, the parties desire to terminate the 2007 Agreement and enter into this Settlement and Amended License Agreement in the manner provided for herein;

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the parties hereto agree as follows:

1. Definitions.

a. "Agreement" means this Settlement and Amended License Agreement between the Parties.

b. "Affiliate" means any corporation or other entity which is directly or indirectly controlling, controlled by or under common control with a Party hereto. For the purpose of this Agreement, "control" shall mean the direct or indirect possession of at least a majority of the voting interest of the subject entity (whether through ownership of securities, by contract, or otherwise).

c. "Change in Control" has the meaning set forth in the 2007 Agreement. d. "Display System" has the meaning set forth in the 2007 Agreement. e. "Licensed Product" has the meaning set forth in the 2007 Agreement. f. "Party" means either XOMA or PFIZER. g. "Patent Rights" has the meaning set forth in the 2007 Agreement. h. "Pfizer Display System" has the meaning set forth in the 2007 Agreement.

d. "Display System" has the meaning set forth in the 2007 Agreement.

e. "Licensed Product" has the meaning set forth in the 2007 Agreement.

f. "Party" means either XOMA or PFIZER.

g. "Patent Rights" has the meaning set forth in the 2007 Agreement.

h. "Pfizer Display System" has the meaning set forth in the 2007 Agreement.

i. "Third Party" means any person or entity other than PFIZER, PFIZER'S Affiliates, XOMA, or XOMA's Affiliates.

2. License.

a. Upon payment of the amount set forth in Section 3(a) below, PFIZER and PFIZER's Affiliates shall have a fully-paid-up, royalty-free, worldwide, irrevocable, non- exclusive license under the Patent Rights to conduct research, make, have made, use, sell, have sold, offer to sell, import and export Licensed Products, including without limitation Licensed Products arising out of a Pfizer Display System.

3. Consideration.

a. PFIZER shall pay to XOMA the amount of $3,800,000, which is inclusive of all financial obligations and notice requirements to XOMA under the 2007 Agreement, including but not limited to milestone payments due as of the Effective Date and projected future payments and maintenance fees, and represents a full and final release of all obligations to XOMA under the 2007 Agreement.

b. Upon payment of the amount set forth in Section 3(a) above, PFIZER will have fully satisfied all obligations to XOMA under the 2007 Agreement. Nothing herein shall obligate PFIZER to remit to XOMA any additional amounts for any activities conducted by or on behalf of PFIZER or its Affiliates under the 2007 Agreement.

4. Reports and Payments.

a. All payments hereunder shall be computed and paid in United States dollars by wire transfer to an account designated by XOMA.

b. All payments hereunder shall be made within thirty (30) days of the Effective Date.

5. Confidentiality.

Except as expressly provided herein, each Party agrees not to disclose any terms of this Agreement to any Third Party without the consent of the other Party; *provided, however,* that disclosures may be made as required by securities or other applicable laws, or to actual or *bona fide* prospective corporate partners, acquirors or investors, or to a Party's accountants, attorneys and other professional advisors, in each case who agree to be bound by the confidentiality provisions of this Agreement or are otherwise subject to requirements of confidentiality with respect to disclosure thereof at least as stringent as those contained herein.

6. Representations and Warranties.

a. Each Party represents and warrants that it has the full right, power and authority to enter into this Agreement and has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder This Agreement has been duly executed and delivered on behalf of each Party, and constitutes a legal, valid, binding obligation, enforceable against the other Party in accordance with its terms.

b. Nothing in this Agreement shall be construed as a warranty or representation as to the validity or scope of any claim or patent within the Patent Rights.

c. Nothing in this Agreement shall be construed as a warranty or representation that anything made, used, sold, or otherwise disposed of under any license granted in this Agreement is or will be free from infringement of any patent rights or intellectual property right of any Third Party.

d. Nothing in this Agreement shall constitute any admission of liability or fault of any kind on the part of PFIZER, which expressly denies any liability. This Agreement shall not be admissible in evidence in any proceeding except in an action to enforce the terms of the Agreement.

e. Except as provided for in Section 6 herein, neither PFIZER nor XOMA grants to the other party any warranties or representations.

7. Indemnification.

a. PFIZER agrees to indemnify, defend and hold XOMA harmless from and against any and all liabilities, claims, losses, demands, expenses (including, without limitation, attorneys and professional fees and other costs of litigation), losses or causes of action arising out of or relating in any way to a lawsuit by a Third Party relating to (a) the possession, manufacture use, sale or other disposal of Licensed Products or Pfizer Display Systems, whether based on breach of warranty, negligence, product liability or otherwise, (b) the exercise of any right granted to PFIZER pursuant to this Agreement, or (c) any breach of this Agreement by PFIZER except and solely to the extent, in each case, that such liability is caused by the gross negligence or willful misconduct of XOMA.

b. XOMA agrees to indemnify, defend and hold PFIZER harmless from and against any and all liabilities arising out of or relating in any way to a lawsuit by a Third Party relating to a breach by XOMA of its representations and warranties hereunder, except and solely to the extent such liability is caused by the gross negligence or willful misconduct of PFIZER.

8. Term and Termination.

a. The term of this Agreement commences on the Effective Date and will remain in full force and effect thereafter.

b. Either Party may terminate this Agreement in the event the other Party has materially breached or defaulted in the performance of any of its obligations hereunder, and such breach has continued for sixty (60) days after written notice thereof was provided to the breaching Party by the nonbreaching Party. Any termination shall become effective at the end of the sixty (60) day period unless the breaching Party has cured any such breach or default prior to the expiration of such period. Notwithstanding the first two sentences of this Section 8(b), in the case of a failure to pay any amount due hereunder the period for cure of any such default following notice thereof shall be thirty (30) days and, unless payment is made within such period, the termination shall become effective at the end of such period.

c. The provisions under which this Agreement may be terminated shall be in addition to any and all other legal remedies which either party may have for the enforcement of any and all terms hereof, and do not in any way limit any other legal remedy such party may have.

9. Release

a. Each party, on behalf of itself, its Affiliates, and their respective directors, officers, employees, agents, representatives, assigns, predecessors, or successors hereby releases, acquits, and forever discharges the other party including each of their respective current and future customers, importers, manufacturers, distributors, suppliers, insurers, attorneys representatives and agents, their successors and assigns, other than Zoetis Inc. and Labrys Biologics Inc. and their Affiliates, succcessors and assigns, in their capacity as distinct legal entities separate from Pfizer and its Affiliates, from any and all pending and potential claims, demands, obligations, all manner of actions, causes of actions, suits, debts, liabilities, losses, damages, attorneys' fees, costs, expenses, judgments, settlements, interest, punitive damages, and other damages or costs of whatever nature, whether known or unknown, pending or future certain or contingent, arising out of, derived from, or predicated upon the 2007 Agreement. For the avoidance of doubt, this Agreement shall not alter the rights and obligations of the parties as successors-in-interest under the License Agreement between XOMA Ireland Limited and Wyeth, dated August 18, 2005.

10. Miscellaneous Provisions.

a. Governing Law. This Agreement and any dispute, including without limitation any voluntary arbitration arising from the performance or breach hereof, shall be governed by and construed and enforced in accordance with the laws of the state of New York, without reference to conflicts of laws principles. The exclusive venue of any dispute arising out of or in connection with the performance or breach of this Agreement shall be the New York state courts or U.S. district court located in New York, and the Parties hereby consent to the personal jurisdiction of such courts and waive any objection that any such court would be an inconvenient forum.

b. Assignment. Neither Party may transfer or assign this Agreement, or any rights hereunder, without the prior written consent of the other Party; *provided*, that for purposes of this Agreement, a Change in Control shall not be deemed to be a transfer or assignment; *provided, further*, that either Party may assign this Agreement or its rights hereunder, in whole or in part, to any Affiliate. Any attempted transfer or assignment in violation of this Section 10(b) shall be void. For the avoidance of doubt, a Change in Control of PFIZER or XOMA, in and of itself, shall not result in a termination of this Agreement. This Agreement shall be binding upon and inure to the benefit of the Parties and their permitted successors and assigns.

c. Waiver. No waiver of any rights shall be effective unless consented to in writing by the Party to be charged and the waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

d. Severability. In the event that any provisions of this Agreement are determined to be invalid or unenforceable by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect without said provision.

e. Notices. All notices, requests, and other communications hereunder shall be in writing and shall be personally delivered or sent by telecopy or other electronic facsimile transmission or by registered or certified mail, and shall be effective upon receipt at the respective address specified below, or such other address as may be specified in writing to the other Party:

PFIZER: Pfizer Inc.
Notices: R&D Business Development
235 East 42nd Street
New York, NY 10017
Attn.: R&D BD Contract Notice

with a copy to:

Pfizer Inc.
Notices: Pfizer Legal Division
235 East 42nd Street
New York, NY 10017
Attn.: Chief Counsel, R&D
Fax: +1-646-563-9619

and electronic copies to:

contractnotices@pfizer.com; and
jeff.southerton@pfizer.com

XOMA: XOMA (US) LLC
2910 Seventh Street
Berkeley, CA 94710
Attn: Legal Department
Fax: +1-510-649-0315

and electronic copies to:
LegalDept@xoma.com; and
neal@xoma.com

f. Independent Contractors. Both Parties are independent contractors under this Agreement. Nothing contained in this Agreement is intended nor is to be construed so as to constitute XOMA or PFIZER as partners or joint venturers with respect to this Agreement. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any other contract agreement, or undertaking with any Third Party.

g. Compliance with Laws. In exercising their rights under this license, the Parties shall fully comply in all material respects with the requirements of any and all applicable laws, regulations, rules and orders of any governmental body having jurisdiction over the exercise of rights under this Agreement. PFIZER shall be responsible, at its expense, for making any required registrations or filings with respect to this Agreement and obtaining any necessary governmental approvals with respect hereto.

h. Use of Name. Neither Party shall use the name or trademarks of the other Party without the prior written consent of such other Party.

i. Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and do such other acts, as may be necessary and appropriate in order to carry out the purposes and intent of this Agreement.

j. Bankruptcy Protection. All rights and licenses granted under or pursuant to this Agreement by either Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code and other similar foreign laws, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code or such foreign laws. Each Party agrees that the other Party, as a licensee of such rights under this Agreement shall retain and may fully exercise all of its rights and elections under Section 365(n) of the U.S. Bankruptcy Code and other similar foreign laws, and neither Party shall claim that this Agreement does not fall within the scope thereof. Each Party further agrees that, upon the commencement of a bankruptcy proceeding by or against such Party under the U.S. Bankruptcy Code, the other Party shall be immediately entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in such other Party's possession, shall be promptly delivered to the other Party if such Party rejects this Agreement, fails to promptly elect in writing to continue to perform all of its obligations under this Agreement, and/or fails to take all steps necessary to protect such intellectual property.

k. Entire Agreement; Amendment. This Agreement constitutes the entire and exclusive agreement between the Parties with respect to the subject matter hereof and supersedes and cancels all previous discussions, agreements, commitments and writings in respect thereof. No amendment or addition to this Agreement shall be effective unless reduced to writing and executed by the authorized representatives of the Parties.

IN WITNESS THEREOF, PFIZER and XOMA have executed this Agreement by their duly authorized officers.

PFIZER INC.	XOMA (US) LLC
By: /s/Robert J. Smith	By: /s/ James R. Neal
Robert J. Smith	James R Neal
SVP, Worldwide Business Development	VP Business Development & Program Leadership

EXECUTION COPY

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit 10.65

ASSET PURCHASE AGREEMENT

by and among

AGENUS WEST, LLC and

AGENUS INC.
(solely with respect to its obligations under Sections 4.4, Section 8.3, and Article 7)

and

XOMA CORPORATION

Dated as of November 5, 2015

TABLE OF CONTENTS

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SCHEDULES

Schedule 1.1	Physical Assets; Transferred Contracts
Schedule 5.3	Consents
Schedule 5.4	Encumbrances
Schedule 5.5	Litigation
Schedule 5.6	Regulatory Issues
Schedule 5.7	Compliance with Laws
Schedule 5.8	Brokers
Schedule 5.14	Employee Benefit Plans
Schedule 5.15	Physical Assets
Schedule 5.16	Taxes
Schedule 5.17(d)	Environmental Matters
Schedule 5.22	Insurance Policies
Schedule 5.23	Sufficiency of the Assets
Schedule 9.2	Employee Information
Schedule 9.4	Production of X358 Clinical Product

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, dated as of the Fifth day of November, 2015 (this "**Agreement**"), is made by and among Agenus Inc., a Delaware corporation, for the limited obligations identified herein ("**Parent**"), Agenus West, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Parent ("**Buyer**"), and XOMA Corporation, a Delaware corporation ("**Seller**").

WHEREAS, Seller owns certain real property and a manufacturing facility known as the X5 Manufacturing Facility (as defined herein);

WHEREAS, Seller desires to sell, transfer, and convey to Buyer, and Buyer desires to purchase from Seller, the X5 Manufacturing Facility and certain assets related to the X5 Manufacturing Facility, and Buyer desires to assume the Assumed Liabilities (as defined herein), all upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, in connection with the sale, transfer, and conveyance of the X5 Manufacturing Facility and those certain assets related to the X5 Manufacturing Facility, the Seller, Buyer, and/or their respective Affiliates desire to enter into the Ancillary Agreements (as defined herein);

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

I.
DEFINITIONS

Definitions

. As used in this Agreement, the following terms have the meanings set forth below:

"**Additional Required Parking**" has the meaning set forth in Section 6.3.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. When used in this Agreement, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of a majority of the equity interests or the power to elect a majority of the board of directors (or Persons performing similar functions) of such Person, whether through the ownership of voting securities, status as a general partner, by contract, or otherwise. The parties acknowledge that in the case of certain entities organized under the Laws of certain countries outside of the United States, the maximum percentage ownership permitted by Law for a foreign investor may be less than fifty percent (50%), and that in such case such lower percentage shall be substituted in the preceding sentence; provided that such foreign investor has the power to direct the management and policies of such entity.

"**Agreement**" has the meaning set forth in the recitals.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

"**Ancillary Agreements**" means, collectively, the Transition Services Agreement, Intellectual Property License Agreement, and the Real Estate Agreements.

"**Anti-Terrorism Order**" has the meanings set forth in Section 5.20.

"**Assumed Liabilities**" has the meaning set forth in Section 2.3(a).

"**Assumption Agreement**" means an assumption agreement to be executed at Closing by Buyer and Seller, substantially in the form attached hereto as Exhibit A.

"**Bill of Sale**" means a bill of sale and assignment to be executed at Closing by Buyer and Seller, substantially in the form attached hereto as Exhibit B.

"**Books and Records**" means all books, records and files relating to the X5 Manufacturing Facility owned by Seller and in its possession, including, but not limited to, plans, specifications, drawings, blueprints, surveys, operating reports and environmental reports; excluding, however, appraisals, internal valuations and projections, attorney-client communications and other reports, records and files that customarily would be considered confidential or privileged.

"**Business Day**" means any day other than a Saturday, Sunday, or other day on which banks in San Francisco, California are required or authorized to be closed by Law or regulation.

"**Buyer**" has the meaning set forth in the recitals.

"**Buyer Defined Contribution Plan**" has the meaning set forth in Section 9.2(e)(2).

"**Buyer Indemnified Parties**" has the meaning set forth in Section 11.2(a).

"**Closing**" and "**Closing Date**" have the respective meanings set forth in Section 4.2.

"**Closing Statement**" has the meaning set forth in Section 4.3(a)(x).

"**Code**" means the Internal Revenue Code of 1986, as amended, together with all rules, regulations and official guidance promulgated thereunder.

"**Common Stock**" means common stock, par value per share of $0.01, of Buyer.

"**Confidentiality Agreement**" means that certain Mutual Confidentiality Agreement, effective as of April 9, 2015, by and between Buyer and Seller, as amended.

"**Consideration Shares**" has the meaning set forth in Section 4.4(a).

"**Eligible Employees**" means those employees of Seller listed on Schedule 9.2.

"**Employment Offer**" has the meaning set forth in Section 9.2(b).

"**Encumbrance**" means any mortgage, charge, lien, security interest, pledge or encumbrance of any nature whatsoever.

"**Energy Disclosure**" has the meaning set forth in Section 13.15.

"**Environmental Laws**" shall mean any and all laws, rules, regulations, orders and directives, whether federal, state or local, applicable to the Real Property or any part thereof with respect to the environmental condition of the Real Property or any part thereof and any adjacent property, and any activities conducted on or at the Real Property, including by way of example and not limitation: (i) Hazardous Materials; (ii) air emissions, water discharges, noise emissions and any other environmental, health or safety matter; (iii) the existence of any underground storage tanks that contained or contain Hazardous Materials; and (iv) the existence of PCB containing electrical equipment.

"**Escrow**" has the meaning set forth in Section 4.1.

"**Escrow Holder**" has the meaning set forth in Section 4.1.

"**Evidence of Zoning Compliance**" has the meaning set forth in Section 6.4.

"**Excluded Assets**" has the meaning set forth in Section 2.2(b).

"**Excluded Liabilities**" has the meaning set forth in Section 2.3(b).

"**Exhibits**" means, collectively, the Exhibits referred to throughout this Agreement.

"**FDA**" means the United States Food and Drug Administration.

"**Fundamental Representations**" means [*].

"**Governmental Entity**" means any court, agency, authority, department, legislative, or regulatory body or other instrumentality of any government or country or of any national, federal, state, provincial, regional, county, city, or other political subdivision of any such government or any supranational organization of which any such country is a member or quasi-governmental authority or self-regulatory organization of competent authority.

"**Governmental Order**" means any consent, authorization, approval, order, license, certification, or permit of or from, or declaration or filing with, any Governmental Entity, including any required filing with any Governmental Entity and the subsequent expirations of any required waiting period under any antitrust law.

"**Grant Deed**" means a grant deed to be executed at Closing by Seller, substantially in the form attached hereto as Exhibit C.

"**Hazardous Materials**" shall mean any solid wastes, toxic or hazardous substances, wastes or contaminants, polychlorinated biphenyls, paint or other materials containing lead, urea formaldehyde foam insulation, radon, asbestos, and asbestos containing material, petroleum product and any fraction thereof and any Pathogen.

"**Improvements**" means all buildings, fixtures, parking areas, landscaping and other improvements to or situated on the Land. The Improvements do not include the Physical Assets.

"**Indemnified Party**" has the meaning set forth in Section 11.6(a)

"**Indemnifying Party**" has the meaning set forth in Section 11.6(a).

"**Insurance Policies**" has the meaning set forth in Section 5.22.

"**Intellectual Property License Agreement**" means an intellectual property license agreement between the parties substantially in the form set forth on Exhibit D, executed at Closing by Seller and Buyer.

"**IP License Representations**" means the representations and warranties of Seller as "Licensor" under the Intellectual Property License Agreement.

"**Key Employees**" means [*] and [*].

"**Knowledge**" of Seller means [*].

"**Land**" means that certain real property located in the City of Berkeley, County of Alameda, and more particularly described on Exhibit E attached hereto.

"**Law**" means any statute, law, ordinance, regulation, rule or code of a Governmental Entity.

"**Liabilities**" means any and all debts, liabilities, and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, or determined or determinable, including product liability, and, more generally, those arising under any Law, action, or Governmental Order and those arising under any contract, agreement, arrangement, commitment, or undertaking, or otherwise.

"**Licensed Intellectual Property**" means, collectively, the XOMA General Know-How, the [*] and [*], and the [*] Patents, as each of those terms are defined in the Intellectual Property License Agreement.

"**Loss**" or "**Losses**" means, collectively, any and all damages, losses, Liabilities, judgments, penalties, costs, and expenses (including reasonable attorneys' fees and litigation expenses); provided, however, that Losses shall not include punitive damages (other than punitive damages owed to a Third Party pursuant to a Third Party Claim), consequential, indirect, incidental, exemplary, punitive, or special damages, lost profits, lost revenue, diminution in value, or opportunity costs, and shall not be calculated by using or taking into account any multiple of earnings, cash flow, revenue, or other similar measure.

"**Material Adverse Effect**" means an event, change, or effect which is, or is reasonably expected to be, materially adverse to the Purchased Assets, taken as a whole, other than events, changes, or effects: [*].

"**Miscellaneous Assets**" means all assignable warranties and other items of intangible personal property relating to the ownership or operation of the X5 Manufacturing Facility to the extent transferable and/or to the extent the parties obtain any consent necessary to effectuate such

transfer, but such term shall not include (i) Permits; (ii) Books and Records; (iii) Accounts Receivable; (iv) utility and similar deposits; (v) prepaid insurance or other prepaid items; or (vi) prepaid fees for Permits; except, in the case of clauses (iv) through (vi) (inclusive), only to the extent that Seller receives a credit at Closing for any such item or matter.

"**Non-Key Employees**" means those Eligible Employees who are not Key Employees.

"**OFAC Regulations**" has the meaning set forth in Section 5.20.

"**Owner's Policy**" means an ALTA owner's policy of title insurance (Form 2006) in the form of Exhibit F attached hereto.

"**Parking Easement**" has the meaning set forth in Section 6.3.

"**Parking Spaces**" has the meaning set forth in Section 6.3.

"**Pathogen**" shall mean any pathogen, toxin or other biological agent or condition, including but not limited to, any fungus, mold, mycotoxin or microbial volatile organic compound.

"**Permits**" means all licenses, permits, certificates of occupancy, authorizations and approvals used in or relating to the ownership or operation of the X5 Manufacturing Facility.

"**Permitted Encumbrance**" means any Encumbrance disclosed on Schedule B, Part II of the Owner's Policy.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, firm, trust, business association, organization, Governmental Entity, or other entity.

"**Personal Property**" means, collectively, the (i) Transferred Contracts, (ii) Permits, (iii) Books and Records, and (iv) Miscellaneous Assets; but excluding, however, Excluded Assets.

"**Physical Assets**" means all fixtures, furniture, fittings, equipment, machinery, apparatus, appliances, keys, and other articles of Personal Property now located on or about the Real Property and used or usable in connection with any part of the X5 Manufacturing Facility set forth on Schedule 1.1, subject to such substitutions and replacements as shall occur and be made in the normal course of business, but excluding, however, Excluded Assets.

"**Purchase Price**" has the meaning set forth in Section 3.1.

"**Purchased Assets**" has the meaning set forth in Section 2.2(a).

"**Real Estate Agreements**" means the real estate agreements to be negotiated and agreed upon by the Parties at least five (5) Business Days prior to Closing, one of which shall be a sublease for a portion of Seller's "X6" facility with respect to the provision of warehouse space, and the other of which shall be a license for a portion of Seller's "X3" facility with respect to the provision of office space and the temporary parking spaces described in Section 6.3, certain

terms of which are as set forth on Exhibit K attached hereto, each executed at Closing by Seller and Buyer.

"**Real Property**" shall mean the fee estate in and to the Land and the Improvements and Seller's right, title and interest, if any, in the streets, roads, lands and alleys in front of and adjacent to the Land, and the hereditaments and appurtenances to the Land and the Improvements, including all easements, rights-of-way and other similar interests appertaining to the Land or the Improvements.

"**Registration Period**" has the meaning set forth in Section 8.3(b).

"**Registration Statement**" has the meaning set forth in Section 8.3(a).

"**Rule 144**" has the meaning set forth in Section 8.3(h).

"**Schedules**" means, collectively, the Schedules referred to throughout this Agreement.

"**SEC**" means the United States Securities and Exchange Commission.

"**SEC Reports**" has the meaning set forth in Section 7.7.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Seller**" has the meaning set forth in the recitals.

"**Seller's Cap**" has the meaning set forth in Section 11.2(b).

"**Seller Defined Contribution Plan**" has the meaning set forth in Section 9.2(e)(2).

"**Seller Indemnified Parties**" has the meaning set forth in Section 11.3.

"**Seller Plans**" means each employee benefit plan, as defined in Section 3(3) of ERISA sponsored, contributed to, or maintained by Seller immediately prior to the Closing Date in which an Eligible Employee participates.

"**Seller's Representations**" means all representations and warranties of Seller set forth herein or in any Closing Document, including without limitation those representations and warranties of Seller set forth in Article V.

"**Space Leases**" means any leases, licenses, concessions and other occupancy agreements for the use or occupancy of any portion of the Real Property and amendments thereto.

"**Survival Period**" has the meaning set forth in Section 11.1.

"**Tax**" means all Federal, state, local, and foreign taxes and assessments, including all interest, penalties, and additions with respect thereto.

"**Tax Return**" means any report, return, election, notice, estimate, declaration, information statement, and other forms and documents (including all schedules, exhibits, and other attachments thereto) relating to and filed or required to be filed with a taxing authority in connection with any Taxes (including estimated Taxes).

"**Third Party**" means any Person other than Seller or Buyer or their respective Affiliates.

"**Third Party Claim**" has the meaning set forth in Section 11.6(b).

"**Title Company**" has the meaning set forth in Section 4.1.

"**Transfer Taxes**" has the meaning set forth in Section 3.3.

"**Transferred Contracts**" means all of Seller's right, title and interest to all contracts, licenses, agreements, and all other legally binding arrangements set forth in Schedule 1.1, including all amendments thereto, as well as written warranties and guaranties relating thereto, if any, to the extent such contracts are transferable and/or the parties obtain any consent necessary to effectuate such transfer.

"**Transferred Employees**" has the meaning set forth in Section 9.2(b).

"**Transition Services Agreement**" means a transition services agreement between the parties substantially in the form attached as Exhibit G, executed at Closing by Seller and Buyer.

"**Wareham Property**" has the meaning set forth in Section 6.3.

"**X358 Product**" means the Phase II clinical trial product associated with the drug candidate known internally at Seller as XOMA-358.

"**X5 Manufacturing Facility**" means, collectively, the Real Property and the Physical Assets.

"**XOMA Bonus**" means, with respect to a given Eligible Employee, the bonus for which such Eligible Employee would have been eligible had s/he remained employed by Seller and/or its Affiliates through December 31, 2015, in each case as set forth on Schedule 9.2.

"**XOMA Bonus Payment**" means the amount which is equal to the aggregate XOMA Bonus amounts for all Transferred Employees.

Interpretation

.

(a) "**includes**" and "**including**" shall mean, respectively, includes and including without limitation;

(b) a party includes its permitted assignees and/or the respective successors in title to substantially the whole of its undertaking;

(c) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;

(d) references to Sections and Schedules are to Sections and Schedules of this Agreement unless otherwise specified;

(e) the headings in this Agreement are for information only and shall not be considered in the interpretation of this Agreement;

(f) any reference to "**writing**" or "**written**" includes faxes and any legible reproduction of words delivered in permanent and tangible form (but does not including email);

(g) the words "**hereof**", "**herein**", and "**hereunder**" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(h) references to any agreement or contract are to that agreement or contract as amended, modified, or supplemented from time to time in accordance with the terms hereof and thereof; and

(i) the parties agree that the terms and conditions of this Agreement are the result of negotiations between the parties and that this Agreement shall not be construed in favor of or against any party by reason of the extent to which any party participated in its preparation.

Currency

. All currency amounts referred to in this Agreement are in U.S. Dollars unless otherwise specified.

II.
SALE AND PURCHASE OF PURCHASED ASSETS

Purchase and Sale

. Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Seller will severally sell, assign, transfer, convey, and deliver to Buyer, and Buyer will purchase, acquire, and accept, all right, title, and interest of Seller in, to, and under the Purchased Assets held by Seller.

Purchased Assets

.

(a) The term "**Purchased Assets**" means the following assets and rights of whatever kind and nature, tangible or intangible, other than the Excluded Assets, of Seller existing on the Closing Date:

(i) X5 Manufacturing Facility; and

(ii) the Personal Property;

(b) Seller and Buyer expressly agree and acknowledge that Buyer is not acquiring any right, title, or interest in or to any of the assets of Seller other than the Purchased Assets (such unidentified property, the "**Excluded Assets**"). For the avoidance of doubt, such Excluded Assets include, but are not limited to, the following:

(i) any and all intellectual property of the Seller or any of its respective Affiliates, except as set forth in the Intellectual Property License Agreement;

(ii) the accounts receivable, pre-paid expenses, and any cash or cash equivalents of Seller or any of its Affiliates relating to the Purchased Assets for the period prior to the Closing Date;

(iii) any real property or leaseholds (together with all fixtures and fittings related to any property), physical plant, machinery, equipment, supplies, laboratories, or office equipment of the Seller or any of its respective Affiliates, except for the X5 Manufacturing Facility expressly included in the Purchased Assets above and any rights under the Real Estate Agreements; and

(iv) any rights under Seller's insurance policies or self-insurance that are related to the X5 Manufacturing Facility, except as set forth in Section 11.4.

(c) Buyer acknowledges and agrees that Seller may retain one copy of all or any part of the documentation that it delivers to Buyer hereunder provided that Seller maintain such documentation as Confidential Information under the terms of Section 9.6 and the Confidentiality Agreement as though such documentation was Confidential Information of Buyer thereunder.

Assumption of Certain Liabilities and Obligations

.

(a) Buyer will assume, be responsible for, and pay, perform, and discharge when due the following (collectively, the "**Assumed Liabilities**"):

(i) any Liabilities arising from any product liability or patent or trademark infringement claim or lawsuit first brought by any Third Party, the FDA, or any other Governmental Entity on or after the Closing Date to the extent identified as arising from any of the products manufactured, in whole or in part, in the X5 Manufacturing Facility by Buyer after the Closing Date, but excluding any patent or trademark infringement claim or lawsuit with respect to Licensed Intellectual Property and arising from any act or omission of Seller;

(ii) any Liabilities that Buyer expressly assumes or agrees to assume under this Agreement; and

(iii) except as otherwise provided in this Agreement, all other Liabilities, to the extent first arising and accruing following the Closing as a result of actions taken by or on behalf of Buyer, following the Closing.

(b) Except for the Assumed Liabilities, Buyer will not assume or be liable for any Liabilities arising in connection with any of the Purchased Assets (collectively, the "**Excluded Liabilities**").

III.
PURCHASE PRICE

Purchase Price

. The purchase price for the Purchased Assets (and consideration for licenses under the Intellectual Property License Agreement as set forth below) is Six Million Dollars ($6,000,000) (the "**Purchase Price**"). The Purchase Price will be paid as follows: (a) Five Million Dollars ($5,000,000) in cash, minus the amount of the XOMA Bonus Payment (such amount, the "**Cash Purchase Price**"), plus (b) shares of Common Stock of Parent, payable in accordance with Section 4.4, which Buyer and Seller agree have a value of One Million Dollars ($1,000,000), provided that Buyer and Seller agree and acknowledge that a portion of such Common Stock with a value of Two Hundred and Fifty Thousand Dollars ($250,000) is consideration for certain licenses granted by Seller to Buyer pursuant to the Intellectual Property License Agreement (the "**Share Purchase Value**"). In addition to the Purchase Price, at the Closing Buyer shall be responsible for, and pay to Seller, an amount equal to the incremental cost for each of Seller's employees, other than those employees that Seller would have retained had Seller closed the X5 Manufacturing Facility on October 31, 2015, for each day following October 31, 2015 that Seller has retained such employee until the Closing Date; such incremental cost shall be based on an annual rate of [*] per each such employee (The "**Employee Amount**"). The number of shares of Common Stock to be issued pursuant to this Section 3.1 shall be calculated by dividing the Share Purchase Value by the average closing price per share of Parent's Common Stock on the Nasdaq Capital Market for the thirty (30) trading days ending on the trading day one day prior to the Closing, rounded up to the nearest whole share.

Allocation of Purchase Price

. The Purchase Price will be allocated among the Purchased Assets and the Licensed Intellectual Property as of the Closing Date in accordance with applicable Law and as set forth in Exhibit I. Each of the parties hereto agrees to report (and to cause its Affiliates to report), when required, the transactions contemplated by this Agreement in a manner consistent with applicable Law and with the terms of this Agreement, including the allocation provided in Exhibit I, and agrees not to take any position inconsistent therewith in any Tax Return, in any Tax refund claim, in any litigation, or otherwise.

Transfer Taxes

; Sales Taxes. All transfer, value added, stamp duty, and similar Taxes payable in connection with the transactions contemplated hereby (collectively, the "**Transfer Taxes**") will be shared evenly between Buyer and Seller. The party responsible for filing any Tax Return with respect to such Taxes shall properly and promptly file such Tax Return. Seller and Buyer shall cooperate with each other and use their reasonable efforts to minimize the Transfer Taxes attributable to the transfer of the Purchased Assets and shall use commercially reasonable efforts to obtain any exemption or other similar certificate from any Governmental Entity as may be necessary to mitigate such Taxes. Buyer shall reimburse Seller for any sales taxes paid by Seller on Buyer's behalf for the sale of the Purchased Assets hereunder.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

IV.
THE CLOSING

Escrow

. Concurrently with the execution and delivery of this Agreement, Buyer and Seller shall jointly open an escrow ("**Escrow**") for this purchase and sale transaction with Chicago Title Insurance Company, at its office located at 455 Market Street, Suite 2100, San Francisco, CA 94105, ATTN: Terina Kung ("**Title Company**"), which shall act as the escrow holder for this transaction. As used herein, the term "**Escrow Holder**" shall mean and refer to Title Company acting in its capacity as the administrator of the Escrow and any applicable escrow accounts relating to the purchase and sale transaction contemplated by this Agreement, and any other references to Title Company shall mean and refer to Title Company acting in its capacity as the issuer of the Owner's Policy. Seller and Buyer shall also execute and deliver to Escrow Holder and Title Company such additional or supplemental escrow, title and closing instructions as may be necessary or convenient from time to time prior to the Closing to implement the terms of this Agreement. Seller and Buyer agree that: (a) the duties of Escrow Holder are only as herein specifically provided and Escrow Holder shall incur no liability whatsoever except for its own willful misconduct or gross negligence; (b) in the performance of its duties hereunder, Escrow Holder shall be entitled to rely upon any document, instrument or signature believed by it to be genuine and signed by either of the other parties hereto or their successors; (c) Escrow Holder may assume that any person purporting to give any notice of instructions in accordance with the provisions hereof has been duly authorized to do so; (d) Escrow Holder shall not be bound by any modification, cancellation or rescission of this Agreement unless in writing and signed by Escrow Holder, Seller and Buyer; (e) except as otherwise provided in Section 4.4(b), Seller and Buyer shall jointly and severally reimburse and indemnify Escrow Holder for, and hold it harmless against, any and all loss, liability, costs or expenses in connection herewith, including attorneys' fees and disbursements, incurred without willful misconduct or gross negligence on the part of Escrow Holder arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement; (f) each of Seller and Buyer hereby releases Escrow Holder from any act done or omitted to be done by Escrow Holder in good faith in the performance of its duties hereunder; and (g) Escrow Holder may resign upon ten (10) days written notice to Seller and Buyer. If a successor Escrow Holder is not appointed by Seller and Buyer within such ten (10) day period, Escrow Holder may petition a court of competent jurisdiction to name a successor.

Closing Date

. Subject to the satisfaction or waiver of all the conditions set forth in this of Article IV and subject to Article X, the closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of Escrow Holder or through customary closing escrow arrangements reasonably acceptable to Seller and Buyer by the delivery of documents and funds to Escrow Holder on or prior to the Closing Date. "**Closing Date**" means the date upon which Closing occurs.

Closing Deliveries

. Contemporaneously with the Closing, each party agrees on its own behalf, as applicable, to deliver to Escrow Holder such instruments of conveyance, assignment, transfer, and assumption, in form and substance reasonably satisfactory

to Buyer and Seller, as may be necessary in order to consummate the transaction contemplated hereby, including the following:

(a) Deliveries by Seller or its Affiliates:

(i) a duly executed and acknowledged Grant Deed;

(ii) a duly executed Bill of Sale;

(iii) a duly executed Assumption Agreement;

(iv) a duly executed Transition Services Agreement;

(v) duly executed Real Estate Agreements, including the countersignature of each landlord thereunder consenting to such Real Estate Agreements;

(vi) a duly executed Intellectual Property License Agreement;

(vii) a duly executed certification of non-foreign status, in form required by Internal Revenue Code Section 1445 and the regulations issued thereunder, together with a duly executed California Real Estate Withholding Certificate Form 593-C;

(viii) such duly executed transfer tax forms and any other filings, forms or documents required in order to record the Grant Deed in the Official Records of Alameda County;

(ix) a duly executed title affidavit in substantially the form attached hereto as Exhibit H**,** or, at Seller's election, such other form reasonably acceptable to Title Company, as may be necessary to enable Title Company to issue the Owner's Policy;

(x) a duly executed closing statement prepared by Escrow Holder (the "**Closing Statement**");

(xi) evidence of authority, good standing and due authorization of Seller to enter into the within transaction and to perform all of its applicable obligations hereunder, including, without limitation, the execution and delivery of all of the closing documents required by this Agreement, and setting forth such additional facts, if any, as may be needed to show that the transaction is duly authorized and is in conformity with Seller's organizational documents and applicable Laws and to enable Title Company to omit all exceptions from the Owner's Policy regarding Seller's standing, authority and authorization;

(xii) a schedule, containing reasonable detail, of the Employee Amount;

(xiii) a release, in form and substance reasonably satisfactory to Buyer, of the Encumbrance of Hercules Technology Growth Capital Inc. identified in Schedules 5.4 and 5.15;

(xiv) possession of the X5 Manufacturing Facility, free of all occupants and tenancies, together will all keys and security codes for the X5 Manufacturing Facility and the Purchased Assets located within; and

(xv) all other instruments necessary, in Buyer's reasonable opinion, to transfer the Purchased Assets; provided that Buyer shall give reasonable notice of the need for such instruments prior to the Closing.

(b) Deliveries by Buyer or its Affiliates:

(i) a duly executed Assumption Agreement;

(ii) a duly executed Transition Services Agreement;

(iii) duly executed Real Estate Agreements;

(iv) a duly executed Intellectual Property License Agreement;

(v) a duly executed Closing Statement;

(vi) to the Title Company, an ALTA/ACSM survey of the real property in form and substance acceptable to the Title Company for purposes of issuing the Owner's Policy;

(vii) evidence of authority, good standing and due authorization of Buyer to enter into the within transaction and to perform all of its applicable obligations hereunder, including, without limitation, the execution and delivery of all of the closing documents required by this Agreement, and setting forth such additional facts, if any, as may be needed to show that the transaction is duly authorized and is in conformity with Buyer's organizational documents and applicable Laws; and

(viii) all other instruments necessary, in Seller's reasonable opinion, for Buyer to assume the Assumed Liabilities; provided that Seller shall give reasonable notice of the need for such instruments prior to the Closing.

Payment of Purchase Price

; Certain Closing Costs; Prorations.

(a) At Closing, (i) Buyer shall pay the cash portion of the Purchase Price by wire transfer to such bank account of Escrow Holder as is designated in a written notice from Escrow Holder to Buyer delivered at least two (2) Business Days before Closing, and (ii) Parent shall deliver to Seller a certificate representing one-half of the number of shares of Common Stock calculated pursuant to Section 3.1 and valued at $500,000 (the "**Closing Consideration Shares**"); which shall be registered pursuant to Section 8.3. Seller agrees that the certificate representing the Closing Consideration Shares will bear a restrictive legend stating that the Consideration Shares represented thereby may not be sold except pursuant to registration under the Securities Act or pursuant to an exemption therefrom.

(b) [*] Seller agrees that the certificate representing the Additional Consideration Shares will bear a restrictive legend stating that the Additional Consideration Shares represented thereby may not be sold except pursuant to registration under the Securities Act or pursuant to an exemption therefrom.

(c) The following shall be apportioned between Seller and Buyer at the Closing with respect to the Real Property as of 11:59 p.m. (Pacific time) of the day immediately preceding the Closing Date, and the net amount thereof either shall be paid by Buyer to Seller or credited to Buyer, as the case may be, at the Closing: (i) real property taxes and assessments (or installments thereof); (ii) water rates and charges; (iii) sewer taxes and rents, except those; (iv) permit, license and inspection fees relating to the Real Property, if any, on the basis of the fiscal year for which levied, if the rights with respect thereto are transferred to Buyer; (v) charges and fees due under contracts for the supply to the Real Property of heat, steam, electric power, gas and light and telephone, if any; and (vi) all other items customarily apportioned in connection with the sale of similar properties similarly located. Apportionment of real property taxes shall be made on the basis of the fiscal year for which assessed. If the Closing Date shall occur before the real property tax rate is fixed, apportionment for any item not yet fixed shall be made on the basis of the real property tax rate for the preceding year applied to the latest assessed valuation. After the real property tax rate is finally fixed, Seller and Buyer shall make a recalculation of the apportionment of same after the Closing, and Seller or Buyer, as the case may be, shall make an appropriate payment to the other based upon such recalculation. The amount of any of the unpaid taxes, assessments, water charges and sewer taxes and rents which Seller is obligated to pay and discharge, with interest and penalties thereon (if any) to the Closing Date shall be paid by Seller at the Closing. If any refund of real property taxes is made after the Closing Date covering a period prior to the Closing Date, the same shall be applied first to the reasonable out-of-pocket costs incurred in obtaining same and the balance, if any, of such refund shall, to the extent received by Buyer, be paid to Seller (for the period prior to the Closing Date) and to the extent received by Seller, be paid to Buyer (for the period commencing with the Closing Date).

(d) [*]

Transfer of Title; Insurance

. Title and risk of loss or damage to the Purchased Assets shall pass to Buyer on the Closing Date at the place established for Closing in Section 4.2. As of the Closing Date, the Purchased Assets shall cease to be insured by the Insurance Policies or by Seller's self-insurance, as the case may be, and Buyer shall have no right or obligation with respect to any such policy.

V.
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby severally represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date as follows:

Seller's Organization; Good Standing

. Seller is a corporation organized under the laws of Delaware. Seller has the requisite power and authority to own the Purchased Assets owned by Seller and to carry on its business as currently conducted. Seller is duly qualified to conduct business as a foreign corporation and is in good standing in each

jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not have a Material Adverse Effect.

Authority; Execution and Delivery

. Seller has the requisite company power and authority to enter into this Agreement and the Ancillary Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements by Seller and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and, assuming the due authorization, execution and delivery of this Agreement by Buyer, will constitute the legal, valid, and binding obligation of Seller, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith, and fair dealing) regardless of whether considered in a proceeding in equity or at law.

Consents; No Violation, Etc.

. Except as set forth on Schedule 5.3, the execution and delivery of this Agreement and the Ancillary Agreements do not, and the consummation of the transactions contemplated hereby and thereby and the compliance with the terms hereof and thereof will not, (a) result in any violation of or default (or an event which, with notice or lapse of time or both, would constitute a default) under (i) any Law or Governmental Order applicable to Seller or the Purchased Assets held by Seller, (ii) any provision of the certificate of incorporation or by-laws (or similar organizational document) of Seller or (iii) any material Contract of Seller which would result in an Encumbrance on any of the Purchased Assets sold by Seller; or (b) give rise to or require any approval, authorization, consent, license, filing, notice or registration with any court, arbitrator or Governmental Entity or Third Party.

Title to Personal Property

. Except as set forth on Schedule 5.4, Seller has good and valid title to all of the Personal Property free and clear of all Encumbrances (other than Permitted Encumbrances).

Litigation

. Except as disclosed on Schedule 5.5, as of the date hereof, (a) there is no litigation proceeding that has been served on Seller that remains pending and relates to the X5 Manufacturing Facility and/or which, if adversely determined, would result in a Material Adverse Effect, or prevent or enjoin the transaction contemplated by this Agreement; (b) there is no claim or investigation pending or, to the Knowledge of Seller, threatened against Seller or the X5 Manufacturing Facility that relates to the Purchased Assets and/or the Licensed Intellectual Property which challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement; and (c) there are no unfair labor practice charges, grievances, complaints or other litigation pending or, to the Knowledge of Seller, threatened against Seller by or on behalf of any Eligible Employee or group of Eligible Employees.

Regulatory Issues

. Except as set forth on Schedule 5.6, during the two (2) years immediately prior to the date of this Agreement, with respect to the X5 Manufacturing Facility only, Seller has not received or been subject to: (i) any FDA Notices of

Adverse Findings/FDA 483 Observations relating to any products manufactured in the X5 Manufacturing Facility; or (ii) any warning letters or other written correspondence from the FDA concerning any products manufactured in the X5 Manufacturing Facility in which the FDA asserted that the operations of Seller were not in compliance with applicable Laws, Governmental Orders or guidelines.

Compliance with Laws

. Except as set forth on Schedule 5.7, (i) Seller is in compliance in all material respects with all Laws and Governmental Orders which relate primarily to zoning, land use and the manufacturing activities conducted in the X5 Manufacturing Facility, and (ii) Seller has not received any written notice (a) of any asserted violation of any Law or Governmental Orders with respect to the Purchased Assets or the Licensed Intellectual Property; or (b) that any investigation or review by any Governmental Entity with respect to the Purchased Assets or Licensed Intellectual Property, which under clause (a) or (b) is still pending.

No Brokers

. Except as set forth on Schedule 5.8, Seller has not entered into any agreement, arrangement, or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission, or similar payment in connection with the transactions contemplated hereby.

Solvency

. Seller is not entering into the transaction contemplated hereby with the intent to hinder, delay or defraud any Person to which it is, or may become, indebted. The Purchase Price is not less than the reasonably equivalent value of the Purchased Assets less the Assumed Liabilities. Seller is able, and will continue to be able after the Closing of the transaction contemplated hereby, to meet its debts as they mature and will not become insolvent as a result of the transaction contemplated hereby. After the Closing of the transaction contemplated hereby, Seller will have sufficient capital and property remaining to conduct the business in which it will thereafter be engaged.

Accredited Investor; Investment Intent

. Seller is an "accredited investor" as defined in Rule 501(a) of the rules and regulations promulgated under the Securities Act. Seller's present intention is to acquire the Consideration Shares for its own account for the purpose of investment and not with a view to distribution. Seller agrees that it will not sell or transfer any Consideration Shares without registration under applicable federal and state securities laws, or the availability of exemptions therefrom. Seller agrees that the certificates representing the Consideration Shares will bear a restrictive legend stating that the Consideration Shares represented thereby may not be sold except pursuant to registration under the Securities Act or pursuant to an exemption therefrom.

Condemnation

. There are no pending, nor to the Knowledge of Seller, threatened in writing, condemnation proceedings, or condemnation actions against the Land. Seller has not received any written notice of any pending condemnation or other proceedings in eminent domain with respect to the Land.

Space Leases

. There are no Space Leases or subleases with respect to any portion of the Real Property.

Licenses and Permits

. Exhibit J contains a complete and accurate list of each Permit held by Seller that relates to the ownership or operation of the X5 Manufacturing Facility and that is necessary and sufficient to operate the X5 Manufacturing Facility as operated by Buyer prior to the Closing. The X5 Manufacturing Facility and the Seller's operation thereof is in compliance with all applicable current good manufacturing practices. To the Knowledge of Seller, each of the Permits listed on Exhibit J is valid and in full force and effect as of the date of this Agreement. Except as set forth in Exhibit J, Seller has not received any written notice from any governmental or quasi-governmental agency having jurisdiction over the Real Property of any failure of Seller or the Real Property to have any Permit or of any uncured violation or default of any Permit.

Employees and Employment

.

(a) All Eligible Employees are employed by Seller. To the Knowledge of Seller, no union is presently serving as a collective bargaining agent for any Eligible Employees and Seller is not a party to any collective bargaining or labor contract with respect to the Eligible Employees. To the Knowledge of Seller, with respect to the Eligible Employees, there is no presently pending or existing, and there is not threatened, (a) any strike, slowdown, picketing or work stoppage, or (b) an application for certification of a collective bargaining agent. To the Knowledge of Seller, with respect to the Eligible Employees, Seller has no liabilities nor obligations with respect to benefits, vacations, wages, salaries, severance payments, COBRA, written employment-related claims, severance pay, employee benefit plans, pension plans, ERISA benefit plans or other similar plans (including, without limitation, any 401(k) plans) and profit sharing obligations and/or similar items for each person employed at the Real Property prior to the Closing, except as may accrue prior to the Closing but which will be paid or fulfilled by Seller at or prior to the Closing.

(b) Schedule 5.14 lists each material "employee benefit plan" (as defined in Section 3(3) of the Employment Retirement Income Security Act of 1974, as amended ("**ERISA**")) and each other employment, retention, change in control, severance, bonus, incentive, stock option or other equity based, retirement, profit-sharing, deferred compensation or any other employee compensation or benefit plan, program, agreement or arrangement, whether or not subject to ERISA, that is sponsored maintained, or contributed to by the Seller on behalf of any Eligible Employee (each a "**Seller Benefit Plan**"). Each Seller Benefit Plan has been maintained and administered in all material respects in accordance with its terms, and all the Seller Benefit Plans are in material compliance with the applicable provisions of ERISA, the Code and all other applicable laws.

(c) To the Knowledge of the Seller, (i) all Seller Benefit Plans that are "employee pension benefit plans" (as defined in Section 3(2) of ERISA) that are intended to be tax qualified under Section 401(a) of the Code (each a "**Seller Pension Plan**") are the subject of a determination or opinion letter and no event has occurred since the date of the most recent determination or opinion letter or application therefore to any such Seller Pension Plan that would adversely affect the qualification of such Seller Pension Plan.

(d) All contributions, premiums and benefit payments under or in connection with the Seller Benefit Plans that are required to have been made as of the date hereof in

accordance with the terms of the Seller Benefit Plans have been timely made. No Seller Pension Plan has an "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA or Section 412 of the Code), whether or not waived.

Physical Assets

. Except as set forth on Schedule 5.15, all of the Physical Assets are owned by the Seller, free and clear of all liens, encumbrances and security interests and all Physical Assets are in good working condition, ordinary wear and tear excepted. To the Knowledge of Seller, none of the Physical Assets is property that is required to be treated for Tax purposes as being owned by any other Person.

Taxes

. Except as set forth on Schedule 5.16, to Seller's Knowledge, (i) all Taxes that are due and payable with respect to the Purchased Assets (or any portion thereof) have been paid in full, and (ii) there are no Encumbrances for Taxes upon any of the Purchased Assets (or any portion thereof). There are no pending appeal or abatement proceedings with respect to the real estate taxes assessed on the X5 Manufacturing Facility.

Environmental Matters

.

(a) Except as may be disclosed in the reports set forth on Schedule 5.17(d), the Purchased Assets are, and Seller with respect to the Purchased Assets is, in compliance in all material respects with all applicable Environmental Laws.

(b) Seller has not received any written notice, demand, letter or claim alleging that Seller is in violation of, or liable under, any Environmental Law regarding any environmental conditions at the Real Property or that any judicial, administrative or compliance order has been issued against Seller which remains unresolved. There is no litigation, investigation, request for information or other proceeding pending, or, to the Knowledge of Seller, threatened against Seller under any Environmental Law regarding any environmental conditions at the Real Property.

(c) Seller has not entered into or agreed to any consent decree or order or is subject to any judgment, decree or judicial, administrative or compliance order relating to compliance with Environmental Laws regarding any environmental conditions at the Real Property or the investigation, sampling, monitoring, treatment, remediation, removal or cleanup of Hazardous Materials at the Real Property and no investigation, litigation or other proceeding is pending or, to the Knowledge of Seller, threatened against Seller under any Environmental Law regarding any environmental conditions at the Real Property.

(d) Except as may be disclosed in the reports set forth on Schedule 5.17(d), and except as individually or in the aggregate have not had and would not reasonably be expected to have a Material Adverse Effect, to the Knowledge of Seller, neither Seller nor any Third Party have caused any release of Hazardous Materials at the Real Property that would be required to be investigated or remediated under any Environmental Law.

Intellectual Property

. To Seller's Knowledge the IP License Representations are true and correct in all respects.

Non-Foreign Person

. Seller is a "United States person" (as defined in Section 7701(a)(30)(B) or (C) of the Code) for the purposes of the provisions of Section 1445(a) of the Code.

OFAC

. Seller has not engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other money laundering regulations or conventions, including, without limitation, the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. §1 et seq., as amended), or any foreign asset control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto (collectively, "**OFAC Regulations**"), or (ii) in contravention of Executive Order No. 13224 dated September 24, 2001 issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), as may be amended or supplemented from time to time ("**Anti-Terrorism Order**") or on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, Financial Action Task Force, U.S. Office of Foreign Assets Control, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service or any country or organization, all as may be amended from time to time. Seller is not and will not conduct any business or engage in any transaction with any person appearing on the U.S. Treasury Department's Office of Foreign Assets Control list of restrictions and prohibited persons. Seller is not a person described in Section 1 of the Anti-Terrorism Order, and to Seller's Knowledge Seller has not engaged in any dealings or transactions, or otherwise been associated, with any such person.

Transferred Contracts

. All Transferred Contracts, and all amendments thereto, are listed in Schedule 1.1. Seller has provided a true, accurate and complete copy of each Transferred Contract. Seller has neither given nor received written notice of any default under any such Transferred Contract which has not been fully cured and, neither Seller nor, to the Knowledge of Seller any other party to a Transferred Contract is otherwise in default of its obligations thereunder (nor are there any circumstances, to the Knowledge of Seller, that with notice or the passage of time or both would constitute a default by any party) and all of the Transferred Contracts are in full force and effect.

Insurance Policies

. Schedule 5.22 sets forth a list of all current material insurance policies owned, maintained and held by or for the benefit of the Seller for the X5 Manufacturing Facility ("**Insurance Policies**"). All Insurance Policies listed are in full force and effect. Since the respective dates of all Insurance Policies, no notice of cancellation, termination or nonrenewal nor any notice denying coverage with respect to any such Insurance Policy has been received by the Seller, and to the Knowledge of the Seller, there has not been any threatened termination of any such Insurance Policies. Title and risk of loss or damage shall remain the full responsibility of Seller and shall be insured by Seller's Insurance Policies up to the Closing Date.

Sufficiency of the Assets

. Except as set forth on Schedule 5.23, the Purchased Assets and Licensed Intellectual Property constitute all of the properties and assets (whether real, personal or mixed and whether tangible or intangible) necessary and sufficient to permit Buyer to operate the X5 Manufacturing Facility immediately after the Closing in the ordinary course and in a manner consistent with the operations of the X5 Manufacturing Facility prior to the Closing.

X358 Product

. With respect to Buyer's contingent obligation to perform a production run of Seller's X358 Product, Seller represents and warrants that (i) Seller has no Knowledge of material problems in the performance of production runs for the X358 Product, and (ii) Seller has no Knowledge of any issues that would interfere with Buyer's performance of a post-Closing production run of the X358 Product.

Disclosure

. The representations and warranties made or contained in this Agreement by Seller and all other information provided in writing by Seller to Buyer in connection with the transactions contemplated hereby, when taken together, do not and shall not contain any untrue statement of a material fact and do not and shall not omit to state a material fact required to be stated herein or therein or necessary in order to make such representations, warranties or other material not misleading in the light of the circumstances in which they were made or delivered. To the Knowledge of Seller, there is no material fact directly relating to the Purchased Assets that materially adversely affects the same.

Exclusive Representations and Warranties

. Other than the representations and warranties set forth in this Article V, Seller is not making any other representations or warranties, express or implied, with respect to the X5 Manufacturing Facility or the Purchased Assets. Seller hereby disclaims any other express or implied representations or warranties, including regarding any financial projections or other forward-looking statements provided by or on behalf of Seller.

VI.
CERTAIN COVENANTS AND AGREEMENTS OF SELLER

Conduct of Business

. From the date hereof through the Closing Date, Seller and its Affiliates shall (i) keep in place property and casualty insurance insuring the X5 Manufacturing Facility for its full replacement value, and otherwise use commercially reasonable efforts to preserve and maintain in good order and repair the X5 Manufacturing Facility, subject only to Section 11.4, (ii) retain employment of the Eligible Employees consistent with Section 9.2, (iii) use commercially reasonable efforts to maintain its relations and goodwill with those suppliers, customers, and other Persons having material business relationships with Seller relating to the X5 Manufacturing Facility, and (iv) operate and maintain the X5 Manufacturing Facility in the normal course of business, consistent with Seller's past practices. Without limiting the generality of the foregoing, Seller will not, without the prior written consent of Buyer (such consent not to be unreasonably withheld or delayed):

(a) dispose of or transfer any asset which would form part of the Purchased Assets;

(b) create any indebtedness or obligation which would be or would reasonably be expected to become an Encumbrance on any Purchased Asset;

(c) settle, or offer or propose to settle, (i) any litigation, investigation, arbitration, proceeding, or other claim involving the X5 Manufacturing Facility; or (ii) any litigation, arbitration, proceeding, or dispute that relates to the transactions contemplated hereby;

(d) enter into any new contract for the X5 Manufacturing Facility or cancel, modify or renew any existing Transferred Contract, except for contracts relating to the manufacturing run of the X358 Product described in Section 9.4 and as will be completed prior to Closing;

(e) remove any Physical Assets located, installed or used in the X5 Manufacturing Facility (except Excluded Assets);

(f) materially modify any Eligible Employee's compensation or benefits, nor scope of duties and responsibilities nor materially modify any Eligible Employee's employment contract, arrangement or terms;

(g) permit, consent to, collude with others to cause, agree, resolve or commit to do any of the foregoing; or

(h) breach any Seller covenant set forth in Article IX.

Access to Information

. In order to facilitate the resolution of any claims made against or incurred by Buyer, or any of its Affiliates, relating to the Purchased Assets or the assets licensed to Buyer or its Affiliates under the Intellectual Property License Agreement and for purposes of compliance with securities, environmental, employment and other Laws, until the fifth anniversary of the Closing Date, the Seller shall, and the Seller shall compel its Affiliates to, upon reasonable notice, afford the representatives of Buyer reasonable access (including the right to make photocopies), all at Buyer's expense, during normal business hours, to its books and records, subject to Sections 9.3 and 9.6; provided, that any such access by Buyer and its representatives shall not unreasonably interfere with the conduct of the business of the Seller and its Affiliates. The obligations of Seller under this Section 6.2 shall survive the Closing and not be merged into the Grant Deed.

Parking Rights

. [*]

Zoning Information

. Seller shall deliver to Buyer, prior to the Closing, evidence reasonably acceptable to Buyer that (i) the X5 Manufacturing Facility is in compliance with the uses permitted under the Berkeley zoning code, and (ii) the square footage of the X5 Manufacturing Facility was previously approved by the Berkeley Department of Planning and Development (together, the "**Evidence of Zoning Compliance**").

VII.
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer and Parent hereby represent and warrant to Seller as of the date of this Agreement and as of the Closing Date as follows:

Buyer's Organization; Good Standing

. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware. Buyer has all requisite corporate power and authority to carry on its business as it is currently being conducted. Buyer is duly qualified to conduct business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not prevent or materially delay the consummation of the transactions contemplated hereby.

Authority; Execution and Delivery

. Each of Buyer and Parent has the requisite corporate power and authority to enter into this Agreement and the Ancillary Agreements they are a party to and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements by Buyer and Parent and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate, shareholder and Board of Directors action on the part of Buyer and Parent. This Agreement has been duly executed and delivered by each of Buyer and Parent and, assuming the due authorization, execution and delivery of this Agreement by Seller, constitutes the legal, valid, and binding obligations of Buyer and Parent, enforceable against Buyer and Parent in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith, and fair dealing) regardless of whether considered in a proceeding in equity or at law.

Consents; No Violations, Etc

. The execution and delivery of this Agreement and the Ancillary Agreements do not, and the consummation of the transactions contemplated hereby and thereby and the compliance with the terms hereof and thereof will not, (a) result in any violation of or default (or an event which, with notice or lapse of time or both, would constitute a default) under (i) any Law or Governmental Order applicable to Buyer; (ii) any provision of the certificate of formation or operating agreement (or similar organizational document) of Buyer; or (iii) any material Contract to which Buyer is a party or otherwise bound; or (b) give rise to or require any approval, authorization, consent, license, filing, notice or registration with any court, arbitrator or Governmental Entity; provided, however, that no representation or warranty is made in the foregoing clauses (a)(i), (a)(iii), or (b) with respect to matters that, individually or in the aggregate, would not prevent or materially delay Buyer's performance of its obligations hereunder.

Litigation

. As of the date hereof, there is no suit, claim, action, investigation, or proceeding pending or, to the knowledge of Buyer, threatened against Buyer or any of its Affiliates which if adversely determined would prevent or materially delay the ability of Buyer to perform its obligations hereunder.

No Brokers

. Buyer has not entered into any agreement, arrangement, or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission, or similar payment in connection with the transactions contemplated hereby.

Availability of Funds

. Buyer has cash available that is sufficient to enable it to make payment of the Purchase Price and any other amounts to be paid by it hereunder without the necessity of any Third Party financing.

Capital Stock

. The Consideration Shares issued to Seller will be duly and validly issued, fully paid, and nonassessable, and will be free of restrictions on transfer, except any such transfer restrictions under applicable Law, including the Securities Act. Parent has filed all reports, schedules, forms, statements and other documents required to be filed by Parent under the Securities and Exchange Act of 1934, as amended, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date of this Agreement (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, together with the prospectus and any prospectus supplement, being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports (including the financial statements contained therein) complied in all material respects with the requirements of the Securities and Exchange Act of 1934, as amended, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

As-Is Sale

. BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT: (A) IT HAS BEEN FURNISHED WITH OR GIVEN ADEQUATE ACCESS TO THE INFORMATION ABOUT THE X5 MANUFACTURING FACILITY AND PURCHASED ASSETS AS IT HAS REQUESTED; (B) IT HAS CARRIED OUT AN APPROPRIATE DUE DILIGENCE INVESTIGATION CONCERNING THE X5 MANUFACTURING FACILITY AND PURCHASED ASSETS AND IS TAKING FULL RESPONSIBILITY FOR MAKING ITS OWN INDEPENDENT EVALUATION OF THE X5 MANUFACTURING FACILITY AND PURCHASED ASSETS; (C) EXCEPT WITH RESPECT TO BREACHES OF SELLER'S REPRESENTATIONS SET FORTH HEREIN AND/OR IN THE CASE OF FRAUD, IT WILL NOT ASSERT ANY CLAIM AGAINST SELLER OR ANY OF ITS EMPLOYEES, AGENTS, STOCKHOLDERS, AFFILIATES, OR ANY REPRESENTATIVES OR HOLD SELLER OR ANY SUCH PERSONS LIABLE FOR ANY INACCURACIES, MISSTATEMENTS, OR OMISSIONS WITH RESPECT TO INFORMATION FURNISHED BY SELLER, ITS AFFILIATES, OR REPRESENTATIVES; (D) EXCEPT AS SET FORTH IN SELLER'S REPRESENTATIONS HEREUNDER, SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF ANY OF THE X5 MANUFACTURING FACILITY OR THE PURCHASED ASSETS, INCLUDING WITH RESPECT TO HABITABILITY, MERCHANTABILITY, NON-INFRINGEMENT, OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED; (E)

EXCEPT AS SET FORTH IN SELLER'S REPRESENTATIONS HEREUNDER, SELLER MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE ACCURACY AND COMPLETENESS OF ANY ESTIMATES, PROJECTIONS, FORECASTS, PLANS, BUDGETS, OR ANY FINANCIAL STATEMENTS MADE AVAILABLE BY SELLER TO BUYER; (F) EXCEPT AS SET FORTH IN SELLER'S REPRESENTATIONS HEREUNDER, SELLER MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PHYSICAL, ENVIRONMENTAL CONDITION OR OPERATION OF THE REAL PROPERTY, THE PRESENCE, INTRODUCTION OR EFFECT OF HAZARDOUS MATERIALS AT OR AFFECTING THE REAL PROPERTY, THE ZONING AND OTHER LAWS OR GOVERNMENTAL ORDERS APPLICABLE TO THE REAL PROPERTY OR THE COMPLIANCE OF THE REAL PROPERTY THEREWITH OR THE CURRENT OR FUTURE REAL ESTATE TAX LIABILITY, ASSESSMENT OR VALUATION OF THE REAL PROPERTY; AND (G) EXCEPT AS SET FORTH IN SELLER'S REPRESENTATIONS HEREUNDER, BUYER IS PURCHASING THE PURCHASED ASSETS ON AN "AS-IS, WHERE-IS" BASIS. THIS 7.8 SHALL SURVIVE ANY CLOSING AND ANY TERMINATION OF THIS AGREEMENT.

Section 7.9 Hazardous Materials.

(a) Without limiting the generality of Section 7.8, Buyer acknowledges that it has had an opportunity to conduct its own investigation of the Real Property with regard to Hazardous Materials and compliance of the Real Property with Environmental Laws. Subject to the Seller's Representations, Buyer agrees to take title to the Real Property subject to all costs and liabilities arising out of or in any way connected to the Real Property, including, but not limited to those arising out of Hazardous Materials and Environmental Laws.

OFAC

. Buyer has not engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other money laundering regulations or conventions, including, without limitation, the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. §1 et seq., as amended), or any OFAC Regulations, or (ii) in contravention of the Anti-Terrorism Order or on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, Financial Action Task Force, U.S. Office of Foreign Assets Control, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service or any country or organization, all as may be amended from time to time. Buyer is not and will not conduct any business or engage in any transaction with any person appearing on the U.S. Treasury Department's Office of Foreign Assets Control list of restrictions and prohibited persons. Buyer is not a person described in Section 1 of the Anti-Terrorism Order, and to Buyer's Knowledge Buyer has not engaged in any dealings or transactions, or otherwise been associated, with any such person.

VIII.
CERTAIN COVENANTS AND AGREEMENTS OF BUYER

Assumption of Regulatory Commitments

. From and after the Closing Date, Buyer will assume control of, and responsibility for all Assumed Liabilities and all costs and obligations relating thereto and arising from or related to, any commitments or obligations to any Governmental Entity arising under applicable U.S. Law, Governmental Order, or regulation and involving the X5 Manufacturing Facility.

Adverse Event Data and Regulatory Compliance

. Buyer agrees to share with Seller safety and adverse event data generated after the Closing Date specifically relating to any XOMA product, in the event such data is necessary or useful to any regulatory submission, product registration, or dossier filed or to be filed by Seller or any of its Affiliates and in response to any safety inspection or other request by the FDA or equivalent foreign regulatory agencies, to provide commercially reasonable inspection access, if requested by Seller or the FDA or such equivalent foreign regulatory agency.

Registration of Consideration Shares

.

(a) Parent shall exercise commercially reasonable efforts to either amend a current Registration Statement on Form S-3 or file a new Registration Statement on Form S-3 (in either case, the "**Registration Statement**") within sixty (60) days after the Closing Date to provide for the resale of all Consideration Shares issued to Seller pursuant to Section 4.4. Parent shall use commercially reasonable efforts to cause any such Registration Statement to become effective as soon as practicable following the filing thereof.

(b) Seller shall furnish all information reasonably requested by Parent for inclusion in the Registration Statement and any related prospectus. Parent shall use its commercially reasonable efforts to have the Registration Statement promptly declared effective by the SEC. Parent shall use commercially reasonable efforts to keep the Registration Statement effective pursuant to Rule 415 promulgated under the Securities Act and available for sales of all such Consideration Shares at all times until the earlier of (i) the date as of which Seller may sell all of the Consideration Shares without restriction pursuant to the last sentence of Rule 144(b)(1)(i) promulgated under the Securities Act (or successor thereto) or (ii) the date on which Seller shall have sold all the Consideration Shares (the "**Registration Period**"). The Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that Parent shall not be liable with respect to any information furnished to Parent by or on behalf of Seller specifically for use in the preparation of such Registration Statement (including any amendments or supplements thereto and prospectuses contained therein).

(c) Parent shall, as required by applicable securities regulations, from time to time file with the SEC, pursuant to Rule 424 promulgated under the Securities Act, the prospectus and prospectus supplements, if any, to be used in connection with sales of the Consideration Shares under the Registration Statement.

(d) Parent shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to any registration statement and the prospectus used in connection with such registration statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the Securities Act, as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Consideration Shares covered by the Registration Statement until such time as all of such Consideration Shares shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such registration statement.

(e) Upon request of Seller, Parent shall furnish to Seller, (i) promptly after the same is prepared and filed with the SEC, at least one copy of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits, (ii) upon the effectiveness of any Registration Statement, a copy of the prospectus included in such registration statement and all amendments and supplements thereto (or such other number of copies as Seller may reasonably request) and (iii) such other documents, including copies of any preliminary or final prospectus, as Seller may reasonably request from time to time.

(f) Parent shall use commercially reasonable efforts to (i) register and qualify the Consideration Shares covered by the Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as Seller reasonably requests, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Consideration Shares for sale in such jurisdictions; provided, that Parent shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section, (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. Parent shall promptly notify Seller of the receipt by Parent of any notification with respect to the suspension of the registration or qualification of any of the Consideration Shares for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

(g) Parent shall use its commercially reasonable efforts to prevent the issuance of any stop order or other suspension of effectiveness of any registration statement, or the suspension of the qualification of any Consideration Shares for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension as promptly as possible and to notify Seller of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(h) With a view to making available to Seller the benefits of Rule 144 promulgated under the Securities Act ("**Rule 144**") or any other similar rule or regulation of the SEC that may at any time permit Seller to sell securities of Parent to the public without registration, Parent will use commercially reasonable efforts to (i) make and keep public

information available, as those terms are understood and defined in Rule 144, and (ii) file with the SEC in a timely manner all reports and other documents required of Parent under the Securities Act and the Exchange Act, in each case for so long as Parent remains subject to such requirements and the filing of such reports and other documents is required for the sale of the Consideration Shares by Seller under the applicable provisions of Rule 144.

IX.
OTHER COVENANTS AND AGREEMENTS

Press Releases

. Buyer and Seller shall not at any time (and Buyer and Seller shall not permit at any time their respective Affiliates to) publicly disclose the execution, delivery, or contents of this Agreement, other than (a) with the prior written consent of the other parties hereto or (b) as required by any applicable Law or Governmental Order, any Governmental Entity, or any applicable securities exchange upon prior notice to the other parties hereto. Buyer and Seller shall agree with each other as to the form, timing, and substance of any press release or public disclosure related to this Agreement or the transactions contemplated hereby; provided, however, that nothing contained herein shall prohibit Buyer or Seller (or its respective Affiliates), following notification and consultation with the other party, from making any disclosure if required by any applicable Law or Governmental Order, any Governmental Entity, or any applicable securities exchange; and provided, further, that once Buyer or Seller has approved the content of a press release, such approval shall continue for subsequent press releases and/or other public disclosures so long as such content is consistent with the previously approved content.

Employment Matters

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(a) Payment of Final Wages Owed to Sellers' Employees. Seller shall be responsible for the timely payment of all compensation earned by its employees at the X5 Manufacturing Facility through the Closing Date, including but not limited to, payment of all wages owed for hours worked, minimum wage, overtime, commissions, bonuses, piece rate payments, payment of accrued but unused vacation, holiday pay, WARN Act compliance payments, severance obligations and any additional compensation for which Seller is contractually or statutorily obligated to pay its employees.

(b) Offer of Employment for Eligible Employees. On or prior to the date hereof, Buyer shall have offered each Eligible Employee, subject to the Closing, a position with Buyer, (i) on terms which are substantially comparable to those set forth on Schedule 9.2, and (ii) a retention bonus to Eligible Employees who accept employment with Buyer and remain employed through March 31, 2016, in the amounts specified on Schedule 9.2. Buyer shall notify Seller on an Eligible Employee by Eligible Employee basis (i) when it offers employment to such Eligible Employees (each, an "**Employment Offer**"), and (ii) which Eligible Employees accept such offers of employment from the Buyer (referred to herein as "**Transferred Employees**"). Seller shall, prior to the Closing, keep Buyer reasonably apprised, including upon request of Buyer, of changes in the employment status of any Eligible Employees and of other material employment-related matters related to Eligible Employees. Seller shall terminate the employment of the applicable Transferred Employees effective as of the Closing.

(c) No Continued Employment. Neither Seller nor its Affiliates shall, directly or indirectly, solicit the continued employment of any Eligible Employee or the employment of any Transferred Employees after the Closing (unless and until (i) Buyer has informed Seller in writing that the particular Eligible Employee has declined the offer of employment from Buyer, or (ii) three (3) months after the Closing, whichever occurs first).

(d) No On-Going Employment Commitment. It is understood and agreed that (a) Buyer's extension of offers of employment as set forth in this section shall not constitute any commitment, contract or understanding (expressed or implied) of any obligation on the part of Buyer to a post-Closing employment relationship of any fixed term or duration or upon any terms or conditions other than those that Buyer may establish pursuant to individual offers of employment, and (b) employment offered by Buyer is "at will" and may be terminated by Buyer or by an employee at any time for any reason (subject to any written commitments to the contrary made by Buyer or an employee and pursuant to Law). Nothing in this Agreement shall be deemed to prevent or restrict in any way the right of Buyer to terminate, reassign, promote or demote any of the Transferred Employees after the Closing or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, salaries, other compensation or terms or conditions of employment of such.

(e) Employee Benefit Plans.

(1) Buyer shall recognize the service with the Seller prior to the Closing Date by current Seller employees as service with Buyer for purposes of any waiting period, vesting, eligibility and benefit entitlement (but excluding benefit accruals under a defined benefit plan) under any tax qualified pension plan, 401(k) savings plan, welfare benefit plans and policies (including vacation) maintained by Buyer and applicable to Seller's Eligible Employees following the Closing Date to the extent such prior service is credited under the corresponding Seller Benefit Plan prior to the Closing Date.

(2) With respect to the Seller Benefit Plans described on Schedule 9.2 ("**Seller Defined Contribution Plan**"), Seller shall (i) make all required contributions that related to periods (whether or not full payroll periods) ending on or prior to the Closing Date and (ii) cease all contributions on behalf of the X5 Manufacturing Facility employees with respect to periods after the Closing Date. As soon as reasonably practicable following the Closing Date, Seller and Buyer will take any actions necessary to allow Transferred Employees to effect a rollover in accordance with ERISA and the Code of the account balances from the Seller's Defined Contribution Plan to a similar defined contribution plan of the Buyer, (the "**Buyer Defined Contribution Plan**"), that is intended to be qualified under Section 401(a) and 501(a) of the Code. Each Transferred Employee shall remain a participant in the Seller Defined Contribution Plan until the rollover transfer contemplated by this Agreement is completed, and during such time, the account balance for such employee shall be credited with applicable earnings and such employee shall have the right to withdraw any portion of his or her balance in accordance with the Seller Defined Contribution Plan. Any outstanding loan balances shall not be rolled over to Buyer's Defined Contribution Plan and shall remain subject to the terms of repayment under normal termination circumstances under the Seller's Defined Contribution Plan.

(3) Seller shall be responsible for any legally mandated health care coverage continuation and any related notice requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 or under any other applicable law for employees of the Seller and their dependents at the X5 Manufacturing Facility who have a loss of health care coverage due to a qualifying event on or before the Closing Date. Buyer shall be responsible for any legally mandated health care coverage continuation and any related notice requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 or under any other applicable law for Transferred Employees and their dependents who have a loss of health care coverage due to a qualifying event occurring after the Closing Date.

(f) Employee Information. Schedule 9.2 sets forth a list of Eligible Employees, each such Eligible Employee's job title at Seller, base salary at Seller, bonus and retention pay at Seller, the primary geographic location of his or her employment with Seller as of the date hereof, and the Eligible Employee's status at Seller broken down into the following categories: (i) active, (ii) inactive on leave of absence with re-employment rights and (iii) on short-term disability under Seller's short-term disability policy.

(g) Payment of Retention Bonuses. No later than the last Business Day of April 2016, Buyer shall pay a retention payment to each Transferred Employee who has remained employed by Buyer through March 31, 2016, in the amounts specified on Schedule 9.2. In the event that a Transferred Employee does not remain employed by Buyer through March 31, 2016 (each such Transferred Employee, a "Departed Employee"), he/she shall not be eligible to receive a retention bonus in any sum whatsoever and the portion of the XOMA Bonus Payment attributable to the Departed Employees shall be paid by Buyer to Seller no later than the last Business Day of April 2016. Seller shall at all times remain solely responsible for the payment of any bonuses earned by its employees pursuant to the terms of any Seller bonus plan.

Preservation of Business Records

. The Seller agrees that it shall preserve and keep all records held by it relating to the X5 Manufacturing Facility for a period of [*] years from the creation date of such record and shall make such records and their respective personnel available as may be reasonable required in connection with, among other things, any employment claims, any insurance claims, legal proceedings, governmental investigations or audits, tax audits, or any other proceedings requiring compliance with their obligations under this Agreement.

Production of X358 Clinical Product

. Buyer acknowledges that Seller will conduct a manufacturing run, prior to Closing, for certain quantities of the X358 Product, as described in detail on Schedule 9.4. In the event that the manufacturing run is unsuccessful, as determined by Seller in its reasonable discretion, Seller may give notice to Buyer no later than three (3) Business Days prior to Closing. So long as doing so would not unreasonably interfere with Buyer's business plans and operations, as reasonably determined by Buyer, then from and after the Closing, Buyer shall (i) schedule one (1) manufacturing run in the X5 Manufacturing Facility to manufacture replacement X358 Product, which manufacturing run shall be performed by Buyer and completed in a commercially reasonable time in accordance with a timeline to be agreed to in good faith between the parties taking into account Buyer's other business priorities, (ii) use commercially reasonable efforts to manufacture the X358 Product as scheduled pursuant to clause (i) in accordance with applicable Law and industry

standards as in effect at the Closing, and (iii) thereafter deliver to Seller such replacement X358 Product as is generated by such production run. For the avoidance of doubt, Buyer shall have no liability to Seller in the event that such post-Closing production run is unsuccessful (whether in amount, quality, or otherwise). Upon delivery by Buyer to Seller of the replacement X358 Product, Seller shall pay to Buyer (i) the cost of the manufacturing run for X358 Product, and (ii) a fee to compensate Buyer for the exercised option, in an amount to be reasonably agreed by the parties prior to Buyer's initiation of the production run.

Cooperation with Litigation Defense

. Seller agrees to provide reasonable cooperation with Buyer in connection with any legal investigation or proceeding, threatened legal proceeding, or circumstances reasonably likely to result in a legal proceeding involving Seller's current or former employees at the X5 Manufacturing Facility instituted against Buyer, including without limitation: (1) providing the Buyer with reasonable access during regular business hours to the books, records and other information in the possession or control of the Seller regarding the subject matter of any such threatened, actual or possible legal proceeding; and (2) granting permission of the Buyer to interview and meet with employees of the Seller regarding the subject matter of any such threatened, actual or possible legal proceeding, to the extent Seller employs any former employees of the X5 Manufacturing Facility after the Closing Date.

Confidentiality

. Buyer and Seller acknowledge that they are parties to the Confidentiality Agreement, and they agree that the Confidentiality Agreement remains in full force and effect and that this Agreement is covered by the terms thereof. Notwithstanding the foregoing, however, and for the avoidance of doubt, (a) the parties acknowledge and agree that, as between the parties, any Confidential Information (as defined under the Confidentiality Agreement) relating to the Purchased Assets shall be the property of Buyer as of the Closing, and Seller shall thereafter be deemed the receiving party with respect to such information thereunder and (b) the Excluded Assets shall remain the property and Confidential Information of Seller.

X.
CONDITIONS PRECEDENT

Conditions of Performance by Seller and Buyer

. The obligations of the parties to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver where permissible) prior to the Closing of the following conditions:

(a) No Injunctions; Actions. There shall not: (i) be in effect any Law or Governmental Order which makes illegal or enjoins or prevents in any respect the consummation of the transactions contemplated by this Agreement; or (ii) have been commenced, and shall be continuing, an action or proceeding by any Governmental Entity which seeks to prevent or enjoin in any material respect the transactions contemplated hereby or making the consummation of such transactions illegal and which in the reasonable judgment of Seller or Buyer is reasonably likely to result in the issuance of such an injunction.

Buyer's Conditions

. Buyer's obligation to consummate the transactions contemplated by this Agreement is further subject to the fulfillment at or prior to the

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Closing of each of the following conditions, any of which may be waived by Buyer in its sole discretion:

(a) all representations and warranties of Seller contained in this Agreement, as well as the IP License Representations, shall be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) on the date hereof and as of the Closing, except for such representations and warranties that address matters as of a particular date which need be true in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) only as of the particular date specified therein;

(b) Seller shall have performed or complied with all covenants and agreements required to be performed or complied with by them hereunder on or prior to the Closing and shall have tendered the required documents at the Closing as set forth in Section 4.3(a);

(c) Title Company shall be irrevocably committed to issue the Owner's Policy, subject only to payment of the premium therefor pursuant to Section 4.4(c);

(d) The Key Employees and at least [*]% of the Non-Key Employees shall be Transferred Employees;

(e) Buyer shall have received a certificate signed by an executive officer of the Seller certifying as to the satisfaction of the conditions set forth in Section 10.2(a) and Section 10.2(b);

(f) The results of the Phase II environmental investigation to be conducted by Terracon Consultants, Inc., at Buyer's expense, shall not reveal the presence or concentration of any Hazardous Materials other than those as are materially in accord with the Phase I report received by Buyer on October 22, 2015, Project No. ND157039;

(g) Seller shall have delivered the Evidence of Zoning Compliance; and

(h) Seller shall have delivered a "Natural Hazard Disclosure Statement," which discloses whether the Real Property is located within one (1) or more of the six (6) natural hazard zones specified in California Civil Code Section 1103(a), which statement must be reasonably acceptable to Buyer.

Seller's Conditions

. Seller's obligation to consummate the transactions contemplated by this Agreement is further subject to the fulfillment of each of the following conditions, any of which may be waived by Seller in writing in their sole discretion:

(a) all representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects (in the case of any representation or warranty without any materiality qualification) or in all respects (in the case of any representation or warranty containing any materiality qualification) on the date hereof and as of the Closing,

except for the warranties that address matters as of a particular date which need be true in all material respects (in the case of any representation or warranty without any materiality qualification) or in all respects (in the case of any representation or warranty containing any materiality qualification) only as of the particular date specified therein;

(b) Buyer shall have performed or complied in all material respects with all covenants required to be performed or complied with by it hereunder on or prior to the Closing and shall have tendered the cash and required documents at the Closing as set forth in Section 4.3(b) and Section 4.4(a); and

(c) Seller shall have received a certificate signed by an executive officer of Buyer certifying as to the satisfaction of the conditions set forth in Section 10.3(a) and Section 10.3(b).

Casualty

. If any portion of the Purchased Assets is damaged by any casualty, whether or not covered by insurance, prior to the Closing, then if the damage is not material and does not impose material additional costs on Buyer, as reasonably determined by Buyer, the parties shall nonetheless consummate the transaction described herein; provided that Seller shall assign to Buyer the insurance proceeds for such loss, if any, at the Closing, and Seller shall pay the deductible portion of any insured loss to Buyer or credit the same to Buyer's obligations at the Closing. If the casualty damages the Purchased Assets, and/or would impose costs on Buyer, each in excess of [*], then within twenty (20) days of such casualty Buyer may elect by written notice to Seller (i) to terminate this Agreement, in which event the obligations of both parties hereunder shall be null and void, or (ii) proceed with the Closing, in accordance with the first sentence of this Section 10.4. The Closing shall be delayed as necessary to give Buyer the full benefits of such twenty (20) day time period, and in such instance the outside closing date in Section 12.1(d) shall be extended by a like amount.

XI.
INDEMNIFICATION

Survival

. All representations and warranties (other than the Fundamental Representations) of Seller and Buyer contained herein or made pursuant hereto will survive the Closing Date for a period of [*] months after the Closing Date; and the Fundamental Representations contained herein or made pursuant hereto will survive the Closing Date for a period of [*] months after the Closing Date. Except as otherwise expressly provided in this Agreement, the covenants and agreements of the parties hereto contained in this Agreement will survive the Closing indefinitely or until fully performed to the reasonable satisfaction of the other party hereto in accordance with their terms, and the indemnification obligations contained in Section 11.2(a)(iv) will survive the Closing Date indefinitely (as applicable, the "**Survival Period**"). Any right of indemnification pursuant to this Article XI hereof with respect to a claimed breach of a representation, warranty, or covenant will expire on the last day of the applicable Survival Period of the representation, warranty, or covenant claimed to be breached, unless on or prior to such date the party seeking indemnification will have delivered notice of a good faith claim in accordance with the provisions of Section 11.6 and Section 13.3.

Indemnification by Seller

.

(a) From and after Closing, Seller hereby agrees to indemnify Buyer and its Affiliates and their respective officers, directors, and employees (the "**Buyer Indemnified Parties**") against, and agrees to hold them harmless from, any Loss incurred or suffered by such Buyer Indemnified Party to the extent such Loss arises from the following:

(i) any breach by Seller of any representation or warranty (other than a Fundamental Representation) made by it contained in this Agreement (or any Ancillary Agreement), including without limitation the IP License Representations, that results in a Loss relating to the Purchased Assets;

(ii) any breach by Seller of any Fundamental Representation;

(iii) any breach by Seller of any of its covenants contained in this Agreement (or any Ancillary Agreement) other than Section 6.3, the sole and exclusive remedy for which is described in Section 6.3, and other than Section 6.4;

(iv) any Excluded Liability; or

(v) any employment matter not disclosed in Schedule 5.5.

(b) Notwithstanding the foregoing, the indemnifications in favor of the Buyer Indemnified Parties contained in Section 11.2(a)(i) above shall be subject to the following limitations: (i) in no event shall the Buyer Indemnified Parties be entitled to receive payment for indemnification for claims made pursuant to Section 11.2(a)(i), except to the extent that the Buyer Indemnified Parties (collectively) have actually incurred Losses that exceed in the aggregate [*] Dollars ($[*]) (but provided that in such event the Buyer Indemnified Parties will be entitled to recover all Losses including the first $[*]); and (ii) the Buyer Indemnified Parties shall be entitled to reimbursement for the amount of Losses (x) incurred under Section 11.2(a)(i) in the aggregate up to [*] Dollars ($[*]), and (y) incurred under Sections 11.2(a)(ii) and (v) in the aggregate up to the Cash Purchase Price (in each case, the "**Seller's Cap**") and Seller will thereafter have no further obligations or liabilities with respect to any such Losses under Section 11.2(a)(i) in excess of the Seller's Cap.

(c) Buyer acknowledges and agrees that the indemnification provided in this Article XI and the indemnification provided in any of the Ancillary Agreements will be the sole and exclusive remedy for all Losses related to or arising at Law, under any statute, or in equity or otherwise out of this Agreement or the Ancillary Agreements or the transactions contemplated hereby or thereby (other than claims of or causes of action arising from fraud) and, in furtherance thereof, Buyer waives, from and after the Closing, to the fullest extent permitted under applicable Law, any and all rights, claims, actions, or causes of action (other than claims or causes of action arising from fraud) it may have against Seller or any of its respective Affiliates relating to the subject matter of this Agreement or any of the Ancillary Agreements, other than the remedies provided in this Article XI, or any other provision of this Agreement or contained in any Ancillary Agreement; provided, however, that Buyer shall be entitled to seek temporary or permanent injunctive relief in order to enforce its rights under this Article XI, or under any other provision of this Agreement or as provided under any of the Ancillary Agreements.

Notwithstanding the foregoing, nothing shall prohibit Buyer from seeking specific performance pursuant to Section 13.12 hereof or pursuant to any Ancillary Agreement to the extent provided for therein.

Indemnification by Buyer

. Buyer hereby agrees to indemnify Seller and its respective Affiliates and their respective officers, directors, and employees (the "**Seller Indemnified Parties**") against, and agrees to hold them harmless from, any Loss incurred or suffered by Seller Indemnified Party to the extent such Loss arises from or in connection with the following:

(a) any breach by Buyer of any representation or warranty made by it contained in this Agreement (or any Ancillary Agreement);

(b) any breach by Buyer of any of its covenants contained in this Agreement (or any Ancillary Agreement); or

(c) any Assumed Liability.

Reductions

. The amount of any Loss for which indemnification is provided under this Article XI will be net of (a) any amounts actually recovered by the Indemnified Party under insurance policies or other Third Party indemnification proceeds with respect to such Loss and (b) any tax benefit realized by the Indemnified Party arising from the incurrence or payment of any such Losses. Notwithstanding the foregoing, the Indemnified Party shall not be obligated to make or pursue any claim for insurance coverage or any indemnity, contribution or other similar payment.

Calculation of Losses

. Notwithstanding anything in this Agreement to the contrary, for purposes of calculating Losses under this Article XI, all of the representations and warranties set forth in this Agreement that are qualified as to "material," "materiality," "material respects," "Material Adverse Effect" or words of similar import or effect shall be deemed to have been made without any such qualification for purposes of determining the amount of Losses resulting from, arising out of or relating to any such breach of representation or warranty.

Procedure

.

(a) In order for an indemnified party under this Article XI (an "**Indemnified Party**") to be entitled to any indemnification provided for under this Agreement, such Indemnified Party will, promptly following the discovery of the matters giving rise to any Loss, notify the indemnifying party under this Article XI (the "**Indemnifying Party**") in writing of its claim for indemnification for such Loss, specifying in reasonable detail the nature of such Loss and the amount of the liability estimated to accrue therefrom; provided, however, that failure to give such prompt notification will not affect the indemnification provided hereunder except to the extent the Indemnifying Party will have been actually prejudiced as a result of such failure. Thereafter, the Indemnified Party will deliver to the Indemnifying Party, within five (5) Business Days after the Indemnified Party's receipt of such request, all information and documentation reasonably requested by the Indemnifying Party with respect to such Loss.

(b) If the indemnification sought pursuant hereto involves a claim made by a Third Party against the Indemnified Party (a "**Third Party Claim**"), the Indemnifying Party will be entitled to participate in the defense of such Third Party Claim and, if it so chooses, to assume the defense of such Third Party Claim with counsel selected by the Indemnifying Party; provided that such counsel must be reasonably acceptable to the Indemnified Party. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. If the Indemnifying Party assumes such defense, the Indemnified Party will have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party will control such defense. The Indemnifying Party will be liable for the reasonable fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense thereof. If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all of the parties hereto will cooperate in the defense or prosecution thereof. Such cooperation will include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnifying Party will not settle, compromise, or discharge such Third Party Claim, without the Indemnified Party's prior written consent (which shall not be unreasonably withheld, conditioned, or delayed). Whether or not the Indemnifying Party will have assumed the defense of a Third Party Claim, the Indemnified Party will not admit any liability with respect to, or settle, compromise, or discharge, such Third Party Claim without the Indemnifying Party's prior written consent (which shall not be unreasonably withheld, conditioned, or delayed).

XII.
TERMINATION

Termination

. This Agreement may be terminated:

(a) by mutual written agreement of Seller and Buyer;

(b) by Buyer pursuant to Section 10.4;

(c) by Seller or Buyer upon written notice to the other if there shall be in effect any Law, or any Governmental Order which shall have become binding and nonappealable, in the United States which makes illegal or permanently prohibits or enjoins the consummation of the transactions contemplated by this Agreement; or

(d) by Seller or Buyer upon notice to the other if the Closing shall not have occurred on or before January 1, 2016; provided, however, that the right to terminate this Agreement pursuant to this Section 12.1(d) shall not be available to such party whose failure to fulfill any obligation under this Agreement has caused, or resulted, in the failure of the Closing to occur on or before such date.

Effect of Termination

. Upon any termination of this Agreement pursuant to Section 12.1, no party shall thereafter have any further Liability but no such termination shall relieve either party of any Liability to the other party for any breach of this Agreement or fraud prior to the date of such termination, and provided further that in the event of termination by Buyer other than as a result of any failure of any closing condition in Article IV or Article X to be satisfied, Buyer shall pay Seller the Employee Amount calculated up to the date of termination. The provisions of this Section 12.2 and Article XII shall survive any termination of this Agreement pursuant to Section 12.1.

XIII.
GENERAL PROVISIONS

Expenses

. Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors, and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses.

Further Assurances and Actions

. Each of the parties hereto, upon the request of the other party hereto and without further consideration, will do, execute, acknowledge, and deliver, or cause to be done, executed, acknowledged, or delivered, all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney, and assurances as may be reasonably necessary to effect complete consummation of the transactions contemplated by this Agreement. Seller and Buyer agree to execute and deliver such other documents, certificates, agreements, and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

Notices

. All notices, requests, demands, waivers, and communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered by hand (including by reputable overnight courier) or via electronic mail (provided that for electronic mail, a copy of such notice shall also be transmitted by hand (including by reputable overnight courier)):

i) if to Buyer, to:

c/o Agenus Inc.
3 Forbes Road
Lexington, MA 02421
Attn: Chief Financial Officer
Telephone:
Email:

with a copy to:

Agenus Inc.
3 Forbes Road
Lexington, MA 02421
Attn: General Counsel
Telephone:
Email:

with a copy to:

Goodwin Procter LLP
Exchange Place
53 State Street
Boston, MA 02109
Attn:
Telephone:
Email:

with a copy to:

Goodwin Procter LLP
3 Embarcadero Center, 24th Floor
San Francisco, CA 94111
Attn:
Telephone:
Email:

ii) if to Seller, to:

XOMA Corporation
2910 Seventh Street
Berkeley, CA 94710
Attn: Legal Department
Telephone:
Email:

with a copy to:

Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105
Attn:
Telephone:
Email:

or to such other person or address as any party shall specify by notice in writing to the other party. All such notices, requests, demands, waivers and communications shall be deemed to have been given (i) on the date on which so hand-delivered, if a Business Day, and otherwise at the start of the next Business Day; and (ii) on the date on which emailed and confirmed, if during normal business hours at the recipient's location, and otherwise at the start of the next Business Day.

Waiver and Amendments

. The failure of any party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other parties. No waiver shall be effective unless it has been given in writing and signed by the party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each party.

Headings

. The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

Severability

. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced under any Law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Counterparts

. This Agreement may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto, it being understood that all parties hereto need not sign the same counterpart. Signatures may be delivered electronically by .pdf, which shall be considered to be effective as an original signature.

Entire Agreement; No Third Party Beneficiaries

. This Agreement (together with the schedules, annexes and exhibits attached hereto), the Ancillary Agreements and the Confidentiality Agreement constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between or among the parties hereto with respect to the subject matter hereof. Except as specifically provided herein, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Relationship of the Parties

. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Seller and Buyer, or to constitute one as the agent of the other. Moreover, each party agrees not

to construe this Agreement, or any of the transactions contemplated hereby, as a partnership for any tax purposes.

Governing Law; Jurisdiction

. This Agreement will be governed by and construed in accordance with the laws of the State of California, without regard to the conflict of law principles thereof. Each of the parties irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement brought by any other party or its successors or assigns shall be brought and determined in state or federal court sitting in California, and each of the parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties agrees not to commence any action, suit, or proceeding relating thereto except in the courts described above in California, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court. Each of the parties further agrees that notice as provided herein shall constitute sufficient service of process and the parties further waive any argument that such service is insufficient. Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim, or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts described herein for any reason; (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment, or otherwise); and (c) that (i) the suit, action, or proceeding in any such court is brought in an inconvenient forum; (ii) the venue of such suit, action, or proceeding is improper; or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

No Recording

. The parties hereto agree that neither this Agreement nor any memorandum hereof shall be recorded. The provisions of this Section 13.11 shall survive the Closing or any early termination of this Agreement.

Specific Performance

. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the parties hereto will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity, without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

Waiver of Jury Trial

. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY, OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FOR ANY COUNTERCLAIM THEREIN.

Binding Effect; Assignment

. This Agreement shall inure to the benefit of and be binding upon the parties hereto and the respective successors and permitted

assigns of the parties and such Persons. This Agreement may not be assigned by any party hereto without the prior written consent of each of the other parties; provided, however, that (a) any Party may assign its rights hereunder to one or more of its Affiliates, (b) any Party may assign its rights hereunder in a merger, stock sale or similar transaction with a Third Party and (c) Buyer may assign its rights hereunder to a Third Party succeeding to all or substantially all of the Purchased Assets, in each case so long as such Affiliate or Third Party agrees in writing to become a party to this Agreement and be bound to the terms and conditions of this Agreement and, in the case of a transfer to an Affiliate in accordance with clause (a), the transferring party shall remain liable for the performance of all obligations of itself and its Affiliated transferees under this Agreement.

Energy Use Report

. Buyer hereby acknowledges that Seller has disclosed to Buyer the prior 12 months' energy usage of the Real Property, in the form required under Section 25402.10 of the California Public Resources Code and the regulations at C.C.R. Title 20, Div. 2, Art. 9, Sections 1680 et seq. (the "**Energy Disclosure**"). Buyer further acknowledges and agrees that: (a) the information in the Energy Disclosure is for the current occupancy and use of the Real Property, (b) the energy profile of the Real Property will vary depending on future occupancy and use of the Real Property, (c) Seller makes no representations or warranties regarding the information in the Energy Disclosure, which arises from metering performed by third parties, nor the future Energy Star profile of the Real Property, and (d) Buyer shall keep the information in the Energy Disclosure confidential in accordance with this Agreement. Buyer acknowledges and agrees that nothing contained in the Energy Disclosure releases Buyer from its obligation to fully investigate and satisfy itself with the condition of the Real Property. Buyer further acknowledges and agrees that the matters set forth in the Energy Disclosure may change on or prior to the Closing and that Seller has no obligation to update, modify or supplement the Energy Disclosure. Buyer is solely responsible for preparing and delivering its own Energy Disclosure to subsequent prospective purchasers of the Real Property.

Disclosure Schedule

. Concurrently with the execution and delivery of this Agreement by the parties hereto, the Seller delivered or caused to be delivered to the Buyer the Schedules. The Schedules are hereby incorporated by reference into, and forms an integral part of, this Agreement. The information and disclosures contained in each Schedule shall be deemed to be disclosed and incorporated by reference in each of the other Schedules (whether or not specific cross-references are made therein). The inclusion of any matter, information or item in the Schedule shall not be deemed to constitute an admission of any liability by the Seller to any Third Party or otherwise imply that any such matter, information, or item is material or creates a measure for materiality for the purposes of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

AGENUS WEST, LLC

By: /s/ C. Evan Ballantyne
Name: C. Evan Ballantyne
Title:Treasurer

Acknowledged and agreed with respect to the obligations of Parent pursuant to Sections 4.4 and 8.3, and Article 7:

AGENUS INC.

By: /s/ C. Evan Ballantyne
Name:C. Evan Ballantyne
Title:Chief Financial Officer

XOMA CORPORATION

By: /s/ Jim Neal
Name:Jim Neal
Title:Senior Vice President,
Chief Operating Officer

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit 21.1

Subsidiaries of the Company	**Jurisdiction of Organization**
XOMA Ireland Limited	Ireland
XOMA Technology Ltd.	Bermuda
XOMA (US) LLC	Delaware
XOMA Commercial LLC	Delaware
XOMA CDRA LLC	Delaware
XOMA UK Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 of XOMA Corporation (Nos. 333-108306, 333-151416, 333-171429, 333-174730, 333-181849 and 333-198719) pertaining to the 1981 Share Option Plan, the Restricted Share Plan, the 1992 Directors Share Option Plan, the Amended and Restated 1998 Employee Stock Purchase Plan, the 2007 CEO Share Option Plan and the Amended and Restated 2010 Long Term Incentive and Stock Award Plan and in the Registration Statement on Form S-3 of XOMA Corporation (Nos. 333-183486, 333-191078, 333-196707 and 333-201882) and the related Prospectuses of XOMA Corporation, of our reports dated March 9, 2016, with respect to the consolidated financial statements of XOMA Corporation, and the effectiveness of internal control over financial reporting of XOMA Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ ERNST & YOUNG LLP
Redwood City, California
March 9, 2016

Exhibit 31.1

CERTIFICATION

I, John Varian, certify that:

1. I have reviewed this annual report on Form 10-K of XOMA Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f))) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2016

/s/ JOHN VARIAN

John Varian

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas Burns, certify that:

1. I have reviewed this annual report on Form 10-K of XOMA Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f))) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2016

/s/ THOMAS BURNS

Thomas Burns

Vice President, Finance and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), John Varian, Chief Executive Officer of XOMA Corporation (the "Company"), and Thomas Burns, Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2015, to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in Exhibit 32.1 fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 9th day of March, 2016.

/s/ JOHN VARIAN
John Varian
Chief Executive Officer

/s/ THOMAS BURNS
Thomas Burns
Vice President, Finance, and Chief Financial Officer

3. This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of XOMA Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

XOMA Reports Fourth Quarter and Full-Year 2015 Financial Results

Company advancing its endocrine portfolio
after completing divestiture of non-core assets

BERKELEY, Calif., March 9, 2016 -- XOMA Corporation (Nasdaq:XOMA), a leader in the discovery and development of therapeutic antibodies, today reported the completion of its divestiture activities to focus the Company exclusively on advancing its portfolio of assets to address endocrine diseases, and it provided its financial results for the quarter and year ended December 31, 2015.

Recent Corporate Developments:

- Initiated a Phase 2 proof-of-concept study of XOMA 358 in patients with congenital hyperinsulinism, a rare genetic disorder in which the insulin cells of the pancreas secrete inappropriate and excessive insulin
- Licensed its first-in-class TGF-beta immuno-oncology antibody program to Novartis for an upfront payment of $37 million, potential milestone payments of up to $480 million and tiered royalties up to low double digits
- Extended maturity date of $13.5 million note due to Novartis until September 2020
- Licensed XMet A, its selective insulin receptor modulator antibody program for diabetes, to Novo Nordisk A/S for an upfront payment of $5 million, potential milestone payments of up to $290 million and tiered royalties
- Sold biologics manufacturing facility to Agenus Inc.
- Divested anti-botulinum toxin program to Nanotherapeutics, Inc.
- Closed the remaining gevokizumab clinical programs; initiating licensing efforts
- Reduced headcount by half to approximately 90
- Achieved cash runway to finance endocrine franchise into 2017

“The transformation we initiated in the third quarter of last year – and now have completed in less than six months – was considerable in its scale and complexity, but essential to position XOMA to deliver our promising portfolio of endocrine assets,” stated John Varian, Chief Executive Officer of XOMA. “Novel antibodies and technologies created by XOMA scientists to target diseases such as cancer, diabetes and botulism will be advanced in the capable hands of Novartis, Novo Nordisk, Nanotherapeutics and Agenus, with XOMA sharing in potential successes in certain cases.”

Mr. Varian continued, “We are now fully focused on efficiently maximizing the potential of XOMA 358, XOMA 129, and XOMA 213, all of which may address unmet medical needs in endocrinology. Our XOMA 358 proof-of-concept study in patients with hypoglycemia due to congenital hyperinsulinism is progressing on schedule. Several patients have been enrolled in the U.S., and our UK study center expects to begin enrolling its first patients in the coming weeks. Our XOMA 358 proof-of-concept study in patients with hyperinsulinism post bariatric surgery is expected to start dosing patients early in the second quarter. Additionally, we have finalized the design of a proof-of-concept study for XOMA 213, which may offer a new therapeutic option for patients with hyperprolactinemia, and anticipate initiating the study midyear. In 2016, we expect to have Phase 2 data from both XOMA 358 indications, and they will set the stage for XOMA in 2017 and beyond.”

Gevokizumab Update

Given XOMA’s focus on endocrinology, the Company has decided to stop all gevokizumab related development activities and is initiating a formal sales process for the asset. As a result, the Company is closing the Phase 3 program in patients suffering from pyoderma gangrenosum. A preliminary review of the data from the approximate 25 patients enrolled in the trial to date did not show a clear signal of activity in this indication. XOMA has been approached by several companies interested in gevokizumab and data from all gevokizumab studies will be available to potential buyers.

Financial Results

XOMA recorded total revenues of $55.4 million for the twelve months ended December 31, 2015, compared with $18.9 million during the same period of 2014. For the three months ended December 31, 2015, XOMA recorded revenues of $48.2 million compared with $4.3 million in the corresponding period of 2014. The increase in the full-year and fourth quarter 2015 revenues was due primarily to our licensing activity in the fourth quarter, including a $37.0 million upfront payment from Novartis, a $5.0 million upfront payment from Novo Nordisk and a $3.8 million payment from Pfizer, which were partially offset by lower revenues from our contracts with the National Institutes of Allergy and Infectious Disease (NIAID) and reimbursements from Servier under our collaboration agreement.

Annual research and development (R&D) expenses for 2015 were $70.9 million compared to $80.7 million incurred in 2014. The decrease in 2015 reflects a $3.1 million reduction in salaries and related expenses, a $3.5 million reduction in internal and external manufacturing costs, and a decrease in our clinical trial costs associated with gevokizumab. For the three-month periods ended December 31, 2015 and 2014, R&D expenses were $13.6 million and $19.4 million, respectively. The decrease in the 2015 fourth quarter R&D expenses was due primarily to reduced headcount and clinical trial costs.

In 2015, selling, general and administrative (SG&A) expenses were $20.6 million compared to $19.9 million incurred during 2014, primarily reflecting increased consulting services related to our out-licensing activities and increased legal fees, which were partially offset by a reduction in salaries and related personnel costs. SG&A expenses were $4.7 million in the fourth quarter of 2015, as compared to $4.1 million in the corresponding quarter of 2014. The increase in SG&A expenses primarily reflects an increase in legal fees partially offset by a decrease in salaries and related expenses.

In August 2015, the Company announced its intention to close the gevokizumab Phase 3 EYEGUARD global clinical program. In connection with the Company's efforts to lower operating expenses and focus on its endocrine product pipeline, management implemented a restructuring plan during second half of 2015 that included the elimination of a number of positions throughout all areas of the Company. During the year ended December 31, 2015, XOMA recorded charges of $2.9 million related to severance, other termination benefits and outplacement services and recognized an additional restructuring charge of $0.8 million in contract termination costs, which primarily included costs in connection with the discontinuation of the EYEGUARD studies.

For the year ended December 31, 2015, XOMA had a net loss of $20.6 million compared with a net loss of $38.3 million in the year ended December 31, 2014. The full-year net losses in 2015 and 2014 included a $17.8 million gain and $45.8 million gain, respectively, in non-cash revaluation of contingent warrant liabilities, which resulted primarily from fluctuations in XOMA's stock price. Excluding those revaluations, the net loss for 2015 was $38.4 million, and the net loss for 2014 was $84.1 million. For the three months ended December 31, 2015, XOMA reported a net income of $25.4 million, which included a charge of $6.4 million directly related to the revaluation of contingent warrant liabilities. Excluding the non-cash expense associated with the revaluation of contingent warrant liabilities, the net income for the 2015 fourth quarter was $31.7 million. Excluding a $12.1 million gain in non-cash revaluation of contingent warrant liabilities, the net loss for the 2014 fourth quarter was $19.4 million.

On December 31, 2015, XOMA had cash and equivalents of $65.8 million. The Company ended December 31, 2014, with cash and cash equivalents of $78.4 million.

The Company expects to have cash through the first quarter of 2017.

Investor Conference Call and Webcast

XOMA will host a conference call and webcast today, March 9, 2016, at 4:30 p.m. ET / 1:30 PT. The webcast can be accessed via the Investors and Media section of XOMA's website at http://investors.xoma.com/events.cfm and will be available for replay until close of business on May 9, 2016. Telephone numbers for the live audiocast are 877-369-6589 (U.S./Canada) and 408-337-0122 (international).

About XOMA 358

Insulin is the major physiologic hormone for controlling blood glucose levels. Abnormal increases in insulin secretion can lead to profound hypoglycemia (low blood sugar), a state that can result in significant morbidities, including brain damage, seizures and epilepsy. XOMA, leveraging its scientific expertise in allosteric monoclonal antibodies, developed the XMet platform, consisting of separate classes of selective insulin receptor modulators (SIRMs) that could have a major effect on treating patients with abnormal metabolic states. XOMA 358 binds selectively to insulin receptors and attenuates insulin action.

XOMA 358 is being investigated as a novel treatment for non-drug-induced, endogenous hyperinsulinemic hypoglycemia, as well as hypoglycemia after post-bariatric surgery and other related disorders. XOMA recently initiated Phase 2 development activities for XOMA 358 in patients with congenital hyperinsulinism at The Children's Hospital in Philadelphia (CHOP) and the Great Ormond Street Hospital (GOSH) in London. A therapy that safely and effectively mitigates insulin-induced hypoglycemia has the potential to address a significant unmet therapeutic need for certain rare medical conditions associated with hyperinsulinism. More information on the XOMA 358 clinical trial may be found at www.clinicaltrials.gov.

About Congenital Hyperinsulinismi, ii, iii, iv

Congenital Hyperinsulinism (CHI) is a genetic disorder in which the insulin cells of the pancreas (beta cells) secrete inappropriate and excessive insulin. Ordinarily, beta cells secrete just enough insulin to keep blood sugar in the normal range. In people with CHI, the secretion of insulin is not properly regulated, causing excess insulin secretion and frequent episodes of low blood sugar (hypoglycemia). In infants and young children, these episodes are characterized by a lack of energy (lethargy), irritability or difficulty feeding. Repeated episodes of low blood sugar increase the risk for serious complications, such as breathing difficulties, seizures, intellectual disability, vision loss, brain damage, coma, and possibly death. About 60 percent of infants with CHI experience a hypoglycemic episode within the first month of life. Other affected children develop hypoglycemia by early childhood. Current treatments for CHI are limited to medical therapy and surgical removal of part or all of the pancreas (pancreatectomy).

About Gevokizumab

Gevokizumab is a potent monoclonal antibody with unique allosteric modulating properties and has the potential to treat patients with a wide variety of inflammatory and other diseases. Gevokizumab binds strongly to interleukin-1 beta (IL-1 beta), a pro-inflammatory cytokine, and modulates the cellular signaling events that produce inflammation. IL-1 beta has been shown to be involved in diverse array of disease states, including pyoderma gangrenosum, non-infectious and Behçet's disease uveitis, cardiovascular disease, and other auto-inflammatory diseases.

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 five 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 recently initiated Phase 2 development activities for XOMA 358 in patients with congenital hyperinsulinism. For more information, visit www.xoma.com.

Forward-Looking Statements

Certain statements contained in this press release including, but not limited to, statements related to anticipated timing of clinical trials, anticipated timing of the release of clinical data, regulatory approval of unapproved product candidates, the anticipated process of clinical data analysis, the anticipated success of any clinical trial, cash usage, or statements 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, 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 in XOMA's most recent filing on Form 10-K 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 applicable law.

i ghr.nlm.nih.gov/condition/congenital-hyperinsulinism. Accessed June 11, 2015.

ii www.chop.edu/conditions-diseases/congenital-hyperinsulinism/about#.VXncFU3bKHt. Accessed June 11, 2015.

iii www.chop.edu/conditions-diseases/congenital-hyperinsulinism/about#.VXneYE3bKHu. Accessed June 11, 2015.

iv www.ojrd.com/content/pdf/1750-1172-6-63.pdf. Accessed June 11, 2015.

XOMA Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Revenues:				
License and collaborative fees	$ 47,212	$ 1,069	$ 49,064	$ 5,683
Contract and other	971	3,278	6,383	13,183
Total revenues	48,183	4,347	55,447	18,866
Operating expenses:				
Research and development	13,598	19,378	70,852	80,748
Selling, general and administrative	4,707	4,097	20,620	19,866
Restructuring	1,138	—	3,699	84
Total operating expenses	19,443	23,475	95,171	100,698
Income (loss) from operations	28,740	(19,128)	(39,724)	(81,832)
Other income (expense):				
Interest expense	(1,041)	(1,008)	(4,194)	(4,303)
Other income, net	4,046	730	5,500	2,061
Revaluation of contingent warrant liabilities	(6,394)	12,088	17,812	45,773
Net income (loss)	$ 25,351	$ (7,318)	$ (20,606)	$ (38,301)
Basic net income (loss) per share of common stock	$ 0.21	$ (0.07)	$ (0.17)	$ (0.36)
Diluted net income (loss) per share of common stock	$ 0.21	$ (0.12)	$ (0.17)	$ (0.67)
Shares used in computing basic net income (loss) per share of common stock	118,859	109,415	117,803	107,435
Shares used in computing diluted net income (loss) per share of common stock	119,469	116,563	117,803	115,333
Other comprehensive income (loss):				
Net income (loss)	$ 25,351	$ (7,318)	$ (20,606)	$ (38,301)
Net unrealized gain on available-for-sale securities	—	—	—	1
Comprehensive income (loss)	$ 25,351	$ (7,318)	$ (20,606)	$ (38,300)

XOMA Corporation
CONSOLIDATED BALANCE SHEETS
(in thousands)
(Unaudited)

	December 31	
	2015	**2014**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 65,767	$ 78,445
Marketable securities	496	—
Trade and other receivables, net	4,069	3,309
Prepaid expenses and other current assets	1,887	1,859
Total current assets	72,219	83,613
Property and equipment, net	1,997	5,120
Other assets	664	669
Total assets	$ 74,880	$ 89,402
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 6,831	$ 5,990
Accrued and other liabilities	7,025	9,892
Deferred revenue – current	3,198	1,089
Interest bearing obligations – current	5,910	19,018
Accrued interest on interest bearing obligations – current	331	257
Total current liabilities	23,295	36,246
Deferred revenue – non-current	—	1,939
Interest bearing obligations – non-current	42,757	16,290
Contingent warrant liabilities	10,464	31,828
Other liabilities - non-current	673	—
Total liabilities	77,189	86,303
Stockholders' (deficit) equity:		
Preferred stock, $0.05 par value, 1,000,000 shares authorized, 0 issued and outstanding	—	—
Common stock, $0.0075 par value, 277,333,332 shares authorized, 119,045,592 and 115,892,450 shares issued and outstanding at December 31, 2015 and 2014, respectively	893	869
Additional paid-in capital	1,136,881	1,121,707
Accumulated deficit	(1,140,083)	(1,119,477)
Total stockholders' (deficit) equity	(2,309)	3,099
Total liabilities and stockholders' (deficit) equity	$ 74,880	$ 89,402

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