

XOMA Corp  
Form DEF 14A  
April 05, 2019

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

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**XOMA CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

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**XOMA CORPORATION**

**2200 Powell Street, Suite 310**

**Emeryville, California 94608**

**(510) 204-7200**

To Our Stockholders:

You are cordially invited to attend the annual meeting of stockholders of XOMA Corporation on May 16, 2019, which will be held virtually via live webcast at <http://www.virtualshareholdermeeting.com/XOMA2019> at 9:00 a.m. Pacific time. The meeting will be held online only.

Details of the business to be conducted at the annual meeting are provided in the Notice of Annual Meeting of Stockholders and proxy statement. Also, for your information, we are making available a copy of our annual report to stockholders for the fiscal year ended on December 31, 2018. We are providing our stockholders access to all of these materials via the Internet, reducing the amount of paper necessary to produce these materials, as well as costs associated with mailing all of these materials to all stockholders. Accordingly, on or about April 5, 2019, we will begin mailing a Notice Regarding Internet Availability of Proxy Materials, or the Notice, to all stockholders of record as of March 22, 2019, and will have posted our proxy materials on the website referenced in the Notice (<http://www.virtualshareholdermeeting.com/XOMA2019>). As more fully described in the Notice, all stockholders may choose to access our proxy materials on that website, and any stockholder may request a printed set of such materials.

We hope that you will attend the online annual meeting. In any event, please promptly vote your proxy by accessing the Internet, via the toll-free telephone number in the Notice or, if you have elected to receive a paper copy of the proxy materials, by completing, signing and returning the proxy card that is provided.

Sincerely yours,

James Neal

Chief Executive Officer

**XOMA CORPORATION**

**2200 Powell Street, Suite 310**

**Emeryville, California 94608**

**(510) 204-7200**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD AT 9:00 A.M. PACIFIC TIME ON MAY 16, 2019**

To the Stockholders of XOMA Corporation:

The annual meeting of stockholders of XOMA Corporation (the Company) will be held virtually via live webcast at <http://www.virtualshareholdermeeting.com/XOMA2019> on May 16, 2019, at 9:00 a.m. Pacific time, for the following purposes:

1. To elect our nominees for director;
2. To approve the XOMA Corporation Amended and Restated 2010 Long Term Incentive and Stock Award Plan, as amended and restated, to, among other things, increase the aggregate number of shares of common stock authorized for issuance thereunder by 450,000 shares;
3. To ratify the appointment of Deloitte & Touche LLP to act as the Company's independent registered public accounting firm for the 2019 fiscal year; and
4. To consider and transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this notice.

The Board of Directors has fixed the close of business on March 22, 2019, as the record date for the determination of stockholders entitled to notice of, and to vote at, this meeting and at any adjournment or postponement thereof. On March 22, 2019, the Company had 8,713,209 shares of common stock issued and outstanding. The proxy materials prepared in connection with the annual meeting are being made available at <http://www.virtualshareholdermeeting.com/XOMA2019>.

By Order of the Board of Directors,

Thomas Burns

Senior Vice President, Finance and Chief  
Financial Officer

*This proxy statement and the related proxy card are being sent or made available*

*on or about April 5, 2019.*

**YOUR VOTE IS IMPORTANT**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 16, 2019**

**Our proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, are available at [www.sec.gov](http://www.sec.gov) and on our website, [www.xoma.com](http://www.xoma.com), by clicking Investors and then SEC Filings. We will mail without charge, upon written request, a copy of the proxy statement and Annual Report on Form 10-K. Requests should be sent to: XOMA Corporation, Attention Corporate Secretary, 2200 Powell Street, Suite 310, Emeryville, California 94608.**

**You are cordially invited to attend the meeting online. Whether or not you expect to attend the meeting, please vote over the telephone or the Internet as instructed on the enclosed proxy card, or sign and return your proxy card prior to the meeting in order to ensure your representation at the meeting. Stockholders of record and beneficial owners will be able to vote their shares electronically at the annual meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

**XOMA CORPORATION**

**PROXY STATEMENT**

**TO THE STOCKHOLDERS:**

The enclosed proxy is solicited on behalf of the Board of Directors (the Board) of XOMA Corporation, a Delaware corporation (XOMA or the Company), for use at the annual meeting of stockholders to be held virtually via live webcast at <http://www.virtualshareholdermeeting.com/XOMA2019> at 9:00 a.m. Pacific time on May 16, 2019, or any adjournment or postponement thereof, at which stockholders of record holding shares of common stock on March 22, 2019, will be entitled to vote. On March 22, 2019, the Company had issued and outstanding 8,713,209 shares of common stock, par value \$0.0075 per share (Common Stock). Holders of Common Stock are entitled to one vote for each share held.

**Access via Internet**

In accordance with the rules of the Securities and Exchange Commission (the SEC), instead of mailing a printed copy of our proxy materials, including our annual report, to each stockholder of record, we have decided to provide access to these materials via the Internet to all of our stockholders. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on or about April 5, 2019, we will begin mailing a Notice Regarding Internet Availability of Proxy Materials, or the Notice, to stockholders of record as of March 22, 2019, and will have posted our proxy materials on the website referenced in the Notice (<http://www.virtualshareholdermeeting.com/XOMA2019>). As more fully described in the Notice, all stockholders may choose to access our proxy materials on that website, and any stockholder may request a printed set of such materials.

**How to vote your shares**

Your shares can be voted at the annual meeting only if you are online during the webcast or represented by proxy. All registered stockholders can appoint a proxy via the Internet by telephone or by paper proxy, by following the instructions included with their proxy card. Stockholders whose shares of Common Stock are registered in the name of a bank or brokerage firm should follow the instructions provided by their bank or brokerage firm on voting their shares of Common Stock. Submitting the proxy via the Internet, by phone or by signing and returning the proxy card does not affect your right to vote online at the annual meeting.

**Voting of Proxy**

All shares represented by a valid proxy to the annual meeting will be voted, and, if you provide specific instructions, your shares will be voted as you instruct. If you sign your proxy card with no further instruction and do not hold your shares beneficially through a broker, bank or other nominee, your shares will be voted:

FOR each of the nominees for the Board of Directors;

FOR approval of the XOMA Corporation Amended and Restated 2010 Long Term Incentive and Stock Award Plan, as amended and restated, to, among other things, increase the aggregate number of shares of common stock authorized for issuance thereunder by 450,000 shares; and

FOR the appointment of Deloitte & Touche LLP to act as the Company's independent registered public accounting firm for the 2019 fiscal year.

**Revocability of Proxies**

In the case of registered stockholders, a proxy may be revoked at any time prior to its exercise by (a) giving written notice of such revocation to the Secretary of the Company at the Company's principal office, 2200



Powell Street, Suite 310, Emeryville, California 94608, (b) logging in and voting at the online annual meeting, (c) properly executing a later-dated proxy and delivering it to the Company before the annual meeting, or (d) retransmitting a subsequent proxy via the Internet or by phone before the annual meeting. Logging in without voting at the annual meeting will not automatically revoke a proxy, and any revocation during the virtual meeting will not affect votes previously taken. Stockholders whose shares of Common Stock are registered in the name of a bank or brokerage firm should follow the instructions provided by their bank or brokerage firm for revoking their previously-appointed proxies. Abstentions and broker non-votes are each included in the number of shares of Common Stock present and entitled to vote for purposes of establishing a quorum, but are not counted in tabulations of the votes cast on proposals presented to stockholders.

### **Quorum**

The presence, in person or by proxy, of at least a majority of the shares of Common Stock outstanding on the record date will constitute a quorum. Abstentions are included in the number of shares of Common Stock present and entitled to vote for purposes of establishing a quorum, but are not counted in tabulations of the votes cast on proposals presented to stockholders.

The Company will bear the entire cost of solicitation, including preparation, assembly, printing, and delivery of this proxy statement, the proxy card, and any additional material furnished to stockholders. Copies of solicitation material will be furnished to brokerage houses, fiduciaries, and custodians holding in their names shares of Common Stock that are beneficially owned by others to forward to such beneficial owners. The solicitation of proxies may be supplemented by telephone, electronic or personal solicitation by directors, officers, or employees of the Company for no additional compensation. Stockholders appointing a proxy through the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers, which will be borne by the stockholders.

## PROPOSAL 1 ELECTION OF DIRECTORS

The Company's directors are elected annually to serve until the next annual meeting of stockholders, until their successors are elected, or until their death, resignation or removal.

The nominees for the Board are set forth below. Each person nominated for election has been previously elected to serve on the Board. Ms. Kosacz was elected to serve as a Director by the Board, upon the recommendation of the Nominating and Corporate Governance Committee of the Board, effective January 1, 2019. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any of the nominees listed below will be unable to serve. Unless otherwise instructed, the proxy holders will vote all proxies received by them on the accompanying form for the nominees for directors listed below. In the event any nominee should become unavailable for election due to an unexpected occurrence, the proxies will be voted for any such substitute nominee as may be designated by the present Board to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them for the nominees listed below. The six candidates receiving the highest number of affirmative votes of the shares of Common Stock entitled to vote at the annual meeting will be elected as directors of the Company.

### Nominees to the Board

| Name                 | Title                                | Age |
|----------------------|--------------------------------------|-----|
| James Neal           | Chief Executive Officer and Director | 63  |
| W. Denman Van Ness   | Chairman of the Board                | 76  |
| Joseph M. Limber     | Director                             | 66  |
| Jack L. Wyszomierski | Director                             | 63  |
| Matthew Perry        | Director                             | 46  |
| Barbara Kosacz       | Director                             | 60  |

*James Neal* was appointed Chief Executive Officer in December 2016 after serving as our Senior Vice President and Chief Operating Officer. He joined the Company in 2009 as its Vice President, Business Development. Mr. Neal brings more than 25 years' experience forming and maximizing business and technology collaborations globally and in bringing novel products and technologies to market. Prior to joining XOMA, Mr. Neal was Acting Chief Executive Officer of Entelos, Inc. a leading biosimulation company. Previously in 2007, Entelos acquired Iconix Biosciences, a privately held company where Mr. Neal served as Chief Executive Officer and established multi-year collaborations with Bristol-Myers Squibb, Abbott Labs, Eli Lilly and the U.S. Food and Drug Administration. While Executive Vice President of Incyte Genomics from 1999 to 2002, he led the global commercial activities with pharmaceutical company collaborators and partners including Pfizer, Aventis and Schering-Plough, as well as sales, marketing and business development activities for the company. Earlier, he was associated with Monsanto Company in positions of increasing responsibility. Mr. Neal also serves on the Board of Directors of Leading Biosciences Inc. Mr. Neal earned his B.S. in Biology and his M.S. in Genetics and Plant Breeding from the University of Manitoba, Canada, and holds an Executive MBA degree from Washington University in St. Louis, Missouri. Mr. Neal has significant experience with biopharmaceutical companies and brings the unique perspective of the Chief Executive Officer of the Company to the Board.

*W. Denman Van Ness* has been a director since October of 1981 and was appointed Lead Independent Director in January of 2008 and Chairman of the Board in August of 2011. He is Chairman of Hidden Hill Advisors, a venture capital consulting firm. From April of 1996 through October of 1999, he was a Managing Director of CIBC Capital Partners, an international merchant banking organization. From 1986 to 1996, Mr. Van Ness was a General Partner of Olympic Venture Partners II and Rainier Venture Partners, venture capital funds, and from 1977 until 1985, he was a General Partner of the venture capital group at Hambrecht & Quist, the manager of several venture capital funds.

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Mr. Van Ness earned his B.A. in American History and Literature from Williams College and holds an MBA degree from Harvard University. Mr. Van Ness brings to the Board an

extensive understanding of corporate development and a background in assessing a wide range of corporate funding sources and partnering opportunities. His leadership skills, including past service on the boards of other companies, contribute to his role as Chairman of the Board.

*Joseph M. Limber* has been a director since December 2012. Mr. Limber currently serves as President and Chief Executive Officer and a member of the Board of Directors of Secura Bio, Inc., a position he has held since February 2019. Prior to that, Mr. Limber served as President and Chief Executive Officer of Genoptix, Inc. from March 2017 through December 2018. Mr. Limber served as Executive Chairman of ImaginAb from January 2016 through November 2017. Mr. Limber served as President and Chief Executive Officer of Gradalis, Inc. from July 2013 through April 2015. Mr. Limber served as President and Chief Executive Officer of Prometheus Laboratories Inc., a subsidiary of Nestlé Health Science, from December 2003 through April 2013 and as a member of its Board of Directors from January 2004 through April 2013. From January 2003 to July 2003, Mr. Limber was a consultant and interim Chief Executive Officer for Deltagen, Inc., a provider of drug discovery tools and services to the biopharmaceutical industry. From April 1998 to December 2002, Mr. Limber was the President and Chief Executive Officer of ACLARA BioSciences, Inc. (now Monogram Biosciences, Inc.), a developer of assay technologies and lab-on-a-chip systems for life science research. From 1996 to 1998, he was the President and Chief Operating Officer of Praecis Pharmaceuticals, Inc. (acquired by GlaxoSmithKline plc), a biotechnology company focused on the discovery and development of pharmaceutical products. Prior to Praecis, Mr. Limber served as Executive Vice President of SEQUUS Pharmaceuticals, Inc. (acquired by Alza Corporation and now part of the Johnson & Johnson family of companies). He also held management positions in marketing and sales with Syntex Corporation (now F. Hoffmann-La Roche Ltd.) and with Ciba-Geigy Corporation (now Novartis AG). Mr. Limber holds a B.A. from Duquesne University. Mr. Limber brings to the Board his experience in successfully developing markets for specialty pharmaceutical products and managing the critical transition from research organization to commercial entity.

*Jack L. Wyszomierski* has been a director since August 2010. From 2004 until his retirement in 2009, Mr. Wyszomierski was Executive Vice President and Chief Financial Officer of VWR International, LLC, a global laboratory supply, equipment and distribution business that serves the world's pharmaceutical and biotechnology companies, as well as industrial and governmental organizations. At Schering-Plough, a global health care company which had worldwide sales of over \$8 billion in 2004, Mr. Wyszomierski held positions of increasing responsibility from 1982 to 2004 culminating in his appointment as Executive Vice President and Chief Financial Officer. Mr. Wyszomierski also serves on the Board of Directors of Athersys, Inc., Exelixis, Inc. SiteOne Landscape Supply, Inc., Solenis, Inc. and served on the Board of Directors of Unigene Laboratories, Inc. from 2012 to 2013. He holds an M.S. in Industrial Administration and a B.S. in Administration, Management Science and Economics from Carnegie Mellon University. Mr. Wyszomierski brings his considerable financial expertise to the Board, the Audit Committee, and the Compensation Committee.

*Matthew Perry* has been a director since February 2017. Mr. Perry is the President of BVF Partners L.P. ( BVF Partners ) and portfolio manager for the underlying funds managed by the firm. BVF Partners is a private investment partnership that has focused on small-cap, value oriented investment opportunities for more than 20 years. Mr. Perry joined BVF Partners in December 1996 and has been a successful lead investor in dozens of transactions and has positively influenced corporate direction for numerous biotechnology companies during the course of his career. In January 2016, Mr. Perry was named to CTI BioPharma Corp.'s Board of Directors and is a member of its Compensation Committee. Mr. Perry is also a co-founder and director of Nordic Biotech Advisors ApS, a venture capital firm based in Copenhagen, Denmark. He holds a B.S. degree from the Biology Department at the College of William and Mary. Mr. Perry brings extensive management consulting experience and experience investing in biotechnology companies to the Board.

*Barbara Kosacz*, a Partner at Cooley LLP, has been a director since January 2019. Ms. Kosacz has more than 25 years of experience in counseling clients in the life sciences arena, ranging from early stage startups to larger public companies, venture funds, investment banks, and non-profit institutions. She has served as a member of the BIO

Emerging Companies Section Governing Board and has been a speaker at multiple life

sciences-related conferences, as well as guest lecturer at the University of California, Berkeley (Boalt Hall), and Stanford University about biotechnology law, biotech business models, corporate partnering negotiations and deal structures, and bioethics. Recognized by *Best Lawyers* in America since 2008, Ms. Kosacz and was recently listed as a leading lawyer for healthcare and life sciences in the 2018 *Legal 500*, as a Band 1 attorney in the 2018 edition of *Chambers USA: America's Leading Lawyers for Business* and recognized as a highly recommended transactions lawyer by *IAM Patent 1000* for her nearly three decades advising diverse companies in the industry at a deeply strategic and commercial level and overseeing their most complex and profitable deals. Ms. Kosacz has also been listed in Northern California's *Super Lawyers* from 2004 to 2013 and was selected as one of Lawdragon's New Stars, New Worlds, and in the Lawdragon 500 Leading Lawyers in America. She received her Juris Doctor degree from the University of California, Berkeley School of Law, and her bachelor's degree from Stanford University. Ms. Kosacz brings extensive experience in advising biotechnology companies to the Board.

### ***Recommendation***

The Board of Directors recommends voting **FOR** the election of all nominees to the Board of Directors.

### **Board Matters**

#### ***Board Leadership Structure and Risk Oversight***

The Company currently separates the positions of CEO and Chairman of the Board. Mr. Van Ness has served as Chairman of the Board since August 2011. The CEO is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company. The Chairman of the Board is responsible for presiding at all executive sessions of the Board, consulting with the CEO on Board and committee meeting agendas, acting as a liaison between management and the independent directors, including maintaining frequent contact with the CEO and advising him on the efficiency of Board meetings, facilitating teamwork and communication between the independent directors and management, as well as additional responsibilities. The independent directors believe that Mr. Van Ness's in-depth knowledge of the biopharmaceutical industry and vision for its development, as well as his leadership skills and style, make him the best-qualified director to serve as Chairman of the Board. In light of the separation of the CEO and Chairman of the Board positions, the Board determined that a separate position of Lead Independent Director is not necessary.

The Board is responsible for consideration and oversight of risks facing the Company and is responsible for ensuring that material risks are identified and managed appropriately. As set forth in the Audit Committee charter, the Audit Committee meets periodically with management in order to review the Company's major financial exposures and the steps management has taken to monitor and control such exposures. In fulfilling this role, the Audit Committee conducts periodic risk assessments and reports its findings to the full Board. The Audit Committee also oversees related-party transactions.

#### ***Independence of the Board of Directors***

As required under the Nasdaq Stock Market (Nasdaq) listing standards, a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by the board of directors. In addition, Nasdaq rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating committees be independent within the meaning of Nasdaq rules. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act.

Our Board undertook a review of the independence of each director and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in



carrying out his or her responsibilities. As a result of this review, our Board determined that each of Messrs. Van Ness, Limber, Wyszomierski and Perry qualifies as an independent director within the meaning of the Nasdaq rules. With respect to Ms. Kosacz, who is a partner of Cooley LLP, our outside legal counsel, our Board determined that she is independent for purposes other than serving on the Audit Committee or Compensation Committee, each of which she is not a member. Accordingly, a majority of our directors are independent, as required under Nasdaq rules. Our non-employee directors have been meeting, and we anticipate that they will continue to meet, in regularly scheduled executive sessions at which only non-employee directors are present.

All of the members of the Compensation Committee are independent, as required by Nasdaq Rules 5605(a)(2) and 5605(d)(2). In determining independence within the meaning of Nasdaq Rules pertaining to membership of the Compensation Committee, our Board determined, based on its consideration of factors specifically relevant to determining whether any such director has a relationship to us that is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, that no member of the Compensation Committee has a relationship that would impair that member's ability to make independent judgments about our executive compensation.

### ***Board Meetings***

During the fiscal year ended December 31, 2018 the Board held fifteen meetings. Each Board member attended at least 75% of the aggregate number of meetings of the Board and the committees of the Board on which he served that were held during the last fiscal year. Directors are encouraged to attend the Company's annual meetings of stockholders where practicable. Four of the directors serving at the time of the 2019 annual meeting attended last year's annual meeting of stockholders either in person or telephonically.

The Board has standing audit, compensation and nominating & governance committees.

### ***Compensation Committee***

The Compensation Committee is responsible for recommending and reviewing the compensation, including options and perquisites, of the Company's officers and other employees generally, but only reviews and individually approves the compensation for our executive officers, including the named executive officers (other than our Chief Executive Officer). With respect to the compensation of our Chief Executive Officer, final decisions are made by the independent members of our Board of Directors, upon the recommendations of the Compensation Committee.

In making its executive compensation determinations, the Compensation Committee receives input from its compensation consultant, as well as recommendations from our Chief Executive Officer, although no member of management is present for or participates in decisions regarding his or her own compensation.

In discharging its responsibilities, the Compensation Committee works with members of our management team, including our Chief Executive Officer. The management team assists the Compensation Committee by providing information on Company and individual performance, market data, and management's perspective and recommendations on compensation matters. The Compensation Committee solicits and reviews our Chief Executive Officer's recommendations and proposals with respect to adjustments to base salaries, cash incentive compensation, long-term incentive compensation opportunities, program structures, and other compensation-related matters for our executive officers (other than with respect to his own compensation). The Compensation Committee reviews and discusses these recommendations and proposals with our Chief Executive Officer and uses them as one factor in determining and approving the compensation for our executive officers (other than our Chief Executive Officer). Our Chief Executive Officer recuses himself from all discussions and recommendations regarding his own compensation.



Under its charter, the Compensation Committee has the authority to engage the services of outside advisors, experts, and others to assist it in the discharge of its responsibilities. In accordance with this authority, the

Compensation Committee has retained the services of Compensia, Inc., a national compensation consulting firm that specializes in executive compensation matters, to assist it in evaluating our executive compensation program, gathering and analyzing data on the competitive market for executive talent, and formulating and assessing potential changes to our executive compensation program. Compensia serves at the discretion of the Compensation Committee, which reviews Compensia's engagement annually.

The Compensation Committee regularly reviews the objectivity and independence of the advice provided by Compensia on executive compensation matters. In 2018, the Compensation Committee considered the six specific independence factors adopted by the SEC and the NASDAQ Stock Market and determined that Compensia is independent and that its work did not raise any conflicts of interest.

The Compensation Committee held four meetings during 2018. The Compensation Committee consisted of Messrs. Wyszomierski (Chair), Van Ness and Perry. The Board has adopted a written charter for the Compensation Committee, a copy of which is available on the Company's website at [www.xoma.com](http://www.xoma.com).

### ***Nominating & Governance Committee***

The Nominating & Governance Committee assists the Board by identifying individuals qualified to become Board members, recommends to the Board the director nominees for the next annual meeting of stockholders, recommends to the Board the director nominees for each committee and develops, recommends to the Board and oversees the governance principles applicable to the Company. The Nominating & Governance Committee held three meetings in 2018. During 2018, the Nominating & Governance Committee consisted of Messrs. Van Ness (Chair) and Wyszomierski. On February 12, 2019, Ms. Kosacz was appointed as the Chair of the Nominating & Governance Committee by the Board. Each member of the Nominating & Governance Committee is independent as defined in the listing standards of Nasdaq. The Board has adopted a written charter for the Nominating & Governance Committee, a copy of which is available on the Company's website at [www.xoma.com](http://www.xoma.com).

The Nominating & Governance Committee's charter provides that the committee will, on behalf of the Board, review letters from stockholders regarding the Company's annual meeting and governance process. Beyond this, the committee has no formal policy regarding consideration of director candidates recommended by stockholders, in large part because the Company has never received from any of its stockholders a recommendation of a director nominee with reasonably adequate qualifications. The need for a more formal policy was considered and determined to be unnecessary by the committee. The committee will consider candidates recommended by stockholders, and a stockholder wishing to submit a recommendation should send a letter to the Secretary of the Company at 2200 Powell Street, Suite 310, Emeryville, California 94608. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a stockholder and provide a complete listing of the candidate's qualifications to serve on the Board, the candidate's current principal occupation, most recent five-year employment history and current directorships and a statement that the proposed nominee has consented to the nomination, as well as contact information for both the candidate and the author of the letter. Stockholders may also nominate candidates who are not first recommended to the Nominating & Governance Committee by following procedures set forth in our by-laws.

To be considered by the Nominating & Governance Committee, a director nominee must have experience as a board member or senior officer of a company, have a strong financial background, be a leading participant in a field relevant to the Company's business or have achieved national prominence in a relevant field as a faculty member, professional or government official. In addition to these minimum requirements, the committee seeks director candidates based on a number of qualifications, including their independence, knowledge, judgment, leadership skills, education, experience, financial literacy, standing in the community and ability to foster a diversity of backgrounds and views and complement the Board's existing strengths. The Board believes that diversity with respect to all of these factors, including diversity of personal background, business and



professional background, perspective, experience and other characteristics, such as gender, gender identity, ethnicity, sexual orientation and age, is an important consideration in appropriate Board composition.

The Board and the Nominating & Governance Committee begins the process of identifying and evaluating director nominees by seeking recommendations from a wide variety of contacts, which may include current executive officers and directors and industry, academic and community leaders. The Board or the committee may retain search firms to identify and screen candidates, conduct reference checks, prepare biographies for review by the committee and the Board and assist in setting up interviews. The Nominating & Governance Committee, and one or more of the Company's other directors, interview candidates, and the committee selects and recommends to the full Board nominees that best suit the Company's needs.

#### ***Audit Committee***

The Audit Committee is primarily responsible for approving the services performed by the Company's independent registered public accounting firm and reviewing the Company's accounting practices and systems of internal accounting controls. The Audit Committee held four meetings in 2018. The Audit Committee consisted of Messrs. Limber (Chair), Van Ness and Wyszomierski. Each member of the Audit Committee is independent as defined in the listing standards of Nasdaq. The Board has determined that Messrs. Limber, Wyszomierski and Van Ness is each an audit committee financial expert as defined by the rules of the SEC. The Board has adopted a written charter for the Audit Committee, a copy of which is available on the Company's website at [www.xoma.com](http://www.xoma.com).

#### **Report of the Audit Committee**

In accordance with rules established by the SEC, the Audit Committee has prepared the following report for inclusion in this proxy statement:

As part of its ongoing activities, the Audit Committee has:

met with management periodically to consider the adequacy of the Company's internal controls and the objectivity of its financial reporting and discussed these matters with the Company's independent registered public accounting firm and with appropriate Company financial personnel;

regularly met privately with the independent registered public accounting firm, who have unrestricted access to the committee;

recommended the appointment of the independent registered public accounting firm and reviewed periodically its performance and independence from management;

reviewed the Company's financing plans and reported recommendations to the full Board for approval and to authorize action;

reviewed and discussed with management the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018;

discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board ( PCAOB ); and

received the written disclosures and the letter from the independent registered public accounting firm required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence, and discussed with the independent registered public accounting firm their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the 2018 Form 10-K.

AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

Joseph M. Limber, Chair

Jack L. Wyszomierski

W. Denman Van Ness

*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 the Company under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

#### **Executive Officers**

The name and age as of January 31, 2019, position and biographical summary of each of our executive officers who is not also a nominee for ongoing membership on our Board of Directors is included below.

*Thomas Burns*, 45 years old, has been our Senior Vice President, Finance and Chief Financial Officer since March 2017. He joined the Company in August 2006 and since then has held various senior finance and accounting roles, most recently as Vice President, Finance and Chief Financial Officer. Mr. Burns has over 20 years of experience in accounting and finance in both biotechnology and high-technology companies. Prior to his employment with the Company, he held multiple senior financial management positions at high-tech companies including Mattson Technology, IntruVert Networks (acquired by McAfee), Niku Corporation (acquired by Computer Associates) and Conner Technology. Mr. Burns received his Bachelor's degree from Santa Clara University and his Masters of Business Administration from Golden Gate University.

*Dee Datta, PhD*, 44 years old, has been our Chief Business Officer since December 2017. From July 2016 to December 2017, she was Vice President of Corporate Development at Forty Seven, Inc., an immune-oncology company, where she managed business development, strategy and transactions, company financing, and investor relations. Prior to that, Dr. Datta was the Senior Director of Business Development at XOMA. During her time at XOMA, she successfully closed multiple transactions including licensing deals with large pharmaceutical companies, such as Novartis and Novo Nordisk. Earlier in her career, Dr. Datta was a venture capitalist at The Column Group and Longitude Capital. As an investor, she has experience in alternative financing strategies such as royalty monetization, in addition to formation and management of portfolio companies. Dr. Datta started her career as the Founder and Vice President of a biotech startup, Allozyne, based on technologies licensed from California Institute of Technology (Caltech). Dr. Datta received her PhD from Caltech and MBA from Stanford University Graduate School of Business.

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**PROPOSAL 2 APPROVAL OF AMENDMENT AND RESTATEMENT OF 2010 LONG TERM INCENTIVE AND STOCK AWARD PLAN**

The Company's 2010 Long Term Incentive and Stock Award Plan (the "Long Term Incentive Plan" or the "Plan") became effective on July 21, 2010, the date of approval by the Company's stockholders. The stockholders approved the amendment of the Long Term Incentive Plan in May 2014, and approved further amendments to the Long Term Incentive Plan in May 2016 and May 2017.

In this Proposal 2, the Board is asking the stockholders to approve the amendment and restatement of the Long Term Incentive Plan (the "Amendment") in order to:

Increase the number of shares of the Company's common stock authorized for issuance under the Long Term Incentive Plan (the "Common Stock") by an additional 450,000 shares;

Increase the number of shares of Common Stock issuable under the Long Term Incentive Plan as incentive stock options ("ISOs") by an additional 450,000 shares;

Extend the term of the Plan until April 1, 2029;

Limit the total combined value of cash paid and stock awards granted to a nonemployee director in any year to \$750,000 in total value; and

Eliminate certain references to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), eliminate performance cash awards, and eliminate individual grant limits that applied under the Long Term Incentive Plan to awards that were intended to comply with the exemption for performance-based compensation under Code Section 162(m), because those provisions were originally included in the Long Term Incentive Plan in order to allow the Company to comply with the exemption for performance-based compensation under Section 162(m), which has been repealed, effective for taxable years beginning after December 31, 2017.

The Board has already approved the Amendment to the Long Term Incentive Plan subject to approval of the Company's Stockholders. If this Proposal 2 is approved by the stockholders, the Amendment to the Long Term Incentive Plan will become effective upon the date of the Annual Meeting. In the event the stockholders do not approve this Proposal 2, the Amendment will not become effective and the Long Term Incentive Plan will continue in its current form.

**Why we are Requesting Stockholder Approval of the Amendment to the Long Term Incentive Plan**

The Board believes that it is in the best interest of the stockholders and the Company to increase the aggregate number of shares authorized for issuance under the Long Term Incentive Plan. We compete with many biotechnology companies to attract and retain talented employees at all levels, and equity awards are a critical component of our compensation philosophy and our annual compensation structure. Having the ability to grant equity awards is essential for us to be able to attract, motivate and retain a talented workforce. If we exhaust our remaining share reserve, we will be unable to issue new equity awards to our new and existing employees, consultants, officers and directors, and this would seriously hamper our ability to provide a competitive pay package to current and prospective employees.

Approval of the Amendment will allow us to continue to grant equity awards at levels the Board or Compensation Committee determines to be appropriate in order to attract new employees, consultants and directors, retain our existing employees, consultants and directors and to provide incentives for such persons to exert maximum efforts for our success and ultimately increase stockholder value.

In addition, the Board believes that the Company needs to maintain the flexibility to grant options under the Long Term Incentive Plan as ISOs.



**Why You Should Vote to Approve the Amendment to the Long Term Incentive Plan**

While we recognize that equity awards may have a dilutive impact on existing stockholders, we believe that we have managed our existing equity reserves carefully, and that our current level of dilution and burn rate is reasonable, as demonstrated in the tables below.

***Overhang***

The following table provides certain additional information regarding our equity incentive program.

|   | <b>As of March 22, 2019<br/>(Record Date)</b> |
|---|---|
| Total number of shares of common stock subject to outstanding stock options                   | 1,929,061                                     |
| Weighted-average exercise price of outstanding stock options                                  | \$ 20.90                                      |
| Weighted-average remaining term of outstanding stock options (years)                          | 7.91  |
| Total number of shares of common stock subject to outstanding full value awards               |   |
| Total number of shares of common stock available for grant under the Long Term Incentive Plan | 24,943  |
| Total number of shares of common stock available for grant under other equity incentive plans |   |
| Total number of shares of common stock outstanding  | 8,713,209                                     |
| Per-share closing price of common stock as reported on Nasdaq Capital Market                  | \$ 13.11                                      |

***Burn Rate***

The following table provides detailed information regarding the activity related to our equity incentive plans for fiscal year 2018.

|   | <b>Fiscal Year 2018</b> |
|---|-------------------------|
| Total number of shares of common stock subject to stock options granted       | 305,708                 |
| Total number of shares of common stock subject to full value awards granted   |                         |
| Total number of shares of common stock subject to stock options cancelled     | 234,934                 |
| Total number of shares of common stock subject to full value awards cancelled |                         |
| Weighted-average common stock outstanding                                     | 8,373,126               |

**Description of the Long Term Incentive Plan**

The following summary of the Long Term Incentive Plan is qualified in its entirety by reference to the Long Term Incentive Plan, a copy of which, as proposed to be amended and restated as set forth in this Proposal 2, is attached as Appendix A to this proxy statement.

***General***

The Long Term Incentive Plan is intended to provide incentives to attract, retain and motivate employees, consultants and directors and to provide for competitive compensation opportunities, to encourage long term service, to recognize individual contributions and reward achievement of performance goals, and to promote the creation of long term value for stockholders by aligning the interests of such persons with those of stockholders. The Long Term Incentive Plan will provide for the grant to eligible employees, consultants and directors of stock options, SARs, restricted shares,

RSUs, performance shares, performance units, dividend equivalents, and other stock-based awards (the Awards ). Although no further grants or awards will be made under the Company s 1981 Share Option Plan, the Restricted Share Plan, the 2007 CEO Share Option Plan, or the 2002 Directors Share Option Plan (the Prior Plans ), shares underlying options previously issued under the Prior Plans that are currently outstanding will, upon forfeiture, cancellation, surrender or other termination without distribution of shares of Common Stock to holders thereof, become available under the Long Term Incentive Plan.

As of March 22, 2019, of the 2,579,062 shares of Common Stock currently authorized for issuance under the Long Term Incentive Plan (and available as a result of forfeiture, surrender, cancellation or other termination under Prior Plans):

277,441 shares have been issued on the exercise of option awards;

374,748 shares have been issued in connection with vesting of RSUs;

1,929,061 shares were subject to outstanding options; and

24,943 shares were available for issuance for future awards.

The expiration dates for all such outstanding options range from May 21, 2019 to February 15, 2029 (at the latest).

Following the Amendment of the Long Term Incentive Plan as proposed in this proxy statement, 450,000 additional shares will be available for issuance under the Long Term Incentive Plan. However, for each restricted share, RSU, performance share, performance unit, dividend equivalent or other stock-based award issued, the number of shares available under the Long Term Incentive Plan will be reduced by 1.08 shares. Forfeiture of Awards that were counted as greater than 1.0 shares under the provisions described above and forfeiture of awards other than options or stock appreciation rights under our Prior Plans will result in the addition to shares available under the Long Term Incentive Plan of 1.08 shares per share forfeited. If any Awards granted under the Long Term Incentive Plan are forfeited, canceled, terminated, exchanged or surrendered or such Award is settled in cash or otherwise terminates without a distribution of shares to the participant, any shares counted against the number of shares reserved and available under the Long Term Incentive Plan with respect to such Award shall, to the extent of any such forfeiture, repurchase, settlement, termination, cancellation, exchange or surrender, again be available for awards under the Long Term Incentive Plan. However, if any shares subject to an Award are not delivered to a participant because the Award is exercised through a reduction of shares subject to the Award (i.e., net exercised), the number of shares that are not delivered to the participant shall not remain available for issuance under the Long Term Incentive Plan. Also, any shares withheld or reacquired by the Company pursuant to the exercise of an option or SAR or as consideration for the exercise of an option or SAR, and any shares withheld or reacquired by the company in satisfaction of the Company's tax withholding obligation on an Award, shall not again become available for issuance under the Plan.

The shares of Common Stock issuable over the term of the Long Term Incentive Plan will be made available from authorized but unissued shares of Common Stock. Each option will have an exercise price per share of not less than 100% of the fair market value per share of Common Stock on the date of grant.

In addition, no more than 3,029,062 shares of Common Stock may be issued as ISOs under the Long Term Incentive Plan following the Amendment. As of March 22, 2019, the Company has issued options to purchase 77,103 shares of Common Stock under the Long Term Incentive Plan as ISOs. This limitation has no effect, however, on the number of shares available under the Long Term Incentive Plan. These Common Stock amounts are subject to anti-dilution adjustments in the event of certain changes in the Company's capital structure, as described below. Shares of Common Stock issued pursuant to the Long Term Incentive Plan may consist, in whole or in part, of authorized but unissued shares of Common Stock or treasury shares including shares of Common Stock acquired by purchase in the open market or in private transactions.

#### ***Eligibility and Administration***

Officers and other employees of, and consultants to, the Company and its subsidiaries and affiliates and directors of the Company will be eligible to receive Awards under the Long Term Incentive Plan. Approximately 16 officers, other employees and directors are currently eligible to participate in the Long Term Incentive Plan. Although the Company utilizes the services of a number of consultants who are or would be eligible to be granted Awards under the Long Term Incentive Plan from time to time, it has seldom granted options or shares under its equity-based plans to consultants.

The Long Term Incentive Plan, as proposed to be amended and restated, provides that the maximum number of shares subject to stock awards that may be granted during any calendar year to any of our non-employee directors, taken together with any cash fees paid by the Company to such non-employee director during such calendar year, may not exceed \$750,000 in total value (calculating the value of any such stock awards based on the grant date fair value of the stock awards for financial reporting purposes).

The Long Term Incentive Plan will be administered by the Compensation Committee or such other Board committee or committees (or the entire Board) as may be designated by the Board. Different committees (including the entire Board) may administer the Long Term Incentive Plan with respect to different groups of eligible participants, but in this proxy statement we refer to all of them together as the LTIP Administrator. Unless otherwise determined by the Board, the LTIP Administrator will consist of two or more members of the Board who are non-employee directors within the meaning of Rule 16b-3 of the Exchange Act. The LTIP Administrator will determine which eligible employees, consultants and directors receive Awards, the types of Awards to be received and the amounts, terms, and conditions thereof. The LTIP Administrator will have authority to waive conditions relating to an Award or to accelerate vesting of Awards.

The LTIP Administrator may delegate to other members of the Board or to officers or managers of the Company or any subsidiary or affiliate the authority, subject to such terms as the LTIP Administrator shall determine, to perform administrative functions and, with respect to Awards granted to persons not subject to Section 16 of the Exchange Act, to perform such other functions as the LTIP Administrator may determine to the extent permitted under Rule 16b-3 and applicable law.

Except for certain anti-dilution adjustments, unless the approval of stockholders of the Company is obtained, options and SARs issued under the Long Term Incentive Plan will not be amended to lower their exercise price or exchanged for other options or SARs with lower exercise prices, options and SARs with an exercise price in excess of the fair market value of the underlying shares of Common Stock will not be exchanged for cash or other property, and no other action will be taken with respect to options or SARs that would be treated as a repricing under the rules of the principal stock exchange on which the shares of Common Stock are listed.

### ***Awards***

ISOs intended to qualify for special tax treatment in accordance with the Code and nonqualified stock options not intended to qualify for special tax treatment under the Code may be granted for such number of shares of Common Stock as the LTIP Administrator determines. The LTIP Administrator will be authorized to set the terms relating to an option, including exercise price and the time and method of exercise. However, the exercise price of options will not be less than the fair market value of the shares of Common Stock on the date of grant, and the term will not be longer than ten years from the date of grant of the options.

An SAR will entitle the holder thereof to receive with respect to each share subject thereto, an amount equal to the excess of the fair market value of one share of Common Stock on the date of exercise over the exercise price of the SAR set by the LTIP Administrator as of the date of grant. However, the exercise price of the SARs will not be less than the fair market value of the shares of Common Stock on the date of grant, and the term will not be longer than ten years from the date of grant of the SARs. Payment with respect to SARs may be made in cash or shares of Common Stock as determined by the LTIP Administrator.

Awards of restricted shares will be subject to such restrictions on transferability and other restrictions, if any, as the LTIP Administrator may impose. Such restrictions will lapse under circumstances that the LTIP Administrator shall determine, including based upon a specified period of continued employment or upon the achievement of performance criteria referred to below. Except as otherwise determined by the LTIP Administrator, eligible employees granted restricted shares will have all of the rights of a stockholder, including the right to vote restricted shares and receive

dividends thereon, and unvested restricted shares will be forfeited upon termination of employment during the applicable restriction period.

An RSU will entitle the holder thereof to receive shares of Common Stock or cash at the end of a specified deferral period. RSUs will also be subject to such restrictions as the LTIP Administrator may impose. Such restrictions will lapse under circumstances that the LTIP Administrator shall determine, including based upon a specified period of continued employment or upon the achievement of performance criteria referred to below. Except as otherwise determined by the LTIP Administrator, RSUs subject to restriction will be forfeited upon termination of employment during any applicable restriction period.

Performance shares and performance units will provide for the future issuance of shares of Common Stock or payment of cash, respectively, to the recipient upon the attainment of performance objectives over specified performance periods. Except as otherwise determined by the LTIP Administrator, performance shares and performance units will be forfeited upon termination of employment during any applicable performance period. Performance objectives may vary from person to person and grant to grant and will be based upon such performance criteria as the LTIP Administrator may deem appropriate. The LTIP Administrator may revise performance objectives if significant events occur during the performance period which the LTIP Administrator expects to have a substantial effect on such objectives.

The LTIP Administrator may also grant dividend equivalent rights and it is authorized, subject to limitations under applicable law, to grant such other Awards as may be denominated in, valued in, or otherwise based on, shares of Common Stock, as deemed by the LTIP Administrator to be consistent with the purposes of the Long Term Incentive Plan.

#### ***Nontransferability***

Unless otherwise set forth by the LTIP Administrator in an award agreement, Awards (except for vested shares) will generally not be transferable by the participant other than by will or the laws of descent and distribution and will be exercisable during the lifetime of the participant only by such participant or his or her guardian or legal representative.

#### ***Change in Control***

In the event of a change in control (as defined in the Long Term Incentive Plan), unless otherwise provided by the LTIP Administrator at the time of the Award grant, each outstanding Award shall either be assumed by the successor company or parent thereof or to be replaced with comparable awards with respect to capital stock of the successor company or parent thereof, such comparability to be determined by the Compensation Committee, or if an Award is not so assumed or replaced, then such outstanding Award shall become fully exercisable at the time of the change in control, and all restrictions or limitations (including risks of forfeiture and deferrals) on such outstanding Award shall lapse, and all performance criteria and other conditions to payment of such Award shall be deemed to be achieved or fulfilled at target (if applicable) and shall be waived by the Company at the time of the change in control.

#### ***Capital Structure Changes***

If the LTIP Administrator determines that any dividend in shares, recapitalization, share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, extraordinary distribution or other similar corporate transaction or event affects the shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of eligible participants under the Long Term Incentive Plan, then the LTIP Administrator shall make such equitable changes or adjustments as it deems appropriate, including adjustments to (i) the number and kind of shares that may thereafter be issued under the Long Term Incentive Plan, (ii) the number and kind of shares, other securities or other consideration to be issued or become issuable in respect of outstanding Awards, and (iii) the exercise price, grant price or purchase price relating to any Award. Under such circumstances, the LTIP Administrator also has the authority to provide for a distribution of cash or property in respect of any Award.





### ***Amendment and Termination***

The Long Term Incentive Plan may be amended, altered, suspended or terminated by the Board at any time, in whole or in part, without the consent of stockholders or plan participants. However, any amendment for which stockholder approval is required under the rules of any stock exchange or automated quotation system on which the shares of Common Stock may then be listed or quoted will not be effective until such stockholder approval has been obtained. In addition, no amendment, suspension, or termination of the Long Term Incentive Plan may materially and adversely affect the rights of a participant under any Award theretofore granted to him or her without the consent of the affected participant. The LTIP Administrator may waive any conditions or rights, amend any terms, or amend, suspend or terminate, any Award granted, provided that, without participant consent, such amendment, suspension or termination may not materially and adversely affect the rights of such participant under any Award previously granted to him or her.

### ***Effective Date and Term***

The Long Term Incentive Plan became effective on July 21, 2010, the date of approval by our stockholders, and it was amended in May 2014, May 2016 and May 2017. Unless earlier terminated or extended, the Long Term Incentive Plan, as proposed to be amended and restated, will expire on April 1, 2029 (unless sooner terminated by the Board), and no further awards may be granted thereunder after such date.

### **U.S. Federal Income Tax Consequences Associated with the Long Term Incentive Plan**

The following is a summary of the federal income tax consequences of the Long Term Incentive Plan, based upon current provisions of the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, and does not address the consequences under any state, local or foreign tax laws. This information is not and should not be considered tax advice. The Company assumes no liability whatever for any taxes, fees, penalties, investment losses, or other damages incurred by participants in the Plan who rely on this information. Participants are strongly urged to consult with their tax advisors.

### ***Stock Options***

In general, the grant of an option will not be a taxable event to the recipient, and it will not result in a deduction to the Company. The tax consequences associated with the exercise of an option and the subsequent disposition of shares of Common Stock acquired on the exercise of such option depend on whether the option is a nonqualified stock option or an ISO.

Upon the exercise of a nonqualified stock option, the participant will recognize ordinary taxable income equal to the excess of the fair market value of the shares of Common Stock received upon exercise over the exercise price. The Company or a subsidiary that employs the participant will generally be able to claim a deduction in an equivalent amount. Any gain or loss upon a subsequent sale or exchange of the shares of Common Stock will be capital gain or loss, long-term or short-term, depending on the holding period for the shares of Common Stock.

Generally, a participant will not recognize ordinary taxable income at the time of exercise of an ISO, and no deduction will be available to the Company or a subsidiary that employs the participant, provided the option is exercised while the participant is an employee or within three months following termination of employment (longer, in the case of disability or death). If an ISO granted under the Long Term Incentive Plan is exercised after these periods, the exercise will be treated for federal income tax purposes as the exercise of a nonqualified stock option. Also, an ISO granted under the Long Term Incentive Plan will be treated as a nonqualified stock option to the extent it (together with other ISOs granted to the participant by the Company) first becomes exercisable in any calendar year for shares of Common Stock having a fair market value, determined as of the date of grant, in excess of \$100,000.



If shares of Common Stock acquired upon exercise of an ISO are sold or exchanged more than one year after the date of exercise and more than two years after the date of grant of the option, any gain or loss will be long-term capital gain or loss. If shares of Common Stock acquired upon exercise of an ISO are disposed of prior to the expiration of these one-year or two-year holding periods (a Disqualifying Disposition), the participant will recognize ordinary income at the time of disposition, and the Company or a subsidiary that employs the participant will generally be entitled to a deduction, in an amount equal to the excess of the fair market value of the shares of Common Stock at the date of exercise over the exercise price. Any additional gain will be treated as capital gain, long-term or short-term, depending on how long the shares of Common Stock have been held. Where shares of Common Stock are sold or exchanged in a Disqualifying Disposition (other than certain related party transactions) for an amount less than their fair market value at the date of exercise, any ordinary income recognized in connection with the Disqualifying Disposition will be limited to the amount of gain, if any, recognized in the sale or exchange, and any loss will be a long-term or short-term capital loss, depending on how long the shares of Common Stock have been held.

If an option is exercised through the use of shares of Common Stock previously owned by the participant, such exercise generally will not be considered a taxable disposition of the previously owned shares of Common Stock, and thus, no gain or loss will be recognized with respect to such previously owned shares of Common Stock upon such exercise. The amount of any built-in gain on the previously owned shares of Common Stock generally will not be recognized until the new shares of Common Stock acquired on the option exercise are disposed of in a sale or other taxable transaction.

Although the exercise of an ISO as described above would not produce ordinary taxable income to the participant, it would result in an increase in the participant's alternative minimum taxable income and may result in an alternative minimum tax liability.

### ***Restricted Shares***

A participant who receives restricted shares of Common Stock will generally recognize ordinary income at the time that they vest, i.e., when they are no longer subject to a substantial risk of forfeiture. The amount of ordinary income so recognized will generally be the fair market value of the shares of Common Stock at the time the shares of Common Stock vest, less the amount, if any, paid for the shares of Common Stock. This amount is generally deductible for federal income tax purposes by the Company or a subsidiary that employs the participant. Dividends paid with respect to shares of Common Stock that are not vested will be ordinary compensation income to the participant (and generally deductible by the Company or a subsidiary that employs the participant). Any gain or loss upon a subsequent sale or exchange of the shares of Common Stock, measured by the difference between the sale price and the fair market value on the date the shares of Common Stock vest, will be capital gain or loss, long-term or short-term, depending on the holding period for the shares of Common Stock. The holding period for this purpose will begin on the date following the date the shares of Common Stock vest.

In lieu of the treatment described above, a participant may elect immediate recognition of income under Section 83(b) of the Code. In such event, the participant will recognize as income the fair market value of the restricted shares at the time of grant (determined without regard to any restrictions other than restrictions which by their terms will never lapse), and the Company or a subsidiary that employs the participant will generally be entitled to a corresponding deduction. Dividends paid with respect to shares of Common Stock as to which a proper Section 83(b) election has been made will not be deductible to the Company or a subsidiary that employs the participant. If a Section 83(b) election is made and the restricted shares are subsequently forfeited, the participant will not be entitled to any offsetting tax deduction.

### ***SARs, RSUs and Other Awards***

With respect to SARs, RSUs, performance shares, performance units, dividend equivalents and other Awards under the Long Term Incentive Plan not described above, generally, when a participant receives payment

with respect to any such Award granted to him or her under the Long Term Incentive Plan, the amount of cash and the fair market value of any other property received will be ordinary income to such participant and will be allowed as a deduction for federal income tax purposes to the Company or a subsidiary that employs the participant.

### ***Payment of Withholding Taxes***

The Company may withhold, or require a participant to remit to it, an amount sufficient to satisfy any federal, state, local or foreign withholding tax requirements associated with Awards under the Long Term Incentive Plan.

### ***Deductibility Limit on Compensation in Excess of \$1 Million***

Compensation of persons who are covered employees of the Company is subject to the tax deduction limits of Section 162(m) of the Code. The exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered employees in excess of \$1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017 and not modified in any material respect on or after such date.

### **New Plan Benefits**

| <b>Name and Position</b>   | <b>Number of shares subject to stock awards</b> |
|--|---|
| James Neal, Chief Executive Officer  |   |
| Thomas Burns, Senior Vice President, Finance and Chief Financial Officer                   |   |
| Dee Datta, PhD, Chief Business Officer   |   |
| All Current Executive Officers as a Group  |   |
| All Current Non-Executive Directors as a Group   | (1)   |
| All Current and Former Employees as a Group (including all current non-executive officers) |   |
| All Nominees for Director  |   |
| Each Associate of any Director, Executive Officer or Nominee                               |   |
| Each Other Current and Former 5% Holder or Future 5% Recipient                             |   |

(1) Each non-employee director is entitled to receive an annual option grant valued at \$100,000 using the Black-Scholes Model in accordance with the non-employee director compensation policy.

Awards granted under the Long Term Incentive Plan to our executive officers and other employees and non-employee directors are discretionary and are not subject to set benefits or amounts under the terms of the Long Term Incentive Plan, and our Board and our Compensation Committee have not granted any awards under the Long Term Incentive Plan subject to stockholder approval of this Proposal 2. Accordingly, the benefits or amounts that will be received by or allocated to our executive officers and other employees and non-employee directors under the amended Long Term Incentive Plan, as well as the benefits or amounts which would have been received by or allocated to our executive officers and other employees and non-employee directors for fiscal year 2018 if the Amendment had been in effect, are not determinable.



**Long Term Incentive Plan Benefits**

The following table shows, for each of the individuals and the various groups indicated, the number of stock options and restricted stock units underlying shares of our Common Stock that have been granted (even if not currently outstanding) under the Long Term Incentive Plan since its adoption in 2010 through March 22, 2019.

**Long Term Incentive Plan**

| <b>Name and Position</b>   | <b>Number of shares subject to stock awards</b> |
|--|---|
| James Neal, Chief Executive Officer  | 852,354   |
| Thomas Burns, Senior Vice President, Finance and Chief Financial Officer                   | 302,582   |
| Dee Datta, PhD, Chief Business Officer   | 321,562   |
| All Current Executive Officers as a Group  | 1,476,498                                       |
| All Current Non-Executive Directors as a Group   | 144,489   |
| All Current and Former Employees as a Group (including all current non-executive officers) | 1,659,261                                       |
| All Nominees for Director  |   |
| Each Associate of any Director, Executive Officer or Nominee                               |   |
| Each Other Current and Former 5% Holder or Future 5% Recipient                             |   |

***Recommendation***

The recommendation to amend and restate the 2010 Long Term Incentive Plan is being submitted to the stockholders at the annual meeting. The Board unanimously recommends voting **FOR** approval. Approval of the Amendment requires the affirmative vote of the holders of a majority of the votes cast at the annual meeting on the proposal.

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**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides certain information with respect to our equity compensation plans in effect as of December 31, 2018.

| <b>Plan Category</b>  | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b> | <b>Weighted-average price of outstanding options, warrants and rights (b)</b> | <b>Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b> |
|---|--|---|---|
| Equity compensation plans approved by security holders:(1)  | 1,624,746  | \$ 23.09  | 585,903(2)  |
| Equity compensation plans not approved by security holders: |  |   |   |
| <b>Total</b>  | <b>1,624,746</b>   | <b>\$ 23.09</b>   | <b>585,903</b>  |

(1) Includes securities issuable under the Amended and Restated 2010 Long Term Incentive Plan

(2) Includes (i) 341,540 shares of common stock available for issuance under our Amended and Restated 2010 Long Term Incentive Plan and (ii) 244,363 shares of common stock available for issuance under our 2015 Employee Stock Purchase Plan.



**PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019, and has directed that management submit the selection of the independent registered public accounting firm for ratification by our stockholders at the Annual Meeting. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions from stockholders.

We have been informed by Deloitte & Touche LLP that, to the best of their knowledge, neither the firm nor any of its members or their associates has any direct financial interest or material indirect financial interest in XOMA or our affiliates.

Stockholder ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the Board is submitting the selection of Deloitte & Touche LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee and the Board in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of XOMA and our stockholders.

***Recommendation***

The recommendation to ratify the appointment of Deloitte & Touche LLP is being submitted to the stockholders at the annual meeting. The Board recommends voting **FOR** the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

**FEES BILLED BY ERNST & YOUNG LLP DURING FISCAL 2017 AND 2018**

The total fees paid to Ernst & Young LLP, our previous independent registered public accounting firm, for 2017 and 2018 are as follows:

|                    | <b>Fiscal Year Ended<br/>December 31, 2017</b> | <b>Fiscal Year Ended<br/>December 31, 2018</b> |
|--------------------|--|--|
| Audit Fees(1)      | \$ 792,543                                     | \$ 56,588                                      |
| Audit Related Fees |  |  |
| Tax Fees(2)        | 50,000   |  |
| All Other Fees     |  |  |
| <b>Total Fees</b>  | <b>\$ 842,543</b>                              | <b>\$ 56,588</b>                               |

- (1) Audit Fees include the integrated audit of annual financial statements and internal control over financial reporting, reviews of quarterly financial statements included in Quarterly Reports on Forms 10-Q, consultations on matters addressed during the audit or quarterly reviews, and services provided in connection with SEC filings, including consents and comment and comfort letters.

(2) Amounts represent fees for products and services provided by Ernst & Young for tax compliance, tax advice and tax planning.

On March 19, 2018, the Audit Committee of the Board of Directors approved the dismissal of Ernst & Young LLP as our independent registered public accounting firm. The audit reports of Ernst & Young LLP on the Company's financial statements for the fiscal year ended December 31, 2017, did not contain any adverse

opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. There were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope procedures which disagreements, if not resolved to Ernst & Young LLP's satisfaction, would have caused them to refer to the subject matter of the disagreements in connection with their report; and there were no reportable events as defined in Item 304(a)(1)(v) of the SEC's Regulation S-K. The Company requested Ernst & Young LLP to furnish it with a letter addressed to the Commission stating whether it agreed with the above statements. A copy of that letter, dated March 23, 2018, was filed as Exhibit 16.1 to the Form 8-K announcing Ernst & Young LLP's dismissal and the appointment of Deloitte & Touche LLP, which was filed with the SEC on March 23, 2018.

### FEES BILLED BY DELOITTE & TOUCHE LLP DURING FISCAL 2018

The total fees paid to Deloitte & Touche LLP, our independent registered public accounting firm, for the last fiscal years are as follows:

|                    | <b>Fiscal Year Ended<br/>December 31, 2018</b> |
|--------------------|--|
| Audit Fees(1)      |  |
|                    | \$ 541,394                                     |
| Audit Related Fees |  |
| Tax Fees           |  |
| All Other Fees     |  |
| <b>Total Fees</b>  | <b>\$ 541,394</b>                              |

- (1) Audit Fees include the integrated audit of annual financial statements and internal control over financial reporting, reviews of quarterly financial statements included in Quarterly Reports on Forms 10-Q, consultations on matters addressed during the audit or quarterly reviews, and services provided in connection with SEC filings, including consents and comment and comfort letters.

### PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the Company's independent accountants. Pre-approval generally is provided for up to one year, is detailed as to the particular service or category of services and generally is subject to a specific budget. The Audit Committee may also pre-approve particular services on a case-by-case basis. In assessing requests for services by the independent accountants, the committee considers whether such services are consistent with the auditor's independence, whether the independent accountants are likely to provide the most effective and efficient service based on their familiarity with the Company, and whether the service could enhance the Company's ability to manage or control risk or improve audit quality. The Audit Committee has delegated pre-approval authority to its chairman, who must report any decisions to the Audit Committee at its next scheduled meeting.

The Audit Committee approved 100% of all audit and other services provided by Ernst & Young LLP, our previous independent registered public accounting firm, in 2017 and 2018 and the Audit Committee approved 100% of all audit and other services provided by Deloitte & Touche LLP, our current independent registered public accounting firm, in 2018.



## COMMON STOCK OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding all stockholders known by the Company to be the beneficial owners of more than 5% of the Company's issued and outstanding shares of Common Stock and regarding each director, each of our named executive officers (NEOs) and all directors and executive officers as a group, together with the approximate percentages of issued and outstanding shares of Common Stock owned by each of them. Percentages are calculated based upon shares issued and outstanding plus shares that the holder has the right to acquire under stock options, warrants exercisable and restricted stock units releasable within 60 days from January 31, 2019. The percentages in the table below are based on an aggregate of 8,703,847 shares of Common Stock issued and outstanding as of January 31, 2019. Except for information based on Schedules 13G and 13D, as indicated in the footnotes, amounts are as of January 31, 2019, and each of the stockholders has sole voting and investment power with respect to the shares of Common Stock beneficially owned, subject to community property laws where applicable. An individual's presence on this or any other table presented herein is not intended to be reflective of such person's status as a reporting person under Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The address for each director and executive officer listed in the table below is c/o XOMA Corporation, 2200 Powell Street, Suite 310, Emeryville, California 94608.

| Name of Beneficial Owner   | Number of<br>Shares of Common Stock<br>Beneficially<br>Owned | Percentage of<br>Common Stock<br>Beneficially Owned (%) |
|--|--|---|
| BVF Inc.(1)  | 1,769,029  | 20.32%  |
| Novartis Pharma AG(2)  | 539,131  | 6.19  |
| BlackRock, Inc.(3)   | 508,672  | 5.84  |
| James Neal(4)  | 519,555  | 5.97  |
| Thomas Burns(5)  | 178,908  | 2.06  |
| Dee Datta, PhD(6)  | 68,144   | *   |
| Matthew D. Perry(7)  | 27,021   | *   |
| W. Denman Van Ness(8)  | 20,399   | *   |
| Jack L. Wyszomierski(9)  | 23,435   | *   |
| Joseph M. Limber(10)   | 21,671   | *   |
| Barbara A. Kosacz(11)  | 1,665  | *   |
| All directors and current executive officers as a group as of the record date<br>(8 persons) | 860,798  | 9.89%   |

\* Indicates less than 1%.

- (1) Based on the 13D filing on December 21, 2018, as of December 18, 2018, BVF Inc. and its related entities beneficially held 1,769,029 shares of common stock, 5,003,000 shares of common stock issuable upon conversion of Series X preferred stock and 1,252,772 shares issuable upon conversion of Series Y preferred stock. BVF Partners L.P., or Partners, is the general partner of Biotechnology Value Fund, L.P., or BVF, and Biotechnology Value Fund II, L.P., or BVF II, is the investment manager of Biotechnology Value Trading Fund OS LP, or Trading Fund OS, and the sole member of BVF Partners OS Ltd., or Partners OS. BVF Inc. is the general partner of Partners, and Mark N. Lampert is the sole officer and director of BVF Inc. Partners OS disclaims beneficial ownership of the shares of common stock beneficially owned by Trading Fund OS. Each of Partners, BVF Inc. and Mr. Lampert disclaims beneficial ownership of the shares of common stock beneficially owned by BVF, BVF II, Trading Fund OS, and certain Partners management accounts. Series X preferred stock and Series Y preferred stock shall not be converted if, after such conversion, its holding group would beneficially

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own more than 19.99% of the number of shares of common stock then issued and outstanding. The address of the principal business and office of BVF Inc. and its affiliates is 44 Montgomery Street, 40<sup>th</sup> Floor, San Francisco, California 94104.

- (2) Based on the 13G filing on September 5, 2017, as of August 24, 2017, Novartis Pharma AG ( Novartis ) beneficially held 539,131 shares of common stock. The address of the principal business and office of Novartis is Lichtstrasse 35, 4056 Basel, Switzerland. The Schedule 13G provides information only as of

August 24, 2017, and, consequently, the beneficial ownership of the above-mentioned reporting person may have changed between August 24, 2017 and January 31, 2019.

- (3) Based on the 13G filing on February 8, 2019, BlackRock, Inc. ( BlackRock ) beneficially held 508,672 shares of common stock. The address of the principal business and office of BlackRock is 55 East 52nd Street, New York, NY 10055. The Schedule 13G provides information only as of December 31, 2018, and, consequently, the beneficial ownership of the above-mentioned reporting person may have changed between December 31, 2018 and January 31, 2019.
- (4) Includes 497,729 shares of Common Stock issuable upon the exercise of options exercisable within 60 days after January 31, 2019, and 4,202 shares of Common Stock that have been deposited pursuant to the Company's Deferred Savings Plan.
- (5) Includes 169,028 shares of Common Stock issuable upon the exercise of options exercisable as of 60 days after January 31, 2019, and 3,325 shares of Common Stock that have been deposited pursuant to the Company's Deferred Savings Plan.
- (6) Includes 66,666 shares of Common Stock issuable upon the exercise of options exercisable as of 60 days after January 31, 2019, and 1,171 shares of Common Stock that have been deposited pursuant to the Company's Deferred Savings Plan.
- (7) Includes 15,222 shares of Common Stock issuable upon the exercise of options exercisable within 60 days after January 31, 2019.
- (8) Includes 10,324 shares of Common Stock issuable upon the exercise of options exercisable within 60 days after January 31, 2019.
- (9) Includes 16,970 shares of Common Stock issuable upon the exercise of options exercisable within 60 days after January 31, 2019.
- (10) Includes 15,461 shares of Common Stock issuable upon the exercise of options exercisable within 60 days after January 31, 2019.
- (11) Includes 1,665 shares of Common Stock issuable upon the exercise of options exercisable within 60 days after January 31, 2019.

**COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors to file initial reports of ownership and changes in ownership with the SEC and Nasdaq. Such executive officers and directors are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based on a review of the copies of the forms furnished to the Company and written representations from the Company's executive officers and directors, all persons subject to the reporting requirements of Section 16(a) (or their authorized representatives) filed the required reports with respect to 2018 on a timely basis.

## COMPENSATION OF EXECUTIVE OFFICERS

### Summary Compensation Table

The following table sets forth certain summary information for the years indicated concerning the compensation earned by the Company's principal executive officer and the next two most highly compensated executive officers during 2018 (named executive officers).

| Name and Principal Position  | Year | Salary<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>\$(1) | Non-Equity<br>Incentive<br>Plan | All other             | Total<br>(\$) |
|--|------|----------------|-------------------------|---------------------------|---------------------------------|-----------------------|---------------|
|  |      |                |                         |                           | Compensation<br>\$(2)           | Compensation<br>\$(3) |               |
| James Neal<br>(Chief Executive Officer)  | 2018 | \$ 484,100     | \$                      | \$ 643,605                | \$ 178,926                      | \$ 16,824             | \$ 1,323,455  |
|  | 2017 | \$ 508,493(4)  | \$                      | \$ 3,363,750              | \$ 275,043                      | \$ 17,099             | \$ 4,164,385  |
| Thomas Burns<br>(Senior Vice President,<br>Finance<br>and Chief Financial Officer) | 2018 | \$ 360,500     | \$                      | \$ 536,338                | \$ 96,905                       | \$ 9,985              | \$ 1,003,727  |
|  | 2017 | \$ 403,569(5)  | \$                      | \$ 1,076,400              | \$ 160,588                      | \$ 9,590              | \$ 1,650,147  |
| Dee Datta, PhD<br>(Chief Business Officer)   | 2018 | \$ 325,000     | \$                      | \$ 1,652,352(6)           | \$ 77,583                       | \$ 9,580              | \$ 2,064,515  |

(1) The amounts in this column do not reflect compensation actually received by the named executive officers but represent the aggregate grant date fair value for option awards calculated in accordance with FASB ASC Topic 718. See Note 11 of the consolidated financial statements in the Company's 2018 Form 10-K regarding assumptions underlying valuation of equity awards.

(2) The amounts in this column represent quarterly cash bonus awards earned under the Company's Cash Bonus Plan.

(3) Amounts for 2018 in this column include:

Mr. Neal (a) Company shares of Common Stock contributed to an account under the Company's Deferred Savings Plan in the amount of 879 shares; and (b) group term life insurance premiums in the amount of \$4,574.

Mr. Burns (a) Company shares of Common Stock contributed to an account under the Company's Deferred Savings Plan in the amounts of 664 shares; and (b) group term life insurance premiums in the amount of \$735.



Dr. Datta (a) Company shares of Common Stock contributed to an account under the Company's Deferred Savings Plan in the amounts of 664 shares; and (b) group term life insurance premiums in the amount of \$330.

- (4) Includes \$50,160 in accrued Paid Time Off (PTO) paid upon implementation of the Company's unlimited PTO policy.
- (5) Includes \$54,402 in accrued Paid Time Off (PTO) paid upon implementation of the Company's unlimited PTO policy.
- (6) Includes \$1,179,864 related to modification in 2018 of an option award originally granted in 2017, which represents the incremental fair value of the modification measured in accordance with Topic 718. The option award, which originally provided for vesting upon the achievement of performance criteria, was amended in 2018 to provide for monthly vesting over three years measured from the grant date.

**Outstanding Equity Awards as of December 31, 2018**

The following table provides information as of December 31, 2018, regarding unexercised options held by each of our named executive officers.

| Name            | Option Awards(1)  |   |   |                            | Option Expiration Date |
|-----------------|---|---|---|----------------------------|------------------------|
|                 | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) |                        |
| James R. Neal   | 1,864   |   |   | 214.50                     | 11/16/2019             |
|                 | 801   |   |   | 214.50                     | 11/16/2019             |
|                 | 52  |   |   | 147.00                     | 3/1/2020               |
|                 | 781   |   |   | 147.00                     | 3/1/2020               |
|                 | 488   |   |   | 33.80                      | 10/27/2021             |
|                 | 2,288   |   |   | 70.60                      | 7/19/2022              |
|                 | 1,179   |   |   | 54.30                      | 2/28/2023              |
|                 | 2,250   |   |   | 178.20                     | 2/27/2024              |
|                 | 3,474   | 151   |   | 76.60                      | 2/26/2025              |
|                 | 76,000  |   |   | 5.50                       | 12/22/2026             |
|                 | 93,750  |   |   | 4.03                       | 2/10/2027              |
|                 | 156,250   |   |   | 4.03                       | 2/10/2027              |
|                 | 121,526(2)  | 121,530   |   | 4.03                       | 2/10/2027              |
|                 | 31,250  |   |   | 4.03                       | 2/10/2027              |
|                 |   | 31,250(3)   |   | 4.03                       | 2/10/2027              |
|                 | 8,333   | 21,667  |   | 27.41                      | 2/14/2028              |
| Thomas M. Burns | 120   |   |   | 168.00                     | 2/26/2019              |
|                 | 266   |   |   | 147.00                     | 3/1/2020               |
|                 | 373   |   |   | 116.60                     | 1/7/2021               |
|                 | 800   |   |   | 31.80                      | 2/9/2022               |
|                 | 435   |   |   | 54.30                      | 2/28/2023              |
|                 | 652   |   |   | 178.20                     | 2/27/2024              |

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|  |           |           |       |            |
|--|-----------|-----------|-------|------------|
|  | 4,350     |           | 93.20 | 6/16/2024  |
|  | 1,473     | 64        | 76.60 | 2/26/2025  |
|  | 229       | 21        | 70.00 | 4/3/2025   |
|  | 24,000    |           | 5.50  | 12/22/2026 |
|  | 30,000    |           | 4.03  | 2/10/2027  |
|  | 50,000    |           | 4.03  | 2/10/2027  |
|  | 38,889(2) | 38,889    | 4.03  | 2/10/2027  |
|  | 10,000    |           | 4.03  | 2/10/2027  |
|  |           | 10,000(3) | 4.03  | 2/10/2027  |
|  | 6,944     | 18,056    | 27.41 | 2/14/2018  |

|                |           |        |       |            |
|----------------|-----------|--------|-------|------------|
| Dee Datta, PhD | 26,667(2) | 53,333 | 33.41 | 12/21/2027 |
|                | 26,667(2) | 53,333 | 33.41 | 12/21/2027 |
|                | 24,000(4) |        | 25.05 | 7/19/2028  |

- (1) Except as otherwise noted, all option awards vest in equal monthly installments over 48 months.
- (2) Option awards vest in equal monthly installments over 36 months.
- (3) Options vest based upon the achievement of certain performance objectives in 2019.
- (4) 33% of the total shares subject to this option grant vest on the one-year anniversary of the date of grant. The remaining shares subject to this option grant vest in equal monthly installments over the following two years.

## 2018 Cash Bonus Plan

On February 14, 2018, the Board approved the 2018 Cash Bonus Plan for the 2018 fiscal year and approved target bonus opportunities for Mr. Neal, Mr. Burns and Dr. Datta pursuant to the Company's corporate achievement goals plan as follows:

| Named Executive Officer | Target Bonus (as a % of FY 2018 Base Salary) |
|-------------------------|--|
| James Neal              | 55%  |
| Thomas Burns            | 40%  |
| Dee Datta, PhD          | 35%  |

The amount of cash bonus actually paid, as disclosed in the Summary Compensation Table above, for each named executive officer was based on both the named executive officer's individual performance and on the Company meeting the 2018 corporate objectives previously approved by the Board.

## Pension Benefits

None of our named executive officers is covered by a pension plan or other similar benefit plan that provides for payments or other benefits at, following, or in connection with retirement.

## Non-Qualified Deferred Compensation

None of our named executive officers is covered by a defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

## Employment Contracts and Termination of Employment and Change of Control Arrangements

The Company entered into an employment agreement with Mr. Neal, dated as of October 29, 2015, that provided for his employment as Senior Vice President, Chief Operating Officer at a salary of not less than \$400,000 per year. Mr. Neal was promoted to the position of Chief Executive Officer effective December 21, 2016 and his current salary is \$484,100.

On August 7, 2017, the Company entered into an amended and restated employment agreement with Mr. Neal. Among other things, his employment agreement provides for Mr. Neal's continued employment as Chief Executive Officer of the Company. Under his employment agreement, Mr. Neal continues to be entitled to participate in any benefit plan for which key executives of the Company are eligible. Upon Mr. Neal's involuntary termination of employment by the Company without cause, his termination of employment due to his death or permanent disability, or upon his resignation for good reason, and contingent on Mr. Neal resigning from the Company's board of directors (if applicable) and executing a release of claims in favor of the Company, his employment agreement provides that Mr. Neal will be entitled to (i) a severance payment equal to 100% of his then-current annual base salary, (ii) a severance payment equal to the pro-rated portion of his then-current target bonus, (iii) payment of any earned but unpaid bonus for the prior performance period; (iv) if elected, the full cost of continuation coverage under the Company's group health plans for a period of twelve months or a cash payment in lieu of such continuation coverage, and (v) outplacement services for twelve months not to exceed \$15,000 in value. Pursuant to his employment agreement, all payments and benefits to Mr. Neal thereunder are subject to his compliance with the confidentiality and non-competition provisions thereof.

The Company entered into an employment agreement with Mr. Burns, dated as of April 3, 2015, that provided for his employment as Vice President, Finance and Chief Financial Officer at a salary of not less than \$285,000 per year. His base salary is currently set at \$360,500.

On August 7, 2017, the Company entered into an amended and restated employment agreement with Mr. Burns. Among other things, his employment agreement provides for Mr. Burns' continued employment as Chief Financial Officer of the Company. Under his employment agreement, Mr. Burns continues to be entitled to participate in any benefit plan for which key executives of the Company are eligible. Upon Mr. Burns' involuntary termination of employment by the Company without cause and executing a release of claims in favor of the Company, his termination of employment due to his death or permanent disability, or upon his resignation for good reason, his employment agreement provides that Mr. Burns will be entitled to (i) a severance payment equal to 75% of his then-current annual base salary, (ii) a severance payment equal to the pro-rated portion of his then-current target bonus, (iii) payment of any earned but unpaid bonus for the prior performance period; (iv) if elected, the full cost of continuation coverage under the Company's group health plans for a period of nine months or a cash payment in lieu of such continuation coverage, and (v) outplacement services for nine months not to exceed \$15,000 in value. Pursuant to his employment agreement, all payments and benefits to Mr. Burns thereunder are subject to his compliance with the confidentiality and non-competition provisions thereof.

The Company entered into an employment agreement with Dr. Datta on April 27, 2018 that provides for her employment as Chief Business Officer at a salary of not less than \$325,000 per year. Under her employment agreement, Dr. Datta is entitled to participate in any benefit plan for which key executives of the Company are eligible. Upon Dr. Datta's involuntary termination of employment by the Company without cause and executing a release of claims in favor of the Company, her termination of employment due to her death or permanent disability, or upon her resignation for good reason, her employment agreement provides that Dr. Datta will be entitled to (i) a severance payment equal to 75% of her then-current annual base salary, (ii) a severance payment equal to the pro-rated portion of her then-current target bonus, (iii) payment of any earned but unpaid bonus for the prior performance period; (iv) if elected, the full cost of continuation coverage under the Company's group health plans for a period of nine months or a cash payment in lieu of such continuation coverage, and (v) outplacement services for nine months not to exceed \$15,000 in value. Pursuant to her employment agreement, all payments and benefits to Dr. Datta thereunder are subject to her compliance with the confidentiality and non-competition provisions thereof. On July 19, 2018, the Company entered into an amendment to Dr. Datta's employment agreement to replace the separate target annual cash bonus of \$100,000 tied to the deal-related component of the Company's corporate achievement goals plan with a one-time stock option grant to purchase 24,000 shares of the Company's common stock, one-third of which will vest on the first anniversary of the date of grant and the balance will vest in equal monthly installments over the next twenty-four months.

### **Certain Other Payments upon a Change of Control**

*Named Executive Officers.* Each of our named executive officers has entered into a change of control severance agreement. Under each change of control agreement, if the executive officer's employment is involuntarily terminated by the Company without cause or if the executive officer resigns with good reason, in either case, within two months prior to signing an agreement for a change of control or within 24 months after a change of control, then the Company may be required to make certain payments and/or provide certain benefits to certain executive officers, as described below.

*Change of Control.* Under each change of control agreement, a change of control is defined as 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 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 stockholders 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 Exchange Act becoming the beneficial owner (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 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.

*Vesting of Options.* If a named executive officer's employment is involuntarily terminated within two months prior to signing an agreement for a change of control or within 12 months after a change of control, the exercisability of all time-based equity awards granted to such executive officer by the Company shall automatically be accelerated so that all such options may be exercised immediately upon such involuntary termination for any or all of the shares subject thereto and the post-termination exercise period shall be extended to 60 months or the remainder of the maximum term of the options (or such shorter period of time to avoid the application of Section 409A of the Code).

Additionally, if a named executive officer's employment is involuntarily terminated within two months prior to signing an agreement for a change of control or within 12 months after a change of control, the exercisability of a pro-rated number of performance awards held by such executive officer shall be accelerated, based on the number of days that have elapsed during the performance period and the deemed level of achievement of the performance goals as determined by the Company's board of directors. The awards shall continue to be subject to all other terms and conditions of the Company's option plans and the applicable option agreements between the employee and the Company.

*Outplacement Program.* If a named executive officer's employment is involuntarily terminated within two months prior to signing an agreement for a change of control or within 24 months after a change of control, the named executive officer will immediately become entitled to participate in a twelve-month executive outplacement program provided by an executive outplacement service, at the Company's expense not to exceed \$15,000.

*Cash Severance.* If a named executive officer's employment is involuntarily terminated within two months prior to signing an agreement for a change of control or within 12 months after a change of control, then the executive officer shall be entitled to receive a cash severance payment equal to the sum of (A) an amount equal to 1.5 times (or, in the case of the chief executive officer, two times) the executive officer's annual base salary as in effect immediately prior to the involuntary termination plus (B) an amount equal to 1.5 times (or, in the case of the chief executive officer, two times) the named executive officer's target bonus as in effect for the fiscal year in which the involuntary termination occurs.

*Health and Other Benefits.* If a named executive officer's employment is involuntarily terminated within two months prior to signing an agreement for a change of control or 12 months after a change of control, then for a period of 18 months (or, in the case of the chief executive officer, 24 months) following such termination, 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) of the executive officer and his or her 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 executive officer or such covered dependents on the date immediately preceding the date of his or her termination, provided that, in each case, the executive officer elects such continuation coverage, or, if necessary for the Company to avoid a tax penalty, a cash payment in lieu of such continuation coverage

The change of control agreements provide that the legacy golden parachute excise tax gross-up provision, pursuant to which the Company will make a gross-up payment necessary to fully satisfy any excise taxes on the executive officer as a result of payments under the change of control agreement or otherwise, expired on February 10, 2019, and have been replaced with a better after-tax provision, pursuant to which payments to the executive officer are either reduced or paid in full, whichever results in a greater economic benefit to the executive officer (after calculation of all taxes on such payments).





## Compensation of Directors

The primary objectives of the Company's director compensation program are to enable the Company to attract, motivate and retain outstanding individuals and align their success with that of the Company's stockholders through the creation of stockholder value. We attract and retain directors by benchmarking against companies in our industry of similar size to ensure that our director compensation packages remain competitive. The different elements of director compensation are considered in light of the compensation packages provided to similarly-situated directors at peer companies.

The Nominating & Governance Committee has retained the services of Compensia to assist in evaluating the Company's director compensation program against the relevant market. At the direction of the Nominating & Governance Committee, management created a survey (the Director Compensation Survey) which compared the Company's director pay levels to those of the same peer group of companies used in the Executive Compensation Survey. The benchmarking process for director compensation used by the Nominating & Governance Committee based on the Director Compensation Survey is substantially similar to the process used by the Compensation Committee for evaluating executive compensation.

## Director Compensation Policy

During 2018, each non-employee director was entitled to receive an annual retainer of \$40,000, *plus* an additional (1) \$20,000, in the case of the chairman of the Audit Committee, (2) \$9,000, in the case of any other member of the Audit Committee, (3) \$12,000, in the case of the chairman of the Compensation Committee or Nominating & Governance Committee, (4) \$6,000, in the case of any other member of the Compensation Committee or Nominating & Governance Committee and (5) \$40,000, in the case of the Chairman of the Board. The Company's directors do not receive meeting fees.

Effective as of May 2018, each new non-employee director is entitled to receive an initial option grant valued at \$200,000. The options vest monthly over three years. After the initial equity grant, each non-employee director whose service continues is entitled to receive an annual option grant valued at \$100,000 that vests in one installment on the one-year anniversary of the grant.

Directors who are employees of the Company are neither paid any fees or other remuneration nor awarded stock options, restricted stock awards or shares of Common Stock of the Company for services as members of the Board.

Subject to stockholders approval of Proposal 2, the maximum number of shares subject to stock awards that may be granted during any calendar year to any of our non-employee directors, taken together with any cash fees paid by the Company to such non-employee director during such calendar year, may not exceed \$750,000 in total value (calculating the value of any such stock awards based on the grant date fair value of the stock awards for financial reporting purposes).

**Director Compensation Table**

The table below sets forth the 2018 compensation for members of the Board at any time during 2018. Mr. Neal (current CEO) is not listed in this table because he received no additional compensation for services as a member of the Board.

| <b>Name</b>          | <b>Fees<br/>Earned<br/>or<br/>Paid in<br/>Cash (\$)</b> | <b>Option<br/>Awards<br/>(\$)(1)</b> | <b>Total</b>      |
|----------------------|---|--------------------------------------|-------------------|
| W. Denman Van Ness   | \$ 101,000  | \$ 100,008                           | \$ 201,008        |
| Jack L. Wyszomierski | 67,000  | 100,008                              | 167,008           |
| Joseph M. Limber     | 60,000  | 100,008                              | 160,008           |
| Matthew Perry        | 46,000  | 100,008                              | 146,008           |
| <b>Total</b>         | <b>\$ 274,000</b>                                       | <b>\$ 400,032</b>                    | <b>\$ 674,032</b> |

- (1) The option amounts represent the aggregate grant date fair value for option awards computed in accordance with FASB ASC Topic 718. See Note 11 of the consolidated financial statements in the 2018 Form 10-K regarding assumptions underlying valuation of equity awards. As of December 31, 2018, the aggregate number of options outstanding for each non-employee director were as follows: Mr. Van Ness: 17,820, Mr. Wyszomierski: 24,466, Mr. Limber: 25,369, and Mr. Perry: 20,274.

**TRANSACTIONS WITH RELATED PERSONS**

The following is a summary of transactions since January 1, 2017 in which (i) we have been a participant, (ii) the amount involved exceeded or will exceed \$120,000, and (iii) any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of their immediate family or person sharing their household, had or will have a direct or indirect material interest. Each such transaction is subject to review and pre-approval by the Audit Committee

On November 19, 2018, the Company initiated a rights offering to raise \$20.0 million through the distribution of subscription rights to holders of its common stock and Series X preferred stock (the Rights Offering). In December 2018, the Company sold a total of 285,689 shares of common stock and 1,252,772 shares of Series Y preferred stock under the Rights Offering for aggregate gross proceeds of \$20.0 million. All Series Y convertible preferred shares were issued to Biotechnology Value Fund, L.P. (BVF). One of the Company's Directors, Matthew Perry, is the President of BVF. Each share of Series Y convertible preferred stock has a stated value of \$13,000 per share and is convertible into 1,000 shares of registered common stock based on a conversion price of \$13.00 per share of common stock. The total number of shares of common stock issued upon conversion of all issued Series Y convertible preferred stock will be 1,252,772 shares. Each share is convertible at the option of the holder at any time, provided that the holder will be prohibited from converting into common stock if, as a result of such conversion, the holder, together with its affiliates, would beneficially own a number of shares above a conversion blocker, which is initially set at 19.99% of the total common stock then issued and outstanding immediately following the conversion of such shares. As of December 31, 2018, BVF owned approximately 20.07% of the Company's total outstanding shares, and if all of the Series X and Series Y convertible preferred shares were converted, BVF would own 53.5% of the Company's total outstanding common shares. As of December 31, 2018, none of the preferred stock has been

converted into shares of the Company's common stock.

**Procedures for Approval of Related Party Transactions**

Our Board of Directors reviews the relationships that each director has with the Company and shall endeavor to have a majority of directors that are independent directors as defined by the SEC and Nasdaq rules. As part of the review process, the Company distributes and collects questionnaires that solicit information about

any direct or indirect transactions with the Company from each of our directors and officers and legal counsel reviews the responses to these questionnaires and reports any related party transactions to the Audit Committee. We may enter into arrangements in the ordinary course of our business that involve the Company's receiving or providing goods or services on a non-exclusive basis and at arm's length negotiated rates or in accordance with regulated price schedules with corporations and other organization in which a Company director, executive officer or nominee for director may also be a director, trustee or investor, or have some other direct or indirect relationship.

Our Code of Ethics requires all directors, officers and employees to avoid any situation that involves an actual or potential conflicts of interest with the Company's objectives and best interests. Employees are encouraged to direct any questions regarding conflicts of interest to the Company's Chief Financial Officer or legal department. All related party transactions involving the Company's directors or executive officers or members of their immediate families must be reviewed and approved in writing in advance by the Audit Committee.

### **HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other annual meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other annual meeting materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are XOMA stockholders will be "householding" the Company's proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker or XOMA. Direct your written request to the Company's principal office, at 2200 Powell Street, Suite 310, Emeryville, California 94608, Attention: Secretary or your telephonic request to (510) 204-7482. Stockholders who currently receive multiple copies of the Notices of Internet Availability of Proxy Materials at their addresses and would like to request "householding" of their communications should contact their brokers.

### **OTHER MATTERS**

The Board does not know of any matters to be presented at this annual meeting other than those set forth in this proxy statement and in the notice accompanying this proxy statement. If other matters should properly come before the meeting, it is intended that the proxy holders will vote on such matters in accordance with their best judgment.

It is important that your shares of Common Stock be represented at the meeting, regardless of the number of shares of Common Stock you hold. You are, therefore, urged to promptly vote your proxy by accessing the Internet, by calling the toll-free telephone number as instructed in the Notice, or if you have elected to receive a paper copy of the proxy materials, by completing, signing and returning the proxy card that is provided.

**STOCKHOLDER PROPOSALS AND OTHER COMMUNICATIONS**

A stockholder who intends to present a proposal at the 2020 meeting of stockholders must submit such proposal to the Company by December 7, 2019 for inclusion in the Company's 2020 proxy statement and proxy card relating to such meeting. The proposal must be mailed to the Company's principal office at 2200 Powell Street, Suite 310, Emeryville, California 94608, Attention: Secretary and must comply with all applicable requirements of Rule 14a-8 promulgated under the Exchange Act. A stockholder who intends to submit a proposal that is not to be included in next year's proxy materials, but that may be considered at the annual meeting of stockholders to be held in 2020, must do so in writing following the above instructions not earlier than the close of business on January 19, 2020 and not later than the close of business on February 18, 2020. We advise you to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations, including the different notice submission date requirements in the event our annual meeting for 2020 is held more than 30 days before or 60 days after May 16, 2020. The section titled "Nominating & Governance Committee" in this proxy statement provides additional information on the director nomination process.

For all other stockholders communications with the Board or a particular director, a stockholder may send a letter to the Company's principal office at 2200 Powell Street, Suite 310, Emeryville, California 94608, Attention: Secretary. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication" or "Stockholder-Director Communication." The letter must identify the author as a stockholder and clearly state whether the intended recipients are all members of the Board or just certain specified individual director or directors.

By Order of the Board,

Thomas Burns  
Senior Vice President, Finance and Chief  
Financial Officer

April 5, 2019

Emeryville, California

**XOMA CORPORATION**  
**AMENDED AND RESTATED**  
**2010 LONG TERM INCENTIVE AND STOCK AWARD PLAN**  
**(as amended through April 2, 2019)**

**1. Purposes.**

The purposes of the XOMA Corporation Amended and Restated 2010 Long Term Incentive and Stock Award Plan are to advance the interests of XOMA Corporation and its stockholders by providing a means to attract, retain, and motivate employees, consultants and directors of the Company, its Subsidiaries and Affiliates, to provide for competitive compensation opportunities, to encourage long term service, to recognize individual contributions and reward achievement of performance goals, and to promote the creation of long term value for stockholders by aligning the interests of such persons with those of stockholders.

**2. Definitions.**

For purposes of this Plan, the following terms shall be defined as set forth below:

- (a) **Affiliate** means any entity other than the Company and its Subsidiaries that is designated by the Board or the Committee as a participating employer under this Plan; provided, however, that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.
- (b) **Award** means any Option, SAR, Restricted Share, Restricted Stock Unit, Performance Share, Performance Unit, Dividend Equivalent, or Other Stock-Based Award granted to an Eligible Person under this Plan.
- (c) **Award Agreement** means any written agreement, contract, or other instrument or document evidencing an Award.
- (d) **Beneficiary** means the person, persons, trust or trusts which have been designated by an Eligible Person in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under this Plan upon the death of the Eligible Person, or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.
- (e) **Board** means the Board of Directors of the Company.
- (f) **Change in Control** means the occurrence of any of the following events:
  - (i) a merger, consolidation 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 stockholders 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 Exchange Act) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange 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

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(vi) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors.

(g) Code means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

(h) Committee means the Compensation Committee of the Board, or such other Board committee or committees (which may include the entire Board) as may be designated by the Board to administer all or any portion of this Plan; provided, however, that, unless otherwise determined by the Board, a Committee shall consist of two or more directors of the Company, each of whom is a non-employee director within the meaning of Rule 16b-3 under the Exchange Act, to the extent applicable; provided, further, that the mere fact that a Committee shall fail to qualify under the foregoing requirement shall not invalidate any Award made by such Committee which Award is otherwise validly made under this Plan. Different Committees may administer this Plan with respect to different groups of Eligible Persons. As used herein, the singular Committee shall include the plural Committees if applicable, except where the context requires otherwise.

(i) Company means XOMA Corporation, a Delaware corporation, or any successor company.

(j) Director means a member of the Board who is not an employee of the Company, a Subsidiary or an Affiliate.

(k) Dividend Equivalent means a right, granted under Section 5(g), to receive cash, Shares, or other property equal in value to dividends paid with respect to a specified number of Shares. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award, and may be paid currently or on a deferred basis.

(l) Effective Date means July 21, 2010, contingent on shareholder approval of this Plan on such date.

(m) Eligible Person means (i) an employee or consultant of the Company, a Subsidiary or an Affiliate, including any director who is an employee, or (ii) a Director. Notwithstanding any provisions of this Plan to the contrary, an Award may be granted to an employee or consultant in connection with his or her hiring or retention prior to the date the employee or consultant first performs services for the Company, a Subsidiary or an Affiliate; provided, however, that any such Award shall not become vested or exercisable prior to the date the employee or consultant first performs such services.

(n) Exchange Act means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations thereunder.

(o) Fair Market Value means:

(i) if the Shares are not at the time listed or admitted to trading on any stock exchange but are traded in the over-the-counter market, the fair market value shall be the closing selling price per Share on the date in question, as such price is reported on The NASDAQ Global Market or any successor system; provided that if there is no reported closing selling price for Shares on the date in question, then the closing selling price on the last preceding date for which such quotation exists shall be determinative of fair market value;

(ii) if the Shares are at the time listed or admitted to trading on any stock exchange, then the fair market value shall be the closing selling price per Share on the date in question on the stock exchange determined by the Committee to be the primary market for the Shares, as such price is officially quoted on such exchange; provided that if there is no reported sale of Shares on such exchange on the date in question, then the fair market value shall be the closing selling price on the exchange on the last preceding date for which such quotation exists; or

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(iii) if the Shares are at the time neither listed nor admitted to trading on any stock exchange nor traded in the over-the-counter market (or if the Committee determines that the value as determined pursuant to subsection (i) or (ii) above does not reflect fair market value), then the Committee shall determine fair market value after taking into account such factors as it deems appropriate, including one or more independent professional appraisals.

(p) Incumbent Directors means directors who (i) are directors of the Company as of the date hereof, (ii) 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 (iii) 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) of the definition of Change in Control or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(q) ISO means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(r) NQSO means any Option that is not an ISO.

(s) Option means a right, granted under Section 5(b), to purchase Shares.

(t) Other Stock-Based Award means a right, granted under Section 5(h) that relates to or is valued by reference to Shares.

(u) Participant means an Eligible Person who has been granted an Award under this Plan.

(v) Performance Period shall have the meaning set forth in Section 5(f)(i).

(w) Performance Share means a performance share granted under Section 5(f).

(x) Performance Unit means a performance unit granted under Section 5(f).

(y) Plan means this XOMA Corporation Amended and Restated 2010 Long Term Incentive and Stock Award Plan.

(z) Restricted Shares means an Award of Shares under Section 5(d) that may be subject to certain restrictions and to a risk of forfeiture.

(aa) Restricted Stock Unit means a right, granted under Section 5(e), to receive Shares or cash at the end of a specified deferral period.

(bb) Rule 16b-3 means Rule 16b-3, as from time to time in effect and applicable to this Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(cc) SAR or Stock Appreciation Right means the right, granted under Section 5(c), to be paid an amount measured by the difference between the exercise price of the right and the Fair Market Value of Shares on the date of exercise of the right, with payment to be made in cash, Shares, or property as specified in the Award or determined by the Committee.

(dd) Shares means shares of common stock of the Company, and such other securities as may be substituted for Shares pursuant to Section 4(c) hereof.



(ee) **Subsidiary** means any company (other than the Company) in an unbroken chain of companies beginning with the Company if each of the companies (other than the last company in the unbroken chain) owns shares possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in the chain.

(ff) **Termination of Service** means the termination of the Participant's employment, consulting services or directorship with the Company, its Subsidiaries and its Affiliates, as the case may be. A Participant employed by a Subsidiary of the Company or one of its Affiliates shall also be deemed to incur a Termination of Service if the Subsidiary of the Company or Affiliate ceases to be such a Subsidiary or an Affiliate, as the case may be, and the Participant does not immediately thereafter become an employee or director of, or a consultant to, the Company, another Subsidiary of the Company or an Affiliate. In the event that a Participant who is an employee of the Company, a Subsidiary or an Affiliate becomes a Director or a consultant to the Company, a Subsidiary or an Affiliate upon the Participant's termination of employment, unless otherwise determined by the Committee in its sole discretion, no Termination of Service shall be deemed to occur until such time as such Participant is no longer an employee of, or consultant to, the Company, a Subsidiary or an Affiliate or a Director, as the case may be. If a Participant who is a Director becomes an employee of, or a consultant to, the Company, a Subsidiary or an Affiliate upon such Participant ceasing to be a Director, unless otherwise determined by the Committee in its sole discretion, such termination of the Participant's directorship shall not be treated as a Termination of Service unless and until the Participant's employment or consultancy, as the case may be, terminates. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Subsidiaries and Affiliates shall not be considered a Termination of Service.

### **3. Administration.**

(a) **Authority of the Committee.** This Plan shall be administered by the Committee, and the Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of this Plan:

(i) to select Eligible Persons to whom Awards may be granted;

(ii) to designate Affiliates;

(iii) to determine the type or types of Awards to be granted to each Eligible Person;

(iv) to determine the type and number of Awards to be granted, the number of Shares to which an Award may relate, the terms and conditions of any Award granted under this Plan (including, but not limited to, any exercise price, grant price, or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of an Award, and waiver or accelerations thereof, and waivers of performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(v) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, exchanged, or surrendered;

(vi) to determine whether, to what extent, and under what circumstances cash, Shares, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Eligible Person, provided that such deferral shall be intended to be in compliance with Section 409A of the Code;

(vii) to prescribe the form of each Award Agreement, which need not be identical for each Eligible Person;

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(viii) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer this Plan;

(ix) to correct any defect or supply any omission or reconcile any inconsistency in this Plan and to construe and interpret this Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder;

(x) to accelerate the exercisability or vesting of all or any portion of any Award or to extend the period during which an Award is exercisable;

(xi) to determine whether uncertificated Shares may be used in satisfying Awards and otherwise in connection with this Plan;

(xii) to make all other decisions and determinations as may be required under the terms of this Plan or as the Committee may deem necessary or advisable for the administration of this Plan.

(b) Manner of Exercise of Committee Authority. The Committee shall have sole discretion in exercising its authority under this Plan. Any action of the Committee with respect to this Plan shall be final, conclusive, and binding on all persons, including the Company, Subsidiaries, Affiliates, Eligible Persons, any person claiming any rights under this Plan from or through any Eligible Person, and stockholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to other members of the Board or officers or managers of the Company or any Subsidiary or Affiliate the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Awards granted to persons not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3 (if applicable) and applicable law.

(c) Limitation of Liability. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary or Affiliate, the Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of this Plan. No member of the Committee, and no officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to this Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

(d) No Option or SAR Repricing Without Stockholder Approval. Except as provided in the first sentence of Section 4(c) hereof relating to certain anti-dilution adjustments, unless the approval of stockholders of the Company is obtained, (i) Options and SARs shall not be amended to lower their exercise price, (ii) Options and SARs will not be exchanged for other Options or SARs with lower exercise prices, (iii) Options and SARs with an exercise price in excess of the Fair Market Value of the underlying Shares will not be exchanged for cash or other property and (iii) no other action shall be taken with respect to Options or SARs that would be treated as a repricing under the rules of the principal stock exchange on which the Shares are listed.

(e) Limitation on Committee's Authority under 409A. Anything in this Plan to the contrary notwithstanding, the Committee's authority to modify outstanding Awards shall be limited to the extent necessary so that the existence of such authority does not (i) cause an Award that is not otherwise deferred compensation subject to Section 409A of the Code to become deferred compensation subject to Section 409A of the Code or (ii) cause an Award that is otherwise deferred compensation subject to Section 409A of the Code to fail to meet the requirements prescribed by Section 409A of the Code.

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**4. Shares Subject to this Plan.**

(a) Subject to adjustment as provided in Section 4(c) hereof, the total number of Shares reserved for issuance in connection with Awards under this Plan shall be (i) 3,029,062 plus (ii) the number of Shares subject to awards granted prior to the Effective Date of this Plan under the Company's 1981 Share Option Plan, its Restricted Share Plan or its 1992 Directors Share Option Plan (the Prior Plans) which awards are, after the Effective Date, forfeited, canceled, surrendered or otherwise terminated without a distribution of Shares to the holder of the award; provided, however, that, subject to adjustment as provided in Section 4(c) hereof, no more than 3,029,062 Shares may be issued as ISOs under this Plan; and, provided, further, that for each Restricted Share, Restricted Stock Unit, Performance Share, Performance Unit, Dividend Equivalent or Other Stock-Based Award issued, such total number of available Shares shall be reduced by 1.08 Shares. No Award may be granted if the number of Shares to which such Award relates, when added to the number of Shares previously issued under this Plan, exceeds the number of Shares reserved under the applicable provisions of the preceding sentence. If any Awards are forfeited, canceled, terminated, exchanged or surrendered or such Award is settled in cash or otherwise terminates without a distribution of Shares to the Participant, any Shares counted against the number of Shares reserved and available under this Plan with respect to such Award shall, to the extent of any such forfeiture, repurchase, settlement, termination, cancellation, exchange or surrender, again be available for Awards under this Plan. Further, for each share underlying an Award that was granted under this Plan and is a Restricted Share, Restricted Stock Unit, Performance Share, Performance Unit, Dividend Equivalent or Other Stock-Based Award and for each share underlying an award other than an option or stock appreciation right that was granted under a Prior Plan, in each case, that is forfeited, cancelled, terminated, exchanged or surrendered, such forfeiture, cancellation, termination, exchange or surrender will result in the addition of 1.08 shares to the share reserve of this Plan. Upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be canceled to the extent of the number of Shares as to which the Award is exercised. If any shares subject to an Award are not delivered to a participant because the Award is exercised through a reduction of shares subject to the Award (i.e., net exercised), the number of shares that are not delivered to the participant shall not remain available for issuance under the Long Term Incentive Plan. Also, any shares withheld or reacquired by the Company pursuant to the exercise of an option or SAR or as consideration for the exercise of an option or SAR, and any shares withheld or reacquired by the Company in satisfaction of the Company's tax withholding obligation on an Award shall not again become available for issuance under the Plan

(b) In the event that the Committee shall determine that any dividend in Shares, recapitalization, Share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, extraordinary distribution or other similar corporate transaction or event, affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Eligible Persons under this Plan, then the Committee shall make such equitable changes or adjustments as it deems appropriate and, in such manner as it may deem equitable, (i) adjust any or all of (w) the number and kind of shares which may thereafter be issued under this Plan, (x) the number and kind of shares, other securities or other consideration issued or issuable in respect of outstanding Awards, and (y) the exercise price, grant price, or purchase price relating to any Award, or (ii) provide for a distribution of cash or property in respect of any Award; provided, however, in each case that, with respect to ISOs, such adjustment shall be made in accordance with Section 424(a) of the Code, unless the Committee determines otherwise; provided, further, that no adjustment shall be made pursuant to this Section 4(c) that causes any Award that is not otherwise deferred compensation subject to Section 409A of the Code to be treated as deferred compensation pursuant to Section 409A of the Code. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria and performance objectives, if any, included in, Awards in recognition of unusual or non-recurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any Subsidiary or Affiliate or the financial statements of the Company or any Subsidiary or Affiliate, or in response to changes in applicable laws, regulations, or accounting principles.

(c) Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or treasury Shares including Shares acquired by purchase in the open market or in private transactions.

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(d) Non-Employee Director Aggregate Compensation Limit. The aggregate value of all compensation granted or paid, as applicable, to any individual for service as a non-employee director with respect to any period commencing on the date of the Company's annual meeting of stockholders for a particular year and ending on the day immediately prior to the date of the Company's annual meeting of stockholders for the next subsequent year, including Awards granted and cash fees paid by the Company to such non-employee director, will not exceed \$750,000 in total value, calculating the value of any Awards based on the grant date fair value of such Awards for financial reporting purposes.

## **5. Specific Terms of Awards.**

(a) General. Awards may be granted on the terms and conditions set forth in this Section 5. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 8(d)), such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall determine, including terms regarding forfeiture of Awards or continued exercisability of Awards in the event of Termination of Service by the Eligible Person.

(b) Options. The Committee is authorized to grant Options, which may be NQSOs or ISOs, to Eligible Persons on the following terms and conditions:

(i) Exercise Price. The exercise price per Share purchasable under an Option shall be determined by the Committee; provided, however, that the exercise price per Share of an Option shall not be less than the Fair Market Value of a Share on the date of grant of the Option. The Committee may, without limitation, set an exercise price that is based upon achievement of performance criteria if deemed appropriate by the Committee.

(ii) Option Term. The term of each Option shall be determined by the Committee; provided, however, that such term shall not be longer than ten years from the date of grant of the Option.

(iii) Time and Method of Exercise. The Committee shall determine at the date of grant or thereafter the time or times at which an Option may be exercised in whole or in part (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), the methods by which such exercise price may be paid or deemed to be paid (including, without limitation, broker-assisted exercise arrangements), the form of such payment (including, without limitation, cash, Shares or other property), and the methods by which Shares will be delivered or deemed to be delivered to Eligible Persons.

(iv) ISOs. The terms of any ISO granted under this Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that the ISO shall be granted within ten years from the earlier of the date of adoption or stockholder approval of this Plan. ISOs may only be granted to employees of the Company or a Subsidiary.

(c) SARs. The Committee is authorized to grant SARs (Stock Appreciation Rights) to Eligible Persons on the following terms and conditions:

(i) Right to Payment. A SAR shall confer on the Eligible Person to whom it is granted a right to receive with respect to each Share subject thereto, upon exercise thereof, the excess of (1) the Fair Market Value of one Share on the date of exercise over (2) the exercise price per Share of the SAR, as determined by the Committee as of the date of grant of the SAR (which shall not be less than the Fair Market Value per Share on the date of grant of the SAR and, in the case of a SAR granted in tandem with an Option, shall be equal to the exercise price of the underlying Option).

(ii) Other Terms. The Committee shall determine, at the time of grant or thereafter, the time or times at which a SAR may be exercised in whole or in part (which shall not be more than ten years after the date of grant of the SAR), the

method of exercise, method of settlement, form of consideration payable in settlement, method by which Shares will be delivered or deemed to be delivered to Eligible Persons, whether or not a SAR shall be

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in tandem with any other Award, and any other terms and conditions of any SAR. Unless the Committee determines otherwise, a SAR (1) granted in tandem with an NQSO may be granted at the time of grant of the related NQSO or at any time thereafter and (2) granted in tandem with an ISO may only be granted at the time of grant of the related ISO.

(d) Restricted Shares. The Committee is authorized to grant Restricted Shares to Eligible Persons on the following terms and conditions:

(i) Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose at the date of grant or thereafter, which restrictions may lapse separately or in combination at such times, under such circumstances (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), in such installments, or otherwise, as the Committee may determine. Except to the extent restricted under the Award Agreement relating to the Restricted Shares, an Eligible Person granted Restricted Shares shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Shares and the right to receive dividends thereon.

(ii) Forfeiture. Except as otherwise determined by the Committee, at the date of grant or thereafter, upon Termination of Service during the applicable restriction period, Restricted Shares shall be repurchased by the Company for a nominal amount equal to their par value and any accrued but unpaid dividends or Dividend Equivalents that are at that time subject to restrictions shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Shares will be waived in whole or in part in the event of Termination of Service resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Shares.

(iii) Certificates for Shares. Restricted Shares granted under this Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Eligible Person, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and, unless otherwise determined by the Committee, the Company shall retain physical possession of the certificate and the Participant shall deliver a stock power to the Company, endorsed in blank, relating to the Restricted Shares.

(iv) Dividends. Dividends paid on Restricted Shares shall be either paid at the dividend payment date, or deferred for payment to such date, and subject to such conditions, as determined by the Committee, in cash or in restricted or unrestricted Shares having a Fair Market Value equal to the amount of such dividends. Unless otherwise determined by the Committee, Shares distributed in connection with a Share split or dividend in Shares, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Shares with respect to which such Shares or other property has been distributed.

(e) Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units to Eligible Persons, subject to the following terms and conditions:

(i) Award and Restrictions. Delivery of Shares or cash, as the case may be, will occur upon expiration of the deferral period specified for Restricted Stock Units by the Committee (or, if permitted by the Committee, as elected by the Eligible Person). In addition, Restricted Stock Units shall be subject to such restrictions as the Committee may impose, if any (including, without limitation, the achievement of performance criteria if deemed appropriate by the Committee), at the date of grant or thereafter, which restrictions may lapse at the expiration of the deferral period or at earlier or later specified times, separately or in combination, in installments or otherwise, as the Committee may determine.

(ii) Forfeiture. Except as otherwise determined by the Committee at the date of grant or thereafter, upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Restricted Stock Units), or upon failure to satisfy any

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other conditions precedent to the delivery of Shares or cash to which such Restricted Stock Units relate, all Restricted Stock Units that are at that time subject to deferral or restriction shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted S