XOMA Corp
Form 10-K
March 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 0-14710

XOMA Corporation

(Exact name of registrant as specified in its charter)

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

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

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

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

None

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

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

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

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

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

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

Large Accelerated Filer	o	Accelerated Filer	x
Non-Accelerated Filer	o	Smaller reporting company	o

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE:

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

XOMA Corporation

2015 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

This annual report on Form 10-K includes trademarks, service marks and trade names owned by us or others. "XOMA," the XOMA logo and all other XOMA product and service names are registered or unregistered trademarks of XOMA Corporation or a subsidiary of XOMA Corporation in the United States and in other selected countries. EYEGUARD is an unregistered service mark of a subsidiary of XOMA Corporation in the United States. All other trademarks,

service marks and trade names included or incorporated by reference in this annual report are the property of their respective owners.

PART I

Certain statements contained herein related to the anticipated size of clinical trials, the anticipated timing of initiation of clinical trials, the expected availability of clinical trial results, the results of clinical trials, the timing of any application for regulatory approval of our product candidates by the FDA or other regulatory authority, the sufficiency of our cash resources, the estimated costs of clinical trials and the amounts of certain revenues and certain costs in comparison to prior years, or that otherwise relate to future periods, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact are statements that could be deemed forward looking statements. The words "believe," "may," "estimate," "continue," "could," "anticipate," "assume," "int "expect," "predict," "potential" "should," "would," and similar expressions are intended to identify forward-looking statements These statements are based on assumptions that may not prove accurate. Actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for companies engaged in the development of new products in a regulated market. Among other things: our product candidates are still being developed, and we will require substantial funds to continue development which may not be available; we have received negative results from certain of our clinical trials, and we face uncertain results of other clinical trials of our product candidates; if our therapeutic product candidates do not receive regulatory approval, neither our third-party collaborators, our contract manufacturers nor we will be able to manufacture and market them; we may not obtain orphan drug exclusivity or we may not receive the full benefit of orphan drug exclusivity even if we obtain such exclusivity; even once approved, a product may be subject to additional testing or significant marketing restrictions, its approval may be withdrawn or it may be voluntarily taken off the market; we may not be successful in commercializing our products, which could also affect our development efforts; we are subject to various state and federal healthcare related laws and regulations that may impact the commercialization of our product candidates and could subject us to significant fines and penalties; and certain of our technologies are in-licensed from third parties, so our capabilities using them are restricted and subject to additional risks. These and other risks, including those related to current economic and financial market conditions, are contained principally in Item 1, Business; Item 1A, Risk Factors; Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations; and other sections of this Annual Report on Form 10-K. Factors that could cause or contribute to these differences include those discussed in Item 1A, Risk Factors, as well as those discussed elsewhere in this Annual Report on Form 10-K.

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

Item 1. Business

Overview

XOMA Corporation ("XOMA"), a Delaware corporation, is a development stage biotechnology company with a portfolio of therapeutic antibodies. Our product candidates are the result of our expertise in developing new monoclonal antibodies, which have created new opportunities to potentially treat a wide range of endocrine diseases. We discover and develop innovative antibody-based therapeutics. Several of our antibodies have unique properties due to their interaction at allosteric sites on a specific protein rather than at the orthosteric, or active, sites. The

antibodies are designed to either enhance or diminish the protein's activity as desired. We believe allosteric modulating antibodies may be more selective and offer a safety advantage in certain disease indications when compared to more traditional modes of action.

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

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

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

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

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

Organization

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

Corporate Strategy

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

Proprietary Products

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

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

single-dose Phase 2 proof-of-concept ("POC") study of XOMA 358 in patients with CHI. In addition, we intend to initiate a single-administration Phase 2 POC study in PBS patients who experience hyperinsulinism. We believe a therapy that safely and effectively mitigates insulin-induced hypoglycemia has the potential to address a significant unmet therapeutic need for these rare medical conditions associated with hyperinsulinism.

- XOMA 129 is a highly potent fragment of a monoclonal antibody ("Fab") with negative allosteric modulation activity against the insulin receptor. In animal model testing, it appears to have a fast-onset of action and short half-life. Hypoglycemia is a serious medical condition in patients with Type 2 diabetes mellitus ("T2 DM") and Type 1 diabetes mellitus ("T1 DM") and can occur as a result of insulin therapy, accidental insulin overdose or treatment with sulfonylureas. Recurrent hypoglycemia leads to diminished recognition of the symptoms, which include palpitations, tremors, anxiety, sweating, and hunger. This reduced sensitivity to hypoglycemic symptoms can lead to more prolonged episodes and the advancement into acute severe hypoglycemia, which can result in confusion, loss of consciousness, and seizure. Acute severe hypoglycemia often presents during the nocturnal hours in patients who are treated aggressively for their T1 DM, which puts them at elevated risk for loss of consciousness and seizure. The medical community has long been challenged with how to prevent patients from experiencing nocturnal acute severe hypoglycemia, yet there have not been any significant breakthroughs in pharmaceutical development efforts or experiments in dietary practices. We are conducting preclinical testing for XOMA 129 and intend to advance it into Phase 1 testing as soon as practicable. We believe XOMA 129 could potentially offer clinicians a therapy that has rapid onset, improved efficacy and optimal duration of therapy to treat patients with acute severe hypoglycemia wherein currently available therapies are inadequate.
- XOMA 213 (formerly LFA 102) is a first-in-class allosteric inhibitor of prolactin action. It is a humanized IgG1-Kappa monoclonal antibody that binds to the extracellular domain of the human prolactin receptor with high affinity at an allosteric site. The antibody has been shown to inhibit prolactin-mediated signaling, and it is potent and similarly active against several animal and human prolactin receptors. We discovered XOMA 213 under our collaboration with Novartis AG ("Novartis," formerly Chiron Corporation), and we exercised our right to bring the product back into our portfolio to develop it for diseases of hyperprolactinemia. In particular, we are developing our product for prolactinoma, a condition of benign tumors on the pituitary gland that leads to hyperprolactinemia-induced sexual dysfunction, infertility, and osteoporosis, as well as anti-psychotic-induced hyperprolactinemia, a side effect seen in patients treated with commonly used antipsychotics, antidepressants, and pain medications. For 20 percent of the 140,000 prolactinoma patients in the United States, existing therapies are poorly tolerated or not amenable to treatment with existing therapy. Anti-psychotic-induced hyperprolactinemia is a side effect seen in patients treated with commonly used antipsychotics, antidepressants, and pain medications. As patients exhibit the same signs and symptoms as prolactinoma, compliance with anti-psychotic therapies is poor. Currently available therapies to address these side effects can worsen psychosis. We intend to launch a POC study for XOMA 213, which, if successful, will allow us to advance the compound into a Phase 2 study for prolactinoma and potentially into anti-psychotic medication-induced hyperprolactinemia.
- Gevokizumab is a potent humanized monoclonal antibody with unique allosteric properties that has the potential to treat patients with a wide variety of inflammatory diseases. Gevokizumab binds strongly to IL-1 beta, a pro-inflammatory cytokine. By binding to IL-1 beta, gevokizumab modulates the activation of the IL-1 receptor, thereby preventing the cellular signaling events that produce inflammation.

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

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

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

effective on March 25, 2016.

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

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

Partnership and Licensed Products

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

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

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

- Therapeutic Antibodies with Novo Nordisk In December 2015, we entered into an exclusive, worldwide, royalty-bearing license with Novo Nordisk for the XMetA program of allosteric monoclonal antibodies that positively modulate the insulin receptor. Novo Nordisk will have worldwide rights to the XMetA program and will be solely responsible for the development and commercialization of antibodies and products, and we retained commercialization rights for all indications considered rare. We may receive potential milestones and royalties on sales of antibody products in the future.
- Therapeutic Antibodies with Takeda: Since 2006, Takeda has been a collaboration partner for therapeutic monoclonal antibody discovery and development against multiple targets selected by them. In February 2009, we expanded our existing collaboration to provide Takeda with access to multiple antibody technologies, including a suite of research and development technologies and integrated information and data management systems. We may receive potential milestones and royalties on sales of antibody products in the future.

Technologies

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

- ADAPT™ (Antibody Discovery Advanced Platform Technologies): proprietary phage display libraries integrated with yeast and mammalian display to enable antibody discovery;

- ModulX™: technology that enables identification of allosteric antibodies for positive or negative modulation of biological pathways; and
- OptimX™: technologies used for optimizing biophysical properties of antibodies, including affinity, immunogenicity, stability and manufacturability.

Technology Licenses

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

- Antibody Discovery Technologies: We use human antibody phage display libraries, integrated with yeast and mammalian display, which we call ADAPT™ Integrated Display, in our antibody discovery programs. We offer access to this platform, including novel phage libraries developed internally, as part of our collaboration business. We believe access to ADAPT™ Integrated Display offers a number of benefits to us and our collaboration partners because it enables us to combine the diversity of phage libraries with accelerated discovery due to rapid immunoglobulin ("IgG") reformatting and Fluorescence-Activated Cell Sorting ("FACS") based screening using yeast and mammalian display. This increases the probability of technical and business success in finding rare and unique functional antibodies directed to targets of interest.
- ModulX™ technology: ModulX™ technology allows modulation of biological pathways using monoclonal antibodies and offers insights into regulation of signaling pathways, homeostatic control, and disease biology. Using ModulX™, XOMA is generating product candidates with novel mechanisms of action that specifically alter the kinetics of interaction between molecular constituents (e.g. receptor-ligand). ModulX™ technology enables expanded target and therapeutic options and offers a unique approach in the treatment of disease.
- OptimX™ technologies:

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

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

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

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

Collaboration and Licensing Agreements

Servier – Gevokizumab

In December 2010, we entered into a license and collaboration agreement (the "Collaboration Agreement") with Servier to jointly develop and commercialize gevokizumab in multiple indications. Under the terms of the Collaboration

Agreement, Servier obtained worldwide rights to cardiovascular disease and diabetes indications (cardiometabolic field) and rights outside the United States and Japan to all other indications, including NIU, Behçet's disease uveitis and other inflammatory and oncology indications. XOMA retained development and commercialization rights in the United States and Japan for all indications other than cardiovascular disease and diabetes. Each party had the right in certain circumstances to pursue development in indications not specified in the agreement, and in such event, the other party had certain options to participate in such development, including reimbursement of a portion of the developing party's expenses.

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

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

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

NIAID

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

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

Takeda

In November 2006, we entered into a fully funded collaboration agreement with Takeda for therapeutic monoclonal antibody discovery and development activities under which we agreed to discover and optimize therapeutic antibodies against multiple targets selected by Takeda. Takeda agreed to make up-front, annual maintenance and milestone

payments to us, fund our research and development and manufacturing activities for preclinical and early clinical studies and pay royalties on sales of products resulting from the collaboration. Takeda is responsible for clinical trials and commercialization of drugs after an IND submission and is granted the right to manufacture once a product enters into Phase 2 clinical trials. We have completed a technology transfer and do not expect to perform any further research and development services under this program. From 2011 through 2015, we received milestone payments relating to one currently active program.

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

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

Novartis – Anti-CD40 Antibody

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

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

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

Novartis – Anti-TGF Antibody

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

solely responsible for the development and commercialization of antibodies and products containing antibodies arising from the TGF-beta antibody program.

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

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

Pfizer

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

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

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

Novo Nordisk

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

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

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

Sale of Manufacturing Facility and Biodefense Assets

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

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

Financing Agreements

Hercules Loan and Security Agreement

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

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

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

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

Research and Development

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

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

Competition

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

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

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

Government Regulation

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

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

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

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

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

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

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

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

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

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

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

International Regulation

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

Patents and Trade Secrets

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

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

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

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

multiple myeloma, acute myelogenous leukemia and chronic myelogenous leukemia. U.S. Patent No. 7,988,968 relates to methods of treating certain IL-1 beta related coronary conditions, including myocardial infarction, with gevokizumab or other IL-1 beta antibodies and fragments having similar binding properties. U.S. Patent No. 8,377,442 relates to methods of treating certain IL-1 beta related conditions, including inflammatory eye disease or uveitis, with gevokizumab or other IL-1 beta antibodies and fragments having similar binding properties. U.S. Patent Nos. 8,551,487 and 9,139,646 relate to methods of treating refractory uveitis with IL-1 beta binding antibodies and binding fragments. Also, patents have been granted by the European Patent Office and certain other countries for gevokizumab, as well as nucleic acids, expression vectors and production cell lines for the manufacture of gevokizumab.

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

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

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

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

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

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

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

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

Financial Information about Geographic Areas

We believe, because the pharmaceutical industry is global in nature, international activities will be a significant part of our future business activities, and when and if we are able to generate income, a portion of that income may be

derived from product sales and other activities outside the United States. One of our strategic goals is to establish XOMA as a commercial organization in the United States.

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

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

Concentration of Risk

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

Employees

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

Available Information

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

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

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

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

Item 1A. Risk Factors

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

condition, operating results and cash flows could be materially adversely affected.

Risks Related to our Financial Results and Capital Requirements

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

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

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

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

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

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

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

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

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

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

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

Progress or setbacks by potentially competing products also may affect our ability to raise new funding on acceptable terms.

We do not know when or whether:

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

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

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

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

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

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

We are subject to foreign currency exchange rate risks.

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

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

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

Based on an analysis under Section 382 of the Internal Revenue Code (which subjects the amount of pre-change NOLs and certain other pre-change tax attributes that can be utilized to an annual limitation), we experienced ownership changes in 2009 and 2012, which substantially limit the future use of our pre-change NOLs and certain

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

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

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

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

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

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

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

all. The FDA and foreign health authorities have substantial discretion in the drug and biologics approval processes. Despite the time and expense incurred, failure can occur at any stage, and we could encounter problems that cause us to abandon clinical trials or to repeat or perform additional preclinical, clinical or manufacturing-related studies.

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

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

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

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

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

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

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

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

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

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

regulatory approval for the sale of any drugs resulting from our product candidates, may severely harm our reputation and business.

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

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

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

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

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

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

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

- Biodel Inc. is developing a formulation of glucagon designed to remain stable in solution for a longer period than existing commercial formulations. FDA has granted orphan drug designation for Biodel's glucagon for the prevention of hypoglycemia in the CHI population

- S-cubed Limited is developing a synthetic form of glucagon. It is expected to be given under the skin using a special infusion pump. The European Medicines Agency ("EMA") has granted orphan drug designation for S-cubed glucagon for the treatment of CHI patients.

- Xeris Pharmaceuticals is developing a soluble glucagon. The FDA and EMA have granted orphan drug designation for Xeris' soluble glucagon for the prevention of severe, persistent hypoglycemia in patients with CHI.

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

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

In addition, the emphasis on managed care in the United States has increased and will continue to increase the pressure on the pricing of pharmaceutical products. We cannot predict whether any legislative or regulatory proposals

will be adopted or the effect these proposals or managed care efforts may have on our business.

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

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

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

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

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

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

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

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

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

Because of the length of time and the expense associated with bringing new products to the marketplace, we and our collaboration and development partners hold and are in the process of applying for a number of patents in the United States and abroad to protect our product candidates and important processes and also have obtained or have the right to obtain exclusive licenses to certain patents and applications filed by others. However, the mere issuance of a patent is not conclusive as to its validity or its enforceability. The U.S. Federal Courts, the U.S. Patent & Trademark Office or equivalent national courts or patent offices elsewhere may invalidate our patents or find them unenforceable. The America Invents Act introduced post-grant review procedures subjecting U.S. patents to post-grant review procedures similar to European oppositions. U.S. patents owned or licensed by us may therefore be subject to post-grant review procedures, as well as other forms of review and re-examination. A decision in such proceedings adverse to our

interests could result in the loss of valuable patent rights which would have a material adverse effect on our business. In addition, the laws of foreign countries may not protect our intellectual property rights effectively or to the same extent as the laws of the United States. If our intellectual property rights are not protected adequately, we may not be able to commercialize our technologies, products, or services, and our competitors could commercialize our technologies, which could result in a decrease in our sales and market share that would harm our business and operating results. Specifically, the patent position of biotechnology companies generally is highly uncertain and involves complex legal and factual questions. The legal standards governing the validity of biotechnology patents are in transition, and current defenses as to issued biotechnology patents may not be adequate in the future. Accordingly, there is uncertainty as to:

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

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

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

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

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

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

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

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

Risks Related to Government Regulation

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

The FDA has awarded orphan drug status for XOMA 358 for congenital hyperinsulinism. Under the Orphan Drug Act, the first company to receive FDA approval for a drug for the designated orphan drug indication will obtain seven years of marketing exclusivity, during which time the FDA may not approve another company's application for the same drug for the same orphan indication unless the FDA concludes that the later drug is safer, more effective or

makes a major contribution to patient care. Even though we have obtained orphan drug designation for certain product candidates for certain indications and even if we obtain orphan drug designation for our future product candidates or for other indications, due to the uncertainties associated with developing pharmaceutical products, we may not be the first to obtain marketing approval of our product candidates for any particular orphan indication, or we may not obtain approval for an indication for which we have obtained orphan drug designation. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not protect the product effectively from competition because different drugs can be approved for the same indication. Even after an orphan drug is approved, the FDA can subsequently approve another drug for the same orphan indication if the FDA concludes that the later drug is safer, more effective or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug, nor gives the drug any advantage in the regulatory review or approval process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the false claims statutes.

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

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

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

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

Risks Related to Our Reliance on Third Parties

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

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

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

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

Because our collaborators, licensees, suppliers and contractors are independent third parties, they may be subject to different risks than we are and have significant discretion in, and different criteria for, determining the efforts and

resources they will apply related to their agreements with us. If these collaborators, licensees, suppliers and contractors do not successfully perform the functions for which they are responsible, we may not have the capabilities, resources or rights to do so on our own.

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

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

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

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

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

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

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

We license technologies from third parties. These technologies include but are not limited to phage display technologies licensed to us in connection with our bacterial cell expression technology licensing program and antibody products. However, our use of these technologies is limited by certain contractual provisions in the licenses relating to them, and although we have obtained numerous licenses, intellectual property rights in the area of phage display are particularly complex. If the owners of the patent rights underlying the technologies that we license do not properly maintain or enforce those patents, our competitive position and business prospects could be harmed. If we are unable to maintain our licenses, patents or other intellectual property we could lose important protections that are

material to continuing our operations and for future prospects. They may determine not to pursue litigation against other companies that are infringing these patents, or they may pursue such litigation less aggressively than we would. Our licensors also may seek to terminate our license, which could cause us to lose the right to use the licensed intellectual property and adversely affect our ability to commercialize our technologies, products or services.

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

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

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

Risks Related to an Investment in Our Common Stock

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

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

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

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

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

common stock, of which 119,615,729 were issued and outstanding as of March 7, 2016. If we issue additional equity securities, the price of our common stock may be materially and adversely affected.

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

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

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

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

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

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

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

Our charter and by-laws:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

Item 3. Legal Proceedings

On July 24, 2015, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California captioned Markette v. XOMA Corp., et al. (Case No. 3:15-cv-3425-HSG) against us, our Chief Executive Officer and our Chief Medical Officer. The complaint asserts that all defendants violated Section 10(b) the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and SEC Rule 10b-5, by making materially false or misleading statements regarding the Company’s EYEGUARD-B study between November 6, 2014 and July 21, 2015. The plaintiff also alleges that Messrs. Varian and Rubin violated Section 20(a) of the Exchange Act. The plaintiff seeks class certification, an award of unspecified compensatory damages, an award of reasonable

costs and expenses, including attorneys' fees, and other further relief as the Court may deem just and proper. We are awaiting the appointment of a lead plaintiff by the Court. Based on a review of the allegations, the Company believes that the plaintiff's allegations are without merit, and intends to vigorously defend against the claims.

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

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

Item 4. Mine Safety Disclosures
Not applicable.

PART II

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

Market for Registrant's Common Equity

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

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

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

Dividend Policy

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

Recent Sales of Unregistered Securities

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

sales of equity securities by us during the year ended December 31, 2015.

Performance Graph

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

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

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

Item 6. Selected Financial Data

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

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

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

We have paid no dividends in the past five years.

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

(2) 2015, 2014 2013 and 2012 include $10.5 million, $31.8 million, $69.9 million and $15.0 million, respectively, related to contingent warrant liabilities in connection with equity financings in June 2009, February 2010, March

2012 and December 2014. All outstanding warrants issued in June 2009 and February 2010 expired in June 2014 and February 2015, respectively. The balance in 2015, 2014, 2013, 2012, and 2011 includes a term loan from Hercules, which had a principal balance equal to $20.0 million as of December 31, 2015 and a term loan from GECC, which had a principal balance equal to zero, $5.2 million, $9.4 million, $12.5 million, and $10.0 million as of December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

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

Overview

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

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

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

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

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

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

Significant Developments in 2015

Licensing

- On September 30, 2015, we entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis International") pursuant to which we have granted to Novartis International an exclusive, world-wide, royalty-bearing license to XOMA's anti-TGF program. Under the terms of the license agreement, we received $37 million in the form of an upfront payment and are eligible to receive up to $480 million if all development, regulatory, and commercial milestones are met. In addition, we are eligible to receive royalties on product sales that range from the mid-single digits to the low double digits. In connection with this license agreement, we have agreed to reduce our royalty rate associated with sales of Novartis International' clinical stage anti-CD40 antibodies. All other terms of the 2004 collaboration agreement remained unchanged.

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In December 2015, we entered into a settlement and amended license agreement with Pfizer Inc. (“Pfizer”), pursuant to which we granted Pfizer a fully-paid, royalty-free, worldwide, irrevocable, non-exclusive license rights to our patented bacterial cell expression technology for phage display and other research, development and manufacturing of antibody products for a cash payment by Pfizer of $3.8 million in full satisfaction of all obligations to us under the August 27, 2007 license agreement between XOMA Ireland Limited and Pfizer, including but not limited to potential milestone, royalty and other fees under the 2007 license agreement.

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

XOMA 358

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

Financing

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

Restructuring

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

Sale of Manufacturing Facility and Biodefense Assets

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

Gevokizumab

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

Critical Accounting Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and the related disclosures, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts in our consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, assumptions and judgments described below that have the greatest potential impact on our consolidated financial statements, including those related to revenue recognition, research and development activities warrant liabilities and stock-based compensation. We base our

estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from these estimates under different assumptions or conditions.

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

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

Revenue Recognition

License and Collaborative Fees

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

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

Contract Revenue

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

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

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

Upfront fees associated with contract revenue are recorded as license and collaborative fees and are recognized ratably over the expected benefit period under the arrangement. Given the uncertainties of research and development

collaborations, significant judgment is required to determine the duration of the arrangement.

Research and Development Expenses

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

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

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

Stock-based Compensation

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

Warrants

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

recognized as gain or loss in the revaluation of contingent warrant liabilities line in the consolidated statement of comprehensive loss.

Results of Operations

Revenues

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

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