

XOMA Corp
Form 424B5
November 19, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-223493

PROSPECTUS SUPPLEMENT

(To Prospectus dated April 5, 2018)

Up to 1,538,462 Shares of Common Stock

Up to 1,538 Shares of Series Y Preferred Stock

We are conducting a rights offering pursuant to which we are distributing to holders of our common stock and series X preferred stock, at no charge, non-transferable subscription rights to purchase shares of our common stock and series Y preferred stock with an aggregate offering value of \$20,000,000. For each share of common stock (including shares of common stock issuable upon conversion of the Company's outstanding shares of series X preferred stock) for which you are the holder of record as of 5:00 p.m., New York Time on November 16, 2018, you will receive 0.1148 rights to purchase shares of our common stock (subject to the aggregate offering threshold and certain ownership limitations). Each whole right will allow you to subscribe for one share of common stock at the subscription price (or an equivalent number of shares of series Y preferred stock) on the terms described in this prospectus supplement.

The total number of subscription rights issued to each stockholder will be rounded down to the nearest whole number. Each subscription right will entitle you to purchase a portion of one share of our common stock at a subscription price equal to \$13.00 per whole share.

Any participant in the rights offering that, following exercise of such participant's subscription right would be or become a holder of greater than 9.9% of the outstanding number of shares of our common stock following the offering may elect to instead purchase series Y preferred stock at a purchase price of \$13,000 per share (ratably adjusted for fractional shares), and any such holder so electing would have a right to purchase one one-thousandth of a share of series Y preferred stock for each share of common stock it had a right to purchase under the subscription rights. Each share of series Y preferred stock will be convertible into 1,000 shares of common stock at the election of the holder, subject to beneficial ownership conversion limits applicable to the series Y preferred stock. The series Y preferred stock will generally have no voting rights, except as required by law, and will participate pari passu (on an as-converted basis) with any distribution of proceeds to holders of common stock and series X preferred stock, in the event of the Company's liquidation, dissolution or winding up or the payment of a dividend on the common stock.

The subscription rights may be exercised at any time during the subscription period, which will commence on November 19, 2018. The subscription rights will expire if they are not exercised by 5:00 p.m., New York time, on

December 14, 2018, unless we extend the rights offering period. We reserve the right to extend the rights offering period at our sole discretion, subject to certain limitations described herein. Following the expiration of the offering period, we will offer funds managed by BVF Partners L.P. (BVF) the opportunity to subscribe for the remaining portion (if any) of shares offered but not sold hereunder (the Remaining Shares), with the total gross offering proceeds not to exceed \$20,000,000. You should carefully consider whether to exercise your subscription rights before the expiration of the rights offering period. All exercises of subscription rights are irrevocable. Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. The subscription rights may not be sold, transferred or assigned to anyone else and will not be listed for trading on any stock exchange or market.

The shares of common stock and series Y preferred stock are being offered directly by us without the services of an underwriter or selling agent.

We have separately entered into an Investment Agreement with BVF pursuant to which BVF has agreed to purchase from us a number of shares of series Y preferred stock with a face value equal to the unsubscribed portion (if any) that remains following the expiration of the offering period and following the expiration of BVF's right to purchase some or all of the Remaining Shares. One of our Directors, Matthew Perry, is President of BVF.

We reserve the right to cancel the rights offering at any time for any reason. If we cancel this rights offering, all subscription payments received by the subscription agent, who is our transfer agent, will be returned, without interest or penalty, as soon as practicable.

Our common stock is traded on the Nasdaq Global Market under the symbol XOMA. On November 16, 2018, the last reported sales price of our common stock on the Nasdaq Global Market was \$14.26 per share.

The exercise of your subscription rights for shares of our common stock involves risks. You should carefully consider all of the information set forth in this prospectus supplement and the accompanying prospectus, including the risk factors beginning on page S-13 of this prospectus supplement as well as the risk factors and other information in any documents we incorporate by reference into this prospectus supplement and the accompanying prospectus before exercising your subscription rights. See Where You Can Find More Information and Incorporation by Reference.

An investment in our common stock and series Y preferred stock involves risks. Before making an investment decision, you should carefully review the information under Risk Factors beginning on page S-13 of this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our Quarterly Reports on Form 10-Q for the for the quarterly periods ended subsequent to our filing of such Annual Report, each of which has been filed with the Securities and Exchange Commission and each of which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 19, 2018

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We have not authorized anyone to provide any information or to make any representations other than those contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or in any free writing prospectuses prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement relates only to the subscription rights and underlying shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to make such an offer. The information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate only as of its date regardless of the time of delivery of this prospectus supplement or of any distribution of subscription rights or sale of securities.

To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in any document incorporated by reference filed with the Securities and Exchange Commission (the "SEC") before the date of this prospectus supplement, on the other hand, you should rely on the

information in this prospectus supplement. If any statement in a document incorporated by reference is inconsistent with a statement in another document incorporated by reference having a later date, the statement in the document having the later date modifies or supersedes the earlier statement.

Persons who come into possession of this prospectus supplement, the accompanying prospectus and any free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus supplement, the accompanying prospectus and any free writing prospectus applicable to that jurisdiction.

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This prospectus supplement and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus contain market data and industry statistics and forecasts that are based on independent industry publications and other publicly available information. Although we believe that these sources are reliable, we do not guarantee the accuracy or completeness of this information and we have not independently verified this information. Although we are not aware of any misstatements regarding the market and industry data presented or incorporated by reference into this prospectus supplement and the accompanying prospectus, these estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading **Risk Factors** and any related free writing prospectus. Accordingly, investors should not place undue reliance on this information.

Unless the context requires otherwise or unless otherwise noted, all references to **XOMA** are to XOMA Corporation, a Delaware corporation, and all references to **we**, **us** or **our** are to XOMA Corporation and our subsidiaries on a consolidated basis.

Trademarks, service marks or trade names of any other companies appearing in this prospectus supplement and the accompanying prospectus are the property of their respective owners. Use or display by us of trademarks, service marks or trade names owned by others is not intended to and does not imply a relationship between us, and/or endorsement or sponsorship by, the owners of the trademarks, service marks or trade names.

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QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

What is being offered in this rights offering?

We are distributing at no charge to holders of our common stock and series X preferred stock non-transferable subscription rights to purchase shares of our common stock. For each share of common stock (including shares of common stock issuable upon conversion of the Company's outstanding shares of series X preferred stock) for which you are the holder of record as of 5:00 p.m., New York Time on November 16, 2018, you will receive 0.1148 rights to purchase shares of our common stock (subject to the aggregate offering threshold and certain ownership limitations). Each whole right will allow you to subscribe for one share of common stock at the subscription price (or an equivalent number of shares of series Y preferred stock) on the terms described in this prospectus supplement. The subscription rights entitle the holders to purchase up to an aggregate of approximately 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock). The subscription rights will be evidenced by subscription rights certificates.

The total number of subscription rights issued to each stockholder will be rounded down to the nearest whole number. Each subscription right will entitle you to purchase one share of our common stock at a subscription price equal to \$13.00 per share. Because the total number of subscription rights issued to each stockholder will be rounded down to the nearest whole number, we may not issue the full number of shares authorized for issuance in connection with this rights offering. Any excess subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable.

What are the subscription rights?

For each whole right that you own, you will have the right to buy from us one share of our common stock at the subscription price. You may exercise some or all of your subscription rights, or you may choose not to exercise any subscription rights.

For example, if you owned 10,000 shares of our common stock as of 5:00 p.m., New York time, on the record date, you would receive subscription rights representing the right to purchase 1,148 shares of common stock for \$13.00 per share.

Why are we conducting the rights offering?

We are conducting the rights offering in order to raise additional capital and to improve and strengthen our financial position. We intend to use the net proceeds from the rights offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes. See Use of Proceeds.

In authorizing the rights offering, our Board of Directors considered and evaluated a number of factors, including:

our current capital resources and our future need for additional liquidity and capital;

the size and timing of the rights offering;

the potential dilution to our current stockholders if they choose not to participate in the offering;

alternatives available for raising capital, including debt and other forms of equity raises;

the potential impact of the rights offering on the public float for our common stock;

BVF's willingness to backstop the rights offering;

that applicable Nasdaq marketplace rules do not require stockholder approval of the rights offering or the Backstop Commitment; and

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the fact that existing stockholders would have the opportunity to participate on a *pro rata* basis to purchase additional shares of common stock.

How was the subscription price for the rights offering determined?

Our Board of Directors considered a number of factors in determining the price for the rights offering, including:

the price per share at which BVF is willing to backstop the rights offering;

pass through savings as a result of conducting the rights offering with no investment banking support;

the price at which our stockholders might be willing to participate in the rights offering;

historical and current trading prices for our common stock, including on a volume weighted average share price basis over certain periods; and

the desire to provide an opportunity to our stockholders to participate in the rights offering on a *pro rata* basis.

What is the role of BVF in this offering?

Following the expiration of the offering period, we will offer funds managed by BVF the opportunity to subscribe for the remaining portion (if any) of shares offered but not sold hereunder (the Remaining Shares), with the total gross offering proceeds not to exceed \$20,000,000.

Separately, BVF has agreed to purchase a number of shares of Series Y Preferred Stock with a face value equal to the remaining unsubscribed portion of the securities offered by this prospectus supplement. This purchase commitment is set forth in a separate Investment Agreement, which would provide for the purchase of these shares (if applicable) in a private placement that is exempt from registration under Section 4(a)(2) of the Securities Act of 1933 (the Backstop Commitment). The purchase of the shares under the Backstop Commitment would be at the same price as which securities are offered hereunder. BVF will not receive a fee in connection with the Backstop Commitment; however, we have agreed to reimburse up to \$75,000 of BVF's reasonable legal fees and expenses in connection with the Investment Agreement and the rights offering.

Am I required to exercise the rights I receive in the rights offering?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. However, if you choose not to fully exercise your rights and other stockholders fully exercise their subscription rights and/or BVF acquires the Remaining Shares hereunder or acquires shares of series Y preferred stock pursuant to the Backstop Commitment, the percentage of our common stock owned by other stockholders will increase, the relative percentage of our common stock that you own will decrease, and your voting and other rights may be diluted.

Has our Board of Directors made a recommendation to our stockholders regarding the rights offering?

Our Board of Directors is making no recommendations regarding your exercise of the subscription rights. Stockholders who exercise subscription rights risk investment loss on new money invested. We cannot assure you that the trading price for our common stock will be above the subscription price at the time of exercise or at the expiration of the rights offering period or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. You are urged to make your own decision whether or not to exercise your subscription rights based on your own assessment of our business and the rights offering. See Risk Factors in this prospectus supplement and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

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Who may participate in the rights offering?

All stockholders of record, including holders of series X preferred stock on an as-converted basis, on the close of business on November 16, 2018, the record date approved by our Board of Directors for this rights offering, are entitled to receive rights and purchase shares in this rights offering.

Will our directors, executive officers or significant stockholders participate in the rights offering?

Our directors and executive officers who own shares of common stock and/or series X preferred stock, as well as other significant stockholders, are permitted, but not required, to participate in the rights offering on the same terms and conditions applicable to all stockholders. Certain of our directors, executive officers and significant stockholders may participate in the rights offering. In fact, subject to the terms and conditions of the rights offering, (i) certain members of our Board of Directors and our management have expressed their intention to purchase their respective *pro rata* shares of the subscription rights, and (ii) BVF has expressed its intention to purchase its *pro rata* share in the rights offering and has also committed to purchase shares of our series Y preferred stock in an amount equal to the aggregate value of the shares of common stock (if any) not subscribed for in the rights offering, at a price per share equal to \$13,000 per share pursuant to the Backstop Commitment. Despite the indication of interest by our directors and management, and by BVF, there is no assurance that any of such parties will purchase shares in the rights offering, other than, with respect to BVF, shares (if any) purchased by BVF under the Backstop Commitment.

How soon must I act to exercise my subscription rights?

The subscription rights may be exercised at any time during the subscription period, which commences on November 19, 2018, through the expiration date for the rights offering, which is 5:00 p.m., New York time, on December 14, 2018. If you elect to exercise any subscription rights, the subscription agent must actually receive all required documents and payments from you at or prior to the expiration date. Although we have the option of extending the expiration date of the subscription period at our sole discretion, we currently do not intend to do so.

May I transfer my subscription rights?

No, the rights are exercisable only by stockholders of record as of the record date, and you may not sell, transfer or assign your subscription rights to anyone else.

Are there any limits on the number of shares of common stock I may own as a result of the exercise of subscription rights under the rights offering?

Yes. You may only purchase the number of whole shares of common stock purchasable upon exercise of the rights distributed to you in the rights offering. Accordingly, the number of shares of common stock that you may purchase in the rights offering is limited by the number of our shares of common stock you held (including any shares of common stock issuable upon the exercise of series X preferred stock) on the record date. Additionally, if, immediately following the exercise of your subscriptions rights, you would beneficially own more than 9.9% of the total number of shares of the Company's common stock issued and outstanding immediately after the issuance of such shares, you may elect to receive shares of series Y preferred Stock (at a subscription price of \$13,000 per whole share of series Y preferred stock) rather than shares of common stock. We reserve the right to reject any or all subscriptions not properly submitted or the acceptance of which would, in the opinion of our counsel, be unlawful.

Are we requiring a minimum subscription to complete the rights offering?

No. Any shares not subscribed for in the rights offering may be purchased by BVF as part of its right to purchase Remaining Shares. To the extent that the total subscriptions in the rights offering (including through BVF's purchase of any portion of the Remaining Shares) does not equal \$20 million, then such shortfall will be purchased by BVF pursuant to the Backstop Commitment as shares of series Y preferred stock.

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Are there any other conditions to the completion of the rights offering?

Yes. The completion of the rights offering is subject to the conditions described under Description of the Rights Offering - Amendment, Withdrawal and Termination.

Can the rights offering be canceled?

Yes. We reserve the right to cancel the rights offering at any time for any reason. If the rights offering is canceled, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable to those persons who subscribed for shares in the rights offering.

How do I exercise my subscription rights if I am a record holder of shares of common stock?

If you wish to participate in the rights offering, you must properly complete the subscription rights certificate distributed by the subscription agent and deliver it, along with the full subscription price, to the subscription agent before 5:00 p.m., New York time, on December 14, 2018. If you use the mail, we recommend that you use insured, registered mail, return receipt requested.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received. If the payment exceeds the subscription price for the full exercise of your subscription rights, then the excess will be returned to you as soon as practicable. You will not receive interest on any payments refunded to you under the rights offering.

What should I do if I want to participate in the rights offering, but my shares are held in the name of my broker, dealer, custodian bank or other nominee?

If you hold your shares of common stock in street name through a broker, dealer, custodian bank or other nominee, you will not receive an actual subscription rights certificate. Instead, as described in this prospectus supplement, you must instruct your broker, dealer, custodian bank or other nominee whether or not to exercise rights on your behalf. We will ask your broker, dealer, custodian bank or other nominee to notify you of the rights offering.

If you wish to participate in the rights offering, you should complete and return to your nominee the form entitled Beneficial Owner Election Form. You should receive this form from your nominee with the other rights offering materials. If your shares are held in the name of a broker, dealer or other nominee, then you should send your subscription payment to that nominee as well pursuant to their instructions. You must act timely to ensure that your broker, dealer, custodian bank or other nominee acts for you and that all required forms and payments are actually received by the subscription agent prior to the expiration of the rights offering period.

If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, the subscription agent will return, without interest or penalty, as soon as practicable, all subscription payments. If you own shares in street name, it may take longer for you to receive payment because the payments will be returned through your nominee.

Must I pay the subscription price in cash?

Yes. You must timely pay the full subscription price for the full number of shares of common stock you wish to acquire in the rights offering by wire, bank draft drawn on a U.S. bank, U.S. postal money order or personal check that clears before the expiration date of the rights offering.

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Will the shares of common stock I acquire in the rights offering be subject to any stockholder agreement restricting my ability to sell or transfer my new shares of common stock?

No. You will not be subject to any stockholder agreement that restricts your ability to sell or transfer any new shares of common stock acquired by you in the rights offering. However, under federal securities laws, our affiliates will be subject to restrictions on their ability to transfer shares of our common stock by virtue of their status as affiliates of us. An affiliate is generally defined as a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, us.

After I exercise my subscription rights, may I change my mind?

No. All exercises of subscription rights are irrevocable by the stockholders, even if you later learn information about us that you consider unfavorable or our stock price declines. You should not exercise your subscription rights unless you are certain that you wish to purchase the shares of common stock offered pursuant to this rights offering. However, we may cancel, extend or otherwise amend the rights offering at any time prior to the expiration date.

Does exercising my subscription rights involve risk?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of our common stock and should be considered as carefully as you would consider other equity investments. Among other things, you should carefully consider the risks described under the heading Risk Factors in this prospectus supplement and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

What fees or charges apply if I exercise my subscription rights?

We are not charging any fees or sales commissions to issue subscription rights to you or to issue shares to you if you exercise your subscription rights. If you exercise your subscription rights through a broker or other record holder of your shares, you are responsible for paying any fees that person or entity may charge.

When will I receive my new shares of common stock?

Unless otherwise requested, all shares that you purchase in the rights offering will be issued in book-entry, or uncertificated, form. All shares of series Y preferred stock will be certificated. When issued, the shares will be registered in the name of the subscription rights holder of record. As soon as practicable after the expiration of the rights offering, the subscription agent will arrange for the issuance of the shares of common stock purchased pursuant in the rights offering. Subject to state securities laws and regulations, we have the discretion to delay distribution of any shares you may have elected to purchase by exercise of your subscription rights in order to comply with state securities laws.

What happens if I choose not to exercise my subscription rights?

You are not required to exercise your subscription rights or otherwise take any action in response to this rights offering. If you do not exercise your subscription rights, and the rights offering is completed, the number of shares of our common stock you own will not change but, due to the fact that shares will be purchased by other stockholders in the rights offering and/or BVF, your percentage ownership of our total outstanding common stock will decrease, and your voting and other rights will be diluted.

How many shares of common stock will be outstanding after the rights offering?

As of the record date, there were 8,395,289 shares of our common stock outstanding. We will issue up to a maximum of approximately 1,538,462 shares of common stock (or an equivalent number of shares of series Y

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preferred stock) in the rights offering and/or pursuant to the Backstop Commitment. Based on the number of shares issued and outstanding as of the record date, if we issue all 1,538,462 shares of common stock available in this rights offering, we would have 9,933,751 shares of common stock issued and outstanding following the completion of the rights offering.

How much money will we receive from the rights offering and related financing?

If we issue all 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock) available in this rights offering, we will receive gross proceeds of \$20,000,000. The net proceeds to us, after deducting estimated offering expenses, will be approximately \$19.7 million. We estimate that the expenses of the rights offering will be approximately \$0.3 million. We are conducting the rights offering in order to raise additional capital and to improve and strengthen our financial position. If any portion of the securities offered herein is not purchased in the rights offering, then BVF has committed to purchase a number of shares of series Y preferred stock with an aggregate face value equal to such shortfall.

We intend to use the net proceeds from the rights offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes. See Use of Proceeds.

Who should I contact if I have more questions?

If you have more questions about the rights offering process or need additional copies of the rights offering documents, please contact our information agent, D.F. King & Co., Inc., at 48 Wall Street, New York, NY 10005, (866) 721-1324 or xoma@dfking.com.

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PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights the information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding whether to exercise your subscription rights. You should carefully read this entire prospectus supplement, including the information under the heading *Risk Factors*, and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, which are described under the headings *Where You Can Find More Information* and *Incorporation by Reference*.*

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus supplement or the accompanying prospectus. The subscription rights and common stock are not being offered in any jurisdiction where offers and sales are not permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of when this prospectus supplement is delivered or when any sale of our securities occurs.

Our Company and Corporate History

Company Overview

We have a long history of discovering and developing innovative therapeutics derived from our unique platform of antibody technologies. Over our 37 year history, we have built an extensive portfolio of fully-funded programs by advancing product candidates into the earlier stages of development and licensing them to licensees who assumed the responsibilities of later stage development, approval and commercialization. Fully-funded programs are those for which our partners pay all of the development and commercialization costs. As licensees advance these programs, we are eligible for potential milestone and royalty payments.

In March 2017, we transformed our business model to become a royalty aggregator where we focus on expanding our portfolio of fully-funded programs by out-licensing our internally developed product candidates and acquiring potential milestone and royalty revenue streams on additional product candidates. We combined our royalty-aggregator model with a significantly reduced corporate cost structure to further build value for our shareholders. We expect that a significant portion of our future revenue will be based on payments we may receive for milestones and royalties related to these programs.

Our business model is designed to create value for stockholders by assembling a diversified portfolio of biotech and pharmaceutical revenue streams and operating that business with an efficient and low corporate cost structure. Our goal is to become a sustainably profitable company that offers investors an opportunity to participate in the promise of the biotech industry in a diversified, lower-risk business investment than a typical biotech model.

Additional Company Information

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 after December 31, 2011, the terms *Company* and *XOMA* refer to XOMA Corporation, a Delaware corporation; when referring to a time or period between December 31, 1998 and December 31, 2011, such terms refer to XOMA Ltd., a Bermuda company.

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Our principal executive offices are located at 2200 Powell Street, Suite 310, Emeryville, California 94608, and we maintain a registered office located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. Our telephone number at our principal executive offices is (510) 204-7200. Our website address is www.xoma.com. The information found on our website is not part of this or any other report filed with or furnished to the Securities and Exchange Commission (SEC).

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The Rights Offering

Securities Offered

We are distributing at no charge non-transferable subscription rights for each share of common stock (including shares of common stock issuable upon conversion of our outstanding shares of series X preferred stock) outstanding as of 5:00 p.m., New York time, on November 16, 2018. The total number of subscription rights issued to each holder will be rounded down to the nearest whole number. As a result, we may not issue the full number of shares authorized for issuance in connection with this rights offering.

Any participant in the rights offering that, immediately following exercise of its subscription right would be or become a holder of greater than 9.9% of the outstanding number of shares of our common stock following the offering may elect to instead purchase shares of our series Y preferred stock. We intend to sell the series Y preferred stock at \$13,000 per share, and any such holder so electing would have a right to purchase one one-thousandth of a share of series Y preferred stock for each share of common stock it had a right to purchase under the subscription rights. Each share of series Y preferred stock will, subject to certain limitations, be convertible into 1,000 shares of common stock at the election of the holder. The series Y preferred stock will generally have no voting rights, except as required by law, and will participate pari passu with any distribution of proceeds to holders of common stock and series X preferred stock in the event of our liquidation, dissolution or winding up or the payment of a dividend on the common stock.

Subscription Right

For each share of common stock (including shares of common stock issuable upon conversion of the Company's outstanding shares of series X preferred stock), we will distribute 0.1148 rights to purchase shares of our common stock (subject to the aggregate offering threshold and certain ownership limitations). The total number of subscription rights issued will be rounded down to the nearest whole number. Each whole right will allow its holder to subscribe for one share of common stock at the subscription price (or an equivalent number of shares of series Y preferred stock on the terms described in this prospectus supplement). Holders may exercise some or all of their subscription rights, or may choose not to exercise their subscription rights.

Subscription Price

The subscription price per share of common stock is \$13.00. To be effective, any payment related to the exercise of a subscription right must be received and must clear prior to the expiration of the rights offering period.

Record Date November 16, 2018.

Use of Proceeds We expect to use the proceeds from the rights offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes.

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Procedure for Exercising Subscription Rights

The subscription rights may be exercised at any time during the subscription period, which commences on November 19, 2018. If you are a holder of record, to exercise your subscription rights, you must properly complete the subscription rights certificate distributed by the subscription agent and deliver it, along with the full subscription price, to the subscription agent, American Stock Transfer & Trust Company, LLC before 5:00 p.m., New York time, on December 14, 2018, unless the expiration date is extended. If your shares are held in the name of a broker, dealer, custodian bank or other nominee, you must provide instructions to that broker, dealer, custodian bank or other nominee.

Payment Adjustments

If you send a payment that is insufficient to purchase the number of shares requested, or if the number of shares requested is not specified in the subscription rights certificate, the payment received will be applied to exercise your subscription rights to the extent of the payment. If the payment exceeds the amount necessary for the full exercise of your subscription rights, the excess will be returned to you as soon as practicable. You will not receive interest or any penalty on any payments refunded to you under the rights offering.

Shares of Common Stock Issued and Outstanding Before the Rights Offering, Eligible to Participate in the Rights Offering and Outstanding After Completion of the Rights Offering

As of the record date, there were 8,395,289 shares of our common stock outstanding and 5,003 shares of our series X preferred stock outstanding.

We will issue up to a maximum of approximately 1,538,462 shares of common stock (or the number of shares of series Y preferred stock which may be converted into that number of shares of common stock). To the extent that this number of shares (on an actual or as-converted basis) is not issued in the rights offering, then we expect that the shortfall would be issued to BVF pursuant to the Backstop Commitment. Based on the number of shares outstanding as of the record date, if we issue all 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock) available in this rights offering and/or pursuant to the Backstop Commitment, we would have 9,933,751 shares of common stock (measured on an as-converted basis) issued and outstanding following the completion of the rights offering.

Subscription Ratio

Based on an aggregate of 8,395,289 shares outstanding as of the record date or deemed to be outstanding (assuming conversion of all series X preferred stock) and eligible to participate in the rights offering, each share of common stock (including common stock issuable upon the conversion of Series X preferred stock) held of record (or deemed to be

held) as of the record date will receive 0.1148 rights to purchase shares of our common stock (subject to the aggregate offering threshold and certain ownership limitations). Each whole right will allow its holder to subscribe for one share of common stock at the subscription price (or an equivalent number of shares of series Y preferred stock on the terms described in this

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prospectus supplement). To the extent that any portion of the rights remain unexercised following the expiration of the offering period, BVF will have the right to purchase up to the full amount of the unsubscribed shares.

Non-transferability of Subscription Rights The subscription rights may not be sold, transferred or assigned to anyone else.

Backstop Commitment We have entered into an Investment Agreement with BVF, pursuant to which BVF has agreed to purchase from us, subject to certain conditions, shares of series Y preferred stock in an amount equal to the aggregate value of the shares of common stock not subscribed for in the rights offering, at a price per share equal to \$13,000 per share (the Backstop Commitment). BVF will not receive a fee in connection with the Backstop Commitment; however, we have agreed to reimburse up to \$75,000 of BVF's reasonable legal fees and expenses in connection with the Investment Agreement and the rights offering. One of our Directors, Matthew Perry, is President of BVF.

No Revocation of Exercise by Stockholders All exercises of subscription rights are irrevocable, even if you later learn information about us that you consider unfavorable or our stock price declines. You should not exercise your subscription rights unless you are certain that you wish to purchase the shares of common stock offered pursuant to this rights offering.

Conditions to the Rights Offering The completion of the rights offering is subject to the conditions described under Description of the Rights Offering Amendment, Withdrawal and Termination.

Amendment; Cancellation We may amend the terms of the rights offering or extend the rights offering period and we reserve the right to cancel the rights offering at any time prior to the expiration date for any reason. If the rights offering is cancelled, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable, to those persons who subscribed for shares in the rights offering. We will notify you of any amendments or modifications to the terms of the rights offering, or if the rights offering is cancelled, by issuing a press release.

No Board Recommendation Our Board of Directors is making no recommendations regarding your exercise of the subscription rights. You are urged to make your own decision whether or not to exercise your subscription rights based on your own assessment of our business and the rights offering. See Risk

Factors.

Issuance of Stock

All shares of common stock that you purchase in the rights offering will be issued in book-entry, or uncertificated, form. All shares of series Y preferred stock will be certificated. When issued, the shares will be registered in the name of the subscription rights holder of

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record. As soon as practicable after the expiration of the rights offering, the subscription agent or the Company, as applicable, will arrange for the issuance of the shares of common stock or series Y preferred stock purchased in the rights offering. Subject to state securities laws and regulations, we have the discretion to delay distribution of any shares you may have elected to purchase by exercise of your subscription rights in order to comply with state securities laws.

Subscription Agent

American Stock Transfer & Trust Company, LLC

Information Agent

D.F. King & Co., Inc.

Risk Factors

Stockholders considering making an investment by exercising subscription rights in the rights offering should carefully read and consider the information set forth in **Risk Factors** beginning on page S-13 of this prospectus supplement, together with the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in our common stock.

Nasdaq Global Market Symbol

XOMA

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RISK FACTORS

An investment in our stock involves a high degree of risk. You should carefully read and consider the risks described below, together with the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including under the heading Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our Quarterly Reports on Form 10-Q for the quarterly periods ended subsequent to our filing of such Annual Report on Form 10-K before making a decision to invest in our common stock. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of the following risks actually occurs, our business, results of operations and financial condition could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to the Rights Offering

The price of our common stock is volatile and may decline after you exercise your subscription rights.

The market price of our common stock is subject to wide fluctuations in response to numerous factors, including factors that have little or nothing to do with us or our performance, and these fluctuations could materially reduce our stock price. These factors include, among other things, the fact that our stock is relatively thinly traded, and as a result trades of small numbers of our shares can have a significant impact on the trading price of our stock, business conditions in our markets and the general state of the securities markets and the market for other biotechnology stocks, changes in capital markets that affect the perceived availability of capital to companies in our industry, governmental legislation or regulation and general economic and market conditions, such as recessions and downturns in the United States or global economy. In addition, the stock market historically has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock, which may make it difficult for you to resell shares of our common stock owned by you at times or at prices that you find attractive.

If you do not fully exercise your subscription rights, your interest in us may be significantly diluted, and to the extent you do exercise your subscription rights and the subscription price is less than the fair value of our common stock, you would experience an immediate dilution of the aggregate fair value of your subscription shares, which could be substantial.

Up to a maximum of 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock) are issuable in the rights offering and/or pursuant to the Backstop Commitment. Accordingly, if you do not exercise your subscription rights in full, your interest in us will be significantly diluted upon completion of the rights offering. In addition, if you do exercise your subscription rights and the subscription price is less than the fair value of our common stock, you would experience immediate dilution of the value of your subscription shares relative to what your value would have been had our common stock been issued at fair value. This dilution could be substantial.

The subscription price determined for the rights offering is not an indication of the fair value of our common stock.

Our Board of Directors considered a number of factors in determining the price for the rights offering, including:

the price per share at which BVF is willing to backstop the rights offering;

pass through savings as a result of conducting the rights offering with no investment banking support;

the price at which our stockholders might be willing to participate in the rights offering;

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historical and current trading prices for our common stock, including on a volume weighted average share price basis prior to the date on which BVF agreed to the backstop commitment; and

the desire to provide an opportunity to our stockholders to participate in the rights offering on a pro rata basis.

The subscription price is not necessarily related to our book value, results of operations, cash flows, financial condition or net worth or any other established criteria of value and may or may not be considered the fair value of our common stock at the time the rights offering was approved by our Board of Directors or during the rights offering period. We cannot assure you that the trading price of our common stock will not decline after you exercise your subscription rights. We also cannot assure you that you will be able to sell shares purchased in this rights offering at a price equal to or greater than the subscription price. We do not intend to change the subscription price in response to changes in the trading price of our common stock prior to the closing of the rights offering.

Our Board of Directors is not making any recommendations regarding your exercise of the subscription rights, and we did not receive a fairness opinion from a financial advisor in determining the subscription price or the terms of the offering.

Our Board of Directors is not making any recommendations regarding your exercise of the subscription rights. In addition, we did not receive a fairness opinion from a financial advisor in determining the subscription price or the terms of the offering. Stockholders who exercise subscription rights risk investment loss on new money invested. We cannot assure you that the trading price for our common stock will be above the subscription price at the time of exercise or at the expiration of the rights offering period or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. You are urged to make your own decision whether or not to exercise your subscription rights based on your own assessment of our business and the rights offering.

The rights offering may cause the price of our common stock to decline.

The rights offering and its terms, including the subscription price, together with the number of shares of common stock we could issue if this rights offering is completed, may result in a decrease in the trading price of our common stock. This decrease may continue after the completion of the rights offering. If that occurs, your purchase of shares of our common stock in the rights offering may be at a price greater than the prevailing trading price. Further, if the holders of the shares received upon exercise of the subscription rights choose to sell some or all of their shares, the resulting sales could also depress the trading price of our common stock.

Because you may not revoke or change your exercise of the subscription rights, you could be committed to buying shares above the prevailing trading price at the time the rights offering is completed.

Once you exercise your subscription rights, you may not revoke or change the exercise. The trading price of our common stock may decline after you exercise your subscription right. If you exercise your subscription rights, and, afterwards, the trading price of our common stock decreases below the \$13.00 per share subscription price, you will have committed to buying shares of our common stock at a price above the prevailing trading price and could have an immediate unrealized loss. There can be no assurances that the trading price of our common stock will equal or exceed the subscription price at the time of exercise or at the expiration of the subscription rights offering period or thereafter.

You may not be able to resell any shares of our common stock that you purchase pursuant to the exercise of subscription rights immediately upon expiration of the subscription rights offering period.

If you exercise subscription rights, you may not be able to resell the common stock purchased by exercising your subscription rights until you, or your broker, custodian bank or other nominee, if applicable, have received those

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shares. Moreover, you will have no rights as a stockholder of the shares you purchased in the rights offering until we issue the shares to you. Although we will endeavor to issue the shares as soon as practicable after completion of the rights offering, including after all necessary calculations have been completed, there may be a delay between the expiration date of the rights offering and the time that the shares are issued.

Because we will have broad discretion over the use of the net proceeds from the rights offering, you may not agree with how we use the proceeds.

We are conducting the rights offering in order to raise additional capital and to improve and strengthen our financial position. We intend to use the net proceeds from the rights offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes. However, we may allocate the proceeds among these purposes as we determine is appropriate. Moreover, economic, business and financial market conditions may require us to allocate portions of the net proceeds for other purposes. Accordingly, you will be relying on the judgment of our management with regard to the use of proceeds from the rights offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used in a manner that you consider appropriate.

Because the subscription rights are non-transferable, there is no market for the subscription rights.

You may not sell, transfer or assign your subscription rights to anyone else. Because the subscription rights are non-transferable, there is no market or other means for you to directly realize any value associated with the subscription rights. You must exercise the subscription rights and acquire additional shares of our common stock to realize any value that may be embedded in the subscription rights.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents that we incorporate by reference herein and therein, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements can generally be identified as such because the context of the statement will include words such as may, will, intend, plan, believe, anticipate, expect, estimate, predict, continue, likely, or opportunity, the negative of these words or words of similar import. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. Discussions containing these forward-looking statements may be found, among other places, in the Business and Management's Discussion and Analysis of Financial Condition and Results of Operations sections incorporated by reference from our most recent Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for the quarterly periods ended subsequent to our filing of such Annual Report on Form 10-K, as well as any amendments thereto reflected in subsequent filings with the SEC.

These forward-looking statements are based largely on our expectations and projections about future events and future trends affecting our business, and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. The risks and uncertainties include, among others, those noted in Risk Factors above and in any applicable prospectus supplement or free writing prospectus, and those included in the documents that we incorporate by reference herein and therein.

In addition, past financial and/or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Except as required by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the filing of this prospectus supplement or any applicable prospectus supplement or free writing prospectus, or documents incorporated by reference herein and therein, that include forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our common stock offered in the rights offering and/or pursuant to the Backstop Commitment after deducting estimated offering expenses, will be approximately \$19.7 million. We estimate that the expenses of the rights offering will be approximately \$0.3 million.

We are conducting the rights offering in order to raise additional capital and to improve and strengthen our financial position. We intend to use the net proceeds from the rights offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes.

As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses for the net proceeds we will have upon completion of the offering. Accordingly, we will retain broad discretion over the use of these proceeds.

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If you purchase shares of our common stock in this offering, you will experience dilution to the extent of the difference between the price per share you pay in this offering and the net tangible book value per share of our common stock immediately after this offering. The net tangible book value of our common stock on September 30, 2018 was \$1.15 million, or \$0.14 per share (based upon 8,387,163 shares of our common stock outstanding). Net tangible book value per share is equal to the amount of our total tangible assets, less total liabilities, divided by the aggregate number of shares of our common stock outstanding.

After giving effect to the assumed sale in this rights offering by us of 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock) at a subscription price of \$13.00 per share and after deducting estimated offering expenses payable by us, our as-adjusted net tangible book value as of September 30, 2018 would have been \$20.9 million, or \$2.10 per share of common stock. This represents an immediate increase in net tangible book value of \$1.96 per share to existing stockholders and immediate dilution in net tangible book value of \$10.90 per share to investors purchasing shares of our common stock in this offering. The following table illustrates this per share dilution:

Subscription price per share of common stock	\$ 13.00
Net tangible book value per share as of September 30, 2018	\$ 0.14
Increase attributable to investors in this offering	1.96
As adjusted net tangible book value per share as of September 30, 2018 after giving effect to this offering	2.10
Dilution per share to investors participating in this offering	\$ 10.90

The discussion and table above do not take into account further dilution to investors in this offering that could occur upon the exercise of outstanding options and warrants having a per share exercise price less than the subscription price per share in this offering.

The number of shares of our outstanding common stock reflected in the discussion and table above is based on 8,387,163 shares of common stock outstanding as of September 30, 2018 and excludes, as of that date:

1,651,932 shares of our common stock issuable upon exercise of outstanding options at a weighted average exercise price of \$23.35 per share;

3,278 shares of our common stock issuable upon the settlement of outstanding restricted stock units;

23,644 shares of our common stock issuable upon exercise of outstanding warrants at weighted average exercise price of \$37.09 per share (as may be adjusted pursuant to their terms);

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330,047 shares of our common stock reserved for potential future issuance pursuant to our 2010 Long Term Incentive and Share Award Plan;

246,558 shares of our common stock reserved for potential future issuance pursuant to our 2015 Employee Stock Purchase Plan; and

5,003,000 shares of our common stock issuable upon the conversion of currently outstanding shares of series X preferred stock.

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DESCRIPTION OF THE RIGHTS OFFERING

Before deciding whether to exercise your subscription rights, you should carefully read this prospectus supplement and the accompanying prospectus, including the information set forth under the heading **Risk Factors** and the information that is incorporated by reference into this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our Quarterly Reports on Form 10-Q for the quarterly periods ended subsequent to our filing of such Annual Report on Form 10-K.

The Subscription Rights

We are distributing to the holders of record of our common stock and series X preferred stock (collectively, for purposes of the rights offering, **stockholders**) as of 5:00 p.m., New York time, on November 16, 2018, which is the record date for this rights offering, at no charge, non-transferable subscription rights to purchase shares of our common stock (subject to the aggregate offering threshold and certain ownership limitations). For each share of common stock (including shares of common stock issuable upon conversion of the Company's outstanding shares of series X preferred stock) for which you are the holder of record as of 5:00 p.m., New York Time on November 16, 2018, you will receive 0.1148 rights to purchase shares of our common stock (subject to the aggregate offering threshold and certain ownership limitations). Each whole right will allow you to subscribe for one share of common stock at the subscription price (or an equivalent number of shares of series Y preferred stock) on the terms described in this prospectus supplement.

The total number of subscription rights issued to each holder will be rounded down to the nearest whole number.

You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. The subscription rights will allocate the rights to purchase up to 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock) (the **offered pool**), allocated *pro rata* among the stockholders entitled to participate as of the record date.

The subscription rights will be evidenced by subscription rights certificates. Subscription rights may be exercised at any time during the subscription period, which commences on November 19, 2018, through the expiration date for the rights offering, which is 5:00 p.m., New York time, on December 14, 2018. You are not required to exercise any of your subscription rights.

If any portion of the offered pool remains unpurchased at the end of the offering period, we will offer BVF the right to subscribe for up to the full amount of the unsubscribed portion of the offered pool (on the same terms and subject to the same conditions as set forth herein). Separately, BVF has agreed to purchase a number of shares of series Y preferred stock with a face value equal to the remaining unsubscribed portion of the securities offered by this prospectus supplement. See **Description of the Backstop Commitment**.

Subscription Price

Our Board of Directors considered a number of factors in determining the price for the rights offering, including:

the price per share at which BVF is willing to backstop the rights offering;

pass through savings as a result of conducting the rights offering with no investment banking support;

the price at which our stockholders might be willing to participate in the rights offering;

historical and current trading prices for our common stock, including on a volume weighted average share price basis prior to the date on which BVF agreed to the backstop commitment; and

the desire to provide an opportunity to our stockholders to participate in the rights offering on a pro rata basis.

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See Risk Factors - The subscription price determined for the rights offering is not an indication of the fair value of our common stock.

Expiration Time and Date

The subscription rights will expire at 5:00 p.m., New York time, on December 14, 2018, unless we extend it. We reserve the right to extend the subscription period at our sole discretion. If the expiration date of the rights offering is so extended, we will give oral or written notice to the subscription agent on or before the scheduled expiration date, and we will issue a press release announcing such extension no later than 9:00 a.m., New York City time, on the next business day after the most recently announced expiration of the rights offering. You must properly complete the subscription rights certificate distributed by the subscription agent and deliver it, along with the full subscription price, to the subscription agent prior to 5:00 p.m., New York time, on December 14, 2018, unless the expiration date is extended. After the expiration of the rights offering period, all unexercised subscription rights will be null and void. We will not be obligated to honor any purported exercise of subscription rights which the subscription agent receives after the expiration of the offering, regardless of when you sent the documents regarding that exercise. Shares purchased in the rights offering will be issued, and any subscription payments for shares not allocated or validly purchased will be returned, as soon as practicable following the expiration date of the rights offering.

Common Stock

The material terms and provisions of our common stock and each other class of our securities which qualifies or limits our common stock are described under the caption Description of Capital Stock starting on page 7 of the accompanying prospectus.

Series Y Preferred Stock

The material terms and provisions of the series Y preferred stock being offered pursuant to this prospectus supplement and the accompanying prospectus are summarized below. This summary is subject to, and qualified in its entirety by, the rights, preferences and privileges of the series Y preferred stock set forth in the certificate of amendment to our certificate of incorporation to be filed as an exhibit to our Current Report on Form 8-K, which we expect to file with the Commission in connection with this offering.

General. Our certificate of incorporation authorizes our Board of Directors to issue up to 1,000,000 shares of our preferred stock, par value \$0.05 per share, of which 5,003 shares have been designated as series X preferred stock, all of which are issued and outstanding.

Subject to the limitations prescribed by our certificate of incorporation, our Board of Directors is authorized to establish the number of shares constituting each series of preferred stock and to fix the designations, powers, preferences and rights of the shares of each of those series and the qualifications, limitations and restrictions of each of those series, all without any further vote or action by our stockholders. Our Board of Directors has designated 1,539 of the 1,000,000 authorized shares of preferred stock as series Y preferred stock (in addition to the previously designated 5,003 shares of series X preferred stock). When issued, the shares of series Y preferred stock will be validly issued, fully paid and non-assessable.

Rank. The series Y preferred stock will rank:

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senior to any class or series of our capital stock hereafter created specifically ranking by its terms junior to the series Y preferred stock;

on parity to our common stock with the exception of voting rights (in ordinary circumstances);

on parity to any class or series of our capital stock hereafter created specifically ranking by its terms on parity with series Y preferred stock; and

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junior to any class or series of our capital stock hereafter created specifically ranking by its terms senior to the series Y preferred stock;
in each case, as to distributions of assets upon our liquidation, dissolution or winding up whether voluntarily or involuntarily or the payment of dividends on our common stock.

Dividends. Holders of series Y preferred stock are entitled to receive dividends on shares of series Y preferred stock equal (on an as if converted to common stock basis) to and in the same form as dividends actually paid on our common stock and series X preferred stock.

Liquidation Preference. In the event of our liquidation, dissolution, or winding up, holders of our series Y preferred stock will participate pari passu (on an as-converted basis, without regard to any blocker provisions) in any distribution of proceeds to holders of our common stock and series X preferred stock.

Redemption. We are not obligated to redeem or repurchase any shares of series Y preferred stock. Shares of series Y preferred stock are not otherwise entitled to any redemption rights or mandatory sinking fund or analogous fund provisions.

Exchange Listing. We do not plan on making an application to list the series Y preferred stock on the Nasdaq Global Market, any national securities exchange or other nationally recognized trading system. We expect the common stock issuable upon conversion of the series Y preferred stock to be listed on the Nasdaq Global Market.

Conversion. The series Y preferred stock shall be convertible at the option of the holders thereof at any time after issuance into the number of registered shares of common stock determined by dividing the aggregate stated value of the series Y preferred stock being converted by the conversion price then in effect. The initial conversion price is \$13.00 and is subject to adjustment as described below. No holder may request a conversion of its series Y preferred stock to the extent such conversion would result in the holder and its affiliates beneficially owning more than a pre-set conversion blocker threshold, which will initially be set at 19.99% of our common stock then outstanding (the Beneficial Ownership Limitation). The amount of beneficial ownership of a holder and its affiliates will be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations of that section.

Conversion Price Adjustment Stock Dividends and Stock Splits. If we pay a stock dividend or otherwise make a distribution payable in common stock on our common stock or any common stock equivalents, subdivide or combine our outstanding common stock, or reclassify our common stock in such a way that we issue additional shares of our capital stock, the series Y preferred stock conversion price will be adjusted by multiplying the then-existing conversion price by a fraction, the numerator of which is the number of shares of common stock outstanding immediately before the distribution, dividend, adjustment or recapitalization and the denominator of which is the number of shares of common stock outstanding immediately after such action.

Fundamental Transaction. If we effect a fundamental transaction (as defined below), then upon any future conversion of the series Y preferred stock, the holders will have the right to receive, for each common share they would have received upon such conversion, the same kind and amount of securities, cash or property as such holders would have been entitled to receive in the fundamental transaction had they been the holder of common stock immediately prior to the fundamental transaction. The term fundamental transaction means any of the following:

a merger or consolidation of the Company with or into another entity or any stock sale to, or other business combination in which the Company is not the surviving entity;

the sale of all or substantially all of our assets in one transaction or a series of related transactions;

any completed tender offer or exchange offer involving holders of common stock in which more than 50% of the common stock is converted or exchanged into other securities, cash or property, regardless of who makes such offer; or

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any reclassification of common stock or any compulsory share exchange by which our common stock is effectively converted into or exchanged for other securities, cash or property (but not a reverse stock split). If the holders of common stock are given a choice as to the securities, cash or property to be received in a fundamental transaction, the holders of series Y preferred stock will be given the same choice on conversion of such holders' shares.

Voting Rights. The series Y preferred stock shall have no voting rights, except to the extent expressly provided in our certificate of incorporation or as otherwise required by law. However, so long as at least 50% of the authorized shares of series Y preferred stock are outstanding, we may not take any of the following actions without the affirmative consent of holders of a majority of the outstanding series Y preferred stock:

amend our certificate of incorporation, bylaws or other charter documents so as to materially, specifically and adversely affect the preferences, rights, privileges of the series Y preferred stock;

issue additional shares of series Y preferred stock or increase or decrease the number of authorized shares of series Y preferred stock;

enter into any agreement or understanding to take any of the actions listed above.

Shares Outstanding After the Rights Offering

As of the record date, there were 8,395,289 shares of our common stock outstanding, 5,003 shares of our series X preferred stock outstanding and no shares of our series Y preferred stock outstanding. We will issue up to a maximum of 1,538,462 shares of common stock (or an equivalent number of shares of series Y preferred stock) in the rights offering and/or pursuant to the Backstop Commitment. Based on the number of shares issued and outstanding as of the record date, if we issue all 1,538,462 shares of common stock available in this rights offering and/or pursuant to the Backstop Commitment, we would have 9,933,751 shares of common stock issued and outstanding following the completion of the rights offering.

The shares of our common stock are listed on the Nasdaq Global Market under the symbol XOMA.

Reasons for the Rights Offering

We are conducting the rights offering in order to raise additional capital and to improve and strengthen our financial position. We intend to use the net proceeds from the rights offering to acquire additional potential royalty and milestone revenue streams, for working capital and other general corporate purposes.

In authorizing the rights offering, our Board of Directors considered and evaluated a number of factors, including:

our current capital resources and our future need for additional liquidity and capital;

the size and timing of the rights offering;

the potential dilution to our current stockholders if they choose not to participate in the offering;

alternatives available for raising capital, including debt and other forms of equity raises;

the potential impact of the rights offering on the public float for our common stock;

BVF's willingness to backstop the rights offering;

that applicable Nasdaq marketplace rules do not require stockholder approval of the rights offering or the Backstop Commitment; and

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the fact that existing stockholders would have the opportunity to participate on a *pro rata* basis to purchase additional shares of common stock.

The net proceeds to us, after deducting estimated offering expenses, will be approximately \$19.7 million, assuming all shares of common stock or series Y preferred stock are issued in the rights offering and/or pursuant to the Backstop Commitment. We estimate that the expenses of the rights offering will be approximately \$0.3 million.

Investment Agreement

We have entered into an Investment Agreement with BVF, pursuant to which BVF has agreed to provide the Backstop Commitment. One of our Directors, Matthew Perry, is President of BVF. For more information, see the section entitled "Description of the Backstop Commitment" of this prospectus supplement.

Limitations on the Purchase of Shares of Common Stock

You may only purchase the number of whole shares of common stock purchasable upon exercise of the subscription rights distributed to you in the rights offering. Accordingly, the number of shares of common stock that you may purchase in the rights offering is limited by the number of our shares of common stock you held on the record date. We reserve the right to reject any or all subscriptions not properly submitted or the acceptance of which would, in the opinion of our counsel, be unlawful.

In addition, we will not be required to issue to you shares of our common stock pursuant to the rights offering if, in our opinion, you are required to obtain prior clearance or approval from any state or federal regulatory authorities to own or control the shares and if, at the time the rights offering expires, you have not obtained this clearance or approval.

Method of Exercising Subscription Rights

The exercise of subscription rights is irrevocable and may not be cancelled or modified. You may exercise your subscription rights as follows:

Subscription by Registered Holders

To exercise your subscription rights, you must properly complete and execute the subscription rights certificate, together with any required signature guarantees, and forward it, together with payment in full of the subscription price for each share of our common stock you are subscribing for, to the subscription agent at the address set forth under "Subscription Agent" below, on or prior to the expiration date.

Subscription by Beneficial Owners

If you are a beneficial owner of shares that holds your shares through a broker, custodian bank or other nominee, we will ask your broker, custodian bank or other nominee to notify you of the rights offering. If you wish to exercise your subscription rights, you will need to have your broker, custodian bank or other nominee act for you and exercise your subscription rights and deliver all documents and payment on your behalf prior to 5:00 p.m., New York time, on December 14, 2018. If you hold certificates of our common stock directly and would prefer to have your broker, custodian bank or other nominee act for you, you should contact your nominee and request it to effect the transactions for you.

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To indicate your decision with respect to your subscription rights, you should complete and return to your broker, custodian bank or other nominee, the form entitled Beneficial Owner Election Form. You should receive this form from your broker, custodian bank or other nominee with the other subscription rights offering materials.

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You should contact your broker, custodian bank or other nominee if you do not receive this form, but you believe you are entitled to participate in the rights offering. We are not responsible if you do not receive the form from your broker, custodian bank or nominee or if you receive it without sufficient time to respond.

Medallion Guarantee May Be Required

Your signature on the subscription rights certificate must be guaranteed by an eligible institution, such as a member firm of a registered national securities exchange or a member of the Financial Industry Regulatory Authority, or a commercial bank or trust company having an office or correspondent in the United States under certain circumstances provided for in the Instructions as to use of Rights Certificates and subject to standards and procedures adopted by the subscription agent, unless you are an eligible institution.

Instructions for Completing Your Subscription Rights Certificate

You should read the instruction letter accompanying the subscription rights certificate carefully and strictly follow it. Do not send subscription rights certificates or payments to us. We will not consider your subscription received until the subscription agent has received delivery of a properly completed and duly executed subscription rights certificate and payment of the full subscription amount. The risk of delivery of all documents and payments is borne by you or your nominee, not us or the subscription agent.

The method of delivery of subscription rights certificates and payment of the subscription amount to the subscription agent will be at the risk of the holders of subscription rights. If sent by mail, we recommend that you send those certificates and payments by overnight courier or by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the subscription agent and clearance of payment before the expiration of the subscription period for the rights offering.

Validity of Subscriptions

We will resolve all questions regarding the validity and form of the exercise of your subscription rights, including time of receipt and eligibility to participate in the rights offering. Our determination will be final and binding. Once made, subscriptions and directions are irrevocable, and we will not accept any alternative, conditional or contingent subscriptions or directions. We reserve the absolute right to reject any subscriptions or directions not properly submitted or the acceptance of which would be unlawful. You must resolve any irregularities in connection with your subscriptions before the subscription period expires, unless waived by us at our sole discretion. Neither the subscription agent nor we shall be under any duty to notify you or your representative of defects in your subscriptions. A subscription will be considered accepted, subject to our right to cancel the rights offering, only when a properly completed and duly executed subscription rights certificate and any other required documents and payment of the full subscription amount have been received by the subscription agent. Our interpretations of the terms and conditions of the rights offering will be final and binding.

No Revocation or Change

Once you submit the form of subscription rights certificate to exercise any subscription rights, you are not allowed to revoke or change the exercise or request a refund of monies paid. All exercises of subscription rights are irrevocable. You should not exercise your subscription rights unless you are certain that you wish to purchase the shares of common stock offered pursuant to this rights offering.

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Payment for Shares

Method of Payment

Your payment of the subscription price must be made in U.S. dollars for the full number of shares of common stock you wish to acquire in the rights offering by either:

wire transfer of immediately available funds to accounts maintained by the subscription agent;

uncertified check payable to American Stock Transfer & Trust Company, LLC (acting as subscription agent for XOMA Corporation) ;

bank draft drawn upon a U.S. bank and payable to American Stock Transfer & Trust Company, LLC (acting as subscription agent for XOMA Corporation) ; or

U.S. postal money order payable to American Stock Transfer & Trust Company, LLC (acting as subscription agent for XOMA Corporation).

If you hold your rights through a broker, dealer, custodian bank or other nominee, you must deliver the applicable subscription payment and a completed form entitled Beneficial Owner Election Form (or such other appropriate documents as are provided by your nominee related to your subscription rights) to your nominee in each case, prior to the expiration of the rights offering.

Segregated Account; Return of Funds

The subscription agent will hold funds received in payment for shares of the common stock in a segregated account pending completion of the rights offering. The subscription agent will hold this money until the rights offering is completed or is cancelled. If the rights offering is cancelled for any reason, the subscription agent will return this money to subscribers, without interest or penalty, as soon as practicable.

Receipt of Payment

Your payment will be considered received by the subscription agent only upon:

clearance of any uncertified check deposited by the subscription agent; or

receipt by the subscription agent of any wire or bank draft drawn upon a U.S. bank or any U.S. postal money order.

Payment received after the expiration of the rights offering period will not be honored, and, in that case, the subscription agent will return your payment to you, without interest or penalty, as soon as practicable.

Clearance of Uncertified Checks

If you are paying by uncertified personal check, please note that payment will not be deemed to have been received by the subscription agent until the check has cleared, which could take at least five or more business days to clear. If you wish to pay the subscription price by uncertified personal check, we urge you to make payment sufficiently in advance of the time the rights offering expires to ensure that your payment is received by the subscription agent and clears by the rights offering expiration date. We urge you to consider making your payment by wire transfer or, as an alternative, using a bank draft or U.S. postal money order.

Missing or Incomplete Subscription Information

If you do not indicate the number of rights being exercised or complete the other required information, or do not forward full payment of the total subscription price payment for the number of subscription rights that you indicate are being exercised, then you will be deemed to have exercised your subscription rights with respect to

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the maximum number of subscription rights that may be exercised with the aggregate subscription price payment you delivered to the subscription agent. If we do not apply your full subscription price payment to your purchase of shares of our common stock, the subscription agent will return the excess amount to you by mail, without interest or penalty, as soon as practicable after the expiration date of the rights offering.

Amendment, Withdrawal and Termination

The period for exercising your subscription rights may be extended by our Board of Directors in its reasonable discretion. Our Board of Directors does not currently intend to extend the expiration of the rights offering.

If we cancel the rights offering, in whole or in part, all affected subscription rights will expire without value, and all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable. If we cancel the rights offering, we will issue a press release notifying stockholders of the cancellation.

Notice to Brokers and Nominees

If you are a broker, custodian bank or other nominee holder that holds shares of our common stock for the account of others on the rights offering record date, you should notify the respective beneficial owners of such shares of the rights offering as soon as possible to learn their intentions with respect to exercising their subscription rights. You should obtain instructions from the beneficial owner with respect to their subscription rights, as set forth in the instructions we have provided to you for your distribution to beneficial owners. If the beneficial owner so instructs, you should complete the appropriate subscription rights certificates and submit them to the subscription agent with the proper payment. If you hold shares of our common stock for the account(s) of more than one beneficial owner, you may exercise the number of subscription rights to which all such beneficial owners in the aggregate otherwise would have been entitled had they been direct record holders of our common stock on the subscription rights offering record date, provided that you, as a nominee record holder, make a proper showing to the subscription agent by submitting the form entitled *Nominee Holder Certification* that we will provide to you with your subscription rights offering materials. If you did not receive this form, you should contact the subscription agent to request a copy.

Transferability of Subscription Rights

The subscription rights granted to you are non-transferable and, therefore, you may not sell, transfer or assign your subscription rights to anyone else.

Delivery of Shares

All shares of common stock that you purchase in the rights offering will be issued in book-entry, or uncertificated, form. All shares of series Y preferred stock that you purchase in the rights offering will be certificated, provided that the underlying common stock (when and as issued on conversion) will be issued in book-entry form or delivered via DWAC to the converting stockholders' account (as requested by the stockholder). When issued, the shares will be registered in the name of the subscription rights holder of record. As soon as practicable after the expiration of the rights offering, the subscription agent, in the case of the common stock, or the company, in the case of the series Y preferred stock, will arrange for the issuance of the shares of common stock or series Y preferred stock purchased in the rights offering. Subject to state securities laws and regulations, we have the discretion to delay distribution of any shares you may have elected to purchase by exercise of your subscription rights in order to comply with state securities laws.

Rights of Subscribers

You will have no rights as a stockholder of our common stock until your account, or your account at your broker, custodian bank or other nominee is credited with the shares of our common stock purchased in the rights

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offering. You will have no right to revoke your subscriptions after you deliver your completed subscription rights certificate, payment and any other required documents to the subscription agent.

No Recommendation to Subscription Rights Holders

Our Board of Directors is making no recommendations regarding your exercise of the subscription rights. You are urged to make your own decision whether or not to exercise your subscription rights based on your own assessment of our business and the rights offering. See **Risk Factors** in this prospectus supplement and in any document incorporated by reference into this prospectus supplement and the accompanying prospectus.

Miscellaneous

No Brokers, Dealers or Underwriters

We have not employed any brokers, dealers or underwriters in connection with the solicitation of the exercise of subscription rights, and, except as described herein, no other commissions, underwriting fees or discounts will be paid in connection with this rights offering.

Subscription Agent

American Stock Transfer & Trust Company, LLC is acting as the subscription agent for the rights offering under an agreement with us. All subscription rights certificates, payments of the subscription price (other than wire transfers) and nominee holder certifications, to the extent applicable to your exercise of subscription rights, must be delivered to American Stock Transfer & Trust Company, LLC as follows:

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

Attn: Reorganization Department

(877) 248-6417 or (718) 921-8317

We will pay the fees and expenses of AST as subscription agent.

If you deliver subscription documents or subscription rights certificates in a manner different than that described in this prospectus supplement, then we may not honor the exercise of your subscription rights.

Information Agent

D.F. King & Co., Inc. is acting as the information agent for the rights offering under an agreement with us.

You should direct any questions or requests for assistance concerning the method of subscribing for the shares of common stock or series Y preferred stock or for additional copies of this prospectus supplement to D.F. King & Co., Inc. at (212) 269-5550 or (866) 721-1324 or xoma@dfking.com.

We will pay the fees and expenses of D.F. King & Co., Inc., as information agent.

Other Matters

We are not making the rights offering in any state or other jurisdiction in which it is unlawful to do so, nor are we distributing or accepting any offers to purchase any shares of our common stock from subscription rights holders who are residents of those states or other jurisdictions or who are otherwise prohibited by federal, state or foreign laws or regulations from accepting or exercising the subscription rights. We may delay the commencement of the rights offering in those states or other jurisdictions, or change the terms of the rights offering, in whole or in part,

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in order to comply with the securities laws or other legal requirements of those states or other jurisdictions. Subject to state securities laws and regulations, we also have the discretion to delay allocation and distribution of any shares you may elect to purchase in the rights offering in order to comply with state securities laws. We may decline to make modifications to the terms of the rights offering requested by those states or other jurisdictions, in which case, if you are a resident in those states or jurisdictions or if you are otherwise prohibited by federal, state or foreign laws or regulations from accepting or exercising the subscription rights, you will not be eligible to participate in the rights offering.

Questions About Exercising Subscription Rights

If you have any questions or require assistance regarding the method of exercising your subscription rights or requests for additional copies of this document or the Instructions as to the Use of XOMA Corporation Subscription Rights Certificates distributed by the subscription agent, you should contact the information agent, D.F. King & Co., Inc., at 48 Wall Street, New York, NY 10005, (866) 721-1324 or xoma@dfking.com.

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DESCRIPTION OF THE BACKSTOP COMMITMENT

Below is a brief summary of matters related to the Backstop Commitment.

Investment Agreement

On November 6, 2018, the Company entered into the Investment Agreement, pursuant to which BVF agreed to provide the Backstop Commitment, whereby BVF has agreed to purchase from us, subject to certain conditions, shares of series Y preferred stock in an amount equal to the aggregate value of the shares of common stock not subscribed for in the rights offering, at a price per share equal to \$13,000 per share of series Y preferred stock (the Backstop Commitment). In addition to the investment under the Investment Agreement, as a stockholder as of the record date, BVF will have the right to subscribe for and purchase shares of our series Y preferred stock in the rights offering and will have the right to subscribe for any unpurchased shares at the end of the offering period in the form of shares of our series Y preferred stock. If BVF does not exercise this purchase right in full, then it will be obligated to purchase an equivalent number of shares of our series Y preferred stock pursuant to the Backstop Commitment. One of our directors, Matthew Perry, is President of BVF.

BVF's obligation to provide the Backstop Commitment under the Investment Agreement is subject to certain conditions, including, but not limited to, the following: (i) the rights offering being completed in accordance with the terms and conditions of the Investment Agreement and this prospectus supplement; (ii) BVF having received certain notices from us; (iii) all governmental and third party notifications, filings, consents, waivers and approvals required for the consummation of the transactions contemplated by the Investment Agreement having been made or received; (iv) the accuracy of our representations and warranties made in the Investment Agreement; and (v) the absence of a material adverse effect, including (A) a material adverse change in the financial markets in the United States, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, (B) a suspension or material limitation on trading, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by Nasdaq Stock Market or any other securities exchange or by order of the SEC or any other governmental authority, (C) a material disruption in commercial banking or securities settlement or clearance services in the United States, or (D) a declaration of a banking moratorium by either Federal or New York authorities.

The Investment Agreement may be terminated by mutual written consent of the Company and BVF or by BVF if the Closing has not been consummated within ten (10) business days from the expiration of the offering period through no fault of BVF.

We are not paying a fee to BVF in connection with the Backstop Commitment. However, we have agreed to reimburse BVF for its reasonable legal fees and expenses in connection with the Investment Agreement and the rights offering, not to exceed \$75,000 in the aggregate.

BVF Ownership

In February 2017, the Company sold 1,200,000 shares of its common stock and 5,003 shares of Series X convertible preferred stock directly to BVF in a registered direct offering, for aggregate net cash proceeds of \$24.8 million.

BVF purchased the shares of common stock from the Company at a price of \$4.03 per share, the closing stock price on the date of purchase. Each share of Series X convertible preferred stock has a stated value of \$4,030 per share and is convertible into 1,000 shares of registered common stock based on a conversion price of \$4.03 per share of common stock. The total number of shares of common stock issued upon conversion of all issued Series X convertible

preferred stock will be 5,003,000 shares. Each share is convertible at the option of BVF at any time, provided that BVF will be prohibited from converting into common stock if, as a result of such conversion,

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BVF, together with its affiliates, would beneficially own a number of shares above a conversion blocker, which is currently set at 19.99% of the total common stock then issued and outstanding immediately following the conversion of such shares. As of the record date, BVF owned 1,503,565 shares of our common stock, representing approximately 17.9% of our outstanding common stock. If all of the series X preferred shares were converted, BVF would own an additional 5,003,000 shares of our common stock, representing approximately 48.6% of the Company's total outstanding common stock. As of the record date, none of the series X preferred stock has been converted into shares of the Company's common stock.

Following completion of the rights offering and after giving effect to the Backstop Commitment, if no other stockholders exercise their subscription rights in the rights offering, BVF will own 1,503,565 shares of our common stock, 5,003 shares of series X preferred stock, and 1,538 shares of series Y preferred stock, representing an additional 1,538,000 shares of common stock on an as-converted basis (in each case subject to applicable conversion limits).

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PLAN OF DISTRIBUTION

We will distribute the subscription rights, subscription rights certificates and copies of this prospectus supplement and the accompanying prospectus to persons who owned shares of our common stock or series X preferred stock of record as of 5:00 p.m., New York time, on November 16, 2018, the record date for the rights offering. If you wish to exercise your subscription rights and purchase shares of common stock or series Y preferred stock (as applicable), you should complete the subscription rights certificate and return it with payment for the shares, to the subscription agent, American Stock Transfer & Trust Company, LLC. See Description of the Rights Offering - Method of Exercising Subscription Rights. If you have any questions, you should contact the information agent, D.F. King & Co., Inc., at 48 Wall Street, New York, NY 10005, (866) 721-1324 or xoma@dfking.com. The subscription rights will not be listed on any stock exchange or market or on the OTC Markets. Our shares of common stock are listed on the Nasdaq Global Market under the symbol XOMA.

We have agreed to pay the subscription agent and information agent customary fees plus certain expenses in connection with the rights offering. We have not employed any brokers, dealers or underwriters in connection with the solicitation of exercise of subscription rights. Except as described in this section, we are not paying any other commissions, underwriting fees or discounts in connection with the rights offering. Some of our employees may solicit responses from you as a holder of subscription rights, but we will not pay our employees any commissions or compensation for these services other than their normal employment compensation. We estimate that our total expenses in connection with the rights offering will be approximately \$0.3 million.

LEGAL MATTERS

The validity of the securities being offered hereby will be passed upon for us by Cooley LLP, Palo Alto, California.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, which are incorporated by reference into this prospectus supplement, the accompanying prospectus and elsewhere in the registration statement. Our audited financial statements are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus supplement and the accompanying prospectus are part of the registration statement on Form S-3 we filed with the Commission under the Securities Act and do not contain all the information set forth or incorporated by reference in the registration statement. Whenever a reference is made in this prospectus supplement or the accompanying prospectus to any of our contracts, agreements or other documents, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement or the exhibits to the reports or other documents incorporated by reference into this prospectus supplement and the accompanying prospectus for a copy of such contract, agreement or other document. Because we are subject to the information and reporting requirements of the Exchange Act, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

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INCORPORATION BY REFERENCE

This prospectus supplement and the accompanying prospectus is part of a registration statement on Form S-3. The Commission allows this filing to incorporate by reference information that we previously have filed with the Commission. This means we can disclose important information to you by referring you to other documents that we have filed with the Commission. The information that is incorporated by reference is considered part of this prospectus supplement and the accompanying prospectus, and information that we file later will automatically update and may supersede this information. For further information about our company and the securities being offered, you should refer to the registration statement and the following documents that are incorporated by reference:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 7, 2018;

our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2018, June 30, 2018 and September 30, 2018 filed with the SEC on May 9, 2018, August 7, 2018 and November 7, 2018, respectively;

our Current Reports on Form 8-K filed with the SEC on March 23, 2018, April 5, 2018, May 8, 2018, May 18, 2018, September 21, 2018, October 18, 2018, November 7, 2018 and November 19, 2018;

the portions of our Definitive Proxy Statement on Schedule 14A filed with the Commission on April 3, 2018 that are incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2017; and

the description of our capital stock included under the caption Description of Capital Stock in the prospectus dated December 16, 2011, which was filed on December 19, 2011, and is part of our registration statement on Form S-4/A filed on December 13, 2011 (registration no. 333-177165), including any amendment or report for the purpose of updating such description.

In addition, all documents filed by us under Sections 13(a), 14 or 15(d) of the Exchange Act of 1934, as amended (the Exchange Act) (excluding, unless otherwise provided in this prospectus supplement or in the applicable document, documents not deemed filed with the SEC and information furnished pursuant to Item 2.02 and Item 7.01 on any Current Report on Form 8-K or certain exhibits furnished pursuant to Item 9.01 of Form 8-K), after the date of this prospectus supplement but before the termination of the rights offering covered by this prospectus supplement, are hereby incorporated by reference herein. We have not authorized anyone to provide you with any different or additional information other than that contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may provide.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus supplement modifies

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or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

The documents incorporated by reference into this prospectus supplement and the accompanying prospectus are available from us upon request. We will provide a copy of any and all of the documents incorporated by reference (excluding exhibits, unless the exhibits are specifically incorporated), without charge, upon written or oral request. Requests for any of these documents should be directed to:

XOMA Corporation

2200 Powell Street, Suite 310

Emeryville, California 94608

(510) 204-7200

Attn: Chief Financial Officer

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PROSPECTUS

\$300,000,000

Common Stock

Preferred Stock

Debt Securities

Warrants

We may, from time to time, offer and sell up to \$300,000,000 of any combination of our common stock, preferred stock, debt securities or warrants described in this prospectus, either individually or in combination with other securities, at prices and on terms described in one or more supplements to this prospectus. We may also offer common stock or preferred stock upon conversion of debt securities, common stock upon conversion of preferred stock, or common stock, preferred stock or debt securities upon the exercise of warrants. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings.

This prospectus describes some of the general terms that may apply to an offering of our securities. The specific terms and any other information relating to a specific offering will be set forth in supplement to this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings. You should read this prospectus, the information incorporated by reference in this prospectus and any applicable prospectus supplement or free writing prospectus carefully before you invest.

Securities may be sold by us to or through underwriters or dealers, directly to purchasers or through agents designated from time to time. For additional information on the methods of sale, you should refer to the section under the heading **Plan of Distribution** in this prospectus and under a similar heading in the applicable prospectus supplement. If any underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such underwriters and any applicable discounts or commissions and over-allotment options will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement.

Our common stock is listed on the Nasdaq Global Market under the symbol **XOMA**. On March 6, 2018, the last reported sale price of our common stock on the Nasdaq Global Market was \$26.49 per share.

Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading **Risk Factors** contained in the applicable prospectus supplement and in any free writing prospectuses we have authorized for use in connection with a specific offering, and under similar headings in the documents that are incorporated by reference into this prospectus.

This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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The date of this prospectus is April 5, 2018

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You should rely only on the information contained in or incorporated by reference into this prospectus or any applicable prospectus supplement or free writing prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell or seeking an offer to buy securities under this prospectus or any applicable prospectus supplement or free writing prospectus in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus, any applicable prospectus supplement or free writing prospectus and the documents incorporated by reference herein and therein are accurate only as of their respective dates, regardless of the time of delivery of this prospectus or any sale of a security.

About this Prospectus

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration statement, we may sell from time to time in one or more offerings up to a total dollar amount of \$300,000,000 of common stock and preferred stock, various series of debt securities and/or warrants to purchase any of such securities, either individually or in combination with other securities as described in this prospectus. Each time we sell any type or series of securities under this prospectus, we will provide a prospectus supplement that will contain more specific information about the terms of that offering. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings. We may also add, update or change in a prospectus supplement or free writing prospectus any of the information contained in this prospectus or in documents we have

incorporated by reference into this prospectus. This prospectus, together with any applicable prospectus supplement or free writing prospectus and the documents incorporated by reference into this prospectus, include all material information relating to this offering. You should carefully read both this prospectus and any applicable prospectus supplement and any related free writing prospectus together with the additional information described under "Where You Can Find More Information" before buying securities in this offering.

You should rely only on the information contained in, or incorporated by reference into, this prospectus and the applicable prospectus supplement, along with the information contained in any free writing prospectuses

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we have authorized for use in connection with a specific offering. We have not authorized anyone to provide you with different or additional information. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so.

The information appearing in this prospectus, any applicable prospectus supplement and any related free writing prospectus is accurate only as of the date on the front of the document and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus, the applicable prospectus supplement or any related free writing prospectus, or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under the section entitled **Where You Can Find More Information**.

Unless otherwise specified or required by context, references in this prospectus to **XOMA**, **the Company**, **we**, **us** and **our** refer to XOMA Corporation, a Delaware corporation and its consolidated subsidiaries, if any, unless otherwise specified.

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Prospectus Summary

*This summary highlights selected information contained elsewhere in this prospectus or incorporated by reference herein and does not contain all the information that may be important to purchasers of our securities. Prospective purchasers of our securities should carefully read the entire prospectus, the applicable prospectus supplement and any related free writing prospectus, including the risks of investing in our securities discussed under the heading **Risk Factors** contained in the applicable prospectus supplement and any related free writing prospectus, and under similar headings in the other documents that are incorporated by reference into this prospectus. Prospective purchasers of our securities should also carefully read the information incorporated by reference into this prospectus, including our financial statements, and the exhibits to the registration statement of which this prospectus is a part.*

This prospectus and the information incorporated herein by reference include trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included or incorporated by reference into this prospectus or any related free writing prospectus are the property of their respective owners.

XOMA CORPORATION

Overview

We are a Delaware corporation with a long history of discovering and developing innovative therapeutics derived from our unique platform of antibody technologies. Over our 37-year history, we built an extensive portfolio of fully-funded programs by advancing product candidates into the earlier stages of development and then licensing them to licensees who assumed the responsibilities of later stage development, approval and commercialization. Fully-funded programs are those for which our partners pay all of the development and commercialization costs. As licensees advance these programs, we are eligible for potential milestone and royalty payments.

In March 2017, we transformed our business model to become a royalty aggregator where we focus on expanding our portfolio of fully-funded programs by out-licensing our internally developed product candidates and acquiring potential milestone and royalty revenue streams on additional product candidates. We combined our royalty-aggregator model with a significantly reduced corporate cost structure to further build value for our stockholders. We expect that a significant portion of our future revenue will be based on payments we may receive for milestones and royalties related to these programs.

We have designed our business model to create value for stockholders by assembling a diversified portfolio of biotech and pharmaceutical revenue streams and operating that business with an efficient and low corporate cost structure. Our goal is to become a sustainably profitable company that offers investors an opportunity to participate in the promise of the biotech industry in a diversified, lower-risk business investment than a typical biotech model.

Risks Associated with our Business

Our business is subject to numerous risks, as described under the heading **Risk Factors** contained in the applicable prospectus supplement and in any free writing prospectuses we have authorized for use in connection with a specific offering, and under similar headings in the documents that are incorporated by reference into this prospectus.

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Company Information

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.

Our principal executive offices are located at 2200 Powell Street, Suite 310, Emeryville, California 94608, and we maintain a registered office located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. Our telephone number at our principal executive offices is (510) 204-7200. Our website address is www.xoma.com. Information found on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus, and you should not consider it part of this prospectus or part of any prospectus supplement. Our website address is included in this document as an inactive textual reference only.

Nasdaq Global Market Listing

Our common stock is listed on The Nasdaq Global Market under the symbol XOMA.

The Securities We May Offer

We may offer shares of our common stock and preferred stock, various series of debt securities and/or warrants to purchase any of such securities, either individually or in combination with other securities, with a total value of up to \$300,000,000 from time to time under this prospectus, together with the applicable prospectus supplement and any related free writing prospectus, at prices and on terms to be determined at the time of any offering. We may also offer common stock, preferred stock and/or debt securities upon the exercise of warrants. This prospectus provides you with a general description of the securities we may offer. Each time we offer a type or series of securities under this prospectus, we will provide a prospectus supplement that will describe the specific amounts, prices and other important terms of the securities, including, to the extent applicable:

designation or classification;

aggregate principal amount or aggregate offering price;

maturity date, if applicable;

original issue discount, if any;

rates and times of payment of interest or dividends, if any;

redemption, conversion, exercise, exchange or sinking fund terms, if any;

ranking;

restrictive covenants, if any;

voting or other rights, if any;

conversion or exchange prices or rates, if any, and, if applicable, any provisions for changes to or adjustments in the conversion or exchange prices or rates and in the securities or other property receivable upon conversion or exchange; and

a discussion of material United States federal income tax considerations, if any.

The applicable prospectus supplement and any related free writing prospectus that we may authorize to be provided to you may also add, update or change information contained in this prospectus or in documents we have incorporated by reference. However, no prospectus supplement or free writing prospectus will offer a security that is not registered and described in this prospectus at the time of the effectiveness of the registration statement of which this prospectus is a part.

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This prospectus may not be used to consummate the sale of securities unless it is accompanied by a prospectus supplement.

We may sell the securities directly to investors or to or through agents, underwriters or dealers. We, and our agents, underwriters or dealers reserve the right to accept or reject all or part of any proposed purchase of securities. If we do offer securities to or through agents, underwriters or dealers, we will include in the applicable prospectus supplement:

the names of those agents, underwriters or dealers;

applicable fees, discounts and commissions to be paid to them;

details regarding over-allotment options, if any; and

the net proceeds to us.

Common Stock. We may issue shares of our common stock from time to time. Common stockholders are entitled to one vote per share for the election of directors and on all other matters that require common stockholder approval. Holders of our common stock are entitled to share in an equal amount per share in any dividends declared by our board of directors on the common stock and paid out of legally available assets. Subject to any preferential rights of any outstanding preferred stock, in the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock. Our common stock does not carry any preemptive rights enabling a holder to subscribe for, or receive shares of, any class of our common stock or any other securities convertible into shares of any class of our common stock, or any redemption rights. There are no redemption or sinking fund provisions applicable to our common stock. In this prospectus, we have summarized certain general features of the common stock under *Description of Capital Stock* *Common Stock*. We urge you, however, to read the applicable prospectus supplement (and any related free writing prospectus that we may authorize to be provided to you) related to any common stock being offered.

Preferred Stock. We may issue shares of our preferred stock from time to time, in one or more series. Under our certificate of incorporation, our board of directors has the authority to designate up to 1,000,000 shares of preferred stock in one or more series and to fix the privileges, preferences and rights of each series of preferred stock, any or all of which may be greater than the rights of the common stock. Currently, of 1,000,000 shares of preferred stock, 5,003 shares are designated as Series X Preferred Stock. If we sell any new series of preferred stock under this prospectus and any applicable prospectus supplement, our board of directors will determine the designations, voting powers, preferences and rights of the preferred stock, as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, preemptive rights, terms of redemption or repurchase, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of any series. Convertible preferred stock will be convertible into our common stock or exchangeable for other securities. Conversion may be mandatory or at your option and would be at prescribed conversion rates.

If we sell any series of preferred stock under this prospectus, we will fix the designations, voting powers, preferences and rights of such series of preferred stock, as well as the qualifications, limitations or restrictions thereof, in the certificate of designation relating to that series. We will file as an exhibit to the registration statement of which this

prospectus is a part, or will incorporate by reference from reports that we file with the SEC, the form of any certificate of designation that contains the terms of the series of preferred stock that we are offering before the issuance of the related series of preferred stock. In this prospectus, we have summarized certain general features of the preferred stock under Description of Capital Stock Preferred Stock. We urge you, however, to read the applicable prospectus supplement (and any related free writing prospectus that we may authorize to be provided to you) related to the series of preferred stock being offered, as well as the complete certificate of designation that contains the terms of the applicable series of preferred stock.

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Debt Securities. We may issue debt securities from time to time, in one or more series, as either senior or subordinated debt or as senior or subordinated convertible debt. The senior debt securities will rank equally with any other unsecured and unsubordinated debt. The subordinated debt securities will be subordinate and junior in right of payment, to the extent and in the manner described in the instrument governing the debt, to all of our senior indebtedness. Convertible debt securities will be convertible into or exchangeable for our common stock or other securities. Conversion may be mandatory or at your option and would be at prescribed conversion rates.

Any debt securities issued under this prospectus will be issued under one or more documents called indentures, which are contracts between us and a national banking association or other eligible party, as trustee. In this prospectus, we have summarized certain general features of the debt securities under Description of Debt Securities. We urge you, however, to read the applicable prospectus supplement (and any free writing prospectus that we may authorize to be provided to you) related to the series of debt securities being offered, as well as the complete indentures that contain the terms of the debt securities. We have filed the form of indenture as an exhibit to the registration statement of which this prospectus is a part, and we will file supplemental indentures and forms of debt securities containing the terms of the debt securities being offered as exhibits t