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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 8, 2017

KaloBios Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction of
Incorporation)

001-35798
(Commission File No.)

77-0557236
(IRS Employer Identification No.)

**1000 Marina Boulevard, Suite 250
Brisbane, CA 94005-1878**
(Address of principal executive offices, including zip code)

(650) 243-3100
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 1.01. Entry into a Material Definitive Agreement

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

On July 12, 2017, KaloBios Pharmaceuticals, Inc. (the “Company”) issued a press release announcing that it had received an additional commitment for net financing proceeds of up to approximately \$5.0 million from its key investors. A copy of the press release is filed as Exhibit 99.1 hereto and incorporated herein by reference.

Amendment to Credit and Security Agreement

On July 8, 2017, the Company entered into a second amendment (the “Second Amendment”) to the Credit and Security Agreement dated December 21, 2016 (the “Credit Agreement”) as amended on March 21, 2017 (the “First Amendment”) with Black Horse Capital Master Fund Ltd., as administrative agent and lender (“BHCMF” or “Agent”), Black Horse Capital LP, as a lender (“BHC”), Cheval Holdings, Ltd., as a lender (“Cheval”) and Nomis Bay LTD, as a lender (“Nomis” and, together with BHCMF, BHC and Cheval, the “Lenders”). The Credit Agreement provided for a term loan in the original principal amount of \$3,315,217 (the “Term Loan”). The First Amendment provided for an additional term loan in the original principal amount of \$5,978,260.

The Second Amendment provides for additional loans that may be drawn by the Company on a bi-monthly basis from time to time (the “Grid Advances”) in an aggregate principal amount of up to \$5,434,783, less an upfront fee equal to 8% of each Grid Advance (the “Upfront Fee”) due and payable at the time of each such advance. The Second Amendment also requires the payment at maturity by the Company to the Lenders of a commitment fee equal to 5% of the aggregate amount of Grid Advances made, after deduction of Upfront Fees (the “Commitment Fee”). Assuming the entire principal amount of Grid Advances were borrowed the total principal amount of the Term Loan outstanding would be \$14,728,260. In accordance with the terms of the Credit Agreement, the Company will use the proceeds from the Grid Advances for general working capital, the payment of certain fees and expenses owed to the Agent and the Lenders in connection with the Credit Agreement and other costs incurred in the ordinary course of business. Aside from the increase in the principal amount extended, the Second Amendment did not modify any of the terms under the Credit Agreement, all of which will be applicable to the Grid Advances extended to the Company by the Lenders.

The foregoing description of the Second Amendment does not purport to be complete and is qualified in its entirety by reference to the copy thereof filed as exhibit 10.1 hereto and incorporated herein by reference.

Promissory Notes

The Company will issue in favor of each Lender separate promissory notes to evidence each Grid Advance made by such Lender under the Second Amendment. The form of promissory note is attached hereto as Exhibit II to the Second Amendment, and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d)

Exhibit Exhibit Description

10.1 Second Amendment to the Credit and Security Agreement, dated as of July 8, 2017, by and among KaloBios Pharmaceuticals, Inc., Black Horse Capital Master Fund Ltd., Black Horse Capital LP, Cheval Holdings, Ltd. and Nomis Bay LTD.

99.1 Press release dated July 12, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KaloBios Pharmaceuticals, Inc.

By: /s/Cameron Durrant

Name: Cameron Durrant

Title: Chairman of the Board and Chief Executive Officer

Dated: July 12, 2017

EXHIBIT INDEX

<u>Exhibit</u>	<u>Exhibit Description</u>
10.1	Second Amendment to the Credit and Security Agreement, dated as of July 8, 2017, by and among KaloBios Pharmaceuticals, Inc., Black Horse Capital Master Fund Ltd., Black Horse Capital LP, Cheval Holdings, Ltd. and Nomis Bay LTD.
99.1	Press release dated July 12, 2017

KaloBios Pharmaceuticals, Inc.
1000 Marina Blvd., Suite 250
Brisbane, CA 94005

July 8, 2017

Blackhorse Capital LP
Blackhorse Capital Master Fund Ltd.
Blackhorse Capital Management LLC
c/o Opus Equum, Inc.
P.O. Box 788
Dolores, Colorado 81323

Cheval Holdings, Ltd.
P.O. Box 309G
Ugland House,
Georgetown, Grand Cayman Islands KY1-1104

Nomis Bay LTD
Penboss Building
50 Parliament Street
Hamilton, Bermuda HM12

Re: Amendment to Credit and Security Agreement

Ladies and Gentlemen:

Reference is made to the Credit and Security Agreement, dated as of December 21, 2016, as amended by that certain letter amendment dated March 21, 2017 (the "First Amendment") and as so amended and as further amended hereby, collectively, the "Credit Agreement"), by and between KaloBios Pharmaceuticals, Inc. (the "Borrower") and Black Horse Capital LP, Black Horse Capital Master Fund Ltd., Cheval Holdings, Ltd., and Nomis Bay LTD (each a "Lender" and collectively, the "Lenders"), pursuant to which the Lenders loaned to the Borrower (i) the original principal amount of \$3,315,217 and (ii) an additional amount of \$5,978,260 pursuant to the First Amendment. Capitalized terms used but not defined herein have the meanings given to them in the Credit Agreement.

Pursuant to our prior discussions, the Borrower desires to borrow additional amounts from time to time (the "Grid Advances") of up to an aggregate amount of \$5,434,783.00 (the "Maximum Amount") and the Lenders desire to lend such Grid Advances to the Borrower on the terms and conditions set forth in the Credit Agreement and this letter agreement, which terms shall include an upfront fee equal to eight percent (8%) of each Grid Advance (the "Upfront Fee") due and payable at the time of each such advance and a commitment fee of five percent (5%) of the aggregate amount of Grid Advances made, after deduction of the Upfront Fee, due and payable on the Maturity Date.

Further Lenders and Borrower hereby agree as follows:

1. The Borrower may request Grid Advances on a bi-monthly basis from the Lenders up to the Maximum Amount.
2. No Lender shall be required to fund any Grid Advance in the event that (a) the representations and warranties set forth in the Credit Agreement are not true in all material respects, or (b) any Default or Event of Default has occurred or is continuing, (c) such request, if funded in its entirety, would result in the aggregate principal amount of Grid Advances then outstanding to exceed the Maximum Amount, or (d) if Lender has not approved the bi-monthly budget proposed by Borrower.
3. Each Lender's commitment to fund Grid Advances from time to time shall be in the amounts and proportions set forth on **Exhibit I**, attached hereto. Each Lender's proportion of the committed Maximum Amount shall be evidenced by a promissory note in substantially the form attached hereto as **Exhibit II** (the "Promissory Note").
4. The outstanding principal balance of the Grid Advances shall bear interest at the Fixed Rate specified in the Credit Agreement and shall be subject to the Default Interest Rate upon the occurrence of an Event of Default as defined in the Credit Agreement.
5. Except as specifically provided in this amendment and as the context of this amendment otherwise may require to give effect to the intent and purposes of this amendment, the Credit Agreement shall remain in full force and effect without any other amendments or modifications.
6. This amendment may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.
7. This amendment shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Delaware, without regard to the principles of conflicts of law thereof.

[Signature Page Follows]

Very truly yours,

KALOBIOS PHARMACEUTICALS, INC.

By: /s/ Cameron Durrant, M.D.

Name: Cameron Durrant, M.D.

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED:

BLACK HORSE CAPITAL LP

By: /s/ Dale Chappell
Name: Dale Chappell
Title: Manager of the GP

BLACK HORSE CAPITAL MASTER FUND LTD.

By: /s/ Dale Chappell
Name: Dale Chappell
Title: Director

CHEVAL HOLDINGS, LTD.

By: /s/ Dale Chappell
Name: Dale Chappell
Title: Director

NOMIS BAY LTD

By: /s/ Peter Poole
Name: Peter Poole
Title: Director

Exhibit I

Lender Amounts

<u>Lender</u>	<u>Maximum Amount</u>	<u>Grid Advance Percentages</u>
Nomis Bay LTD	\$2,717,391.50	50.00%
Black Horse Capital Master Fund Ltd.	\$1,086,956.60	20.00%
Cheval Holdings, Ltd.	\$1,164,674.00	21.43%
Black Horse Capital LP	\$465,760.90	8.57%
Totals	\$5,434,783.00	100%

Exhibit II

Form of Promissory Note

GRID ADVANCE NOTE

\$ _____

_____, 2017

FOR VALUE RECEIVED, KALOBIOUS PHARMACEUTICALS, INC., a Delaware corporation (“Borrower”), hereby unconditionally promises to pay to the order of _____, a _____ (together with its successors and assigns, “Lender”) at the office of Lender at _____, or at such other place as Lender may from time to time designate in writing to Borrower, in lawful money of the United States of America and in immediately available funds, the principal sum of up to _____ and No/100 Dollars (\$ _____) or, if less, the aggregate unpaid principal amount of the portion of the Grid Advances made by Lender to Borrower under the terms of that certain Credit and Security Agreement, dated as of December 21, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), by and among Borrower, Lender, various other lenders as are, or may from time to time become, parties thereto as “Lenders” (including without limitation, Lender) and Black Horse Capital Master Fund Ltd., individually as a Lender, and as administrative agent (in such capacity and together with its successors and assigns, “Agent”).

All capitalized terms used herein (which are not otherwise specifically defined herein) shall be used in this Grid Advance Note (this “Note”) as defined in the Credit Agreement.

1. The outstanding principal balance of the Grid Advances evidenced by this Note shall be due and payable or otherwise satisfied in full on the Termination Date or the Maturity Date in accordance with the terms of the Credit Agreement.

2. This Note is issued in accordance with the provisions of the Credit Agreement and is entitled to the benefits and security of the Credit Agreement and the other Financing Documents, and reference is hereby made to the Credit Agreement for a statement of the terms and conditions under which the Grid Advances evidenced hereby were made and are required to be repaid. In the event of any conflict between the terms of this Note and the terms of the Credit Agreement, the terms of the Credit Agreement shall prevail.

3. Borrower promises to pay interest from the date of each Grid Advance made pursuant to this Note until payment in full of the unpaid principal balance of each such Grid Advance evidenced hereby at the per annum rate or rates set forth in the Credit Agreement. Interest on the unpaid principal balance of each Grid Advance evidenced hereby shall be payable on the dates and in the manner set forth in the Credit Agreement. Interest as aforesaid shall be calculated in accordance with the terms of the Credit Agreement.

4. Upon and after the occurrence and during the continuation of an Event of Default, and as provided in the Credit Agreement, all outstanding Grid Advances evidenced by this Note may be declared, and shall thereupon immediately become, due and payable without presentment, demand, protest, notice, or legal process of any kind whatsoever.

5. Payments received in respect of the Grid Advances shall be applied as provided in the Credit Agreement.

6. Presentment, demand, protest and notice of presentment, demand, nonpayment and protest are each hereby waived by Borrower as provided in the Credit Agreement.

7. No waiver by Agent or any Lender of any one or more defaults by the undersigned in the performance of any of its obligations under this Note shall operate or be construed as a waiver of any future default or defaults, whether of a like or different nature, or as a waiver of any obligation of Borrower to any other Lender under the Credit Agreement.

8. No provision of this Note may be amended, waived or otherwise modified unless such amendment, waiver or other modification is in writing and is signed or otherwise approved by Borrower, the Required Lenders and any other Lender under the Credit Agreement to the extent required under Section 10.15 of the Credit Agreement. No failure or delay on the part of any Lender in exercising any right, power, or remedy under this Note (including, without limitation, the right to declare this Note due and payable) shall operate as a waiver of such right, power, or remedy.

9. THIS NOTE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

10. Whenever possible each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but in case any provision of or obligation under this Note shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

11. Whenever in this Note reference is made to Agent, Lenders or Borrower, such reference shall be deemed to include, as applicable, a reference to their respective successors and assigns. The provisions of this Note shall be binding upon Borrower and its successors and assigns except that Borrower may not assign any of its rights or delegate any of its obligations under this Note without the prior written consent of Lenders. This Note shall inure to the benefit of Lender and its successors and assigns.

12. In addition to and without limitation of any of the foregoing, this Note shall be deemed to be a Financing Document and shall otherwise be subject to all of the general terms and conditions contained in Article 11 of the Credit Agreement, mutatis mutandis.

[SIGNATURES APPEAR ON FOLLOWING PAGE(S)]

IN WITNESS WHEREOF, intending to be legally bound, and intending that this Note constitutes an agreement executed under seal, the undersigned has executed this Note under seal as of the day and year first hereinabove set forth.

BORROWER:
KALOBIO PHARMACEUTICALS, INC.

By: _____
Name: Dr. Cameron Durrant
Title: Chairman and Chief Executive Officer

Address for Borrower: 1000 Marina Blvd #250
Brisbane, CA 94005-1878
Attn: Dr. Cameron Durrant
Facsimile:
E-Mail: camerondurrant@yahoo.com



KaloBios Receives \$5.0M in New Funding Commitment From Existing Investors

BRISBANE, Calif. – July 12, 2017 – KaloBios Pharmaceuticals, Inc. (OTCQB: KBIO), a biopharmaceutical company focused on advancing medicines for patients with neglected and rare diseases, today announced that it has received a commitment for additional net financing proceeds of up to approximately \$5.0 million from existing investors through an amendment to its term loan facility. Aside from the increase in the amount extended, the term loan facility remains unchanged.

The amendment brings the total principal amount of the loan from the lenders to \$14.7 million, assuming the full amount of the commitment is drawn by the company. The proceeds will provide additional working capital to the company and support the ongoing development of benznidazole for potential U.S. approval to treat Chagas disease, a neglected tropical disease, and lenzilumab for chronic myelomonocytic leukemia (CMML), a rare leukemia.

“We appreciate the ongoing support of our key investors as we execute our strategic priorities and remain on track in our development of benznidazole and lenzilumab,” said Cameron Durrant, MD, KaloBios Chairman and CEO.

About KaloBios Pharmaceuticals, Inc.

KaloBios Pharmaceuticals, Inc. (OTCQB: KBIO) is an emerging biopharmaceutical company focused on advancing medicines for patients with neglected and rare diseases through innovative and responsible business models. Lead compounds in the KaloBios portfolio are benznidazole for the potential treatment of Chagas disease in the U.S., and the proprietary monoclonal antibodies, lenzilumab and ifabotuzumab. Lenzilumab has potential for treatment of various rare diseases, including hematologic cancers such as chronic myelomonocytic leukemia (CMML) and potentially juvenile myelomonocytic leukemia (JMML). For more information, visit www.kalobios.com.

CONTACT:

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mike.cole@mzgroup.us

Media:

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media@kalobios.com