

July 7, 2016



## KaloBios Signs Definitive Agreement with Martin Shkreli Regarding Ownership of Shares

- *Provides mechanism for reduction of Mr. Shkreli's ownership under certain circumstances*
- *Immediately protects company by restricting his rights, actions as shareholder*

BRISBANE, Calif., July 07, 2016 (GLOBE NEWSWIRE) -- [KaloBios Pharmaceuticals, Inc.](#) (OTC:KBIOQ), a developmental stage biopharmaceutical company focused on advancing medicines for patients with neglected and rare diseases, announced today that it has signed a definitive Governance Agreement with Martin Shkreli, regarding his ownership of the company's common stock, including an option for the company to repurchase his shares as well as provisions significantly restricting his actions as a shareholder.

"This agreement is another step in the company's pursuit of revitalizing its reputation," said Cameron Durrant, MD, KaloBios chairman and CEO. "KaloBios is building a company committed to transformational ideas, like transparent and responsible pricing, to drive change. This agreement combined with our recent emergence from bankruptcy helps to hit the 're-set' button and move forward."

The agreement contains provisions regarding the acquisition, disposition, holding and voting of securities of the company by Mr. Shkreli. The agreement applies to all common stock owned by him or affiliates he controls.

Under the terms of the agreement, for 180 days following June 30 - the company's effective emergence from its Chapter 11 bankruptcy proceedings - Mr. Shkreli may not sell his shares to any third party at a price per share that is less than the greater of (x) \$2.50 and (y) a 10% discount to the prior two-week volume-weighted average price (the "Market Discount Price").

In addition, for 180 days following the 61st day after June 30, KaloBios will have a right to purchase any or all of Mr. Shkreli's shares at a purchase price per share equal to the Market Discount Price. For a limited time, the company will also have a right of first refusal to purchase shares that Mr. Shkreli proposes to sell. Mr. Shkreli is also prohibited from transferring any shares to his affiliates or associates unless such transferee agrees to be subject to the terms of the agreement. Transfers of shares by Mr. Shkreli not made in compliance with the agreement will be null and void.

Mr. Shkreli will not have any right to nominate directors to the board of directors of the company and agrees in connection with any shareholder vote to vote his shares in

proportion to the votes of the company's public stockholders. The agreement also prohibits Mr. Shkreli or his affiliates for a period of 24 months after the date of signing, from:

- Purchasing any stock or assets of the company;
- Participating in any proposal for any merger, tender offer or other business combination, or similar extraordinary transaction involving the company or any of its subsidiaries;
- Seeking to control or influence the management, the company's Board or the policies of the company; or
- Submitting any proposal to be considered by the stockholders of the company. □

In a separate agreement, KaloBios also settled class action litigation associated with Mr. Shkreli's tenure with the company. The company reserved for issuance 300,000 shares of the company's common stock to the plaintiffs in class action litigation related to the events surrounding the company's former chairman and chief executive officer. □

KaloBios announced July 1 that it emerged from Chapter 11 bankruptcy effective June 30 with \$14 million in equity financing and also acquired the rights from Savant Neglected Diseases LLC to develop benznidazole for the treatment of Chagas disease.

### **About KaloBios Pharmaceuticals, Inc.**

KaloBios Pharmaceuticals, Inc. (OTC:KBIOQ) is a developmental stage 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 neglected tropical disease Chagas disease in the U.S., and the proprietary monoclonal antibody, lenzilumab, for the potential treatment of chronic myelomonocytic leukemia and juvenile myelomonocytic leukemia. For more information, visit [www.kalobios.com](http://www.kalobios.com).

### **Forward-Looking Statements**

*This release contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect management's current knowledge, assumptions, judgment and expectations regarding future performance or events. Although management believes that the expectations reflected in such statements are reasonable, they give no assurance that such expectations will prove to be correct and you should be aware that actual results could differ materially from those contained in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties including, but not limited to, the Company's ability to execute its revised strategy and business plan; any decisions by the Company with respect to the repurchase of Mr. Shkreli's shares of the Company's common stock; the Company's ability to the Company's access to limited cash reserves and its ability to obtain additional capital on acceptable terms, or at all, including the additional capital which will be necessary to complete the clinical trials that the Company has initiated or plans to initiate; the potential timing and outcomes of clinical studies of benznidazole, lenzilumab, KB004 or any other products undertaken now or in the future; the commercial viability of the Company's proposed drug pricing program; the*

*ability of the Company to timely source adequate supply of its development products from third party manufacturers on whom the Company depends; the potential, if any, for future development of any of its present or future products; the Company's ability to successfully progress, partner or complete further development of its programs; the ability of the Company to identify and develop additional products; the uncertainties inherent in clinical testing; the timing, cost and uncertainty of obtaining regulatory approvals; the uncertainty of receiving a Priority Review Voucher; the Company's ability to protect the Company's intellectual property; competition; changes in the regulatory landscape or the imposition of regulations that affect the Company's products; and other factors listed under "Risk Factors" in the Company's filings with the Securities and Exchange Commission.*

*All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this release. The company has no obligation, and expressly disclaims any obligation to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise.*

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