
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): August 1, 2012

NILE THERAPEUTICS, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34058
(Commission
File Number)

88-0363465
(I.R.S. Employer
Identification No.)

4 West 4th Ave., Suite 400
San Mateo, California 94402
(Address of Principal Executive Offices)

(650) 458-2670
(Registrant's telephone number, including area code)

Not Applicable
(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:

- 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))
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Item 1.01. Entry into a Material Definitive Agreement.

Amendment of Services Agreement

As previously disclosed, Nile Therapeutics, Inc. (the “Company”) and Two River Consulting, LLC (“TRC”) entered into a Services Agreement dated June 24, 2009, as amended on each of August 12, 2010 and March 17, 2011 (together, the “Services Agreement”), pursuant to which TRC provides various clinical development, operational and administrative services to the Company, including the part-time services of Joshua A. Kazam as the Company’s President and Chief Executive Officer. Following the March 2011 amendment to the Services Agreement, the monthly fee payable by the Company for such services was \$31,702, which monthly fee was reduced to \$30,082 in July 2011 and to \$28,600 in April 2012 when certain services were eliminated. On August 1, 2012, the Company and TRC agreed that, upon the appointment of a full-time President and Chief Executive Officer (see Item 5.02, below), the monthly fee payable under the Services Agreement would be reduced to \$6,600 to reflect the termination of Mr. Kazam’s services as President and Chief Executive Officer.

Mr. Kazam and Arie S. Belldegrin are each directors of the Company and partners of TRC. The terms of the August 1, 2012 amendment to the Services Agreement were reviewed and approved by a special committee of the Company’s Board of Directors consisting of independent, disinterested directors. None of the members of the special committee has any interest in TRC or the Services Agreement.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of President and Chief Executive Officer

On August 3, 2012, the Company entered into a letter agreement (the “Agreement”) with Darlene Horton, M.D., pursuant to which Dr. Horton will be employed as the Company’s President and Chief Executive Officer, effective August 6, 2012. The Agreement provides that Dr. Horton’s employment with the Company will continue for an indefinite term. Pursuant to the Agreement, Dr. Horton was also appointed to serve as a member of the Company’s Board of Directors, effective August 6, 2012. If Dr. Horton’s employment as President and Chief Executive Officer is terminated at any time, whether by her or the Company, the Agreement provides that she will be deemed to have resigned as a director of the Company, effective as of the date of such termination.

The Agreement provides that Dr. Horton will receive an initial monthly base salary of \$28,314, and if she remains employed with the Company as of the date of a “compensation adjustment event,” then (i) her annualized base salary shall be increased to \$400,000, (ii) she will become eligible to receive an annual performance cash bonus in an amount up to 30% of her annualized base salary, and (iii) she will be granted a 10-year stock option to purchase a number of shares of the Company’s common stock equal to 5% of the then issued and outstanding shares of common stock at an exercise price equal to the current market price of the common stock on the date of grant. The stock option, which will vest ratably over a three-year period with respect to 50% of the underlying shares and over a three-year period upon the achievement of specified performance criteria with respect to the remaining 50% of the shares, will be awarded pursuant to the Company’s Amended and Restated 2005 Stock Option Plan, as amended (the “Plan”), and be evidenced by a stock option agreement in the Company’s standard form of agreement for use under the Plan. For purposes of the Agreement, the term “compensation adjustment event” means the date on which the Company secures sufficient capital, whether by a financing or strategic transaction (or any combination thereof) or another means, in order to enable the Company to initiate and fund to completion a Phase 2 clinical trial of the Company’s cenderitide product candidate.

The Agreement further provides that if the Company terminates Dr. Horton’s employment without “cause” at any time after the date of a compensation adjustment event, then she will be entitled to continue receiving her then current annualized base salary and medical benefits (the “Severance Benefits”) for a period of six months following such termination; provided, however, that if such termination occurs more than one year after the compensation adjustment event, then Dr. Horton will be entitled to receive the Severance Benefits for one year following such termination. For purposes of the Agreement, the term “cause” means the following conduct or actions taken by Dr. Horton: (i) breach of any material term of the Agreement or the confidentiality, non-competition and invention assignment agreement executed by Dr. Horton as a condition of her employment under the Agreement; (ii) conviction of any felony or other crime of moral turpitude; (iii) any act of fraud or dishonesty injurious to the Company or its reputation; (iv) continual failure or refusal to perform her employment duties; (v) any act or omission that, in the Company’s reasonable determination, indicates alcohol or drug abuse by Dr. Horton; or (vi) engagement in any form of harassment prohibited by law.

In addition, the Agreement provides that if the Company completes a Change of Control Transaction (as defined in the Agreement) prior to the date of a compensation adjustment event, and Dr. Horton's employment is terminated by the Company (or any successor entity) without cause during the period beginning on the effective date of the Change of Control Transaction and ending on the six-month anniversary of such effective date, then she will be entitled to receive a cash payment equal to 5% of the applicable Change of Control Proceeds (as defined in the Agreement).

The foregoing summary of the Agreement is qualified in its entirety by reference to the complete Agreement, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference. A copy of the Company's press release issued July 22, 2010, announcing Dr. Horton's appointment is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Prior to her appointment as President and Chief Executive Officer, Dr. Horton served as the Company's Chief Medical Officer pursuant to the terms of a Consulting Agreement dated June 18, 2012 (the "Consulting Agreement"), as previously disclosed in the Company's Current Report on Form 8-K filed on June 21, 2012, the contents of which are incorporated herein by reference. The Consulting Agreement was terminated upon Dr. Horton's appointment as President and Chief Executive Officer.

Resignation of President and Chief Executive Officer

On August 6, 2012, effective as of the appointment of Dr. Horton, Joshua A. Kazam resigned as the Company's President and Chief Executive Officer. Mr. Kazam, who had served in such offices on a part-time basis since June 2009, will continue to serve as a director of the Company.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	Letter Agreement between Nile Therapeutics, Inc. and Darlene Horton, M.D., dated August 3, 2012.
99.1	Press release dated August 6, 2012.

SIGNATURES

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

NILE THERAPEUTICS, INC.

Date: August 7, 2012

By: /s/ Daron Evans
Daron Evans
Chief Financial Officer

EXHIBIT INDEX

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99.1	Press release dated August 6, 2012.



4 West 4th Ave., Suite 400
San Mateo, CA 94402

(650) 458-2670 Tel.
(415) 875-7075 Fax

August 3, 2012

Darlene Horton, M.D.
[ADDRESS]

Dear Dr. Horton:

This letter (the "Letter") will confirm our understanding as to the terms of our offer of employment to you as President & Chief Executive Officer of Nile Therapeutics, Inc. ("Nile" or the "Company"). Should you accept this position with Nile:

1. You will report to the Board of Directors of the Company (the "Board"), which may include reporting to its Chairman, and you shall have such powers and perform such duties as are customarily performed by the President and Chief Executive Officer of a similarly situated company. Your employment shall commence on August 6, 2012 (the "Commencement Date"). As of the Commencement Date, you will also be appointed to serve as a director of the Company.
2. Beginning with the Commencement Date and until a Compensation Adjustment Event (as defined below) has occurred, you will receive a monthly base salary (the "Base Salary") equal to \$28,314, paid in accordance with Nile's normal payroll procedures. In addition, if the Company completes a Change of Control Transaction (defined below) prior to the date of a Compensation Adjustment Event, and your employment is terminated by the Company (or any successor entity) without "cause" during the period beginning on the effective date of the Change of Control Transaction and ending on the six-month anniversary of such effective date, then you will be entitled to receive a cash payment equal to 5% of the applicable Change of Control Proceeds (defined below).
3. If you remain employed by the Company as of the date of a Compensation Adjustment Event, then your compensation shall automatically be modified as follows:
 - (a) Your annualized Base Salary shall be increased to \$400,000.
 - (b) You shall be eligible to receive an annual performance target bonus in an amount equal to 30% of your annualized Base Salary ("Annual Bonus"). The actual amount of Annual Bonus awarded to you each year shall be based upon the achievement of performance criteria to be annually determined by the Board (or a committee thereof) in its discretion.
 - (c) You shall be entitled to a stock option award, pursuant to the Company's Amended & Restated 2005 Stock Option Plan (the "Plan"), to purchase a number of shares of the Company's common stock equal to 5% of the then issued and outstanding shares of common stock (the "Option") at an exercise price equal to the current market price of the Company's common stock on the date of grant. The right to purchase 50% of the shares subject to the Option shall vest ratably over a three-year period and the right to purchase the remaining 50% of the shares shall vest over a three-year period upon the achievement of performance criteria to be determined by the Board (or an authorized committee thereof). The Option shall be evidenced by a stock option agreement in the standard form approved for use under the Plan and shall contain such other terms and conditions as provided in such form.

(d) If the Company terminates your employment for a reason other than “cause,” then in addition to the payment of any accrued but unpaid Base Salary and reimbursement of unpaid business expenses, in each case as of such termination date, you shall be entitled to continuation of your Base Salary (based on the then current annualized Base Salary and without taking into account any payment of any bonus payments, including any Annual Bonus) and participation, at the Company’s expense, in any Company-sponsored medical/health insurance plan to the extent in which you were then participating, in each case for a period of six (6) months following the date of termination (the “Severance Benefits”); *provided, however*, that the Severance Benefits shall be increased to twelve (12) months if such termination occurs following the first anniversary of the Compensation Adjustment Event.

You will be entitled to four (4) weeks of paid vacation per year, in addition to holidays observed by the Company.

4. During your employment with the Company, whether prior to or following a Compensation Adjustment Event, you will be entitled to participate in the insurance and benefit plans that are generally available to the Company’s employees, which include group medical coverage pursuant to the Company’s group policy and participation in the Company sponsored 401(k) plan. Please further note the employee benefits provided to you by the Company are subject to change by the Company, at its sole discretion, at any time and from time to time. Subject to and in accordance with Company policy in effect from time to time, you will be reimbursed for all of your pre-approved out-of-pocket expenses incurred in connection with the Company’s business.
5. You understand that the Company shall withhold all applicable federal, state and local taxes and social security and such other amounts as may be required by law from all amounts payable to you as described herein.
6. Notwithstanding anything to the contrary contained in this Agreement, the Company’s obligation to pay any compensation or provide any benefits or other consideration to you following the termination of your employment shall be conditioned upon your execution and non-revocation of a separate agreement releasing the Company and entities and persons affiliated with the Company from any and all claims relating to or in connection with your employment with the Company, including any claims relating to your employment termination.
7. For purpose of this Letter, the following terms have the following meanings:

(a) The term “cause” means any of the following acts or omissions committed by you: (i) breach of any material term of this agreement or your Confidentiality Agreement (defined below); provided that the first occasion of any particular breach shall not constitute cause unless you shall have previously received written notice from the Company stating the nature of such breach and affording you at least 10 days to correct such breach; (ii) conviction of, or plea of guilty or *nolo contendere* to, any felony or other crime of moral turpitude; (iii) an act of fraud or dishonesty injurious to the Company or its reputation; (iv) your continual failure or refusal to perform your material duties as required under this Letter or under a lawful directive from the Board, in either case after written notice from the Company stating the nature of such failure or refusal and affording you at least 10 days to correct the same; (iv) an act or omission that, in the Company’s reasonable determination, indicates alcohol or drug abuse by you; or (v) engagement in some form of harassment prohibited by law (including, without limitation, age, sex or race discrimination), as determined by the Company, after a reasonable and good-faith investigation by the Company following a written allegation by another employee of the Company).

(b) "Change of Control Transaction" means the consummation of:

(i) a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not beneficially own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their ownership of the outstanding voting securities of the Company immediately prior to such transaction; or

(ii) a sale, lease, exclusive worldwide license or other disposition of all or substantially all of the total gross value of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of total gross value of the consolidated assets of the Company and its subsidiaries to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are beneficially owned by stockholders of the Company in substantially the same proportions as their ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition (for purposes of this subparagraph, "gross value" means the value of the assets of the Company or the value of the assets being disposed of, as the case may be, determined without regard to any liabilities associated with such assets).

Notwithstanding the foregoing, a Change of Control Transaction shall not include any transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities

(c) "Change of Control Proceeds" means with respect to any Change of Control Transaction and without duplication, all cash and the fair market value on the effective date of such transaction, as determined in good faith by the Board, of all other property actually paid, directly or indirectly, by a third party or the Company to the Company's stockholders in respect of their shares (or to the Company in the case of a Change of Control structured as an asset sale or similar transaction), but excluding any expenses incurred by the Company in connection with such transaction. To the extent the payment of the amounts described in the preceding sentence are subject to future contingencies (e.g., earn-outs, milestones, etc.), then such amounts shall not be deemed Change of Control Proceeds until such time as such payments are actually made to the Company or its stockholders.

(d) "Compensation Adjustment Event" shall mean the date on which the Company shall have secured sufficient capital, whether by a financing or strategic transaction (or any combination thereof) or another means, in order to enable the Company to initiate and fund to completion a Board-approved and appropriately powered Phase 2 clinical trial (including a Phase 2a trial) of cenderitide when administered in patients for up to 90 days following admission for acutely decompensated heart failure.

8. Your employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause; *provided, however*, that if the Company terminates your employment without cause prior to a Compensation Adjustment Event, it will provide you with 30 days' advance notice of such termination. Any contrary representations that may have been made to you are superseded by this letter agreement. In addition, if at any time your employment as President and Chief Executive Officer is terminated, whether by you or by the Company, then you shall be deemed to have resigned as a director of the Company, effective as of the date of such termination.
9. As a condition of your employment, you will be required to sign a confidentiality, non-competition and invention assignment (the "Confidentiality Agreement"). Further, you and the Company agree that the Consulting Agreement between us dated June 18, 2012 is hereby terminated.

The offer of employment contained in this letter is subject to and conditioned upon the results of a references check. At any time prior to the Commencement Date, the Company may revoke the offer of employment made hereby if it is not satisfied, in its sole discretion, with the results of the references check.

If you find the foregoing arrangement acceptable, please kindly so indicate by executing and dating the attached copy of this Letter in the space provided and returning a copy to me before that time.

Very truly yours,

NILE THERAPEUTICS, INC.

/s/ Joshua A. Kazam

Joshua A. Kazam

President & Chief Executive Officer

Agreed and accepted this
3rd day of August, 2012:

/s/ Darlene Horton, M.D.

Darlene Horton, M.D.



PRESS RELEASE

Nile Therapeutics Promotes Darlene Horton, M.D., to Chief Executive Officer and Director

SAN MATEO, CA, August 6, 2012 -- Nile Therapeutics, Inc. (OTCQB: NLTX), a biopharmaceutical company that develops novel therapeutics for heart failure patients, today announced that it has promoted Darlene Horton, M.D. to President and Chief Executive Officer, and appointed her as a director of the Company.

"We are pleased Dr. Horton has agreed to assume the role of Chief Executive Officer," said Richard Brewer, Chairman of the Board of Directors of Nile. "We believe Dr. Horton's knowledge and experience in the heart failure space will help Nile to realize the full value of the cenderitide post-acute program."

"I am excited to assume the leadership role at Nile," said Darlene Horton, M.D., Chief Executive Officer of Nile. "I am particularly compelled by cenderitide's potential to fundamentally change how we treat heart failure patients following an acute event. I believe the dual receptor activating properties of cenderitide, combined with proven out-patient, subcutaneous delivery technology, provides a unique opportunity to potentially reduce re-hospitalizations and improve the quality of life for these patients."

Dr. Horton served as Nile's Chief Medical Officer from June 2012 until her appointment as its CEO. Previously, she served as Chief Medical Officer of Itero Biopharmaceuticals, a venture-backed biosimilar company. As a co-founder of Itero, she helped raise \$17 million in capital and lead the development team. The product was successfully out-licensed to Watson Pharmaceuticals. Previous to Itero, Dr. Horton served as Senior Vice President, Clinical Research at Scios, Inc., a Johnson & Johnson (J&J) company. During her 12 year tenure at Scios, she was the clinical lead for Natrecor[®], a commercial product indicated for the treatment of acute heart failure. Dr. Horton led the Natrecor[®] program from late-stage development through FDA approval and commercialization, and was also part of the senior management team at the time of Scios's \$2.4 billion acquisition by J&J. Dr. Horton also served as the Head of the Cardiovascular Therapeutic Area Center of Excellence for J&J pharmaceutical companies.

Joshua A. Kazam, who has served on a part-time basis as the Company's President and Chief Executive Officer since June 2009, agreed to resign from such offices upon Dr. Horton's appointment. Mr. Kazam will continue to serve on the Company's Board of Directors.

About Nile Therapeutics

Nile Therapeutics, Inc. is a clinical-stage biopharmaceutical company that develops innovative products for the treatment of cardiovascular disease and other areas of unmet medical needs. Nile is focusing its efforts on developing its lead compound, cenderitide, a novel rationally designed chimeric peptide in clinical studies for the treatment of post-acute heart failure. More information on Nile can be found at <http://www.nilethera.com>.

Contact:

Daron Evans
Chief Financial Officer
Nile Therapeutics, Inc.
+1-650-458-2670
info@nilethera.com

Safe Harbor Paragraph for Forward-Looking Statements: This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding Nile's plans and ability to develop cenderitide in the post-acute setting and the anticipated benefits of cenderitide for patients in the post-acute setting are forward-looking statements. Forward-looking statements also include statements regarding the timing, progress and anticipated results of the clinical development, regulatory processes, clinical trial timelines, expected patient enrollment, anticipated benefits of cenderitide, Nile's strategy, future operations, outlook, milestones, the timing and success of Nile's product development, future financial position, future financial results, plans and objectives of management are forward-looking statements. Nile may not actually achieve these plans, intentions or expectations and Nile cautions investors not to place undue reliance on Nile's forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements Nile makes. Various important factors that could cause actual results or events to differ materially from the forward-looking statements that Nile makes include Nile's immediate need to raise additional capital to fund its general corporate activities and its need to raise substantial additional capital to fund its planned Phase 2 study of cenderitide and to otherwise fund its product development programs to completion, Nile's reliance on third-party researchers to develop its product candidates, and its lack of experience in developing and commercializing pharmaceutical products. Additional risks are described in greater detail in the reports Nile files with Securities and Exchange Commission, including those described under the caption "Risk Factors" in Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on March 30, 2012. Nile is providing this information as of the date of this press release and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.
