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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

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 31, 2017**

JAGUAR HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	**001-36714** (Commission File Number)	**46-2956775** (IRS Employer Identification No.)
201 Mission Street, Suite 2375 **San Francisco, California** (Address of principal executive offices)		**94105** (Zip Code)

Registrant's telephone number, including area code: **(415) 371-8300**

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. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o 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 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☒

Explanatory Note

On August 1, 2017, Jaguar Health, Inc. (f/k/a Jaguar Animal Health, Inc.) (the "Company") filed a Current Report on Form 8-K (the "Original 8-K") announcing that on July 31, 2017, the Company completed its merger (the "Merger") with Napo Pharmaceuticals, Inc. ("Napo") pursuant to the Agreement and Plan of Merger dated March 31, 2017 by and among Jaguar, Napo, Napo Acquisition Corporation and Napo's representative (the "Merger Agreement") and stating, among other things, that the financial statements required by Item 9.01(a) and the pro forma financial information required by Item 9.01(b) of Form 8-K would be filed by amendment within 71 days after the date on which the Original 8-K was required to be filed.

This Current Report on Form 8-K amends the Original 8-K to provide the financial statements of the business acquired and pro forma financial information in accordance with Items 9.01(a) and (b). In addition, we hereby amend Item 8.01 of the Original Form 8-K to include the Management Discussion and Analysis of Financial Condition and Results of Operations of Napo for the three months ended March 31, 2017 and March 31, 2016 and the years ended December 31, 2016 and December 31, 2015. Except as set forth in Item 8.01 and Item 9.01 below, no other changes are being made to the Original Form 8-K.

Item 8.01 Other Events.

In connection with the completion of the Merger, the Company is providing the Management Discussion and Analysis of Financial Condition and Results of Operations of Napo for the three months ended March 31, 2017 and March 31, 2016 and the years ended December 31, 2016 and December 31, 2015, which is filed as Exhibit 99.4 to this Current Report on Form 8-K/A and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The financial statements of Napo required by this Item 9.01(a) for the three months ended March 31, 2017 and the fiscal years ended December 31, 2016 and 2015 are filed as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The pro forma financial information of the Company required by this Item 9.01(b) for the fiscal year ended December 31, 2016 and for the three months ended March 31, 2017, giving effect to the Merger, is filed as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Macias Gini & O'Connell LLP, independent auditor for Napo Pharmaceuticals, Inc.
99.1	Unaudited financial statements of Napo Pharmaceuticals, Inc. as of March 31, 2017 and for the three months ended March 31, 2017 and 2016
99.2	Audited financial statements of Napo Pharmaceuticals, Inc. as of and for the years ended December 31, 2016 and December 31, 2015
99.3	Unaudited pro forma financial statements of Jaguar Health, Inc. (formerly Jaguar Animal Health, Inc.)
99.4	Management Discussion and Analysis of Financial Condition and Results of Operations of Napo for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and December 31, 2015.

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.

JAGUAR HEALTH, INC.

By: /s/ KAREN S. WRIGHT

Date: August 4, 2017

Name: Karen S. Wright
Title: *Chief Financial Officer*

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Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements of Jaguar Health, Inc.:

- Registration Statement (Form S-1 No. 333-214956) pertaining to the November 2016 PIPE
- Registration Statement (Form S-1 No. 333-213751) for Aspire Equity Line declared effective on October 5, 2016
- Registration Statements (Form S-8 Nos. 333-204280 and 333-215303) pertaining to the 2014 Stock Incentive Plan

of our report dated March 24, 2017, except as to the first and second paragraphs as to which the date is March 31, 2017, the third paragraph as to which the date is June 27, 2017 and the fourth paragraph as to which the date is July 31, 2017, with respect to the financial statements of Napo Pharmaceuticals, Inc. (the report contains an explanatory paragraph regarding Napo Pharmaceuticals, Inc.'s ability to continue as a going concern), included in this Current Report on Form 8-K/A.

/s/ Macias Gini & O'Connell LLP

San Francisco, California
August 4, 2017

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Exhibit 99.1

Napo Pharmaceuticals, Inc.
Index to Consolidated Financial Statements

Napo Pharmaceuticals, Inc.

Condensed Consolidated Balance Sheets

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,414,678	$ 2,271,745
Accounts receivable, net of allowance for doubtful accounts of $32,798 and $184,660 at March 31, 2017 and December 31, 2016, respectively	220,672	166,937
Equity method investment in related party	2,666,666	1,919,999
Inventory	1,202,028	982,838
Prepaid expenses	84,553	64,670
Total Current Assets	5,588,597	5,406,189
Land	396,247	396,247
Total Assets	$ 5,984,844	$ 5,802,436
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 4,469,854	$ 4,316,819
Deferred revenue	215,701	464,892
Due to related party	221,422	299,648
Accrued expenses	2,721,484	2,361,232
Marketing advance	267,500	250,000
Current portion of long-term debt	55,436,418	52,577,790
Total current liabilities	63,332,379	60,270,381
Settlement liability	2,500,000	2,500,000
Convertible notes, net	1,968,149	1,919,790
Total liabilities	$ 67,800,528	$ 64,690,171
Commitments and Contingencies (Note 7)		
Stockholders' Equity (Deficit		
Common stock: $0.0001 par value, 175,000,000 shares authorized at March 31, 2017 and December 31, 2016; 108,202,786 shares issued and outstanding at March 31, 2017 and December 31, 2016.	10,819	10,819
Additional paid-in capital	98,539,747	98,539,747
Accumulated deficit	(160,366,250)	(157,438,301)
Total stockholders' equity (deficit)	(61,815,684)	(58,887,735)
Total liabilities and stockholders' equity (deficit)	$ 5,984,844	$ 5,802,436

The accompanying notes are an integral part of these financial statements.

Napo Pharmaceuticals, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenue, net of allowances	$ 518,133	$ 31,729
Cost of revenue	(361,089)	(9,182)
Gross profit	157,044	22,547
Operating expenses		
Research and development expense	81,623	—
Selling, general and administrative expense	1,245,319	317,758
Total operating expenses	1,326,942	317,758
Loss from operations	(1,169,898)	(295,211)
Interest expense, net	(2,504,718)	(1,705,230)
Gain on litigation settlement	—	674,578
Gain (loss) from equity method investment in related party	746,667	(1,134,233)
Net loss	$ (2,927,949)	$ (2,460,096)

The accompanying notes are an integral part of these financial statements

Napo Pharmaceuticals, Inc.

Condensed Consolidated Statement of Changes in Common Stock and Stockholders' Equity (Deficit)

(Unaudited)

	Common Stock		Additional paid-in capital	Accumulated deficit	Total Stockholders' Equity(Deficit)
	Shares	Amount			
Balances—December 31, 2015	108,452,786	$ 10,844	$ 98,539,722	$ (137,045,273)	$ (38,494,707)
Net loss	—	—	—	(20,393,028)	(20,393,028)
Cancellation of common stock	(250,000)	(25)	25	—	—
Balances—December 31, 2016	108,202,786	$ 10,819	$ 98,539,747	$ (157,438,301)	$ (58,887,735)
Net loss	—	—	—	(2,927,949)	(2,927,949)
Balances—March 31, 2017	108,202,786	$ 10,819	$ 98,539,747	$ (160,366,250)	$ (61,815,684)

The accompanying notes are an integral part of these financial statements.

Napo Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Cash Flows from Operating Activities		
Net loss	$ (2,927,949)	$ (2,460,096)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on litigation settlement	—	(674,578)
(Gain) loss from investment in related party	(746,667)	1,134,233
Amortization of debt discount	65,706	—
Interest on notes payable	2,341,281	1,663,835
Changes in assets and liabilities:		
Accounts receivable, net of allowances for doubtful accounts	(53,735)	89,043
Inventory	(219,190)	—
Prepaid expenses	(19,883)	16,961
License fee receivable	—	425,000
Accounts payable	153,035	(651,872)
Deferred revenue	(249,191)	—
Due to related party	(78,226)	—
Accrued expenses	360,252	848,120
Marketing advance	17,500	—
Total Cash Provided By (Used In) Operations	(1,357,067)	390,646
Cash Flows from Financing Activities		
Proceeds from issuance of notes payable, net	500,000	—
Payments on notes payable	—	(685,508)
Total Cash Provided By (Used In) Financing Activities	500,000	(685,508)
Net decrease in cash and cash equivalents	(857,067)	(294,862)
Cash and cash equivalents, beginning of period	2,271,745	826,147
Cash and Cash Equivalents, End of Period	$ 1,414,678	$ 531,285
Supplemental Cash Flow information including Non-Cash Financing and Investing Activities		
Interest paid in cash	—	—

The accompanying notes are an integral part of these financial statements

Napo Pharmaceuticals, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Business

Napo Pharmaceuticals, Inc. ("NPI", "Napo" or "the Company") was incorporated on November 15, 2001 in Delaware and is focused on the licensing, developing and commercialization of propriety specialty pharmaceuticals for the global marketplace in collaboration with development partners.

In March 2016, Napo settled ongoing litigation with Salix Pharmaceuticals, Inc. ("Salix") (now owned by Valeant Pharmaceuticals International) and rights to develop, manufacture and commercialize crofelemer previously licensed to Salix in December 2008 in North America, certain European Union countries and Japan were terminated and returned to Napo, along with certain crofelemer active pharmaceutical ingredient inventory and land. As of March 31, 2016 the Company recorded a gain of $674,577 related to those settlement assets for which it determined the transfer process was complete and the value was estimatable. Napo recorded the inventory received at its manufactured cost and the land at its appraised value and recorded a gain on settlement of litigation.

Napo's drug product, Mytesi® ("crofelemer"), which it had developed along with Salix is approved by the FDA for the symptomatic relief of non-infectious diarrhea in adult patients living with HIV/AIDS on anti-retroviral therapy. Napo operates in one segment, pharmaceuticals for human use.

Jaguar Animal Health, Inc. ("Jaguar") was incorporated on June 6, 2013 in Delaware and on June 11, 2013, Jaguar issued 2,666,666 shares of common stock to Napo in exchange for cash and services. On July 1, 2013, Jaguar entered into an employee leasing and overhead agreement (the "Service Agreement") with Napo, under which Napo agreed to provide Jaguar with the services of certain Napo employees for research and development and the general administrative functions. On January 27, 2014, Jaguar executed an intellectual property license agreement with Napo pursuant to which Napo transferred fixed assets and development materials, and licensed intellectual property and technology to Jaguar (See Note 5). On February 28, 2014, the Service Agreement terminated and the associated employees became employees of Jaguar effective March 1, 2014.

Jaguar was a majority-owned subsidiary of NPI until the close of its Initial Public Offering ("IPO") on May 18, 2015 (see below). Jaguar was formed to develop and commercialize first-in-class gastrointestinal products for companion and production animals and horses. Jaguar's first commercial product, Neonorm Calf, was launched in 2014.

Definitive Merger Agreement.

Napo and Jaguar entered into a Definitive Merger Agreement (the "Agreement") on March 31, 2017. Under the terms of the Agreement, Jaguar's stockholders and option and warrant holders calculated on a fully diluted basis as of March 31, 2017 (excluding approximately 365,437 shares issuable under securities convertible at $5.00 or more per share) will hold approximately 25% of the total outstanding fully diluted equity of Jaguar. Conversely, the balance of the outstanding fully diluted equity of Jaguar will be held by existing Napo creditors, restricted stock units ("RSUs"), option and warrant holders together with new convertible debt and equity investors upon consummation of the merger. As indicated on February 9, 2017, the financial terms of the merger include an approximate 3-to-1 Napo-to-Jaguar value ratio to calculate relative ownership of the combined entity.

Holders of Napo common stock immediately prior to the merger (the "Napo Stockholders") will receive contingent rights to receive, upon the satisfaction of certain conditions as described more fully

1. Organization and Business (Continued)

below, up to 21.5% of Jaguar's shares calculated on a fully-diluted basis (the "Escrow Shares"), which such shares will be held in an escrow account upon the closing. Assuming a specified cash return (a "Hurdle Amount") is achieved from the subsequent resale of certain shares of common stock issued by Jaguar to one of Napo's existing secured creditors in connection with the merger (the "Tranche A Shares"), as described further below, the Napo Holders will be entitled to receive their pro rata share of the Escrow Shares following the release of the Escrow Shares from escrow. In addition, if such Hurdle Amount is achieved before all of such Tranche A Shares are sold, then 50% of the remaining unsold Tranche A Shares will be distributed pro rata among the Napo Stockholders and RSU holders. The proposed merger remains subject to customary conditions to closing, including but not limited to regulatory approvals inclusive of the effectiveness of the S-4 Registration Statement, debt limitations of Napo, absence of any material adverse change in the business, results of operations or condition (financial or otherwise) of either party and stockholder approval from each party.

In conjunction with the proposed merger, Napo entered into a settlement and discounted payoff agreement with one of its existing secured creditors (See Note 8). Napo has agreed, upon consummation of the merger, to (i) pay such creditor the amount of $8 million in cash and (ii) pay in kind certain shares of Jaguar voting and non-voting common stock, including certain shares of Jaguar non-voting common stock comprising the Escrow Shares to be held pursuant to an escrow agreement. Assuming the Hurdle Amount is achieved from the subsequent resale of the Tranche A Shares within a certain time period, all or a portion of the Escrow Shares will be released from escrow to the Napo Stockholders.

Initial Public Offering—Jaguar

On May 18, 2015, Jaguar completed an IPO of its common stock at a price to the public of $7.00 per share. In connection with the IPO, Napo deconsolidated Jaguar on this date due to a reduction in its ownership interest in Jaguar. Subsequent to the IPO, Napo owned approximately 18%, 19% and 33% of the outstanding shares of Jaguar at March 31, 2017, December 31, 2016 and December 31, 2015, respectively. Accordingly, management concluded that Napo is able to have significant influence, but not control, over the operations of Jaguar. Subsequent to Jaguar's IPO, Napo has accounted for its holding in Jaguar using the equity method of accounting.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred recurring operating losses since inception and has an accumulated deficit of $160,366,250 as of March 31, 2017. Napo is in default on certain of its liabilities (See Note 8) and the Company expects to incur substantial losses in future periods. Further, the Company's future operations are dependent on the success of the Company's ongoing development and commercialization efforts. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis.

The merger of Napo and Jaguar is expected to offer greater access to the capital markets because of the combined companies larger market capitalization. If the merger is not consummated for some reason, Napo plans to finance its operations and capital funding needs through licensing activities, equity and/or debt issuances as well as revenue from future product sales. However, there can be no

1. Organization and Business (Continued)

assurance that additional funding will be available to the Company on acceptable terms on a timely basis, if at all, or that the Company will generate sufficient cash from operations to adequately fund operating needs or ultimately achieve profitability. If the Company is unable to obtain an adequate level of financing needed for the long-term development and commercialization of its products, the Company will need to curtail planned activities and reduce costs. Doing so will likely have an adverse effect on the Company's ability to execute on its business plan. These matters raise substantial doubt about the ability of the Company to continue in existence as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company's management to make judgments, assumptions and estimates that affect the amounts reported in its financial statements and the accompanying notes. The accounting policies that reflect the Company's more significant estimates and judgments and that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results are impairment of long lived assets; deferred taxes and valuation allowances on deferred tax assets; and evaluation and measurement of contingencies. Those estimates could change, and as a result, actual results could differ materially from those estimates.

Concentration of Credit Risk and Cash

The financial instrument that potentially subjects the Company to a concentration of credit risk is cash that is held at a financial institution of high credit standing. Cash balances are generally in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At March 31, 2017 and December 31, 2016 the Company had $897,677 and $1,722,983 respectively, in excess of FDIC insurance limits.

Investment in Related Party

The Company's investment in Jaguar is accounted for using the equity method as the Company has determined that its shareholdings, and related officer and Board member, provided it the ability to exercise significant influence, but not control, over Jaguar subsequent to its IPO. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors or having related officers, are considered in determining whether the equity method is appropriate. For the three months ended March 31, 2017 and 2016, Napo recorded a gain of $746,667 and a loss of $1,134,233, respectively, related to its investment in Jaguar.

2. Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost or market. Napo's inventory at March 31, 2017 consisted of work in process inventory of $144,000, $380,158 of Mytesi® drug product and $677,870 of crofelemer active pharmaceutical ingredient. Inventory at December 31, 2016 consisted of $632,825 of Mytesi® drug product and $350,013 of crofelemer active pharmaceutical ingredient. The Mytesi® drug product is valued at its manufactured cost. The crofelemer active pharmaceutical ingredient was transferred to Napo via its settlement with Salix Pharmaceuticals, Inc. (See Note 12) and is valued at the invoiced price paid by Salix at December 31, 2016.

Napo adjusts its inventory valuation when conditions indicate that the net realizable value is less than cost due to physical deterioration, usage, obsolescence, reductions in estimated future demand or reduction in selling price. There were no inventory write-downs in the three months ended March 31, 2017 and 2016, respectively.

Land

Land represents property acquired in settlement of the Salix Litigation (See Notes 6 and 12).

Debt Issuance Costs

Debt discount and legal costs related to the issuance of convertible debt at March 31, 2017 and December 31, 2016 are shown as a reduction of the carrying value of the debt and will be amortized as interest expense over the term of the related debt using the straight-line method, which approximates the effective interest method.

Research and Development Expense

Napo incurred limited research and development activities in the three months ended March 31, 2017 and 2016, respectively. Research and development expense consists of expenses incurred in performing research and development activities including related salaries and the costs of consultants. Research and development expense is charged to operating expense in the period incurred.

Revenue Recognition

Napo sells its drug product, Mytesi® through one distributor that in turn sells to various wholesalers in the United States. Sales to the wholesalers are made under agreements that may provide price adjustments and rights of return prior to sell through. Until Napo develops sufficient sales history and pipeline visibility, revenue recognition is deferred until products are sold by the wholesaler to the wholesaler's customers. The Company had $518,133 and $31,729 of revenue for three months ended March 31, 2017 and 2016, respectively.

Pursuant to a license agreement with Salix, Napo recorded royalty revenue on a quarterly basis up to March 31, 2016. Royalty revenue was $0 and $31,729 in the three months ended March 31, 2017 and 2016, respectively. These royalties were recognized in the period in which sales were made by the licensee.

2. Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

Napo's 2006 Equity Incentive Plan (See Note 9) provides for the grant of stock options, restricted stock and restricted stock unit awards.

Napo did not issue any stock options during the three months ended March 31, 2017 and 2016, respectively. All option awards were fully vested prior to January 1, 2015. Napo issued restricted stock units to employees, directors and consultants annually in the years 2008-2013 and again in 2015 and 2016. The Company has determined that the fair value of RSUs vested during 2015 and 2016 to be diminimus.

Classification of Securities

The Company applies the principles of ASC 480-10 "Distinguishing Liabilities from Equity" and ASC 815-40 "Derivatives and Hedging—Contracts in Entity's Own Equity" to determine whether financial instruments such as warrants, contingently issuable shares and shares subject to repurchase should be classified as liabilities or equity and whether beneficial conversion features exist. At December 31, 2016 and 2015 all such financial instruments were classified as equity.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or in the Company's tax returns. Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company accounts for uncertainty in income taxes recognized in the financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate, as well as the related net interest and penalties.

3. Fair Value Measurements

ASC 820 "Fair Value Measurements," defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Liabilities Measured at Fair Value on a Recurring Basis

At March 31, 2017 and December 31, 2016, no liabilities were required to be measured at fair value on a recurring basis. There were no transfers in or out of either Level 1, Level 2, or Level 3 fair value measurements during the years ended December 31, 2016, and 2015.

4. Employee Leasing and Overhead Allocation Agreement

Effective July 1, 2016, Napo and Jaguar entered into an employee leasing and overhead allocation agreement (the "2016 Service Agreement"). The initial term of the 2016 Service Agreement was from July 1, 2016 to December 31, 2016, and the term has been extended into 2017 and will terminate upon the acquisition of Napo by Jaguar or upon the termination of the merger agreement. In connection with the Service Agreement, Jaguar provided to Napo the services of Jaguar employees, primarily in the areas of supply, manufacturing and quality control. The 2016 Service Agreement stipulated that Napo reimburse Jaguar for a portion of Jaguar's overhead costs (see Note 11).

5. License Agreements

Jaguar Animal Health, Inc.

On July 11, 2013, Napo entered into an option to license Napo's intellectual property and technology (the "Option Agreement") to Jaguar. Under the Option Agreement, upon the payment of $100,000 in July 2013, Jaguar obtained an option for a period of two years to execute an exclusive worldwide license to Napo's intellectual property and technology to use for its animal health business. The option price was creditable against future license fees to be paid to Napo under the License Agreement (as defined below).

5. License Agreements (Continued)

In January 2014, Jaguar exercised its option and entered into a license agreement (the "License Agreement") with Napo for an exclusive worldwide license to Napo's intellectual property and technology to permit Jaguar to develop, formulate, manufacture, market, use, offer for sale, sell, import, export, commercialize and distribute products for veterinary treatment uses and indications for all species of animals. Jaguar was originally obligated to pay a one-time non-refundable license fee of $2,000,000, less the option fee of $100,000. At the Jaguar's option, the license fee could have been paid in common stock. Milestone payments aggregating $3,150,000 may also be due to Napo based on regulatory approvals of various veterinary products. In addition to the milestone payments, Jaguar will owe Napo an 8% royalty on annual net sales of products derived from the Croton lechleri tree, up to $30,000,000 and then, a royalty of 10% on annual net sales of $30,000,000 or more. Additionally, if any other products are developed, Jaguar will owe Napo a 2% royalty on annual net sales of pharmaceutical prescription products that are not derived from Croton lechleri and a 1% royalty on annual net sales of nonprescription products that are not derived from Croton lechleri. The royalty term expires at the longer of 10 years from the first sale of each individual product or when there is no longer a valid patent claim covering any of the products and a competitive product has entered the market. However, because an IPO of at least $10,000,000 was consummated prior to December 31, 2015, the royalty was reduced to 2% of annual net sales of its prescription products derived from Croton lechleri and 1% of net sales of its nonprescription products derived from Croton lechleri and no milestone payment will be due and no royalties will be owed on any additional products developed.

The License Agreement also transferred to Jaguar certain materials and equipment.

Jaguar has agreed under the License Agreement to defend, indemnify and hold Napo, its affiliates, and the officers, directors, employees, consultants and contractors of Napo harmless from and against any losses, costs, damages, liabilities, fees and expenses arising out of any third-party claim related to the Jaguar's gross negligence, breach of covenants or the manufacture, sale or use of the product or products.

In January 2015, the License Agreement was amended to decrease the one-time non-refundable license fee payable from $2,000,000 to $1,750,000 in exchange for acceleration of the payment of the fee. In 2015, payments totaling $1,225,000 were made, with the balance of $425,000 paid in the quarter ended March 31, 2016.

License Agreement with Salix Pharmaceuticals, Inc.

In December 2008, Napo and Salix Pharmaceuticals, Inc. ("Salix") entered into a collaboration agreement for the development and commercialization of crofelemer for the indications of HIV/AIDs diarrhea, pediatric diarrhea and acute adult infectious diarrhea in North America, most western EU countries and Japan (the "Salix Collaboration Agreement"). Salix also acquired worldwide rights for the development and commercialization of crofelemer for diarrhea predominant irritable bowel syndrome, as well as any other indication of crofelemer for human use. Salix paid an up-front license fee and the Salix Collaboration Agreement called for milestone payments based on regulatory approval and net sales of crofelemer derived products, as well as royalties on the net sales of crofelemer derived products. Other than the indication of crofelemer for HIV/AIDS diarrhea (which ultimately became the FDA approved drug Mytesi®), no other indications of crofelemer were approved.

5. License Agreements (Continued)

In May 2011, Napo sued Salix with regard to Salix's performance under the Salix Collaboration Agreement. In February 2014, Salix prevailed in a jury trial, and Napo appealed the verdict. In March 2016, Napo and Salix entered into a Settlement, Termination, Asset Transfer and Transition Agreement, which settled the ongoing litigation between the parties, terminated the Salix Collaboration Agreement and transferred certain assets and inventory, including with respect to the approved drug Mytesi®, to Napo (See Note 12).

License Agreement with Glenmark Pharmaceuticals Limited

In 2005 Napo entered into a collaboration agreement with Glenmark Pharmaceuticals Limited (the Glenmark Collaboration Agreement) for the development of crofelemer for the indications of for HIV/AIDS diarrhea, pediatric diarrhea and adult acute infectious diarrhea in approximately 140 countries outside of the United States, most EU countries and Japan. The Glenmark Collaboration Agreement provides for royalties to be paid to Napo based upon net sales of crofelemer derived products in the licensed territories. In 2011, the parties entered into arbitration proceeding regarding clarification of certain terms as well as disputes over crofelemer development and commercialization activities referred to in the Glenmark Collaboration Agreement. The arbitration was settled in December 2013 (See Note 12).

Glenmark has obtained marketing approval for the crofelemer derived product for control and symptomatic relief of diarrhea in patients living with HIV/AIDs in two countries in Africa and two in South America. Two of these four countries have also approved the crofelemer derived product for control and symptomatic relief of diarrhea in patients with acute infectious diarrhea. Napo has not received any royalty income from these approvals nor is it aware of any sales made by Glenmark in its licensed territories.

License Agreement with Luye Pharmaceuticals, Inc.

In 2005, Napo entered into a license agreement with Luye Pharmaceuticals (Luye) for the development of crofelemer for HIV/AIDS diarrhea, pediatric diarrhea and adult acute infectious diarrhea for the People's Republic of China including Macao and Hong Kong. The license agreement provided for Napo to receive royalties on net sales of crofelemer derived products. To date, Luye has not developed crofelemer for any indications in its licensed territory and the Company has not received any royalty income from Luye.

Distribution and Marketing Agreements

The Company has agreements in place with BexR, a distributor in Texas and as well as a marketing and commercialization advisory firm for the distribution, marketing and sale of Mytesi®, its FDA approved drug product for the systematic relief of non-infectious diarrhea in adult patients living with HIV/AIDs on antiretroviral therapy. The agreements compensate these parties with a percentage of net sales, as defined. As part of the agreement entered into with its distributor, Napo received a marketing advance of $250,000 in June 2016 which was to be repaid quarterly, beginning six months after the advance was made, at a rate equal to 10% of net sales in the first quarter following the six-month period, then 15% of net sales in the next quarter, then 25% of net sales in the next quarter until fully repaid. Napo was to begin repaying the advance from net sales made in December 2016, but

5. License Agreements (Continued)

in February 2017 entered into an agreement to defer the repayment period to July 2017 to January 2018, with the new repayment amount being $267,500. In its agreement with its distributor, Napo agreed to spend $700,000 on product materials and marketing over the first twelve months of the agreement, inclusive of amounts paid to the marketing and commercialization advisory firm mentioned above and the marketing advance.

6. Land

The Company's land consists of several separate parcels of land that collectively comprise 490 hectares in Peru, which was transferred to Napo in connection with the settlement of the Salix Litigation (See Note 12) in March 2016. There are Croton lechleri trees growing on the land and in the future, once the Croton lechleri trees are mature, the crude plant latex derived therefrom could be used in connection with the manufacture of crofelemer. The recorded value of the land of $396,247 was based upon a third party appraisal.

7. Commitments and Contingencies

License Agreement with Michael Tempesta

The Company has entered into a license agreement in October 2002 with Dr. Michael Tempesta. The agreement provides for the payment of a royalty to Dr. Tempesta of between 2% and 4% of net sales of products containing crofelemer or any derivative thereof obtained from any species of the Croton lechleri plant. For the purposes of calculating royalties, "product" is defined as all products for the treatment, maintenance or improvement of human health which are prescription medicines, botanicals, dietary supplements sold for the treatment of diarrhea, Irritable Bowel Syndrome ("IBS") or herpes. This excludes cosmetic products, non-medicinal agricultural products and products for non-human animal health.

Royalty Agreements

Cap Global LLC

The Company entered into a royalty agreement with a group of investors in 2009 in exchange for funding to expedite the development of (i) crofelemer for HIV/AIDs diarrhea and (ii) for a pediatric indication of crofelemer. The investors are entitled to receive, collectively, 0.47% of net sales of crofelemer in western territories, including North America, most EU countries and Japan, until such time that they have received cumulatively a total return of $5.2 million.

Glenmark Pharmaceuticals Limited

On December 9, 2008, Napo entered into a royalty agreement with Glenmark Pharmaceuticals Limited whereby it agreed to pay Glenmark royalties of 1% of the Net Sales of crofelemer in western territories. This agreement was to remain in effect until such time as Napo is no longer receiving royalties from the sale of crofelemer products in western territories. As of March 2016, Napo stopped receiving royalties from the sale of crofelemer products in western territories.

7. Commitments and Contingencies (Continued)

Healing Forest Conservancy

Napo entered into a perpetual agreement with the Healing Forest Conservancy ("HFC") pursuant to which Napo has issued to HFC 30,000 common shares in Napo at a purchase price of $0.0001 each and has agreed to pay 2% of the net profit derived from the sale of all of its products to HFC once Napo has achieved net profits after tax over a consecutive period of 6 months. The aim of Napo's arrangement with HFC is, amongst other things, (i) to promote the conservation of the biological diversity of tropical forests, particularly medicinal plants (ii) to promote the survival of cultural diversity of tropical forest peoples, and in particular, their traditional knowledge of medicinal plants, (iii) to develop and implement a process to return financial benefits from net profits made on certain products to collaborating countries and cultural groups, (iv) to promote initiatives addressing total community health for developing and emerging communities; and (v) to lead efforts to encourage sustainable global communication and participation from other organizations, including corporate, non-governmental organizations, governmental agencies, and others. No royalty payments were made to HFC in the three months ended March 31, 2017 and 2016.

Contingencies

From time to time, the Company may be involved in legal proceedings arising in the ordinary course of business. The Company believes there is no litigation pending that could have, individually or in the aggregate, a material adverse effect on the financial position, results of operations or cash flows.

Napo entered into a settlement agreement regarding its litigation and the termination of its license agreement with Salix. (See Note 12). The terms of the settlement provide that Salix will receive 15% of the proceeds of any license agreement or royalties from net sales derived from territories in former Salix licensed territories or the sale of the Company (a sale or merger with Jaguar is excluded) after the first $36 million of proceeds.

The Company has committed to spend a minimum of $700,000 on product materials and marketing the first twelve months of its agreement with its distributor ending April 14, 2020 (See Note 5).

Napo has three subsidiary companies (the "Subsidiary Companies") in India. These entities have had limited operations for several years, however certain of them have deficit balances. In connection with funding arrangements entered into by an investor in the Subsidiary Companies, the investor may require the Subsidiary Companies to redeem certain assets and distribute the proceeds to the investor. Napo believes that assets subject to redemption have little or no value, however the investor may require redemption for certain administrative or legal purposes. Under Indian law an entity may not make distributions to investors if they are in a net deficit position. While the estimated fair value of the redeemable assets is immaterial, Napo may have to contribute additional funds to the Subsidiary Companies to remove any net deficit in order for the redemption to proceed. Napo estimates that amount of such contribution, if any, to the Subsidiary Companies would be $250,000 or less (See Note 14).

8. Debt and Warrants

The following is a summary of the debt issued by Napo.

8. Debt and Warrants (Continued)

Litigation Debt

In December 2011 and April 2013, Napo entered into a Forward Purchase Agreement(s) (together, the "Agreements") with a third party (the "Purchaser") to provide funding for Napo's litigation activities with Salix and its arbitration with Glenmark Pharmaceuticals Limited. The terms of the Agreements included a return on funds advanced, depending upon the amount of time lapsed from the initial funding, in the event Napo was successful in any part of its litigation or arbitration. In October 2014, after a successful outcome in the litigation, Napo and the Purchaser restructured what had become the existing debt under Agreements into a note (the "Financing Agreement") with a principal amount of $30,000,000 due January 1, 2017, and Napo recognized a gain on the restructuring of the debt. The loan under the Financing Agreement accrues interest monthly at 18% per annum, with monthly accrued interest added to principal on the first day of the following month.

From July 2014 to March 2016, a portion of the royalties received by Napo from the Salix Collaboration Agreement was paid into a control account for the benefit of the Purchaser and such funds reduced the outstanding balance on the Financing Agreement. In March 2016, subsequent to the settlement of the litigation with Salix and the return of the licensed assets to Napo, the Purchaser and Napo entered into an amendment to the Financing Agreement which provided for payments by Napo to the Purchaser of 10% of net sales of Mytesi® on a quarterly basis.

The Purchaser has a security interest (the "Security Interest") on all Napo assets, including 2,666,666 shares of Jaguar owned by Napo. The Financing Agreement requires that any funds Napo receives from sales of assets, recoveries, etc. be used to pay interest or principal on the Financing Agreement.

All principal and interest on the Financing Agreement was due on January 1, 2017. The outstanding balance owed was $53,597,920 and $51,256,639 as of March 31, 2017, and December 31, 2016, respectively, inclusive of accrued interest added to principal of $23,392,283 and $20,588,503 at March 31, 2017 and December 31, 2016 respectively. The amounts owed under the Financing Agreement will be settled at the closing of the merger pursuant to the Nantucket Settlement Agreement.

Convertible Notes

In March 2011 Napo entered into three convertible notes (the "Convertible Notes") equaling $1.575 million with an original due date of March 18, 2014 with interest on the outstanding principal amount bearing interest at 20%. The Convertible Notes and underlying principal, interest rates, maturity dates, payment terms, and collateral were amended at various times through January 2016. The first amendment provided that the lenders (the "Lenders") were to receive 100% of the payments made to Napo pursuant to the License Agreement with Jaguar Animal Health, Inc., after the first $250,000 payment to Napo. The first payment of $250,000 was made in 2015. The amended maturity date of the Convertible Notes was June 30, 2015.

In October 2015, the Lenders and Napo entered into a further amendment of the Convertible Notes. As part of the amendment, the Lenders agreed to reduce the level of payments made by Napo to 50% of the payments received by Napo from Jaguar Animal Health, Inc. under the License Agreement. The interest on the Convertible Notes was then increased from 12% to 15%, as of April 1,

8. Debt and Warrants (Continued)

2015 because Napo had made no interest payments as required beginning on April 1, 2015. All other terms remained the same.

In January 2016, effective as of December 31, 2015, the Lenders and Napo agreed to a reduction of $100,000 in the payment due to the Lenders as of December 31, 2015 from Napo's License Agreement with Jaguar Animal Health, Inc. and that $100,000 would be added to the next payment to be made by Napo to the Lenders on March 31, 2016 when Napo received its final payment under the License Agreement.

In connection with the amendments made to the Convertible Notes, the Company has issued warrants to the lenders at various times. As of March 31, 2017 and December 31, 2016, the Convertible Note Lenders collectively hold warrants to purchase 1,916,137 shares of common stock.

The Convertible Notes have certain covenants prohibiting investments in new subsidiaries and, restrict the issuance of stock compensation to Napo employees, consultants or others without the express written consent of Dorsar Investment Company, one of the Lenders and restrict Napo from incurring any debt with superior rights than those of the Lenders, without their consent. The Convertible Notes have a second lien on Napo assets and a pledge of common stock owned by Lisa A. Conte. Napo cannot distribute to its shareholders any shares Napo owns of Jaguar Animal Health, Inc. The principal balance owed was $1,321,151 as of March 31, 2017 and December 31, 2016, respectively. The interest due on the principal balance was $670,415 and $653,683 as of March 31, 2017 and December 31, 2016, respectively.

Forbearance and December Notes

In the fourth quarter of 2016, Napo informed its lenders that it would be unable to pay the principal and interest on the Financing Agreement on January 1, 2017 as required. In December 2016, Napo and the Financing Agreement Lender, the Convertible Note Lenders and a third party financing source entered into a forbearance agreement which provides that as long as Napo is not deemed to be in default with the covenants of its existing debt, as amended, then its lenders would forbear on exercising certain of their rights and remedies under the loan agreements during the forbearance period, no later than June 30, 2017, which was later amended to July 31, 2017.

In December 2016, Napo entered into a note purchase agreement which provides for the sale of up to $12,500,000 face amount of notes and issued convertible promissory note(s) (the December Notes) in the aggregate face amount of $2,500,000 to three lenders and received proceeds of $2,000,000 which resulted in $500,000 of original issue discount. The carrying amount of the December Notes is reduced by $80,210 on the balance sheet for debt issuance costs. Any subsequent note purchases will be at the sole discretion of the purchaser and will be issued at similar original issue discount as the December Notes.

The December Notes mature on December 30, 2019 and bear interest at 10% with interest due each six-month period after December 30, 2016. Interest on these notes was immaterial for the year ended December 31, 2016. If Napo merges with Jaguar, at the option of Napo, interest may be paid in cash or in the stock of Jaguar, but if Jaguar is not listed on Nasdaq or the OTC bulletin board, then interest must be paid in cash. If Napo merges with Jaguar, then in each one year period beginning December 30, 2016, up to one-third of the principal and accrued interest on the December Notes may

8. Debt and Warrants (Continued)

be converted into the common stock of the merged entity at a conversion price of $0.925 per share. The December Notes are secured by a security interest in Napo inventory pursuant to a limited subordination agreement between Napo, the December Note purchasers and the Convertible Note Lenders and the Lender associated with the Financing Agreement. The principal balance owed was $2,500,000 as of March 31, 2017 and December 31, 2016, respectively. The interest due on the principal balance was $63,010 and $1,366 as of March 31, 2017 and December 31, 2016, respectively.

March Notes

On March 1, 2017, Napo entered into an exchangeable note purchase agreement with two lenders for the funding of face amount of $1,312,500 in two $525,000 tranches of face amount $656,250. The notes bear interest at 3% and mature on December 1, 2017. Interest may be paid at maturity in either cash or shares of Jaguar, provided that if Jaguar is not listed on Nasdaq or the Bulletin Board or registered under the Securities Act then interest must be paid in cash. Assuming the issuance of $1,312,500 of exchangeable notes, the notes may be exchanged for up to 2,343,752 shares of Jaguar common stock, prior to maturity date assuming that either the merger of Napo and Jaguar has occurred, among other conditions. Napo received funding of $525,000 on March 1, 2017, and recorded $131,250 of original issue discount and $25,000 of debt issuance costs. The principal amount outstanding as of March 31, 2017 was $656,250 with unpaid interest of $1,672.

Financing Agreement Settlement

On March 31, 2017, Napo entered into a Settlement and Discounted Payoff Agreement by and between the lenders and the agent that were party to the Financing Agreement. The lenders and agent have agreed to a discounted payoff and complete settlement of the Financing Agreement and release of all collateral, pursuant to, at the closing of the Merger (i) the payment of $8 million of cash (ii) the transfer of 2,666,666 shares of Jaguar common stock owned by Napo; the issuance of Jaguar common stock equal to 20% of the merged entity on a fully diluted basis ("Tranche A shares") and approximately 1,940,382 shares of Jaguar common stock ("Tranche C shares"); and, (iii) a number of shares of Jaguar common stock ("Tranche B shares") which will be placed in escrow, in the name of the agent, likely to equal approximately 21.5% or less of the outstanding stock of the merged entity on a fully diluted basis. All or part of the Tranche B shares will be issued to either the lenders that were party to the Financing Agreement, if the Hurdle Rate is not achieved, or to legacy shareholders of Napo. For example, if the sale of the Tranche A shares do not achieve the Hurdle Rate, then some or all of the Tranche B shares could be sold to achieve the Hurdle Rate. Tranche B shares remaining after any sale of Tranche B shares to achieve the Hurdle Rate will be distributed to legacy Napo shareholders. The settlement, among other conditions, is predicated on the successful closing of the merger of Napo and Jaguar.

Settlement with the Convertible Notes

On March 31, 2017, Napo entered into an agreement with the three Convertible Note lenders to exchange their existing $1,991,565 debt including interest accrued up to January 31, 2017 for 2,153,041 non-voting common shares of Jaguar at a deemed value of $0.925 per share. Additionally, upon the closing of the merger, all warrants to purchase 6,727,443 shares Napo common stock currently held by

8. Debt and Warrants (Continued)

the lenders or entities and/or individuals affiliated with the lenders with be exchanged for warrants to purchase 1,237,238 shares of Jaguar common stock at an exercise price of $0.08 per share. The settlement, among other conditions, is predicated on the successful closing of the merger of Napo and Jaguar.

Settlement with Legal Creditors

On March 31, 2017, Napo entered into agreements with two law firms to settle $2,376,812 owed to them in exchange for the issuance of 2,569,526 non-voting shares of Jaguar common stock at a deemed value of $0.925 per share. The settlement, among other conditions, is predicated on the successful closing of the merger of Napo and Jaguar.

Amendment to Kingdon Captial Management Note Purchase Agreements

On March 31, 2017, Napo and entities affiliated with Kingdon Capital Management entered into an Amended Note Purchase Agreement which among other items provided for the payment of additional legal fees to Kingdon through the issuance of 54,054 shares of Jaguar common stock assuming a closing of the merger.

The following table sets forth current and long term maturities of debt at March 31, 2017 and December 31, 2016.

	March 31, 2017	December 31, 2016
Current:		
Financing Agreement	$ 53,597,920	$ 51,256,639
Convertible Notes	1,838,498	1,321,151
Total current:	55,436,418	52,577,790
Long term debt:		
Financing Agreement	—	—
Settlement Liability(1)	2,500,000	2,500,000
Convertible Notes, net	1,968,149	1,919,790
Total long term:	4,468,149	4,419,790
Total:	59,904,567	$ 56,997,580

8. Debt and Warrants (Continued)

The following table sets forth scheduled future principal payments as of March 31, 2017:

Amounts Due in Years Ending December 31,	Principal Amount
2017	$ 55,436,418
2018	—
2019	2,500,000
Thereafter(1)	2,500,000
Total:	$ 60,436,418

(1) Settlement liability is payable out of royalties received from Glenmark Collaboration Agreement. See Note 5 and Note 12. Napo has received no royalties from the Glenmark Collaboration Agreement and is unable to determine when, if ever, such royalties will be received. Future principal payments after 2019 include unamortized debt discount of $531,851.

9. Stock Compensation

Napo has not recognized any stock compensation for three months ended March 31, 2017 or 2016. All grants of options to purchase common stock vested prior to January 1, 2015. Substantially all such stock options expire in November 2017. Grants of restricted stock units are subject to a number of vesting criteria, in addition to service and those criteria have not been met and may never be met.

At March 31, 2017 and December 31, 2016 there were options to purchase 2,984,000 shares, respectively, at exercise prices of $0.10 to $0.37 per share outstanding under the 2006 Plan and RSUs issued, subject to certain restrictions, representing 11,669,832 shares, for a total of 14,673,650 shares issuable under the 2006 Plan.

10. Stockholders' Equity

Common Stock

Napo's fourth amended and restated certificate of incorporation authorizes Napo to issue 175,000,000 shares of common stock $0.0001 par value. The holders of common stock are entitled to one vote for each share of common stock held at all meetings of stockholders. The number of authorized shares of common stock may be increased or decreased by the affirmative vote of the holders of shares of capital stock of the Napo representing a majority of the votes represented by all shares entitled to vote.

10. Stockholders' Equity (Continued)

As of March 31, 2017 and December 31, 2016, Napo had reserved shares of common stock for issuance as follows:

	March 31, 2017	December 31, 2016
Options issued and outstanding	2,984,000	2,984,000
Options available for grant	—	—
RSUs issued and outstanding	32,371,101	32,371,101
Warrants issued and outstanding	6,727,443	6,727,443
Total	42,082,544	42,082,544

11. Related Party Transactions

During the three months ended March 31, 2017 and 2016, Napo was provided certain services by Jaguar. In the three month period ended March 31, 2017, Napo recorded $407,267 for such services and $221,422 was owed to Jaguar at March 31, 2017. At December 31, 2016, Napo recorded $628,867 for such services and $299,648 was owed to Jaguar at December 31, 2016 (See Note 4).

12. Litigation Settlements

Salix

In May 2011, the Company sued Salix in the New York County Supreme Court of the State of New York with regard to Salix's performance under the Salix Collaboration Agreement. The litigation ultimately went to trial in February 2014 and the jury found for the defendant, Salix. The Company filed an appeal of the litigation. On March 4, 2016, Napo and Salix entered into a Settlement, Termination, Asset Transfer and Transition Agreement—the "Asset Transfer Agreement". The Asset Transfer Agreement settled the litigation between the companies and terminated the Salix Collaboration Agreement. In addition, all rights to crofelemer previously licensed to Salix, including with respect to the FDA approved drug, Mytesi®, were transferred to Napo, along with certain regulatory and other documentation. Napo received inventories of Mytesi® drug product, active pharmaceutical ingredient and crude plant latex (CPL) used in the manufacture of Mytesi®, as well as 490 hectacres of land in Peru for which it recognized a gain on settlement of $1,888,319 during the year ended December 31, 2016. The Asset Transfer Agreement also provides that Salix (now owned by Valeant Pharmaceuticals International) will receive a portion of the proceeds of any sale of the Company (an acquisition of Napo by Jaguar, that meets the conditions as defined in the Asset Transfer Agreement is excluded) or a portion of any payments made by the Company's licensees, sublicensees or partners of the reverted crofelemer rights or other transferred assets in the former Salix territories, in each case after the deduction of a fixed amount.

Glenmark

In December 2013, Napo and Glenmark Pharmaceuticals Limited settled an arbitration proceeding between the parties (the Settlement Agreement). In the Settlement Agreement, amongst other things, with respect to Glenmark's unresolved claim for legal fees and costs in the arbitration proceeding,

12. Litigation Settlements (Continued)

Glenmark and Napo agreed that Napo will make payment to Glenmark in the amount of $2,500,000 in full satisfaction of Glenmark's claim for legal fees and costs in the arbitration. The full payment will be deferred and offset against future royalty payments due under Article 5 of the Glenmark Collaboration Agreement which addresses royalty payments to Napo, with 50% of each royalty payment due to Napo under Article 5 being paid and the other 50% being offset against the amount Napo has agreed to pay for legal fees and costs, until the full $2,500,000 offset. As of March 31, 2017, Napo has received no royalty payments from Glenmark and therefore has made no payments toward the $2,500,000.

14. Subsequent Events

The Company completed an evaluation of the impact of subsequent events through May 26, 2017, the date these financial statements were available to be released.

15. Additional Subsequent Events

On June 27, 2017, Jaguar, Napo and Nantucket entered into an Amendment, Waiver and Consent (the "Consent") related to the Agreement. The Consent provides that Jaguar i) can issue an additional convertible note of up to $2,155,000; ii) can issue additional common stock providing proceeds of approximately $926,053; iii) provides for adjustments to the number of Tranche B shares and Tranche C shares as defined in the Agreement. Additionally, the Consent provides that Jaguar waive certain conditions to the Agreement including debt limitations regarding Napo's trade payables and other unsecured indebtedness and minimum cash balance requirement. Jaguar, Napo and Nantucket also consented to an increase in authorized common shares of Jaguar to 310 million shares consisting of 250 million shares of common stock, 50 million shares of convertible non-voting common stock and 10 million shares of preferred stock.

On July 31, 2017 the merger between Napo and Jaguar was completed.

Napo Pharmaceuticals, Inc.
Index to Consolidated Financial Statements

MGO Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Napo Pharmaceuticals, Inc.
San Francisco, California

We have audited the accompanying consolidated financial statements of Napo Pharmaceuticals, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in common stock and stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Napo Pharmaceuticals, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred significant operating losses during the year ended December 31, 2016. As described in Note 8 to the financial statements, the Company is in default on its loan agreements. Those conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Macias Gini & O'Connell LLP

San Francisco, California
March 24, 2017, except for Note 15—Additional Subsequent Events, the first and second paragraphs as to which the date is March 31, 2017, the third paragraph as to which the date is June 27, 2017, and the fourth paragraph as to which the date is July 31, 2017

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Napo Pharmaceuticals, Inc.

Consolidated Balance Sheets

	Year Ended December 31, 2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 2,271,745	$ 689,032
Restricted cash	—	137,115
Accounts receivable, net of allowance for doubtful accounts of $184,660 and $0 at December 31, 2016 and 2015	166,937	120,772
Equity method investment in related party	1,919,999	5,999,998
License fee receivable from related party	—	425,000
Inventory	982,838	—
Prepaid expenses	64,670	54,074
Total Current Assets	5,406,189	7,425,991
Land	396,247	—
Total Assets	$ 5,802,436	$ 7,425,991
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 4,316,819	$ 3,394,374
Deferred revenue	464,892	—
Due to related party	299,648	—
Accrued expenses	2,361,232	2,039,253
Marketing advance	250,000	—
Current portion of long-term debt	52,577,790	1,783,650
Total current liabilities	60,270,381	7,217,277
Settlement liability	2,500,000	2,500,000
Convertible notes, net	1,919,790	—
Financing agreement	—	36,203,421
Long term debt, net	4,419,790	38,703,421
Total liabilities	$ 64,690,171	$ 45,920,698
Commitments and Contingencies (Note 7)		
Stockholders' Equity (Deficit)		
Common stock: $0.0001 par value, 175,000,000 shares authorized at December 31, 2016 and December 31, 2015; 108,202,786 and 108,452,786 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively.	10,819	10,844
Additional paid-in capital	98,539,747	98,539,722
Accumulated deficit	(157,438,301)	(137,045,273)
Total stockholders' equity (deficit)	(58,887,735)	(38,494,707)
Total liabilities and stockholders' equity (deficit)	$ 5,802,436	$ 7,425,991

The accompanying notes are an integral part of these financial statements.

Napo Pharmaceuticals, Inc.

Consolidated Statements of Operations

	Years Ended December 31,	
	2016	2015
Revenue, net of allowances	$ 987,312	$ 390,953
Cost of revenue	(726,506)	(174,949)
Gross profit	260,806	216,004
Operating expenses		
Research and development expense	127,137	1,672,472
Selling, general and administrative expense	2,725,925	2,618,066
Total operating expenses	2,853,062	4,290,538
Loss from operations	(2,592,256)	(4,074,534)
Interest expense, net	(15,609,092)	(8,048,674)
Gain on disposition of related party	—	29,961,150
Impairment of equity method investment in related party	(574,059)	(9,751,974)
Gain on litigation settlement	1,888,319	—
Change in fair value of warrants	—	(267,867)
Loss from equity method investment in related party	(3,505,940)	(2,915,090)
Consolidated net income (loss)	(20,393,028)	4,903,011
Net loss attributable to non-controlling interest	—	406,150
Consolidated net income (loss) attributable to Napo Pharmaceuticals, Inc.	$ (20,393,028)	$ 5,309,161

The accompanying notes are an integral part of these financial statements

Napo Pharmaceuticals, Inc.

Consolidated Statement of Changes in Common Stock and Stockholders' Equity (Deficit)

	Series A Convertible Preferred Stock		Common Stock		Additional	Noncontrolling	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	paid-in capital	Interest	deficit	Equity(Deficit)
Balances— December 31, 2014	3,015,902	$ 7,304,914	108,452,786	$ 10,844	$ 111,455,067	$ (636,583)	$ (142,354,434)	$ (24,220,192)
Deconsolidation of related party on its issuance of common stock in connection with its initial public offering in May 2015	(3,015,902)	(7,304,914)	—	—	(12,915,345)	1,042,733	—	(19,177,526)
Loss attributable to non-controlling interest	—	—	—	—	—	(406,150)	—	(406,150)
Consolidated net income	—	—	—	—	—		5,309,161	5,309,161
Balances— December 31, 2015	—	—	108,452,786	$ 10,844	$ 98,539,722	$ —	$ (137,045,273)	$ (38,494,707)
Net loss	—	—	—	—	—	—	(20,393,028)	(20,393,028)
Cancellation of common stock	—	—	(250,000)	(25)	25	—	—	—
Balances— December 31, 2016	—	$ —	108,202,786	$ 10,819	$ 98,539,747	$ —	$ (157,438,301)	$ (58,887,735)

The accompanying notes are an integral part of these financial statements.

Napo Pharmaceuticals, Inc.

Consolidated Statements of Cash Flows

	Years Ended December 31, 2016	2015
Cash Flows from Operating Activities		
Consolidated net income (loss)	$ (20,393,028)	$ 5,309,161
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on disposal of Jaguar Animal Health, Inc.	—	(29,961,150)
Impairment of equity method investment in related party	574,059	9,751,974
Gain on litigation settlement	(1,888,319)	—
Loss from investment in related party	3,505,940	2,915,090
De-consolidation of related party	—	7,272,553
Interest and penalties on notes payable	14,590,719	5,997,784
Gain attributable to noncontrolling interest	—	(406,150)
Changes in assets and liabilities:		
Accounts receivable, net of allowances for doubtful accounts	(46,165)	(120,772)
License fee receivable	425,000	1,225,000
Inventory	509,234	—
Prepaid expenses	(10,596)	15,345
Accounts payable	874,816	(124,341)
Deferred revenue	464,892	(23,802)
Due to related party	299,648	—
Accrued expenses	369,608	(890,573)
Marketing advance	250,000	—
Total Cash Provided By (Used In) Operations	(474,192)	960,119
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt, net	1,919,790	—
Payments on notes payable	—	(1,066,716)
Total Cash Provided By (Used In) Financing Activities	1,919,790	(1,066,716)
Net increase (decrease) in cash and cash equivalents	1,445,598	(106,597)
Cash and cash equivalents, beginning of period	826,147	932,744
Cash and Cash Equivalents, End of Period	$ 2,271,745	$ 826,147
Supplemental Cash Flow information including Non-Cash Financing and Investing Activities		
Interest paid in cash	—	—

The accompanying notes are an integral part of these financial statements

Napo Pharmaceuticals, Inc.

Notes to Consolidated Financial Statements

1. Organization and Business

Napo Pharmaceuticals, Inc. ("NPI"), (collectively with its subsidiaries "Napo" or "the Company") was incorporated on November 15, 2001 in Delaware and is focused on licensing, developing and commercialization of propriety specialty pharmaceuticals for the global marketplace in collaboration with development partners.

In March 2016, Napo settled ongoing litigation with Salix Pharmaceuticals, Inc. (Salix) (now owned by Valeant Pharmaceuticals International) and rights to develop, manufacture and commercialize crofelemer previously licensed to Salix in December 2008 in North America, certain European Union countries and Japan were terminated and returned to Napo, along with certain crofelemer active pharmaceutical ingredient inventory and Mytesi® drug product inventory and land. Napo recorded the inventory received at its manufactured cost and the land at its appraised value and recorded a gain on settlement of litigation.

Napo's drug product, Mytesi® (crofelemer), which it had developed along with Salix is approved by the FDA for the symptomatic relief of non-infectious diarrhea in adult patients living with HIV/AIDS on anti-retroviral therapy. Napo operates in one segment, pharmaceuticals for human use.

Jaguar Animal Health, Inc. ("Jaguar") was incorporated on June 6, 2013 in Delaware and on June 11, 2013, Jaguar issued 2,666,666 shares of common stock to Napo in exchange for cash and services. On July 1, 2013, Jaguar entered into an employee leasing and overhead agreement (the "Service Agreement") with Napo, under which Napo agreed to provide Jaguar with the services of certain Napo employees for research and development and the general administrative functions. On January 27, 2014, Jaguar executed an intellectual property license agreement with Napo pursuant to which Napo transferred fixed assets and development materials, and licensed intellectual property and technology to Jaguar (See Note 5). On February 28, 2014, the Service Agreement terminated and the associated employees became employees of Jaguar effective March 1, 2014.

Jaguar was a majority-owned subsidiary of NPI until the close of its Initial Public Offering ("IPO") on May 18, 2015 (see below). Jaguar was formed to develop and commercialize first-in-class gastrointestinal products for companion and production animals and horses. Jaguar's first commercial product, Neonorm Calf, was launched in 2014.

On February 8, 2017, Jaguar announced that its Board of Directors had approved a binding letter of intent, subject to certain conditions to acquire Napo. Jaguar will be the surviving entity along with its board of directors and officers (See Note 14).

Initial Public Offering—Jaguar

On May 18, 2015, Jaguar completed an IPO of its common stock at a price to the public of $7.00 per share. In connection with the IPO, Napo deconsolidated Jaguar on this date due to a reduction in its ownership interest in Jaguar. Subsequent to the IPO, Napo owned approximately 33%, 33% and 19% of the outstanding shares of Jaguar at May 18, 2015, December 31, 2015 and December 31, 2016, respectively. Accordingly, management concluded that Napo is able to have significant influence over the operations of Jaguar. Subsequent to Jaguar's IPO, Napo has accounted for its holding in Jaguar using the equity method of accounting.

1. Organization and Business (Continued)

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred recurring operating losses since inception and has an accumulated deficit of $157,438,301 as of December 31, 2016. Napo is in default on certain of its liabilities (See Note 8) and the Company expects to incur substantial losses in future periods. Further, the Company's future operations are dependent on the success of the Company's ongoing development and commercialization efforts. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis.

The merger of Napo and Jaguar is expected to offer greater access to the capital markets because of the combined companies larger market capitalization. If the merger is not consummated for some reason, Napo plans to finance its operations and capital funding needs through licensing activities, equity and/or debt issuances as well as revenue from future product sales. However, there can be no assurance that additional funding will be available to the Company on acceptable terms on a timely basis, if at all, or that the Company will generate sufficient cash from operations to adequately fund operating needs or ultimately achieve profitability. If the Company is unable to obtain an adequate level of financing needed for the long-term development and commercialization of its products, the Company will need to curtail planned activities and reduce costs. Doing so will likely have an adverse effect on the Company's ability to execute on its business plan. These matters raise substantial doubt about the ability of the Company to continue in existence as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of Jaguar from January 1, 2015 until its IPO on May 18, 2015. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company's management to make judgments, assumptions and estimates that affect the amounts reported in its financial statements and the accompanying notes. The accounting policies that reflect the Company's more significant estimates and judgments and that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results are valuation of equity compensation; impairment of long lived assets; deferred taxes and valuation allowances on deferred tax assets; and evaluation and measurement of contingencies. Those estimates could change, and as a result, actual results could differ materially from those estimates.

Concentration of Credit Risk and Cash

The financial instrument that potentially subjects the Company to a concentration of credit risk is cash that is held at a financial institution of high credit standing. Cash balances are generally in excess

2. Summary of Significant Accounting Policies (Continued)

of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At December 31, 2016 and 2015 the Company had $1,722,983 and $439,032, respectively, in excess of FDIC insurance limits. At December 31, 2015 the Company had $137,115 in restricted cash related to a control account. A percentage of the royalties payable to Napo from the Salix Collaboration Agreement (See Note 5) were deposited in this account. These funds were used to repay principal on the Financing Agreement (See Note 8). This account was closed in 2016.

Investment in Related Party

The Company's investment in Jaguar is accounted for using the equity method as the Company has determined that its shareholdings, and related officer and Board member, provided it the ability to exercise significant influence, but not control, over Jaguar subsequent to its IPO. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors or having related officers, are considered in determining whether the equity method is appropriate. The Company recorded a loss of $3,505,940 and $2,915,090, respectively, related to its investment in Jaguar for the years ended December 31, 2016 and 2015. For the years ended December 31, 2016 and 2015, Napo recorded an impairment loss of $574,059 and $9,751,974, respectively related to its investment in Jaguar.

Inventories

Inventories are stated at the lower of cost or market. Napo had no inventory as of December 31, 2015. Napo's inventory at December 31, 2016 consisted of $632,825 of Mytesi® drug product and $350,013 of crofelemer active pharmaceutical ingredient. The Mytesi® drug product is valued at its manufactured cost. The crofelemer active pharmaceutical ingredient was transferred to Napo via its settlement with Salix Pharmaceuticals, Inc. (See Note 12) and is valued at the invoiced price paid by Salix.

Napo adjusts its inventory valuation when conditions indicate that the net realizable value is less than cost due to physical deterioration, usage, obsolescence, reductions in estimated future demand or reduction in selling price. There were no inventory write-downs in the year ended December 31, 2016.

Land

Land represents property acquired in settlement of the Salix Litigation (See Notes 6 and 12).

Debt Issuance Costs

Debt discount and legal costs related to the issuance of convertible debt at December 31, 2016 are shown as a reduction of the carrying value of the debt and will be amortized as interest expense over the term of the related debt using the straight-line method, which approximates the effective interest method.

Research and Development Expense

Napo incurred limited research and development activities in the years ended December 31, 2015 and 2016. Research and development expense consists of expenses incurred in performing research and

2. Summary of Significant Accounting Policies (Continued)

development activities including related salaries and the costs of consultants. Research and development expense is charged to operating expense in the period incurred. Napo does anticipate that such costs will increase significantly in the coming years.

Revenue Recognition

Napo sells its drug product, Mytesi®, on consignment through one distributor, that in turn sells to various wholesalers in the United States. Sales to the wholesalers are made under agreements that may provide price adjustments and rights of return prior to sell through. Until Napo develops sufficient sales history and pipeline visibility, revenue recognition is deferred until products are sold by the wholesaler to the wholesaler's customers. The Company had $987,312 and $390,953 of revenue (including royalties received) for the years ended December 31, 2016 and 2015, respectively.

Pursuant to a license agreement with Salix, Napo recorded royalty revenue on a quarterly basis in 2015 and up to March 4, 2016. Royalty revenue was $31,729 and $276,999 in the years ended December 31, 2016 and 2015, respectively. These royalties are recognized in the period in which sales are made by the licensee.

Stock-Based Compensation

Napo's 2006 Equity Incentive Plan (See Note 9) provides for the grant of stock options, restricted stock and restricted stock unit awards.

Napo has not issued any stock options during the years ended December 31, 2016 and 2015. All option awards were fully vested prior to January 1, 2015. Napo issued restricted stock units to employees, directors and consultants annually in the years 2008-2013 and again in 2015 and 2016. The Company has determined that the fair value of RSUs vested during 2015 and 2016 to be diminimus.

Classification of Securities

The Company applies the principles of ASC 480-10 "Distinguishing Liabilities from Equity" and ASC 815-40 "Derivatives and Hedging—Contracts in Entity's Own Equity" to determine whether financial instruments such as warrants, contingently issuable shares and shares subject to repurchase should be classified as liabilities or equity and whether beneficial conversion features exist. At December 31, 2016 and 2015 all such financial instruments were classified as equity.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or in the Company's tax returns. Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is

2. Summary of Significant Accounting Policies (Continued)

evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company accounts for uncertainty in income taxes recognized in the financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate, as well as the related net interest and penalties.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows* (Topic 230) ("ASU No. 2016-15"). ASU No. 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for the Company in the first quarter of 2018, with early adoption permitted, and is to be applied using a retrospective approach. The Company is expected to adopt the provisions of ASU 2016-15 on January 1, 2017, and the provisions are not expected to have a material impact on the Company's financial position or results of operations.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326) ("ASU No. 2016-13"). ASU No. 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU No. 2016-13 is effective for the Company in the first quarter of 2020, with early adoption permitted, and is to be applied using a modified retrospective approach. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13.

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, *Derivatives and Hedging—Contingent Put and Call Options in Debt Instruments* (Topic 815) ("ASU No. 2016-06"). ASU No. 2016-06 clarifies the steps required to assess whether a call or put option meets the criteria for bifurcation as an embedded derivative. Effective April 3, 2016, the Company adopted the provisions of ASU No. 2016-06 on a prospective basis. The adoption of the provisions of ASU No. 2016-06 did not materially impact the Company's consolidated financial position or results of operations.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825) ("ASU No. 2016-01"). ASU No. 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU No. 2016-01 requires the change in fair value of many equity investments to be recognized in net income. ASU No. 2016-01 is effective for the Company in the first quarter of 2018, with early adoption permitted, and is to be applied prospectively. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-01.

2. Summary of Significant Accounting Policies (Continued)

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes—Balance Sheet Classification of Deferred Taxes* (Topic 740) ("ASU No. 2015-17"). ASU No. 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated balance sheet. ASU No. 2015-17 is effective for the Company in the first quarter of 2017, with early adoption permitted. ASU No. 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Effective October 2, 2016, the Company adopted the provisions of ASU No. 2015-17 on a prospective basis. The adoption of the provisions of ASU No. 2015-17 resulted in a reclassification of deferred tax liabilities and assets from current to noncurrent and did not materially impact the Company's consolidated financial position or results of operations.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Inventory—Simplifying the Measurement of Inventory* (Topic 330) ("ASU No. 2015-11"). ASU No. 2015-11 requires an entity to measure inventory within the scope of the update at the lower of cost and net realizable value, and defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Effective January 1, 2016, the Company adopted the provisions of ASU No. 2015-11 on a prospective basis. The adoption of the provisions of ASU No. 2015-11 did not materially impact the Company's consolidated financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU No. 2014-09"). ASU No. 2014-09 supersedes all existing revenue recognition guidance. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for the Company in the first quarter of 2018, with early adoption permitted in the first quarter of 2017. ASU No. 2014-09 allows for either full retrospective or modified retrospective adoption. In March, April, May, and December 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU No. 2016-08"); ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing* ("ASU No. 2016-10"); ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* ("ASU No. 2016-12"); and ASU No. 2016-19, *Technical Corrections and Improvements* ("ASU No. 2016-19"), respectively. ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-19 provide supplemental adoption guidance and clarification to ASU No. 2014-09, and must be adopted concurrently with the adoption of ASU No. 2014-09. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-19.

3. Fair Value Measurements

ASC 820 "Fair Value Measurements," defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable

3. Fair Value Measurements (Continued)

inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Liabilities Measured at Fair Value on a Recurring Basis

At December 31, 2016 and 2015, no liabilities were required to be measured at fair value on a recurring basis. There were no transfers in or out of either Level 1, Level 2, or Level 3 fair value measurements during the years ended December 31, 2016, and 2015.

4. Employee Leasing and Overhead Allocation Agreement

Effective July 1, 2016, Napo and Jaguar entered into an employee leasing and overhead allocation agreement (the "2016 Service Agreement"). The initial term of the 2016 Service Agreement was from July 1, 2016 to December 31, 2016, and the term has been extended into 2017. In connection with the Service Agreement, Jaguar provided to Napo the services of Jaguar employees, primarily in the areas of supply, manufacturing and quality control. The 2016 Service Agreement stipulated that Napo reimburse Jaguar for a portion of Jaguar's overhead costs.

5. License Agreements

Jaguar Animal Health, Inc.

On July 11, 2013, Napo entered into an option to license Napo's intellectual property and technology (the "Option Agreement") to Jaguar. Under the Option Agreement, upon the payment of $100,000 in July 2013, Jaguar obtained an option for a period of two years to execute an exclusive worldwide license to Napo's intellectual property and technology to use for its animal health business. The option price was creditable against future license fees to be paid to Napo under the License Agreement (as defined below).

In January 2014, Jaguar exercised its option and entered into a license agreement (the "License Agreement") with Napo for an exclusive worldwide license to Napo's intellectual property and technology to permit Jaguar to develop, formulate, manufacture, market, use, offer for sale, sell, import, export, commercialize and distribute products for veterinary treatment uses and indications for all species of animals. Jaguar was originally obligated to pay a one-time non-refundable license fee of $2,000,000, less the option fee of $100,000. At the Jaguar's option, the license fee could have been paid in common stock. Milestone payments aggregating $3,150,000 may also be due to Napo based on regulatory approvals of various veterinary products. In addition to the milestone payments, Jaguar will owe Napo an 8% royalty on annual net sales of products derived from the Croton lechleri tree, up to

5. License Agreements (Continued)

$30,000,000 and then, a royalty of 10% on annual net sales of $30,000,000 or more. Additionally, if any other products are developed, Jaguar will owe Napo a 2% royalty on annual net sales of pharmaceutical prescription products that are not derived from Croton lechleri and a 1% royalty on annual net sales of nonprescription products that are not derived from Croton lechleri. The royalty term expires at the longer of 10 years from the first sale of each individual product or when there is no longer a valid patent claim covering any of the products and a competitive product has entered the market. However, because an IPO of at least $10,000,000 was consummated prior to December 31, 2015, the royalty was reduced to 2% of annual net sales of its prescription products derived from Croton lechleri and 1% of net sales of its nonprescription products derived from Croton lechleri and no milestone payment will be due and no royalties will be owed on any additional products developed.

The License Agreement also transferred to Jaguar certain materials and equipment.

Jaguar has agreed under the License Agreement to defend, indemnify and hold Napo, its affiliates, and the officers, directors, employees, consultants and contractors of Napo harmless from and against any losses, costs, damages, liabilities, fees and expenses arising out of any third-party claim related to the Jaguar's gross negligence, breach of covenants or the manufacture, sale or use of the product or products.

In January 2015, the License Agreement was amended to decrease the one-time non-refundable license fee payable from $2,000,000 to $1,750,000 in exchange for acceleration of the payment of the fee. In 2015, payments totaling $1,225,000 were made, with the balance of $425,000 paid in the quarter ended March 31, 2016, which is included in License Fee Receivable on the Company's balance sheet at December 31, 2015. The revenue related to the License Agreement was recorded by the Company prior to the deconsolidation of Jaguar.

License Agreement with Salix Pharmaceuticals, Inc.

In December 2008, Napo and Salix Pharmaceuticals, Inc. ("Salix") entered into a collaboration agreement for the development and commercialization of crofelemer for the indications of HIV/AIDs diarrhea, pediatric diarrhea and acute adult infectious diarrhea in North America, most western EU countries and Japan (the "Salix Collaboration Agreement"). Salix also acquired worldwide rights for the development and commercialization of crofelemer for diarrhea predominant irritable bowel syndrome, as well as any other indication of crofelemer for human use. Salix paid an up-front license fee and the Salix Collaboration Agreement called for milestone payments based on regulatory approval and net sales of crofelemer derived products, as well as royalties on the net sales of crofelemer derived products. Other than the indication of crofelemer for HIV/AIDS diarrhea (which ultimately became the FDA approved drug Mytesi®), no other indications of crofelemer were approved.

In May 2011, Napo sued Salix with regard to Salix's performance under the Salix Collaboration Agreement. In February 2014, Salix prevailed in a jury trial, and Napo appealed the verdict. In March 2016, Napo and Salix entered into a Settlement, Termination, Asset Transfer and Transition Agreement, which settled the ongoing litigation between the parties, terminated the Salix Collaboration Agreement and transferred certain assets and inventory, including with respect to the approved drug Mytesi®, to Napo (See Note 12).

5. License Agreements (Continued)

License Agreement with Glenmark Pharmaceuticals Limited

In 2005 Napo entered into a collaboration agreement with Glenmark Pharmaceuticals Limited (the Glenmark Collaboration Agreement) for the development of crofelemer for the indications of for HIV/AIDS diarrhea, pediatric diarrhea and adult acute infectious diarrhea in approximately 140 countries outside of the United States, Japan, most EU countries and Japan. The Glenmark Collaboration Agreement provides for royalties to be paid to Napo based upon net sales of crofelemer derived products in the licensed territories. In 2011, the parties entered into arbitration proceeding regarding clarification of certain terms as well as disputes over crofelemer development and commercialization activities referred to in the Glenmark Collaboration Agreement. The arbitration was settled in December 2013 (See Note 12).

Glenmark has obtained marketing approval for the crofelemer derived product for control and symptomatic relief of diarrhea in patients living with HIV/AIDs in two countries in Africa and two in South America. Two of these four countries have also approved the crofelemer derived product for control and symptomatic relief of diarrhea in patients with acute infectious diarrhea. Napo has not received any royalty income from these approvals nor is it aware of any sales made by Glenmark in its licensed territories.

License Agreement with Luye Pharmaceuticals, Inc.

In 2005, Napo entered into a license agreement with Luye Pharmaceuticals (Luye) for the development of crofelemer for HIV/AIDS diarrhea, pediatric diarrhea and adult acute infectious diarrhea for the People's Republic of China including Macao and Hong Kong. The license agreement provided for Napo to receive royalties on net sales of crofelemer derived products. To date, Luye has not developed crofelemer for any indications in its licensed territory and the Company has not received any royalty income from Luye.

Distribution and Marketing Agreements

The Company has agreements in place with BexR, a distributor in Texas and as well as a marketing and commercialization advisory firm for the distribution, marketing and sale of Mytesi®, its FDA approved drug product for the systematic relief of non-infectious diarrhea in adult patients living with HIV/AIDs on antiretroviral therapy. The agreements compensate these parties with a percentage of net sales, as defined. As part of the agreement entered into with its distributor, Napo received a marketing advance of $250,000 in June 2016 which was to be repaid quarterly, beginning six months after the advance was made, at a rate equal to 10% of net sales in the first quarter following the six-month period, then 15% of net sales in the next quarter, then 25% of net sales in the next quarter until fully repaid. Napo was to begin repaying the advance from net sales made in December 2016, but in February 2017 entered into an agreement to defer the repayment period to July 2017 to January 2018 (See Note 14). In its agreement with its distributor, Napo agreed to spend $700,000 on product materials and marketing over the first twelve months of the agreement, inclusive of amounts paid to the marketing and commercialization advisory firm mentioned above and the marketing advance.

6. Land

The Company's land consists of several separate parcels of land that collectively comprise 490 hectares in Peru, which was transferred to Napo in connection with the settlement of the Salix

6. Land (Continued)

Litigation (See Note 12) in March 2016. There are Croton lechleri trees growing on the land and in the future, once the Croton lechleri trees are mature, the crude plant latex derived therefrom could be used in connection with the manufacture of crofelemer. The recorded value of the land of $396,247 was based upon a third party appraisal.

7. Commitments and Contingencies

License Agreement with Michael Tempesta

The Company has entered into a license agreement in October 2002 with Dr. Michael Tempesta. The agreement provides for the payment of a royalty to Dr. Tempesta of between 2% and 4% of net sales of products containing crofelemer or any derivative thereof obtained from any species of the Croton lechleri plant. For the purposes of calculating royalties, "product" is defined as all products for the treatment, maintenance or improvement of human health which are prescription medicines, botanicals, dietary supplements sold for the treatment of diarrhea, Irritable Bowel Syndrome ("IBS") or herpes. This excludes cosmetic products, non-medicinal agricultural products and products for non-human animal health.

Royalty Agreements

Cap Global LLC

The Company entered into a royalty agreement with a group of investors in 2009 in exchange for funding to expedite the development of (i) crofelemer for HIV/AIDs diarrhea and (ii) for a pediatric indication of crofelemer. The investors are entitled to receive, collectively, 0.47% of net sales of crofelemer in western territories, including North America, most EU countries and Japan, until such time that they have received cumulatively a total return of $5.2 million.

Glenmark Pharmaceuticals Limited

On December 9, 2008, Napo entered into a royalty agreement with Glenmark Pharmaceuticals Limited whereby it agreed to pay Glenmark royalties of 1% of the Net Sales of crofelemer in western territories. This agreement was to remain in effect until such time as Napo is no longer receiving royalties from the sale of crofelemer products in western territories. As of March 2016, Napo stopped receiving royalties from the sale of crofelemer products in western territories.

Healing Forest Conservancy

Napo entered into a perpetual agreement with the Healing Forest Conservancy ("HFC") pursuant to which Napo has issued to HFC 30,000 common shares in Napo at a purchase price of $0.0001 each and has agreed to pay 2% of the net profit derived from the sale of all of its products to HFC once Napo has achieved net profits after tax over a consecutive period of 6 months. The aim of Napo's arrangement with HFC is, amongst other things, (i) to promote the conservation of the biological diversity of tropical forests, particularly medicinal plants (ii) to promote the survival of cultural diversity of tropical forest peoples, and in particular, their traditional knowledge of medicinal plants, (iii) to develop and implement a process to return financial benefits from net profits made on certain products to collaborating countries and cultural groups, (iv) to promote initiatives addressing total community health for developing and emerging communities; and (v) to lead efforts to encourage sustainable

7. Commitments and Contingencies (Continued)

global communication and participation from other organizations, including corporate, non-governmental organizations, governmental agencies, and others. No royalty payments were made to the HFC in the years ended December 31, 2016 and 2015.

Contingencies

From time to time, the Company may be involved in legal proceedings arising in the ordinary course of business. The Company believes there is no litigation pending that could have, individually or in the aggregate, a material adverse effect on the financial position, results of operations or cash flows.

Napo entered into a settlement agreement regarding its litigation and the termination of its license agreement with Salix. (See Note 12). The terms of the settlement provide that Salix will receive 15% of the proceeds of any license agreement or royalties from net sales derived from territories in former Salix licensed territories or the sale of the Company (a sale or merger with Jaguar is excluded) after the first $36 million of proceeds.

The Company has committed to spend a minimum of $700,000 on product materials and marketing the first twelve months of its agreement with its distributor ending April 14, 2020 (See Note 5).

Napo has three subsidiary companies (the Subsidiary Companies) in India. These entities have had limited operations for several years, however certain of them have deficit balances. In connection with funding arrangements entered into by an investor in the Subsidiary Companies, the investor may require the Subsidiary Companies to redeem certain assets and distribute the proceeds to the investor. Napo believes that assets subject to redemption have little or no value, however the investor may require redemption for certain administrative or legal purposes. Under Indian law an entity may not make distributions to investors if they are in a net deficit position. While the estimated fair value of the redeemable assets is immaterial, Napo may have to contribute additional funds to the Subsidiary Companies to remove any net deficit in order for the redemption to proceed. Napo estimates that amount of such contribution, if any, to the Subsidiary Companies would be $250,000 or less (See Note 14).

8. Debt and Warrants

The following is a summary of the debt issued by Napo.

Litigation Debt

In December 2011 and April 2013, Napo entered into a Forward Purchase Agreement(s) (together, the "Agreements") with a third party (the "Purchaser") to provide funding for Napo's litigation activities with Salix and its arbitration with Glenmark Pharmaceuticals Limited. The terms of the Agreements included a return on funds advanced, depending upon the amount of time lapsed from the initial funding, in the event Napo was successful in any part of its litigation or arbitration. In October 2014, after a successful outcome in the litigation, Napo and the Purchaser restructured what had become the existing debt under Agreements into a note (the "Financing Agreement") with a principal amount of $30,000,000 due January 1, 2017, and Napo recognized a gain on the restructuring of the debt. The loan under the Financing Agreement accrues interest monthly at 18% per annum, with monthly accrued interest added to principal on the first day of the following month.

8. Debt and Warrants (Continued)

From July 2014 to March 2016, a portion of the royalties received by Napo from the Salix Collaboration Agreement was paid into a control account for the benefit of the Purchaser and such funds reduced the outstanding balance on the Financing Agreement. In March 2016, subsequent to the settlement of the litigation with Salix and the return of the licensed assets to Napo, the Purchaser and Napo entered into an amendment to the Financing Agreement which provided for payments by Napo to the Purchaser of 10% of net sales of Mytesi® on a quarterly basis.

The Purchaser has a security interest (the "Security Interest") on all Napo assets, including 2,666,666 shares of Jaguar owned by Napo. The Financing Agreement requires that any funds Napo receives from sales of assets, recoveries, etc. be used to pay interest or principal on the Financing Agreement.

All principal and interest on the Financing Agreement was due on January 1, 2017. The outstanding balance owed was $53,597,920, $51,256,639 and $36,203,421 as of March 31, 2017, and December 31, 2016 and 2015, respectively, inclusive of accrued interest added to principal of $23,392,283, $20,588,503 and $5,997,784 at March 31, 2017, December 31, 2016 and December 31, 2015, respectively. The amounts owed under the Financing Agreement will be settled at the closing of the merger pursuant to the Nantucket Settlement Agreement.

Convertible Notes

In March 2011 Napo entered into three convertible notes (the "Convertible Notes") equaling $1.575 million with an original due date of March 18, 2014 with interest on the outstanding principal amount bearing interest at 20%. The Convertible Notes and underlying principal, interest rates, maturity dates, payment terms, and collateral were amended at various times through January 2016. The first amendment provided that the lenders (the "Lenders") were to receive 100% of the payments made to Napo pursuant to the License Agreement with Jaguar Animal Health, Inc., after the first $250,000 payment to Napo. The first payment of $250,000 was made in 2015. The amended maturity date of the Convertible Notes was June 30, 2015.

In October 2015, the Lenders and Napo entered into a further amendment of the Convertible Notes. As part of the amendment, the Lenders agreed to reduce the level of payments made by Napo to 50% of the payments received by Napo from Jaguar Animal Health, Inc. under the License Agreement. The interest on the Convertible Notes was then increased from 12% to 15%, as of April 1, 2015 because Napo had made no interest payments as required beginning on April 1, 2015. All other terms remained the same.

In January 2016, effective as of December 31, 2015, the Lenders and Napo agreed to a reduction of $100,000 in the payment due to the Lenders as of December 31, 2015 from Napo's License Agreement with Jaguar Animal Health, Inc. and that $100,000 would be added to the next payment to be made by Napo to the Lenders on March 31, 2016 when Napo received its final payment under the License Agreement.

In connection with the amendments made to the Convertible Notes, the Company has issued warrants to the lenders at various times. As of December 31, 2016 and 2015, the Convertible Note Lenders collectively hold warrants to purchase 1,916,137 shares of common stock.

The Convertible Notes have certain covenants prohibiting investments in new subsidiaries and, restrict the issuance of stock compensation to Napo employees, consultants or others without the

8. Debt and Warrants (Continued)

express written consent of Dorsar Investment Company, one of the Lenders and restrict Napo from incurring any debt with superior rights than those of the Lenders, without their consent. The Convertible Notes have a second lien on Napo assets and a pledge of common stock owned by Lisa A. Conte. Napo cannot distribute to its shareholders any shares Napo owns of Jaguar Animal Health, Inc. The principal balance owed was $1,321,151 and $1,783,650 as of December 31, 2016 and 2015 respectively. The interest due on the principal balance was $653,683 and $442,935 as of December 31, 2016 and 2015, respectively.

Forbearance and December Notes

In the 4th quarter of 2016, Napo informed its lenders that it would be unable to pay the principal and interest on the Financing Agreement on January 1, 2017 as required. In December 2016, Napo and the Financing Agreement Lender, the Convertible Note Lenders and a third party financing source entered into a forbearance agreement which provides that as long as Napo is not deemed to be in default with the covenants of its existing debt, as amended, then its lenders would forbear on exercising certain of their rights and remedies under the loan agreements during the forbearance period, no later than June 30, 2017. The Forbearance Agreement also provided for January 31, 2017 deadlines for entering into certain agreements including a settlement agreement between Napo and the Financing Agreement Lender, a merger agreement between Napo and Jaguar, and a control agreement for the December Note proceeds between Napo, the December Notes lender and the Financing Agreement Lender (See Note 14).

In December 2016, Napo entered into a note purchase agreement which provides for the sale of up to $12,500,000 face amount of notes and issued convertible promissory note(s) (the December Notes) in the aggregate face amount of $2,500,000 to three lenders and received proceeds of $2,000,000 which resulted in $500,000 of original issue discount. The carrying amount of the December Notes is reduced by $80,210 on the balance sheet for debt issuance costs. Any subsequent note purchases will be at the sole discretion of the purchaser and will be issued at similar original issue discount as the December Notes.

The December Notes mature on December 30, 2019 and bear interest at 10% with interest due each six-month period after December 30, 2016. Interest on these notes was immaterial for the year ended December 31, 2016. If Napo merges with Jaguar, at the option of Napo, interest may be paid in cash or in the stock of Jaguar, but if Jaguar is not listed on Nasdaq or the OTC bulletin board, then interest must be paid in cash. If Napo merges with Jaguar, then in each one year period beginning December 30, 2016, up to one-third of the principal and accrued interest on the December Notes may be converted into the common stock of the merged entity at a conversion price of $0.935 per share. The December Notes are secured by a security interest in Napo inventory pursuant to a limited subordination agreement between Napo, the December Note purchasers and the Convertible Note Lenders and the Lender associated with the Financing Agreement. The principal balance owed was $2,500,000 and $0 as of December 31, 2016 and 2015, respectively. The interest due on the principal balance was $1,366 and $0 as of December 31, 2016 and 2015, respectively.

In December 2016, Napo and the three Convertible Notes holders and certain other creditors reached verbal agreement for the option to convert their debt to Napo common stock upon a merger of Napo and Jaguar at a price later determined to be $0.935 per share. In December 2016, Napo agreed to decrease the exercise price of the warrants to purchase 6,727,443 shares of Napo common

8. Debt and Warrants (Continued)

stock held by the Convertible Note Lenders and entities related to one of Convertible Note holders to $0.08 per share, but only in the event Napo consummates a merger with Jaguar. The average exercise price per share of these warrants is currently $0.31 per share. The number of shares underlying the warrants will decrease pursuant to the proposed merger terms. However, the ultimate number of shares underlying the warrants as well as the lower exercise price of $0.08 per share is subject to the closing of any acquisition of between Napo and Jaguar (See Note 14).

The following table sets forth current and long term maturities of debt at December 31, 2016 and December 31, 2015.

	2016	2015
Current:		
Financing Agreement	$ 51,256,639	$ —
Convertible Notes	1,321,151	1,783,650
Total current:	52,577,790	1,783,650
Long term debt:		
Financing Agreement	—	36,203,421
Settlement Liability(1)	2,500,000	2,500,000
Convertible Notes, net	1,919,790	—
Total long term:	4,419,790	38,703,421
Total:	$ 56,997,580	$ 40,487,071

The following table sets forth scheduled future principal payments as of December 31, 2016:

Amounts Due in Years Ending December 31,	Principal Amount
2017	$ 52,577,790
2018	—
2019	2,500,000
Thereafter(1)	2,500,000
Total:	$ 57,577,790

(1) Settlement liability is payable out of royalties received from Glenmark Collaboration Agreement. See Note 5 and Note 12. Napo has received no royalties from the Glenmark Collaboration Agreement and is unable to determine when, if ever, such royalties will be received.

9. Stock Compensation

As of December 31, 2015, the Company had two stock compensation plans. The Napo Pharmaceuticals, Inc. 2001 Equity Incentive Plan (the "2001 Plan"), provides for grants of incentive and nonqualified stock options, restricted stock awards, and stock bonuses to its employees, directors and consultants. At December 31, 2015, there were options to purchase 2,086,532 shares outstanding under the 2001 Plan. All outstanding options under the 2001 Plan expired on various dates in 2016. No

9. Stock Compensation (Continued)

further grants have been made under the 2001 Plan since June 2006 and the 2001 Plan has been discontinued.

For the year ended December 31, 2016, Napo's sole stock compensation plan was the Napo Pharmaceuticals, Inc. 2006 Equity Incentive Plan, as amended, (the "2006 Plan") which provides for grants of incentive and nonqualified stock options, restricted stock awards, restricted stock units (RSUs) and stock bonuses to the Company's employees, directors and consultants. Under the 2006 Plan the total number of shares reserved and available for grant is 14,673,650. Under the 2006 Plan, incentive and nonqualified stock options may be granted at a price per share not less than the fair market value at the date of grant. If, at the time an option is granted, the optionee owns stock possessing more than 10 per cent of the total combined voting power of all classes of stock of the Company, the option price shall be 110 per cent of the fair market value of the shares of the date of grant. Options granted generally have a maximum term of ten years from the grant date and become exercisable over two to three years.

Napo has not recognized any stock compensation for the years ended December 31, 2016 and 2015. All grants of options to purchase common stock vested prior to January 1, 2015. Substantially all such stock options expire in November 2017. Grants of restricted stock units are subject to a number of vesting criteria, in addition to service and those criteria have not been met and may never be met.

At December 31, 2016 and December 31, 2015 there were options to purchase 2,984,000 and 3,284,000 shares, respectively, at exercise prices of $0.10 to $0.37 per share outstanding under the 2006 Plan and restricted stock units (RSUs) issued, subject to certain restrictions, representing 11,669,832 shares, for a total of 14,673,650 shares issuable under the 2006 Plan.

Overview of Restricted Stock Units

RSU's issued from 2008-2010

All of the grantees of 12,458,908 RSU's issued between 2008 and 2010 have vested in the service component of the RSU's, however, the common stock underlying the RSU's is not issuable until such time as a liquidity event occurs such as an IPO or a change of control transaction as defined in the 2006 Plan. The RSU's expire on December 31, 2018.

RSU's issued between 2011 and 2013

Grantees who received the 12,784,165 RSU's issued between 2011 and 2013 have vested in the service component of the RSU's as of the end of the year in which the grants were made, however, there are other restrictions on receiving the underlying shares including the repayment of existing convertible debt which had a principal balance of approximately $1,783,650 at December 31, 2015 and $1,321,150 at December 31, 2016, including the successful resolution of the litigation with Salix Pharmaceuticals, Inc. which as of March 2016 has been satisfied. Grantees may not receive the shares underlying the RSU's until such time as there is an either a liquidity event such as an IPO or a change of control transaction, as defined in the 2006 Plan. All RSU's expire on December 31, 2018, however if the merger of Napo with Jaguar (See Note 14) is consummated then the expiration of the RSU's will be extended pursuant to the terms of the merger agreement.

Current and former officers and directors of Napo have agreed to place their restricted stock units in a pool as collateral for any indemnification claims regarding Napo's representations and warranties

9. Stock Compensation (Continued)

contained in the merger agreement, for a period of twelve months following the closing of the acquisition (See Note 14).

Between 2008 and 2011, the Company granted 14,447,006 RSU grants not covered by a stock compensation plan. In December 2016, the Board of Directors approved RSU grants of 5,110,989 and in April 2016, another grant of RSUs totaling 2,767,039 shares was approved with 6,254,263 of these RSU grants outside of a stock compensation plan, for a total of 20,701,269 RSU grants outside a stock compensation plan. These grants expire December 31, 2018. Management has determined that the fair value of the RSUs granted in 2016 and 2015 was de minimis.

A summary of the Company's outstanding stock option and RSUs as of December 31, 2016 and December 31, 2015 is below:

Stock Compensation	2016	2015
2001 Plan		
Stock options	—	2,086,532
2006 Plan		
Stock Options	2,984,000	3,284,000
RSU's	11,669,832	10,946,832
RSU's granted outside Plan(s)		
RSU's	20,701,269	18,657,229
Total Stock Compensation	35,355,101	34,974,593

9. Stock Compensation (Continued)

Stock Options and Restricted Stock Units

The following table summarizes incentive plan activity for the years ended December 31, 2016 and 2015:

	Shares Available for Grant	Stock Options Outstanding	RSUs Outstanding	Weighted Average Stock Option Exercise Price
2001 Equity Incentive Plan Balance—December 31, 2014	**—**	**2,320,913**	**—**	**$ 0.27**
Additional shares authorized	—	—	—	—
Options Granted	—	—	—	—
Options Cancelled	—	(234,281)	—	$ 0.085
RSUs Granted	—	—	—	—
RSUs Cancelled	—	—	—	—
2006 Equity Incentive Plan Balance—December 31, 2015	**—**	**2,086,532**	**—**	**$ 0.29**
Additional shares authorized	—	—	—	—
Options Granted	—	—	—	—
Options Cancelled	—	(2,086,532)	—	$ 0.29
Options Exercised	—	—	—	—
RSUs Granted	—	—	—	—
RSUs Cancelled	—	—	—	—
2006 Equity Incentive Plan Balance—December 31, 2016	**—**	**—**	**—**	**—**
2006 Equity Incentive Plan Balance—December 31, 2014	—	**3,284,000**	**10,046,067**	**$ 0.38**
Additional shares authorized	—	—	—	—
Options Granted	—	—	—	—
Options Cancelled	—	—	—	—
RSUs Granted	—	—	900,765	—
RSUs Cancelled	—	—	—	—
2006 Equity Incentive Plan Balance—December 31, 2015	**—**	**3,284,000**	**10,946,832**	**$ 0.38**
Additional shares authorized	—	—	—	—
Options Granted	—	—	—	—
Options Cancelled	—	(300,000)	—	$ 0.38
Options Exercised	—	—	—	—
RSUs Granted	—	—	723,000	—
RSUs Cancelled	—	—	—	—
2006 Equity Incentive Plan Balance—December 31, 2016		**2,984,000**	**11,669,832**	**$ 0.38**
Combined Incentive Plan Balance—December 31, 2016	**—**	**2,984,000**	**11,669,832**	**$ 0.38**
Options vested and exercisable—December 31, 2016	**—**	**2,984,000**	**—**	**$ 0.38**
RSU's vested and expected to issue—December 31, 2016	—	—	—	

10. Stockholders' Equity

Common Stock

Napo's fourth amended and restated certificate of incorporation authorizes Napo to issue 175,000,000 shares of common stock $0.0001 par value. The holders of common stock are entitled to one vote for each share of common stock held at all meetings of stockholders. The number of authorized shares of common stock may be increased or decreased by the affirmative vote of the holders of shares of capital stock of the Napo representing a majority of the votes represented by all shares entitled to vote.

As of December 31, 2016 and 2015, Napo had reserved shares of common stock for issuance as follows:

	2016	2015
Options issued and outstanding	2,984,000	5,370,532
Options available for grant	—	—
RSUs issued and outstanding	32,371,101	29,604,062
Warrants issued and outstanding	6,727,443	6,727,443
Total	42,082,544	41,702,037

The following table illustrates the exercise price and expiration date of warrants issued to purchase Napo common stock.

	Shares underlying warrants to purchase Napo common stock	Exercise price	Expiration Date
	411,047	$ 0.200000	December 31, 2018
	387,849	$ 0.550000	December 31, 2018
	3,361,080	$ 0.194163	December 31, 2025
	688,953	$ 0.200000	December 31, 2025
	1,155,560	$ 0.550000	December 31, 2025
	722,954	$ 0.553280	December 31, 2025
Total	**6,727,443**		

11. Related Party Transactions

Napo owns 2,666,666 shares or 19% and 33% of Jaguar at December 31, 2016 and December 31, 2015, respectively. Napo consolidated the operations of Jaguar in its 2015 financial statements up to the time of Jaguar's initial public offering in May 2015. During 2016, Napo transferred $174,299 of active pharmaceutical ingredient and $37,354 of Mytesi® to Jaguar.

During the year ended December 31, 2016, Napo was provided certain services by Jaguar. For 2016, Napo recorded $628,867 for such services and $299,648 was owed to Jaguar at December 31, 2016 (See Note 4).

Napo licensed rights to Jaguar for crofelemer for animal indications in January 2014, as amended in August 2014 and January 2015, in exchange for a license fee and royalties. Napo and Jaguar

11. Related Party Transactions (Continued)

currently have an Employee Leasing and Overhead Allocation Agreement between the two companies and have signed a Binding Agreement for the Acquisition of Napo Pharmaceuticals, Inc. (See Notes 1, 4, 5 and 14).

12. Litigation Settlements

Salix

In May 2011, the Company sued Salix in the New York County Supreme Court of the State of New York with regard to Salix's performance under the Salix Collaboration Agreement. The litigation ultimately went to trial in February 2014 and the jury found for the defendant, Salix. The Company filed an appeal of the litigation. On March 4, 2016, Napo and Salix entered into a Settlement, Termination, Asset Transfer and Transition Agreement—the "Asset Transfer Agreement". The Asset Transfer Agreement settled the litigation between the companies and terminated the Salix Collaboration Agreement. In addition, all rights to crofelemer previously licensed to Salix, including with respect to the FDA approved drug, Mytesi®, were transferred to Napo, along with certain regulatory and other documentation. Napo received inventories of Mytesi® drug product, active pharmaceutical ingredient and crude plant latex (CPL) used in the manufacture of Mytesi®, as well as 490 hectacres of land in Peru for which it recognized a gain on settlement of $1,888,319. In addition, certain existing inventory of CPL is expected to be transferred to Napo in 2017. The Asset Transfer Agreement also provides that Salix (now owned by Valeant Pharmaceuticals International) will receive a portion of the proceeds of any sale of the Company (an acquisition of Napo by Jaguar, that meets the conditions as defined in the Asset Transfer Agreement is excluded) or a portion of any payments made by the Company's licensees, sublicensees or partners of the reverted crofelemer rights or other transferred assets in the former Salix territories, in each case after the deduction of a fixed amount.

Glenmark

In December 2013, Napo and Glenmark Pharmaceuticals Limited settled an arbitration proceeding between the parties (the Settlement Agreement). In the Settlement Agreement, amongst other things, with respect to Glenmark's unresolved claim for legal fees and costs in the arbitration proceeding, Glenmark and Napo agreed that Napo will make payment to Glenmark in the amount of $2,500,000 in full satisfaction of Glenmark's claim for legal fees and costs in the arbitration. The full payment will be deferred and offset against future royalty payments due under Article 5 of the Glenmark Collaboration Agreement which addresses royalty payments to Napo, with 50% of each royalty payment due to Napo under Article 5 being paid and the other 50% being offset against the amount Napo has agreed to pay for legal fees and costs, until the full $2,500,000 offset. As of December 31, 2016, has received no royalty payments from Glenmark and therefore Napo has made no payments toward the $2,500,000.

13. Income Taxes

The Company had net loss of $20.4 million and net income of $5.3 million for the years ended December 31, 2016 and 2015, respectively.

Due to continued losses, and a full valuation allowance, the Company has not recorded a provision for income taxes for the years ended December 31, 2016 and 2015.

13. Income Taxes (Continued)

The Company's effective tax during the years ended December 31, 2016 and 2015, differed from the federal statutory rate primarily as a result of the valuation allowance.

Net deferred tax assets as of December 31, 2016 and 2015 consist of the following:

	2016	2015
Non-current Deferred Tax Assets:		
Net Operating Losses	$ 33,867,958	$ 37,375,890
Tax Credits	1,805,927	1,290,964
Investments	(665,035)	(2,290,278)
Other	1,176,169	1,685,825
	36,185,019	38,062,401
Valuation Allowance	(36,185,019)	(38,062,401)
Net Non-current Deferred Tax Assets	$ —	$ —

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. The Company has established a valuation allowance to offset net deferred tax assets as of December 31, 2016 and 2015, due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

The valuation allowance decreased by approximately $1.9 million during the year ended December 31, 2016 and increased by $2.6 in the year ended December 31, 2015.

As of December 31, 2016, the Company had federal and California net operating loss carryovers of approximately $85.4 million and $83.1 million, respectively. The federal and California net operating losses will begin to expire in 2033.

As of December 31, 2016, the Company had federal and California research credit carryovers of approximately $1.3 million and $0.8 million, respectively. The federal research credits will begin to expire in 2033. The California research credits carry forward indefinitely.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforward in certain situations where changes occur in the stock ownership of a company. Due to the Company's cumulative loss position, the Company has not determined whether an ownership change has occurred under these provisions. In the event the Company has had a change in ownership, as defined by the tax law, utilization of the carryforwards could be limited.

14. Subsequent Events

The Company completed an evaluation of the impact of subsequent events through March 24, 2017, the date these financial statements were issued.

Binding Agreement for the Acquisition of Napo Pharmaceuticals, Inc.

In February 2017, the Boards of Directors of Napo Pharmaceuticals and Jaguar Animal Health, Inc. approved a Binding Agreement for the Acquisition of Napo Pharmaceuticals, Inc. Jaguar will be the surviving entity along with its board of directors and officers. Shares of Jaguar common stock issued to Napo creditors, warrant holders and others will equal approximately 75% of the diluted

14. Subsequent Events (Continued)

shares, subject to certain adjustments, of Jaguar after the merger. The agreement calls for a breakup fee of 2,000,000 restricted common shares of Jaguar if the Merger fails to Close for any reason on, or prior to, July 31, 2017, other than as a result directly or indirectly of (x) lack of stockholder approval by either Party or (y) Napo (i) fails to perform in accordance with the terms and conditions of this Binding Agreement of Terms or the Merger Documents or (ii) fails to abide by or breaches the provisions or representations, warranties and covenants of this Binding Agreement of Terms or the Merger Documents, then on, or before, the close of business on August 7, 2017, Jaguar shall issue 2,000,000 shares of its restricted Common Stock to Napo (adjusted appropriately for stock splits, combinations, reclassifications and the like) (the "Break-Up Fee"). The closing of the merger, in addition to shareholder approval is subject to standard legal and financial due diligence.

March Notes

On March 1, 2017, Napo entered into a convertible note purchase agreement with two lenders for the funding of $1,050,000 (face amount of $1,312,500) in two $525,000 tranches (face amount $656,250). The notes bear interest at 3% and mature on December 1, 2017. Interest may be paid at maturity in either cash or shares of Jaguar, provided that if Jaguar is not listed on Nasdaq or the Bulletin Board or registered under the Securities Act then interest must be paid in cash. Assuming the funding of $1,050,000, the notes may be exchanged for up to 2,343,752 shares of Jaguar common stock, prior to maturity date assuming that either the merger of Napo and Jaguar has occurred, among other conditions. Napo received funding of $525,000 on March 1, 2017, and recorded $106,250 of original issue discount and $25,000 of debt issuance costs

Second, Third and Fourth Amendments to Forbearance Agreement

As of January 31, 2017, and February 28, 2017 the Financing Agreement lender, the December Note lenders and the Company entered into the Second and Third Amendments to the Forbearance Agreement. The Second Amendment extended the deadline to February 28, 2017 for entering into certain agreements including a settlement agreement between Napo and the Litigation Note lender, a merger agreement between Napo and Jaguar, and a control agreement between Napo, the December Notes lender and the Litigation Note Lender. The Third Amendment further extended the February 28, 2017 date to March 15, 2017. Such agreements were executed on or before March 15, 2017. The Fourth Amendment, currently being executed, will extend this date to March 31, 2017.

The Second Amendment to the Forbearance Agreement also amended the terms of the Financing Agreement to allow for unsecured indebtedness in an aggregate original principal amount of $625,000, convertible into shares of common stock of Jaguar flowing the merger of Napo and Jaguar of $0.56 per share.

First, Second and Third Amendments to the December Note Purchase Agreement

The First Amendment to the December Note Purchase Agreement extended the deadline for the execution of a control agreement for the December Note proceeds to February 28, 2017 which was further extended in the Third Amendment to March 31, 2017.

The First Amendment also provided for unsecured indebtedness in an aggregate original principal amount of $625,000, convertible into shares of common stock of Jaguar flowing the merger of Napo and Jaguar of $0.56 per share.

14. Subsequent Events (Continued)

The Second Amendment to the December Note Purchase Agreement also provided for certain restrictions on Napo entering into any business arrangements or other ventures except with Jaguar, and provided for disposition of the breakup fee mentioned in the Binding Agreement above. The Second Amendment also provided for an increased level of funding—See March Notes above.

Second Amendment to Marketing and Distribution Agreement between Napo and BexR

As of February 27, 2017, Napo and BexR entered into a Second Amendment of the Marketing and Distribution Agreement dated April 16, 2017. The Second Amendment Amended the terms of the repayment of the $250,000 marketing advance BexR made to Napo in June 2016. Napo will now repay the advance beginning in July 2017 over seven months ending in January 2018, with a total repayment amount of $267,500.

On March 16, 2017, Napo received a communication from the investor in the Subsidiary Companies that it intended to exercise it redemption right (See Note 7).

15. Additional Subsequent Events

Definitive Merger Agreement

Napo and Jaguar entered into a Definitive Merger Agreement (the "Merger Agreement") on March 31, 2017. The Merger Agreement contains certain conditions to closing, including limitations on outstanding debt and a minimum cash balance requirement.

In connection with the Merger Agreement Napo entered into settlement agreements on March 31, 2017 with its creditors, lenders and the holders of its warrants and RSUs (collectively the "Settlement Agreements"). The Settlement Agreements provide for the issuance of cash and Jaguar shares and warrants to the creditors, lenders and warrant holders in settlement of their claims.

On June 27, 2017, Jaguar, Napo and Nantucket entered into an Amendment, Waiver and Consent (the "Consent") related to the Merger Agreement. The Consent provides that Jaguar i) can issue an additional convertible note of up to $2,155,000; ii) can issue additional common stock providing proceeds of approximately $926,053; iii) provides for adjustments to the number of Tranche B shares and Tranche C shares as defined in the Merger Agreement. Additionally, the Consent provides that Jaguar waive the conditions to the Merger Agreement regarding Napo's trade payables and other unsecured indebtedness and minimum cash balance requirement. Jaguar, Napo and Nantucket also consented to an increase in authorized common shares of Jaguar to 310 million shares consisting of 250 million shares of common stock, 50 million shares of convertible non-voting common stock and 10 million shares of preferred stock.

On July 31, 2017 the merger between Napo and Jaguar was completed.

Exhibit 99.3

UNAUDITED PRO FORMA
COMBINED CONDENSED FINANCIAL STATEMENTS

On July 31, 2017, Jaguar Health, Inc. ("Jaguar"), formerly known as Jaguar Animal Health, Inc., completed its merger with Napo Pharmaceuticals, Inc. ("Napo") pursuant to the Agreement and Plan of Merger, dated March 31, 2017, by and among Jaguar, Napo, Napo Acquisition Corporation ("Merger Sub") and Napo's representative (the "Merger Agreement"). Under the terms of the Merger Agreement, Merger Sub merged with and into Napo, with Napo continuing as the surviving corporation as a wholly-owned subsidiary of Jaguar. The unaudited pro forma combined condensed balance sheet as of March 31, 2017 is presented as if the merger had occurred as of March 31, 2017. The unaudited pro forma combined condensed statement of operations for the three months ended March 31, 2017 and the year ended December 31, 2016 are presented as if the merger had occurred on January 1, 2016. The pro forma consolidated financial statements of Jaguar and Napo have been adjusted to reflect certain reclassifications in order to conform Napo's historical financial statement presentation to Jaguar's financial statement presentation for the combined company.

The unaudited pro forma combined condensed financial statements give effect to the merger under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standard Topic 805, *Business Combinations*, which is sometimes referred to herein as ASC 805, with Jaguar treated as the acquirer. As of the date of this filing, Jaguar has not completed the detailed valuation work necessary to arrive at the required estimates of the fair value of the Napo assets to be acquired and the liabilities to be assumed and the related allocation of purchase price, nor has it identified all adjustments necessary to conform Napo's accounting policies to Jaguar's accounting policies. A final determination of the fair value of Napo's assets and liabilities, including intangible assets with both indefinite or finite lives, will be based on the actual net tangible and intangible assets and liabilities of Napo that exist as of the closing date of the merger. In addition, the value of the consideration to be paid by Jaguar upon the consummation of the merger will be determined based on the closing price per share of Jaguar common stock on the closing date of the merger. As a result of the foregoing, the pro forma adjustments are preliminary and are subject to change as additional information becomes available and as additional analyses are performed. The preliminary pro forma adjustments have been made solely for the purpose of presenting the unaudited pro forma combined condensed financial statements. Jaguar estimated the fair value of Napo's assets and liabilities as of March 31, 2017 is based on preliminary valuation studies and due diligence. Final valuations will be performed based on the actual net tangible and intangible assets of Napo that existed on the date of the merger. The final purchase price allocation may be different than that reflected in the pro forma purchase price allocation presented herein, and this difference may be material.

Assumptions and estimates underlying the unaudited adjustments to the pro forma combined condensed financial statements are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma combined condensed financial statements. The historical consolidated financial statements have been adjusted in the unaudited pro forma combined condensed financial statements to give effect to pro forma events that are: (1) directly attributable to the merger; (2) factually supportable; and (3) with respect to the unaudited pro forma combined condensed statements of operations, expected to have a continuing impact on the combined results of Jaguar and Napo following the merger.

In connection with the plan to integrate the operations of Jaguar and Napo, Jaguar anticipates that non-recurring charges, such as costs associated with systems implementation, relocation expenses, severance and other costs related to closing the transaction, will be incurred. Jaguar is not able to determine the timing, nature and amount of these charges as of the date hereof. However, these charges could affect the combined results of operations of Jaguar and Napo, as well as those of the combined company following the merger, in the period in which they are recorded. The unaudited pro forma combined condensed financial statements do not include the effects of the costs associated with any restructuring or integration activities resulting from the transaction, as they are non-recurring in nature and not factually supportable at the time that the unaudited pro forma combined condensed financial statements were prepared. Additionally, these adjustments do not give effect to any synergies that may be realized as a result of the merger, nor do they give effect to any nonrecurring or unusual restructuring charges that may be incurred as a result of the integration of the two companies.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEETS OF JAGUAR AND NAPO

On March 31, 2017, Napo Pharmaceuticals, Inc. ("Napo") entered into a merger agreement with Napo Acquisition Company, a wholly-owned subsidiary of Jaguar Animal Health, Inc. ("Jaguar" or the "Company"), ("Merger") in which Napo will survive the Merger as a wholly owned subsidiary of the Company. The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2017 and year ended December 31, 2016 are presented as if the Merger had occurred on January 1, 2016. The unaudited pro forma condensed combined balance sheet is presented as if the Merger had occurred on March 31, 2017. The unaudited pro forma condensed combined financial statements presented herein are based on the historical financial statements of Jaguar and Napo using the acquisition method of accounting and applying the assumptions and adjustments described in the accompanying notes. In addition, the unaudited pro forma condensed combined financial information should be read in conjunction with the:

- Separate audited historical financial statements of Jaguar as of and for the year ended December 31, 2016, and the related notes, included in the Annual Report on Form 10-K for the year ended December 31, 2016, filed by Jaguar with the Securities and Exchange Commission ("SEC").

- Separate unaudited historical condensed financial statements of Jaguar as of and for the three months ended March 31, 2017 and the related notes, included in the Quarterly Report on Form 10-Q for the period ended March 31, 2017 field by Jaguar with the SEC;

- Separate audited historical financial statements of Napo as of and for the year ended December 31 2016, and the related notes included in this Form 8-K/A; and

- Separate unaudited historical condensed financial statements of Napo as of March 31, 2017 and for the three month periods ended March 31, 2017 and 2016 and the related notes included in this Form 8-K/A.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the Merger. The unaudited pro forma condensed combined financial statements also do not include any future integration costs. The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that would have been realized had Jaguar and Napo been a combined company during the specified periods. There was one transaction between Jaguar and Napo during the period presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated. This entry was for an employee lease transaction payable to Jaguar from Napo in the amount of $299,648 as of December 31, 2016 and $221,422 as of March 31, 2017.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2017

	Historical Jaguar	Historical Napo	Pro Forma Adjustments	Notes	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	1,205,061	1,414,678	1,500,000	(a)	4,119,739
Restricted cash	21,192				21,192
Accounts receivable. net		220,672			220,672
Other receivable	288,166				288,166
Due from Napo	221,422		(221,422)	(b)	—
Inventory	392,640	1,202,028	84,734	(f)	1,679,402
In process research and development			23,800,000	(c)	23,800,000
Developed technology			33,000,000	(c)	33,000,000
Trademarks			400,000	(c)	400,000
Goodwill			29,251,549	(d)	29,251,549
Equity method investment in related party		2,666,666	(2,666,666)	(b)	
Deferred offering costs	65,078				65,078
Prepaid expenses	387,912	84,553			472,465
Total current assets	2,581,471	5,588,597	85,148,195		93,318,263
Property and equipment, net	870,914				870,914
Land		396,247			396,247
Investment in subsidiary					—
Other assets	122,163				122,163
Total assets	**3,574,548**	**5,984,844**	**85,148,195**		**94,707,587**
Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)					
Current liabilities:					
Accounts payable	1,465,494	4,469,854	(1,674,807)	(f)	4,260,541
Deferred collaboration revenue	2,088,989				2,088,989
Deferred product revenue	208,258	215,701	(53,925)	(b)	370,034
Line of credit		267,500			267,500
Convertible notes payable	150,000				150,000
Payable to Jaguar Animal Health		221,422	(221,422)	(b)	—
Accrued expenses	1,266,347	2,721,484	(670,414)	(f)	3,317,417
Warrant liability	1,252,620				1,252,620
Current portion of long-term debt	1,994,015	55,436,418	(53,268,448)	(a)(b)	4,161,985
Total current liabilities	**8,425,723**	**63,332,379**	**(55,889,016)**		**15,869,086**
Deferred tax liability			22,782,760	(g)	22,782,760
Long-term debt, net of discount	1,332,703	1,968,149	8,031,851		11,332,703
Long-term liabilities-settlement		2,500,000	(2,500,000)	(f)	—
Deferred rent	7,114				7,114
Total liabilities	**9,765,540**	**67,800,528**	**(27,574,405)**		**49,991,663**
Commitments and Contingencies					
Stockholders' Equity (Deficit):					
Common stock	1,443	10,819	(10,011)	(h)(e)	2,251
Common stock—Tranche A			1,848	(h)	1,848
Common stock—Tranche B			1,970	(h)	1,970
Common stock—Tranche C			221	(h)	221
Additional paid-in capital	38,959,031	98,539,747	(53,769,831)	(h)	83,728,947
Accumulated deficit	(45,151,466)	(160,366,250)	166,498,403		
					(39,019,313)
Total stockholders' (equity)	(6,190,992)	(61,815,684)	112,722,600		44,715,924
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	**3,574,548**	**5,984,844**	**85,148,195**		**94,707,587**

Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2016

	Historical Jaguar	Historical Napo	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	$ 141,523	$ 987,312	$ —		$ 1,128,835
Operating expenses:					
Cost of revenue	51,966	726,506	—		778,472
Research and development	7,206,864	127,137	—		7,334,001
Selling and marketing	485,440	730,252	—		1,215,692
General and administrative	5,983,238	1,995,673	2,126,667	(f)	10,105,578
Total operatng expenses	13,727,508	3,579,568	2,126,667		19,433,743
Loss from operations	(13,585,985)	(2,592,256)	(2,126,667)		(18,304,908)
Interest expense	(985,549)	(15,609,092)	14,554,770	) (b(f)	(2,039,871)
Other income (expense), net	(11,046)	—	—		(11,046)
Gain (loss) on extinguishment of debt	(108,000)	—	—		(108,000)
Impairment of equity method investment in related party	—	(574,059)	574,059	(b)	—
Gain on litigation settlement	—	1,888,319	—		1,888,319
Change in fair value of warrants	(43,200)	—	—		(43,200)
Loss from equity method investment in related party		(3,505,940)	3,505,940	(b)	—
Net loss and comprehensive loss	$ (14,733,780)	$ (20,393,028)	$ 16,508,102		$ (18,618,706)
Net loss per common share, basic and diluted	$ (1.35)				$ (0.31)
Weighted-average shares used in computing net	10,951,178		48,482,759	(i)	59,433,937

Unaudited Pro Forma Condensed Combined Statement of Operations
For the three months ended March 31, 2017

	Historical Jaguar	Historical Napo	Pro Forma Adjustments	Notes	Pro Forma Combined
Product revenue	74,544	518,133			592,677
Collaboration revenue	747,866				747,866
	822,410	518,133			1,340,543
Operating expenses:					
Cost of revenue	16,145	361,089			377,234
Research and development	1,255,452	81,623			1,337,075
Selling and marketing	122,912	282,792			405,704
General and Administrative	3,303,503	962,527	556,667	(f)	4,822,697
Total operatng expenses	4,698,012	1,688,031	556,667		6,942,710
Loss from operations	(3,875,602)	(1,169,898)	(556,667)		(5,602,167)
Interest expense	(180,072)	(2,504,718)	2,204,808	(b)	(479,982)
Other income (expense), net	1,448				1,448
Gain(loss) on extinguishment of debt	(207,713)				(207,713)
Change on fair value of warrants	(453,419)				(453,419)
Impairment of equity method investment in related party					—
Gain on litigation settlement					—
Gain from equity method investment in related party		746,667	(746,667)	(b)	—
Net Loss and comprehensive loss	(4,715,358)	(2,927,949)	901,474		6,741,833
Net loss per common share, basic and diluted	$ (0.33)				$ 0.11
Weighted-average shares used in computing netloss per common share, basic and diluted	14,157,351		48,482,759	(i)	62,640,110

Basis of Presentation

On March 31, 2017, Jaguar Animal Health, Inc., a Delaware corporation ("Jaguar" or the "Company"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Napo Pharmaceuticals, Inc., a Delaware corporation ("Napo"), Napo Acquisition Corporation ("Merger Sub"), a Delaware corporation and wholly owned subsidiary of Jaguar, and a Napo representative, pursuant to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Napo, with Napo becoming a wholly-owned subsidiary of Jaguar and the surviving corporation of the merger (the "Merger"). Napo is a privately-held company based in San Francisco, California focused on licensing, developing, and commercialization of proprietary specialty pharmaceuticals for the global marketplace in collaboration with development partners.

Subject to the terms and conditions of the Merger Agreement, at the closing of the Merger, (i) each issued and outstanding share of Napo common stock (other than dissenting shares and shares held by Jaguar or Napo) will be converted into a contingent right to receive up to a whole number of shares of Jaguar common stock compromising in the aggregate no more than approximately 20.2% and no less than 17.4% of the fully diluted shares of Jaguar common stock immediately following the consummation of the merger (holders of such Contingent Rights, the "Contingent Right Holders"), which contingent right will vest only if the subsequent resale of certain shares of Jaguar common stock ("the Tranche A Shares") issued by Jaguar to Nantucket Investments Limited ("Nantucket") in the Napo debt settlement described further below provides Nantucket with specified cash returns upon the subsequent sale of their Tranche A Shares to third parties over a specified period of time (the "Hurdle Amounts"), (ii) existing creditors of Napo (inclusive of Nantucket) will be issued in the aggregate approximately 42,957,072 shares of Jaguar non-voting common stock and 2,282,445 shares of Jaguar voting common stock in full satisfaction of all existing indebtedness then owed by Napo to such creditors and (iii) an existing Napo stockholder will be issued an aggregate of approximately 3,243,243 shares of Jaguar common stock in return for $3 million of new funds invested into Jaguar by such investor, which will be used to facilitate the extinguishment of the debt that Napo owes to Nantucket.

Shares of Jaguar non-voting common stock have the same rights to dividends and other distributions and are convertible into shares of common stock on a one-for-one basis upon (x) transfers to non-affiliates of Nantucket, (y) the release from escrow of certain non-voting shares held by Nantucket to the legacy stockholders of Napo under specified conditions and (z) at any time on or after April 1, 2018 at the option of the respective holders thereof.

Jaguar will also assume (i) each outstanding and unexercised option to purchase Napo common stock, which will be converted into options to purchase Jaguar common stock, (ii) each outstanding warrant to purchase Napo capital stock, which will be converted into warrants to purchase Jaguar common stock, and (iii) each outstanding restricted stock unit to acquire Napo capital stock, which will be converted into restricted stock units to acquire Jaguar common stock.

The stockholders of Jaguar will continue to own their existing shares and the rights and privileges of their existing shares will not be affected by the merger. However, because Jaguar will be issuing new shares of Jaguar common stock and non-voting common stock to Napo creditors, and options, warrants and restricted stock units exercisable for Jaguar common stock to holders of Napo options, warrants and restricted stock units in the merger, the stockholders of Jaguar will experience dilution as a result of the issuance of shares in the merger and each outstanding share of Jaguar common stock immediately prior to the merger will represent a smaller percentage of the total number of shares of Jaguar common stock and non-voting common stock issued and outstanding after the merger. It is expected that Jaguar stockholders and option and warrant holders before the merger will hold approximately 25% of the total Jaguar common stock and non-voting common stock issued and outstanding on a fully diluted basis ("Jaguar Equity Holders") immediately following completion of the merger. Thus, Jaguar Equity Holders before the merger will experience dilution in the amount of approximately 75% as a result of the merger.

The unaudited pro forma condensed combined balance sheet at March 31, 2017 gives effect to the merger as if it had occurred on March 31, 2017. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2016 and the three months ended March 31, 2017, are presented as if the Merger had occurred on January 1, 2016. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting, based on the historical financial statements of Jaguar and Napo.

Acquisition of Napo

The Merger was accounted for using the acquisition method of accounting with the Company treated as the accounting acquirer. The purchase price was preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed. The preliminary purchase price allocation is subject to further refinement and may require adjustments, such as related to changes in the value of stock issued, liabilities assumed and intangible assets acquired, and changes in working capital and indebtedness, to arrive at the final purchase price allocation.

The acquisition consideration was comprised of (in thousands):

Stock	48,392
Cash	2,000
	$ 50,392

Under the acquisition method of accounting, certain identifiable assets and liabilities of Napo including identifiable intangible assets, inventory, debt and deferred revenue were recorded based on their estimated fair values as of the effective time of the Merger. Tangible and other assets and liabilities were valued at their respective carrying amounts, which management believes approximate their fair values.

The Developed Technology (DT) is for the development and commercial processing of Mytesi™ (crofelemer 125mg delayed-release tablets), which is an antidiarrheal indicated for the symptomatic relief of noninfectious diarrhea in adult patients with HIV/AIDS on antiretroviral therapy (ART). The DT is a definite lived asset and is being amortized over a 15-year estimated useful life. The Company's products are sourced from ingredients isolated and purified from the Croton lechleri tree, a plant native to northwestern South America, and involved a unique development and manufacturing process that has not been duplicated or infringed upon in over 20 years. The active pharmaceutical ingredient (API) in Mytesi is crofelemer, Napo's proprietary, patented gastrointestinal anti-secretory agent sustainably harvested from the rainforest.

The current status of the in process research and development ("IPR&D") projects and the nature and timing of the remaining efforts and related cash requirements necessary to develop the incomplete technology into a commercially viable product for the following indications are as follows (in thousands):

	2018	2019	2020	2021	2022	Third Party	Total
Chemotherapy-induced diarrhea (CID)		$ 5,000	$ 5,225			$ 10,225	$ 20,450
Diarrhea predominant irritable bowel syndrome (D-IBS)	$ 10,000	$ 10,225				$ 20,225	$ 40,450
Pediatric diarrhea (PEDS)			$ 1,200	$ 16,300		$	$ 17,500
	$ 10,000	$ 15,225	$ 6,425	$ 16,300		30,450	$ 78,400

Napo is currently developing protocols and budgets for these investigational studies, and in the case of products for the CID and D-IBS indications, plans to undertake these projects with a partner who would share in 50% of the development costs. The table above does not reflect the cost of internal clinical development staff, which Napo estimates would cost approximately $5.6 - 6.0 million.

The fair value of IPR&D and DT was determined using the income approach, which was based on forecasts prepared by management.

Goodwill represents the purchase price in excess of the fair value of net assets acquired. Goodwill will not be amortized but will be tested for impairment at least annually or whenever certain indicators of impairment are present. If, in the future, it is determined that goodwill is impaired, an impairment charge would be recorded at that time. The factors that make up the goodwill reflected in the pro-forma statements include expected synergies, including future cost efficiencies, an experienced management team, and going concern value, including the ability to develop new customer relationships and new products, as well as other benefits that are expected to be generated.

As none of the goodwill, IPR&D, and developed technology acquired are expected to be deductible for income tax purposes, it was determined that a deferred income tax liability of $22,782,760 was required to reflect the book to tax differences of the merger.

The fair value of the assets acquired and liabilities, assuming the Merger had closed on March 31, 2017, are summarized below (in thousands**)**

Cash and cash equivalents	$ 1,415
Other assets	1,988
In Process research and development	23,800
Developed technology	33,000
Trademarks	400
Goodwill	29,252
Accrued liabilities	(4,512)
Long-term Debt	(12,168)
Deferred tax liability	(22,783)
Total net assets acquired	$ 50,392

2. Pro Forma Adjustments

Pro forma adjustments are necessary to reflect the acquisition consideration exchanged and to adjust amounts related to the tangible and intangible assets and liabilities of Napo to reflect the preliminary estimate of their fair values, and to reflect the impact on the statements of operations of the Merger as if the companies had been combined during the periods presented therein. The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

a. To record the receipt of $3.0 million proceeds from the issuance of 3,243,243 shares, $6.5 million of cash proceeds from the issuance of new convertible debt by Napo, offset by $8.0 million paid as partial settlement of $53.6 million of existing Napo debt (of which $2.0 million was funded by Jaguar and so is recorded as consideration, with the remaining $6.0 million funded by Napo).

b. To record Napo's convertible debt assumed by Jaguar at its fair value of $12.2 million; to record the settlement of $53.6 million of Napo debt through the issuance of 43,064,696 Company shares (of which 2,666,666 are held by Napo) and $8.0 million in cash; to eliminate the Napo investment in Jaguar represented by the 2,666,666 shares transferred to settle Napo debt; eliminate the interest on Napo's historical convertible debt not assumed by Jaguar; to eliminate a receivable/payable between Napo and Jaguar; to eliminate Napo impairment of equity method investment in related party; and to eliminate Napo's loss from equity method investment in related party.

c. To record the estimated fair value of Napo's IPR&D, developed technology and trademark assets acquired.

d. To record goodwill.

e. To eliminate Napo's historical equity amounts consisting of common stock, paid-in capital, and accumulated deficit.

f. To record an additional $762,004 of estimated transaction costs in the balance sheet; to record interest expense on the assumed convertible debt; to record amortization expense on the acquired intangible assets; to fair value Napo inventory; to eliminate a liability of $2.5 million to be settled through future royalties; and to record the elimination of the gross margin in Napo deferred revenue.

g. To record a deferred tax liability of $22.8 million related to the acquired IPR&D, developed technology trademark and goodwill.

h. To record issuance of 48,482,759 new shares of the Company, including 40,398,030 issued to settle Napo Convertible Debt; 4,841,486 issued to settle other Napo liabilities and 3,243,243 issued for cash.

i. To record an adjustment to earnings per share for 48,482,759 new shares of Jaguar voting and non-voting stock.

In addition to the issuance of 48.5 million new shares of the Company described in note (h) above, a total of 20.8 million common stock equivalents are expected to be issued in connection with the transaction for a total of 69.3 million shares on a fully diluted basis. The common stock equivalents comprise 6.0 million restricted stock units, 0.5 million stock options, 1.2 million warrants and 13.2 million shares issuable on conversion of debt.

3. Non-Recurring Transaction Costs

The Company and Napo have incurred and the Company will continue to incur, certain non-recurring transaction expenses in connection with the Merger. The Company incurred $2.7 million in transaction costs subsequent to March 31, 2017 and the expenses have been included in accounts payable on the pro forma balance sheet.

QuickLinks

Exhibit 99.4

NAPO MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Napo focuses on the development and commercialization of proprietary pharmaceuticals for the global marketplace. Napo's lead product is Mytesi® (sometimes referred to herein as crofelemer), a FDA-approved antidiarrheal indicated for the symptomatic relief of non-infectious diarrhea in adult patients living with HIV/AIDS on antiretroviral therapy (sometimes referred to herein as ART). The active pharmaceutical ingredient (sometimes referred to herein as API) in Mytesi® is crofelemer, Napo's proprietary, patented gastrointestinal anti-secretory agent sustainably harvested from the rainforest.

In March 2016, Napo settled ongoing litigation with Salix Pharmaceuticals, Inc. (sometimes referred to herein as Salix) (now owned by Valeant Pharmaceuticals International) and rights to develop, manufacture and commercialize crofelemer previously licensed to Salix in December 2008 in North America, certain European Union countries and Japan were terminated and returned to Napo, along with certain crofelemer active pharmaceutical ingredient inventory, Mytesi® drug product inventory and land. Napo recorded the inventory received at its manufactured cost and the land at its appraised value and recorded a gain on settlement of litigation of $1,888,319.

Jaguar was a majority-owned subsidiary of Napo until the close of its initial public offering (sometimes referred to herein as IPO) on May 18, 2015. Jaguar was formed to develop and commercialize first-in-class gastrointestinal products for companion and production animals and horses. Jaguar's first commercial product, Neonorm Calf, was launched in 2014. On May 18, 2015, Jaguar completed an IPO of its common stock at a price to the public of $7.00 per share. In connection with the IPO, Napo deconsolidated Jaguar on this date due to a reduction in its ownership interest in Jaguar. Subsequent to the IPO, Napo owned approximately 18% and 19% of the outstanding shares of Jaguar at March 31, 2017 and December 31, 2016, respectively. Accordingly, management concluded that Napo was able to have significant influence over the operations of Jaguar. Subsequent to Jaguar's IPO, Napo has accounted for its holding in Jaguar using the equity method of accounting.

Effective July 1, 2016, Napo and Jaguar entered into an employee leasing and overhead allocation agreement (sometimes referred to herein as the 2016 Service Agreement). The initial term of the 2016 Service Agreement was from July 1, 2016 to December 31, 2016, and the term has been extended until the completion of a successful merger between the two companies, or until the proposed merger has been terminated. In connection with the 2016 Service Agreement, Jaguar provided to Napo the services of Jaguar employees, primarily in the areas of supply, manufacturing and quality control and general administrative positions. The 2016 Service Agreement stipulated that Napo reimburse Jaguar for a portion of Jaguar's overhead costs including an allocated amount for rent.

Recent Events

Merger

On March 31, 2017, Napo and Jaguar announced the signing of a definitive merger agreement (sometimes referred to herein as the merger agreement). Under the terms of merger agreement, Jaguar's stockholders and option and warrant holders calculated on a fully diluted basis as of March 31, 2017 (excluding approximately 365,437 shares issuable under securities convertible at $5.00 or more per share) will hold approximately 25% of the total outstanding fully diluted equity of Jaguar. Conversely, the balance of the outstanding fully diluted equity of Jaguar will be held by existing Napo creditors, RSU, option and warrant holders together with new convertible debt and equity investors upon consummation of the merger.

At the effective time of the merger, each issued and outstanding share of Napo common stock (other than dissenting shares and shares held by Jaguar or Napo) will be converted into a contingent right to receive up to a whole number of shares of Jaguar common stock comprising in the aggregate up to approximately 20.2% of the fully diluted shares of Jaguar common stock immediately following the consummation of the merger, which contingent right will vest only if the resale of certain shares of Jaguar common stock (sometimes referred to herein as the Tranche A Shares) issued by Jaguar to Nantucket Investments Limited (sometimes referred to herein as Nantucket) pursuant to the Napo debt settlement provides Nantucket with specified cash returns over a specified period of time (sometimes referred to herein as the Hurdle Amounts). In addition, if such Hurdle Amount is achieved before all of such Tranche A Shares are sold, then 50% of the remaining unsold Tranche A Shares will be distributed pro rata among the Napo Stockholders and RSU holders. The proposed merger remains subject to customary conditions to closing, including but not limited to regulatory approvals inclusive of the effectiveness of the S-4 Registration Statement, debt limitations of Napo, absence of any material adverse change in the business, results of operations or condition (financial or otherwise) of either party and stockholder approval from each party.

Refinancing

On March 31, 2017, Napo entered into a settlement and discounted payoff agreement (sometimes referred to herein as the Nantucket Settlement Agreement), with the lenders party to Napo's existing financing agreement, dated as of October 10, 2014 (sometimes referred to herein as the Financing Agreement), and Nantucket, as collateral agent and administrative agent pursuant to which Napo agreed, simultaneously with the consummation of the merger, (a) to make a cash payment to Nantucket of either $8 million or $8.5 million (depending upon the percentage of outstanding common stock represented by the shares released in the following clause (b)), which will reduce the outstanding principal obligations under the Financing Agreement, and (b) in satisfaction as a compromise for the outstanding obligations under the Financing Agreement and the release of any lien or security interest in respect of such outstanding obligations, (x) to transfer to Nantucket 2,666,666 shares of Jaguar common stock owned by Napo and (y) to cause Jaguar to issue to Nantucket 2,217,579 newly issued shares of Jaguar voting common stock (sometimes referred to herein as the Remaining Tranche C Shares) and 38,180,451 newly issued shares of Jaguar non-voting common stock, which shares are subject to the terms of the Investor Rights Agreement described below.

Napo also entered into settlement agreements with Dorsar Investment Company, Alco Investment Company, Two Daughters LLC, Boies Schiller Flexner LLP and Dan Becka on or about March 31, 2017, pursuant to which Napo agreed to cause Jaguar to issue in the aggregate 4,722,567 shares of Jaguar non-voting common stock and warrants to purchase 1,224,874 shares of Jaguar common stock, with an exercise price of $0.08 per share, to such creditors upon consummation of the merger as a complete settlement and satisfaction of Napo's outstanding obligations to such creditors. Jaguar also agreed to register the resale of these shares on one or more registration statements.

In connection with the execution of the merger agreement and the Nantucket Settlement Agreement, Jaguar and Nantucket entered into an Investor Rights Agreement, dated March 31, 2017 (sometimes referred to herein as the Investor Rights Agreement) pursuant to which, among other things, Jaguar agreed to register the resale of the shares issued to Nantucket pursuant to the Nantucket Settlement Agreement on one or more registration statements. A portion of these shares will be held in escrow and released to either Nantucket or the former Napo stockholders, depending on whether Nantucket receives sufficient proceeds from the resale of the Tranche A Shares to third parties to satisfy the Hurdle Amounts. The Investor Rights Agreement also provides that Jaguar cannot pay any dividends on any shares of its capital stock or redeem any shares, except in limited circumstances, without the prior written consent of Nantucket.

On June 27, 2017, Jaguar, Napo and Nantucket entered into the Consent, which, among other things, as a result of certain dilution that might be caused by the issuance of a convertible note as described in the exhibit to the Consent and certain stock issuances by Jaguar since entering into the merger agreement and prior to the consummation of the merger, (x) increases the Remaining Tranche C Shares from 1,940,382 shares of Jaguar voting common stock to 2,217,579 shares of Jaguar voting common stock and (y) reduces the number of Tranche B Shares from 19,900,202 shares of non-voting Jaguar common stock to 19,700,625 shares of non-voting Jaguar common stock. To the extent dilution to the Tranche A Shares as a result of such convertible note issuance or such stock issuances would result in a breach of the Investor Rights Agreement or a failure of the condition set forth in Section 2(j) of the Nantucket Settlement Agreement to be satisfied at the closing of the merger, any such breach or failure was waived by Nantucket so long as immediately after the closing of the merger, the Tranche A Shares represent no less than 18.9% of the total outstanding capital stock of Jaguar (on a fully diluted basis as defined in Section 2.1(d) of the Investor Rights Agreement as modified by the Consent).

Under the Consent, the parties also (x) agreed to increase the authorized number of shares of voting common stock under Jaguar's Third Amended and Restated Certificate of Incorporation from 175,000,000 shares to 250,000,000 shares and (y) acknowledged and agreed that the Outside Date specified in Section 10.1(b)(i) of the merger agreement be extended to July 31, 2017 and the date specified in Section 9(a) of the Nantucket Settlement Agreement be extended to July 31, 2017.

Promissory Note Issuances

On March 1, 2017, Napo entered into a convertible note purchase agreement with two lenders for the funding of $1,050,000 (face amount of $1,312,500) in two $525,000 tranches (face amount $656,250). The notes bear interest at 3% and mature on December 1, 2017. Interest may be paid at maturity in either cash or shares of Jaguar, provided that if Jaguar is not listed on Nasdaq or the Bulletin Board or registered under the Securities Act then interest must be paid in cash. Assuming the funding of $1,050,000, the notes may be exchanged for up to 2,343,752 shares of Jaguar common stock, prior to maturity date assuming that either the merger of Napo and Jaguar has occurred, among other conditions. Napo received funding of $525,000 on March 1, 2017 and on April 27 and 28 received funding of an additional $525,000 (face amount $656,250). In the three month period ended March 31, 2017, Napo recorded $131,250 of original issue discount and $25,000 of debt issuance costs and subsequently recorded, for the second tranche of funding received in April 2017, an additional $131,250 of original issue discount. Under the merger agreement, Jaguar is required to register the maximum number of shares of Jaguar common stock issuable in connection with interest payments under the promissory notes.

On March 31, 2017, Napo entered into an Amended and Restated Note Purchase Agreement (sometimes referred to herein as the Kingdon NPA) with Kingdon Associates, M. Kingdon Offshore Master Fund L.P., Kingdon Family Partnership, L.P., and Kingdon Credit Master Fund L.P. (and, together with any other party purchasing Kingdon Notes (as defined below) pursuant to the Kingdon NPA, sometimes collectively referred to herein as the Kingdon Purchasers), under which remains outstanding $2,500,000 in aggregate principal amount of convertible promissory notes (sometimes referred to herein as the Kingdon Notes) issued by Napo on December 31, 2016 to such purchasers at a purchase price of $2,000,000. Subject to the consummation of the merger, the holders of the Kingdon Notes may convert the Kingdon Notes into shares of Jaguar common stock at a conversion price of $0.925 (i) from the date of the Kingdon Note until the day immediately preceding the one-year anniversary of the Kingdon Note, all, but not less than all, of one-third of the outstanding principal and interest of the Kingdon Note, (ii) from the one-year anniversary of the Kingdon Note until the day immediately preceding the two-year anniversary of the Kingdon Note, all, but not less than all, of an additional one-third of the outstanding principal and interest of the Kingdon Note, and (iii) from the two-year anniversary of the Kingdon Note and thereafter, all, but not less than all, of the outstanding principal and interest of the Kingdon Note. Subject to the satisfaction of certain conditions, each Kingdon Purchaser is required to purchase its pro rata portion of additional Kingdon Notes with an aggregate original principal amount of $7,500,000 for an aggregate purchase price of $6,000,000, which subsequent purchase will occur simultaneously with the consummation of the merger and with effect as of immediately prior to the consummation of the merger.

The Kingdon Notes accrue interest at a rate of 10% per annum and mature on the first date after December 30, 2019 on which a majority of the Kingdon Purchasers have provided written notice to Napo requesting payment in full of the outstanding principal and interest of the Kingdon Notes. The obligations of Napo under the Kingdon Notes are secured pursuant to the terms of the Security Agreement, dated December 30, 2016, by and among Napo, Kingdon Capital Management L.L.C. and the purchasers named therein (sometimes referred to herein as the Napo Security Agreement) and the Limited Subordination Agreement, dated December 30, 2016, by and among Napo, the Kingdon Purchasers, Nantucket, the lenders under the Financing Agreement, Dorsar Investment Company, Alco Investment Company and Two Daughters LLC (sometimes referred to herein as the Intercreditor Agreement). Jaguar has agreed to file a registration statement to register the resale of shares of Jaguar common stock issuable upon exchange of the 2017 Exchangeable Notes within 30 days of the earlier of the effective date of the merger and the merger termination date.

Revenue

Napo began selling its drug product, Mytesi®, on consignment through one distributor in June 2016. This distributor in turn sells Mytesi to various wholesalers around the United States. Sales to the wholesalers are made under agreements that may provide price adjustments and rights of return prior to sell through. Until Napo develops sufficient sales history and pipeline visibility, revenue will be deferred until products are sold by the wholesaler to the wholesaler's customers, but the company recognizes cost of sales and reduces inventory when the distributor sells to wholesalers. Napo had $518,133, $987,312 and $390,953 of revenue (including royalties received) for the three months ended March 31, 2017 and the years ended December 31, 2016 and 2015, respectively.

Napo received royalty payments on a quarterly basis in 2015 and up to March 4, 2016. Royalties received equaled $31,729, $32,092 and $276,999 in the three months ended March 31, 2016 and in the years ended December 31, 2016 and 2015, respectively. These royalties are recognized in the period in which sales are made by the licensee.

For the three months ended March 31, 2017 and the year ended December 31, 2016, substantially all of Napo's revenue was derived from sales of Mytesi®. In the year ended December 31, 2015, the majority of Napo revenues consisted of royalties received pursuant to Napo's collaboration with Salix Pharmaceuticals, Inc., with approximately 20% of revenue derived from Jaguar sales of Neonorm Calf, Jaguar's anti-diarrheal for neo-natal calves.

Research and Development Expense

In 2015, research and development expenses consist primarily of clinical and contract manufacturing expense, personnel and related benefit expense; and, with respect to the consolidated operating results of Jaguar for the first five months of 2015, includes stock-based compensation expense, employee travel expense, reforestation expenses. Clinical and contract manufacturing expense included in operating results in 2015 consists primarily of costs to conduct stability, safety and efficacy studies, and manufacturing startup expenses.

Napo conducted limited research and development in the three months ended March 31, 2017 and the year ended December 31, 2016. Expenditures in the year ended December 31, 2015 represent primarily the consolidated operating results of Jaguar for the period from January to May 18, 2015. Research and development activities are projected to increase significantly in 2017 and beyond.

The timing and amount of Napo's future research and development expenses will depend largely upon its ability to attract potential development and commercialization partners, capital availability as well as the outcomes of current and future trials for its prescription drug product candidates as well as the related regulatory requirements, the outcomes of current and future formulation studies for its non-prescription products, manufacturing costs and any costs associated with the advancement of its line extension programs. Napo cannot determine with certainty the duration and completion costs of the current or future development activities.

The duration, costs and timing of trials, formulation studies and development of Napo's prescription drug will depend on a variety of factors, including:

- the scope, rate of progress, and expense of Napo's ongoing, as well as any additional clinical trials, formulation studies and other research and development activities;
- future clinical trial and formulation study results;
- potential changes in government regulations; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of a prescription drug product candidate could mean a significant change in the costs and timing associated with Napo's development activities.

Napo expects research and development expense to increase significantly as it adds personnel, commences additional clinical studies and performs other activities to develop its prescription drug product candidates.

Sales and Marketing Expense

Sales and marketing expenses in the three months ended March 31, 2017 and in 2016 consist primarily of contracted amounts paid to a distribution and marketing firm and to a marketing and commercialization advisory firm, in addition to direct expenses for the promotion and marketing of Mytesi®, travel expense, and participation in conferences.

Napo expect sales and marketing expense to increase significantly as it develops and commercializes new products and grows its existing Mytesi® market. In April 2017, Napo contracted with a third party sales and marketing group to promote the sales of Mytesi® product.

General and Administrative Expenses

General and administrative expenses consist of personnel and related benefit expense, stock-based compensation expense (Jaguar only in 2015), employee travel expense, legal and accounting fees, rent and facilities expense, reimbursement of the services provided by Jaguar Animal Health personnel and related benefits expenses associated therewith, and management consulting expense.

Napo expects general and administrative expense to increase in order to enable it to effectively manage the overall growth of the business. This will include adding headcount, enhancing information systems and potentially expanding corporate facilities.

Interest Expense

Interest expense in three months ended March 31, 2017 and March 31, 2016 consists of interest expense on convertible promissory notes and interest on the principal balance and penalties associated with the Financing Agreement as well as in the three months ended March 31, 2017, the amortization of debt discount and issuance costs associated with convertible note and exchangeable note issuances in December 2016 and in March 2017. Interest expense in the three months ended March 31, 2017 was $2,504,718 compared to $1,705,230 in the three months ended March 31, 2016. See "Description of Indebtedness—Financing Agreement."

Interest expense in 2015 and 2016 consists primarily of interest expense on convertible promissory notes and interest on the principal balance and penalties associated with the Financing Agreement. Interest expense in 2015, inclusive of Jaguar's operations, was $8,048,764, of which $6,367,471 was attributable to Napo. In 2016, interest expense was $15,609,092. See "Description of Indebtedness—Financing Agreement."

Results of Operations

As a result of the settlement of its litigation with Salix and the termination of the license of crofelemer to Salix, Napo now has exclusive rights to crofelemer worldwide for the indication of diarrhea predominant irritable bowel syndrome and all other human indications, except for HIV/AIDS, adult infectious diarrhea and pediatric diarrhea in 140 countries (mainly outside of the United States, western EU countries and Japan) and China.

The manufacture and sale of Mytesi® has necessitated higher expenditures on inventory and commercialization efforts by Napo and has resulted in significant initial costs with regard to manufacturing, quality and general and administrative personnel and marketing and commercialization consultants. Napo entered into an Employee Leasing and Overhead Allocation Agreement with regard to the use of Jaguar personnel for certain of these activities.

Future development and commercialization of other indications of crofelemer will require capital far in excess of what Napo currently has and Napo therefore intends to rely on licensing opportunities as well as additional capital raises.

Napo sources the raw material for crofelemer active pharmaceutical ingredient from the Croton lechleri tree which grows in South America in countries along the Amazon Basin. Purchases are denominated in dollars, as are agreements with Napo's API contract manufacturer, based in India. Currently, Napo has only one FDA-approved manufacturer of crofelemer API, although that manufacturer is able to produce crofelemer API at two separate facilities, though one has significantly less capacity than the other. The capacity of the smaller site alone is adequate for the current levels of Mytesi sales.

Inflation has had no material effect on Napo's results for the three months ended March 31, 2017 and 2016 or for the years ended December 31, 2016 and 2015. Currently Napo does not foresee a significant effect on its operations from raw material price inflation.

Comparison of the three month periods ended March 31, 2017 and 2016

The following table summarizes Napo's results of operations with respect to the items set forth in such table for the three months ended December 31, 2017 and 2016, together with the change in such items in dollars and as a percentage:

	Three Months Ended March 31,		Variance	
	2017	2016	($)	(%)
Revenue	$ 518,133	$ 31,729	486,404	1,533.0%
Operating Expenses				
Cost of revenue	(361,089)	(9,182)	351,907	3,832.6%
Gross profit	157,044	22,547	134,497	596.5%
Research and development expense	81,623	—	81,623	100%
Selling, general and administrative	1,245,319	317,758	927,561	291.9%
Total operating expenses	1,326,942	317,758	1,009,184	317.6%
Loss from operations	(1,169,898)	(295,211)	874,687	296.3%
Interest expense, net	(2,504,718)	(1,705,230)	799,488	46.9%
Gain on litigation settlement	—	674,578	(674,578)	(100.0)%
Gain (loss) from equity method investment in related party	746,667	(1,134,233)	1,880,900	165.8%
Net loss	$ (2,927,949)	$ (2,460,096)	467,853	19.0%

Revenue and Cost of Revenue

Revenue and related cost of revenue for the three months ended March 31, 2017 solely reflects net sales of Mytesi® by Napo. In the three months ended March 31, 2016, revenue consists of royalty income from Salix's sales of Mytesi®. Cost of revenue is comprised of the manufactured price of Mytesi®, plus the allocated costs of manufacturing and quality personnel as well as freight. Cost of revenue for Mytesi is higher as a percentage of net sales as a result of the costs of supply, quality and manufacturing personnel and continuing the establishment and implementation of quality assurance and control procedures.

Research and Development Expense

The following table presents the components of research and development expense for the three months ended March 31, 2017 and 2016, together with the change in such components in dollars and as a percentage.

	Three Months Ended March 31,			
	2017	2016	Variance	Variance %
R&D:				
Third party consulting, related benefits	$ 81,623	$ 0	$ 81,623	100%
Total	$ 81,623	$ 0	$ 81,623	100%

Research and development expense was $0 in the three months ended March 31, 2016. Such expenses increased to $81,623 for the same period in 2017, and were related to third party consulting expense provided by Jaguar personnel and independent third parties.

Selling, General and Administrative Expense

The following table presents the components of general and administrative expense for the three months ended March 31, 2017 and 2016 together with the change in such components in dollars and as a percentage:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Variance	Variance %
G&A:				
Personnel and related benefits	$ 80,192	$ 80,066	126	0.2%
Accounting fees	53,823	2,000	51,823	2,591.2%
Third-party consulting fees and Jaguar service fees	395,581	8,800	386,781	4,395.2%
Legal fees	285,516	155,189	130,327	84.0%
Travel	53,638	22,431	31,207	139.1%
Marketing, commercialization	282,762	—	282,762	100.0%
Other	93,807	49,272	44,535	90.3%
Total	$ 1,245,319	$ 317,758	$ 927,561	291.9%

Napo's selling, general and administrative expenses increased $927,561 from $317,758 in the three months ended March 31, 2016 to $1,245,319 for the same period in 2017. Napo's third-party consulting fees and service fees increased $386,781 from $8,800 in the three months ended March 31, 2016 compared to $395,581 in the same period in 2017. In July 2016, Napo entered into an Employee Lease and Overhead Allocation Agreement, which continued into 2017, whereby Napo was billed $262,253 for the services of Jaguar employees in the areas of quality, manufacturing, supply and other general and administrative areas in the three months ended 2017. Napo also incurred fees for regulatory consultants in the three months ended March 31, 2017 which is included in third party consulting fees. Napo had one employee in the three month periods ended March 31, 2016 and 2017. Napo's legal fees increased $130,327 from $155,189 in the three months ended March 31, 2016 compared to $285,516 in the period ended March 31, 2017. In the three months ended March 31, 2016 Napo incurred significant legal costs with regard to the negotiation of the Settlement, Termination, Asset Transfer and Transition Agreement with Salix which settled the litigation between the companies and returned the rights to crofelemer, including Mytesi® to Napo. Significant legal expense in the three months ended March 31, 2017 was associated with merger costs and with the administration of the intellectual property associated with crofelemer. Marketing and commercialization expenses were $0 in the three months ended March 31, 2016 compared with $282,762 in the three month period ended March 31, 2017 associated with efforts to promote and commercialize Mytesi®. Such costs are projected to increase significantly in 2017. An allocation of rent expense was charged to Napo by Jaguar in the three month period ended 2017 and is included in third party consulting and service fees. Such charges were relatively insignificant. Other expenses, including insurance costs and travel increased from the three month period ended March 31, 2016 as result of increased activity in the same period in 2017.

Comparison of the years ended December 31, 2016 and 2015

The following table summarizes Napo's results of operations with respect to the items set forth in such table for the years ended December 31, 2016 and 2015, together with the change in such items in dollars and as a percentage:

	Years Ended December 31,		Variance	
	2016	2015	($)	(%)
Revenue	$ 987,312	$ 390,953	596,359	152.5%
Operating Expenses				
Cost of revenue	(726,506)	(174,949)	(551,557)	315.3%
Gross profit	260,806	216,004	44,802	20.7%
Research and development expense	127,137	1,672,472	(1,545,335)	(92.4)%
Selling, general and administrative	2,725,925	2,618,066	107,859	4.1%
Total operating expenses	2,853,062	4,290,538	(1,437,476)	(33.5)%
Loss from operations	(2,592,256)	(4,074,534)	1,482,278	36.4%
Interest expense, net	(15,609,092)	(8,048,674)	7,560,418	93.9%
Gain on disposition of related party	—	29,961,150	(29,961,150)	(100.0)%
Impairment	(574,059)	(9,751,974)	(9,177,915)	(94.1)%
Gain on litigation settlement	1,888,319	—	1,888,319	100%
Change in fair value of warrants	—	(267,867)	267,867	100.0%
Loss from equity method investment in related party	(3,505,940)	(2,915,090)	590,850	20.3%
Consolidated net income (loss)	(20,393,028)	4,903,011	(25,296,039)	(515.9)%
Net loss attributable to non-controlling interest	—	406,150	(406,150)	(100.0)%
Net income (loss) and comprehensive income (loss)	$ (20,393,028)	$ 5,309,161	(25,702,189)	(484.1)%

Revenue and Cost of Revenue

Revenue and related cost of revenue for the years ended December 31, 2016 reflects net sales of Mytesi® by Napo from June to December 31, 2016 Included in revenue is approximately $32,000 of royalty income from Salix's sales of Mytesi® in Q1 2016. Cost of revenue is comprised of the manufactured price of Mytesi®, plus the allocated costs of manufacturing and quality personnel as well as freight. Cost of revenue for Mytesi is higher as a percentage of net sales as a result of the initial costs of adding supply, quality and manufacturing personnel and establishing and implementing quality assurance and control procedures.

For the year ended December 31, 2015, revenue is primarily comprised of royalties received from Salix from its net sales of Mytesi® (formerly known as Fulyzaq) and approximately $77,000 of revenue from sales of Neonorm calf. Cost of revenue in the year ended December 31, 2015 relates to royalties payable to third parties on the net sales of Mytesi® by Salix and the inclusion of Jaguar cost of revenue for sales of Neonorm Calf.

Research and Development Expense

The following table presents the components of research and development expense for the years ended December 31, 2016 and 2015, together with the change in such components in dollars and as a percentage. Research and development expenses in 2015 include five months of Jaguar activity and accordingly 2016 is not comparable due to the limited amount of research and development activity conducted by Napo.

	Years Ended December 31, 2016	2015	Variance	Variance %
R&D:				
Personnel and related benefits	$ 127,137	$ 599,557	$ (472,420)	–371.6%
Materials expense and tree planting	—	19,000	$ (19,000)	–100.0%
Travel, other expenses	—	50,418	$ (50,418)	–100.0%
Clinical and contract manufacturing	—	936,589	$ (936,589)	–100.0%
Stock-based compensation	—	38,133	$ (38,133)	–100.0%
Other	—	28,775	$ (28,775)	–100.0%
Total	$ 127,137	$ 1,672,472	$ (1,545,335)	–1,215.5%

Napo decreased research and development expense $1,545,335 from $1,672,472 in the year ended December 31, 2015 to $127,137 for the same period in 2016. Research and development expense in 2016 of $127,137 was related to personnel and third party consulting expense. The consolidation of Jaguar research and development expenses for the first five months of 2015 accounted for $1,617,857 of the $1,672,472 of research and development expense in 2015. Clinical trial and contract manufacturing expenses decreased $936,589 because Napo conducted no clinical trial activity in 2016 and all Napo manufacturing activity in 2016 was devoted to manufacturing inventory of Mytesi®.

Selling, General and Administrative Expense

The following table presents the components of general and administrative expense for the years ended December 31, 2016 and 2015 together with the change in such components in dollars and as a percentage:

	Years Ended December 31, 2016	2015	Variance	Variance %
G&A:				
Personnel and related benefits	$ 311,303	$ 853,488	(542,185)	–63.5%
Accounting fees	53,413	229,195	(175,782)	–76.7%
Third-party consulting fees and Jaguar service fees	732,875	101,609	631,266	621.3%
Legal fees	547,562	797,584	(250,022)	–31.3%
Travel	117,345	178,655	(61,310)	–34.3%
Stock-based compensation	—	31,011	(31,011)	–100.0%
Rent and lease expense	—	70,770	(70,770)	–100.0%
Marketing, commercialization	730,252	41,706	688,546	1651.0%
Other	233,175	314,048	(80,873)	–25.8%
Total	$ 2,725,925	$ 2,618,066	$ 107,859	4.1%

Napo's selling, general and administrative expenses increased $107,859 from $2,618,066 in the year ended December 31, 2015 to $2,725,925 for the same period in 2016. The consolidation of Jaguar results for five months in 2015 accounted for $1,766,388 of the $2,618,066 of general and administrative expense in 2015. Napo's third-party consulting fees and service fees increased $631,266 from $101,609 in the year ended December 31, 2015 compared to $732,875 in the same period in 2016. In 2016, Napo entered into an Employee Lease and Overhead Allocation Agreement whereby Napo was billed $628,867 for the services of Jaguar employees in the areas of quality, manufacturing, supply and other general and administrative areas in 2016. Napo also incurred fees for regulatory consultants in 2016 which is included in third party consulting fees. Napo had one employee in 2016. Stock-based compensation decreased from $31,011, attributable to the consolidation of Jaguar, in the year ended December 31, 2015 to $0 in the same period in 2016 as Napo had no stock based compensation expense in 2016. Napo's legal fees decreased $250,022 from $797,584 in the year ended December 31, 2015 compared to $547,562 in the same period in 2016. In 2016 Napo incurred significant legal costs with regard to the negotiation of the Settlement, Termination, Asset Transfer and Transition Agreement with Salix which settled the litigation between the companies and returned the rights to crofelemer, including Mytesi® to Napo. Other significant legal expense was associated with the return and administration of the intellectual property associated with crofelemer. Napo also incurred significant marketing and commercialization expenses of $730,252 in 2016 associated with efforts to promote and sell Mytesi®. Such costs are projected to increase significantly in 2017. An allocation of rent expense was charged to Napo by Jaguar in 2016 and is included in third party consulting and service fees. Such charges were relatively insignificant. Other expenses, including insurance costs decreased from 2015 as a result of the deconsolidation of Jaguar after May 2015 and Napo's relatively lower level of operations in 2016.

Liquidity and Capital Resources

Sources of Liquidity

Since inception, Napo has incurred net losses and negative cash flows from operations, and, as of March 31, 2017 and December 31, 2016, Napo had an accumulated deficit of $160,366,250 and $157,438,301, respectively. Substantially all of Napo's historical net losses resulted from costs incurred in connection with its research and development programs, stock-based compensation, interest expense and from general and administrative costs associated with its operations through March 31, 2017.

As of March 31, 2017 and December 31, 2016, Napo had cash, cash equivalents, and short-term investments of $1,414,678 and $2,271,745, respectively. A substantial portion of Napo's cash at March 31, 2017 was the result of the issuance of $3.16 million of convertible notes in December 2016 and in March 2017. In the near term, Napo does not expect to incur significant expenditures planned for manufacturing equipment. However, without completion of the merger and the concurrent consummation of the debt settlements and new financing described herein, Napo does not believe its current capital resources are sufficient to fund its planned operations for the next 12-months. Napo's independent registered public accounting firm has included an explanatory paragraph in its audit report included with Napo's audited financial statements for the years ended December 31, 2016 and 2015 attached hereto regarding Napo's assessment of substantial doubt about its ability to continue as a going concern. Napo's financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Napo will continue to require substantial additional capital to continue its clinical development activities. The amount and timing of Napo's future funding requirements will depend on many factors, including its ability to attract development and licensing partners and the pace and results of its clinical development efforts. Failure to raise capital as and when needed, on favorable terms or at all, would have a negative impact on Napo's financial condition and its ability to develop its product candidates.

The following table shows a summary of cash flows for the three months ended March 31, 2017 and, 2016:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Total cash used in operations	$ (1,357,067)	$ 390,646
Total cash from investing activities	—	—
Total cash provided by/(used in) financing activities, net	500,000	(685,508)
	$ (857,067)	$ (294,862)

The following table shows a summary of cash flows for the years ended December 31, 2016 and, 2015:

	Years Ended December 31, 2016	Years Ended December 31, 2015
Total (cash used in)/provided by operations	$ (474,192)	$ 960,119
Total cash provided by/(used in) investing activities	—	—
Total cash provided by/(used in) financing activities, net	1,919,790	(1,066,716)
	$ 1,445,598	$ (106,597)

Cash Used in Operating Activities

During the three months ended March 31, 2017, cash used in operating activities of $1,357,067 resulted from Napo's net loss of $2,927,949, offset by amortization of debt discount of $65,706, non-cash accretion of interest on the Financing Agreement of $2,341,281; the equity method gain on Napo's investment in Jaguar of $746,667, and net changes in operating assets and liabilities of $(89,438).

During the three months ended March 31, 2016, cash provided by operating activities of $390,646 resulted from Napo's net loss of $2,460,096, offset by a non-cash gain on the settlement of litigation with Salix of $674,578; the equity method loss on Napo's investment in Jaguar of $1,134,233; non-cash interest of $1,663,835 on the Financing Agreement; and, changes in operating assets and liabilities of $727,252.

During the year ended December 31, 2016, cash used in operating activities of $(474,192) resulted from Napo's net loss of $20,393,028, offset by non-cash accretion of interest and penalties on the Financing Agreement of $14,590,719; the equity method loss and impairment on Napo's investment in Jaguar of $4,079,999, the receipt of license fees from Jaguar of $425,000, a gain of $1,888,319 on the settlement with Salix and other changes in operating assets and liabilities of $2,711,437.

During the year ended December 31, 2015, cash provided by operating activities of $960,119 resulted from Napo's net income of $5,309,161, offset by a non-cash gain on the Jaguar investment of $29,961,150, the deconsolidation of Jaguar of $7,272,553 offset by a gain attributable to the non-controlling interest in Jaguar of $406,150; the equity method loss and impairment on Napo's investment in Jaguar of $12,667,064; non-cash interest of $5,997,784 on the Financing Agreement; the receipt of $1,225,000 of license fees from Jaguar; and, other changes in operating assets and liabilities of $1,144,143.

Cash Provided By/Used In Investing Activities

During the three months ended March 31, 2017, cash from investing activities was $0.

During the three months ended March 31, 2016, cash from investing activities was $0.

During the year ended December 31, 2016, cash provided by investing activities was $0.

During the year ended December 31, 2015, cash used in investing activities was $0.

Cash Provided by Financing Activities

During the three months ended March 31, 2017, cash provided by financing activities of $500,000, net of unamortized issuance costs.

During the three months ended March 31, 2016, cash used by financing activities of $685,508 primarily consisted of payments made of $462,500 on Napo's convertible notes due June 30, 2015 and $223,008 of payments made on the Financing Agreement.

During the year ended December 31, 2016, cash provided by financing activities of $1,919,790 consisted of long term convertible debt of $2,500,000, offset by debt discount and issuance costs of $580,210.

During the year ended December 31, 2015, cash used by financing activities of $1,066,716 primarily consisted of payments made of $250,000 on Napo's convertible notes due June 30, 2015 and payments of $816,716 made by Jaguar.

Description of Indebtedness

Financing Agreement

In December 2011 and April 2013, Napo entered into a Forward Purchase Agreement(s) (together, the "Agreements") with a third party (the "Purchaser") to provide funding for Napo's litigation activities with Salix and its arbitration with Glenmark Pharmaceuticals Limited. The terms of the Agreements included a return on funds advanced, depending upon the amount of time lapsed from the initial funding, in the event Napo was successful in any part of its litigation or arbitration. In October 2014, after a successful outcome in the litigation, Napo and the Purchaser restructured what had become the existing debt under Agreements into a note (the "Financing Agreement") with a principal amount of $30,000,000 due January 1, 2017, and Napo recognized a gain on the restructuring of the debt. The loan under the Financing Agreement accrues interest monthly at 18% per annum, with monthly accrued interest added to principal on the first day of the following month.

From July 2014 to March 2016, a portion of the royalties received by Napo from the Salix Collaboration Agreement was paid into a control account for the benefit of the Purchaser and such funds reduced the outstanding balance on the Financing Agreement. In March 2016, subsequent to the settlement of the litigation with Salix and the return of the licensed assets to Napo, the Purchaser and Napo entered into an amendment to the Financing Agreement which provided for payments by Napo to the Purchaser of 10% of net sales of Mytesi® on a quarterly basis.

The Purchaser has a security interest (the "Security Interest") on all Napo assets, including 2,666,666 shares of Jaguar owned by Napo. The Financing Agreement requires that any funds Napo receives from sales of assets, recoveries, etc. be used to pay interest or principal on the Financing Agreement.

All principal and interest on the Financing Agreement was due on January 1, 2017. The outstanding balance owed was $53,597,920, $51,256,639 and $36,203,421 as of March 31, 2017, and December 31, 2016 and 2015, respectively, inclusive of accrued interest added to principal of $23,392,283, $20,588,503 and $5,997,784 at March 31, 2017, December 31, 2016 and December 31, 2015, respectively. The amounts owed under the Financing Agreement will be settled at the closing of the merger pursuant to the Nantucket Settlement Agreement. See "—Recent Events—Refinancing", "Certain Relationships and Related Transactions of Jaguar—Financings—Nantucket Settlement Agreement" and "The Merger Agreement and Related Agreements—Settlement Agreements and Investor Rights Agreement".

Convertible Notes Due June 30, 2015

In March 2011 Napo entered into three convertible notes (the "Convertible Notes") equaling $1,575,000 with an original due date of March 18, 2014 with interest on the outstanding principal amount bearing interest at 20%. The Convertible Notes and underlying principal, interest rates, maturity dates, payment terms, and collateral were amended at various times through January 2016. The first amendment provided that the lenders (the "Lenders") were to receive 100% of the payments made to Napo pursuant to the License Agreement with Jaguar Animal Health, Inc., after the first $250,000 payment to Napo. The first payment of $250,000 was made in 2015. The amended maturity date of the Convertible Notes was June 30, 2015.

In October 2015, the Lenders and Napo entered into a further amendment of the Convertible Notes. As part of the amendment, the Lenders agreed to reduce the level of payments made by Napo to 50% of the payments received by Napo from Jaguar Animal Health, Inc. under the License Agreement. The interest on the Convertible Notes was then increased from 12% to 15%, as of April 1, 2015 because Napo had made no interest payments as required beginning on April 1, 2015. All other terms remained the same.

In January 2016, effective as of December 31, 2015, the Lenders and Napo agreed to a reduction of $100,000 in the payment due to the Lenders as of December 31, 2015 from Napo's License Agreement with Jaguar Animal Health, Inc. and that $100,000 would be added to the next payment to be made by Napo to the Lenders on March 31, 2016 when Napo received its final payment under the License Agreement.

In connection with the amendments made to the Convertible Notes, Napo has issued warrants to the lenders at various times. As of March 31, 2017, December 31, 2016 and 2015, the Convertible Note Lenders collectively hold warrants to purchase 1,916,137 shares of common stock.

The Convertible Notes have certain covenants prohibiting investments in new subsidiaries and, restrict the issuance of stock compensation to Napo employees, consultants or others without the express written consent of Dorsar Investment Company, one of the Lenders and restrict Napo from incurring any debt with superior rights than those of the Lenders, without their consent. The Convertible Notes have a second lien on Napo assets and a pledge of common stock owned by Lisa A. Conte. Napo cannot distribute to its shareholders any shares Napo owns of Jaguar Animal Health, Inc. The principal balance owed was $1,321,151, $1,321,151, and $1,783,650 as of March 31, 2017, and December 31, 2016 and 2015 respectively. The interest due on the principal balance was $670,415, $653,683 and $442,935 as of March 31, 2017, and December 31, 2016 and 2015, respectively.

Convertible Notes Due December 2019

In December 2016, Napo entered into a note purchase agreement which provides for the sale of up to $12,500,000 face amount of notes and issued convertible promissory note(s) (the December Notes) in the aggregate face amount of $2,500,000 to three lenders and received proceeds of $2,000,000 which resulted in $500,000 of original issue discount. The carrying amount of the December Notes is reduced by $80,210 on the balance sheet for debt issuance costs. Any subsequent note purchases will be at the sole discretion of the purchaser and will be issued at similar original issue discount as the December Notes.

The December Notes mature on December 30, 2019 and bear interest at 10% with interest due each six-month period after December 30, 2016. Interest on these notes was immaterial for the year ended December 31, 2016. If Napo merges with Jaguar, at the option of Napo, interest may be paid in cash or in the stock of Jaguar, but if Jaguar is not listed on Nasdaq or the OTC bulletin board, then interest must be paid in cash. If Napo merges with Jaguar, then in each one year period beginning December 30, 2016, up to one-third of the principal and accrued interest on the December Notes may be converted into the common stock of the merged entity at a conversion price of $0.935 per share. The December Notes are secured by a security interest in Napo inventory pursuant to a limited subordination agreement between Napo, the December Note purchasers and the Convertible Note Lenders and the Lender associated with the Financing Agreement. The principal balance owed was $2,500,000, $2,500,000 and $0 as of March 31, 2017 and December 31, 2016 and 2015, respectively. The interest due on the principal balance was $63,010, $1,366 and $0 as of March 31, 2017 and December 31, 2016 and 2015, respectively.

March 2017 Notes

On March 1, 2017, Napo entered into an exchangeable note purchase agreement with two lenders for the funding of $1,050,000 (face amount of $1,312,500) in two $525,000 tranches (face amount $656,250). The notes bear interest at 3% and mature on December 1, 2017. Interest may be paid at maturity in either cash or shares of Jaguar, provided that if Jaguar is not listed on Nasdaq or the Bulletin Board or registered under the Securities Act then interest must be paid in cash. Assuming the issuance of $1,312,500 of exchangeable notes, the notes may be exchanged for up to 2,343,752 shares of Jaguar common stock, prior to maturity date assuming that either the merger of Napo and Jaguar has occurred, among other conditions. Napo received funding of $525,000 on March 1, 2017, and recorded $131,250 of original issue discount and $25,000 of debt issuance costs. The principal amount outstanding as of March 31, 2017 was $656,250 with unpaid interest of $1,672.

Financing Agreement Settlement

On March 31, 2017, Napo entered into the Nantucket Settlement Agreement pursuant to which Napo agreed, simultaneously with the consummation of the merger, (a) to make a cash payment to Nantucket of either $8 million or $8.5 million (depending upon the percentage of outstanding common stock represented by the shares released in the following clause (b)), which will reduce the outstanding principal obligations under the Financing Agreement, and (b) in satisfaction as a compromise for the outstanding obligations under the Financing Agreement and the release of any lien or security interest in respect of such outstanding obligations, (x) to transfer to Nantucket 2,666,666 shares of Jaguar common stock owned by Napo and (y) to cause Jaguar to issue to Nantucket 2,217,579 newly issued shares of Jaguar voting common stock (sometimes referred to herein as the Remaining Tranche C Shares) and 38,180,451 newly issued shares of Jaguar non-voting common stock, which shares are subject to the terms of the Investor Rights Agreement described below.

In connection with the execution of the merger agreement and the Nantucket Settlement Agreement, Jaguar and Nantucket entered into the Investor Rights Agreement, pursuant to which, among other things, Jaguar agreed to register the resale of the shares issued to Nantucket pursuant to the Nantucket Settlement Agreement on one or more registration statements. A portion of these shares will be held in escrow and released to either Nantucket or the former Napo stockholders, depending on whether Nantucket receives sufficient proceeds from the resale of the Tranche A Shares to third parties to satisfy the Hurdle Amounts. The Investor Rights Agreement also provides that Jaguar cannot pay any dividends on any shares of its capital stock or redeem any shares, except in limited circumstances, without the prior written consent of Nantucket.

On June 27, 2017, Jaguar, Napo and Nantucket entered into the Consent, which, among other things, as a result of certain dilution that might be caused by the issuance of a convertible note as described in the exhibit to the Consent and certain stock issuances by Jaguar since entering into the merger agreement and prior to the consummation of the merger, (x) increases the Remaining

Tranche C Shares from 1,940,382 shares of Jaguar voting common stock to 2,217,579 shares of Jaguar voting common stock and (y) reduces the number of Tranche B Shares from 19,900,202 shares of non-voting Jaguar common stock to 19,700,625 shares of non-voting Jaguar common stock. To the extent dilution to the Tranche A Shares as a result of such convertible note issuance or such stock issuances would result in a breach of the Investor Rights Agreement or a failure of the condition set forth in Section 2(j) of the Nantucket Settlement Agreement to be satisfied at the closing of the merger, any such breach or failure was waived by Nantucket so long as immediately after the closing of the merger, the Tranche A Shares represent no less than 18.9% of the total outstanding capital stock of Jaguar (on a fully diluted basis as defined in Section 2.1(d) of the Investor Rights Agreement as modified by the Consent).

Under the Consent, the parties also (x) agreed to increase the authorized number of shares of voting common stock under Jaguar's Third Amended and Restated Certificate of Incorporation from 175,000,000 shares to 250,000,000 shares and (y) acknowledged and agreed that the Outside Date specified in Section 10.1(b)(i) of the merger agreement be extended to July 31, 2017 and the date specified in Section 9(a) of the Nantucket Settlement Agreement be extended to July 31, 2017.

Settlement with the Convertible Notes

On March 31, 2017, Napo entered into an agreement with the three Convertible Note lenders to exchange their existing $1,991,565 debt including interest accrued up to January 31, 2017 for 2,153,041 non-voting common shares of Jaguar at a deemed value of $0.925 per share. Additionally, upon the closing of the merger, all warrants to purchase 6,727,443 shares Napo common stock currently held by the lenders or entities and/or individuals affiliated with the lenders with be exchanged for warrants to purchase 1,224,874 shares of Jaguar common stock at an exercise price of $0.08 per share. The settlement, among other conditions, is predicated on the successful closing of the merger of Napo and Jaguar.

Settlement with Legal Creditors

On March 31, 2017, Napo entered into agreements with two law firms to settle $2,376,812 owed to them in exchange for the issuance of 2,569,526 non-voting shares of Jaguar common stock at a deemed value of $0.925 per share. The settlement, among other conditions, is predicated on the successful closing of the merger of Napo and Jaguar.

Amendment to Kingdon Capital Management Note Purchase Agreements

On March 31, 2017, Napo and entities affiliated with Kingdon Capital Management entered into an Amended Note Purchase Agreement which among other items provided for the payment of additional legal fees to Kingdon through the issuance of 54,054 shares of Jaguar common stock assuming a closing of the merger.

The following is a schedule of Napo's debt:

Debt	Borrowings March 31, 2017	Borrowings December 31, 2016	Borrowings December 31, 2015
Current:			
Financing Agreement	$ 53,597,920	$ 51,256,639	$ —
Convertible Notes due June 30, 2015	1,838,498	1,321,151	1,783,650
Total current borrowings:	55,436,418	52,577,790	1,783,650
Long term debt:			
Financing Agreement		—	36,203,421
Settlement Liability(1)	2,500,000	2,500,000	2,500,000
Convertible Notes, net, due December 30, 2019	1,968,149	1,919,790	—
Total long term borrowings:	4,468,149	4,419,790	38,703,421
Total:	$ 59,904,567	$ 56,997,580	$ 40,487,071

The following table sets forth scheduled future principal payments as of March 31, 2017:

Amounts Due in Years Ending December 31,	Principal Amount
2017	$ 55,436,418
2018	—
2019	2,500,000
Thereafter(1)	2,500,000
Total:	$ 60,436,418

(1) Settlement liability is payable out of royalties to be paid pursuant to a collaboration agreement with Glenmark Pharmaceuticals Limited. See Note 5 and Note 12 to the financial statements. Napo has received no royalties from the its collaboration agreement with Glenmark and is unable to determine when, if ever, such royalties will be received. Future principal payments after 2019 include unamortized debt discount of $531,851.

Warrants

Napo's issuance of warrants to purchase Napo common stock as of March 31, 2017, is summarized in the table below. All outstanding warrants to purchase common stock have been issued in connection with various debt and equity financings between 2008 and 2014, including amendments and refinancings, to entities including Dorsar Partners, LP, Dorsar Investment Company, Continental Properties, Alco Investment Company, Two Daughters LLC and/or entities affiliated with the principals thereof.

Shares underlying warrants	Exercise price	Expiration Date
411,047	$ 0.200000	December 31, 2018
387,849	$ 0.550000	December 31, 2018
3,361,080	$ 0.194163	December 31, 2025
688,953	$ 0.200000	December 31, 2025
1,155,560	$ 0.550000	December 31, 2025
722,954	$ 0.553280	December 31, 2025
6,727,443		

Indian Subsidiaries

Napo has three subsidiary companies (the "Subsidiary Companies") in India. These entities have had limited operations for several years, however certain of them have deficit balances. In connection with funding arrangements entered into by an investor in the Subsidiary Companies, the investor may require the Subsidiary Companies to redeem certain assets and distribute the proceeds to the investor. Napo believes that assets subject to redemption have little or no value, however the investor may require redemption for certain administrative or legal purposes. Under Indian law an entity may not make distributions to investors if they are in a net deficit position. While the estimated fair value of the redeemable assets is immaterial, Napo may have to contribute additional funds to the Subsidiary Companies to remove any net deficit in order for the redemption to proceed. Napo estimates that amount of such contribution, if any, to the Subsidiary Companies would be $250,000 or less.

On March 16, 2017, Napo received a communication from the investor in the Subsidiary Companies that it intended to exercise it redemption right.

Income Taxes

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. Napo has established a valuation allowance to offset net deferred tax assets as of December 31, 2016 and 2015, due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets. As of December 31, 2016, Napo had federal and California net operating loss carryovers of approximately $85.4 million and $83.1 million, respectively. The federal and California net operating losses will begin to expire in 2033.

As of December 31, 2016, Napo had federal and California research credit carryovers of approximately $1.3 million and $0.8 million, respectively. The federal research credits will begin to expire in 2033. The California research credits carry forward indefinitely.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforward in certain situations where changes occur in the stock ownership of a company. Due to Napo's cumulative loss position, Napo has not determined whether an ownership change has occurred under these provisions. In the event Napo has had a change in ownership, as defined by the tax law, utilization of the carryforwards could be limited.

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or U.S. GAAP, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures in the financial statements. Critical accounting policies are those accounting policies that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on financial condition or operating performance. While Napo bases its estimates and judgments on its experience and on various other factors that Napo believes to be reasonable under the circumstances, actual results may differ from these estimates under different assumptions or conditions. Napo believes the following significant accounting policies used in the preparation of its financial statements require significant judgments and estimates. For additional information relating to these and other accounting policies, see Note 2 to Napo's audited financial statements.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows* (Topic 230) ("ASU No. 2016-15"). ASU No. 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for the Company in the first quarter of 2018, with early adoption permitted, and is to be applied using a retrospective approach. The Company is expected to adopt the provisions of ASU 2016-15 on January 1, 2017, and the provisions are not expected to have a material impact on the Company's financial position or results of operations.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326) ("ASU No. 2016-13"). ASU No. 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU No. 2016-13 is effective for the Company in the first quarter of 2020, with early adoption permitted, and is to be applied using a modified retrospective approach. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13.

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, *Derivatives and Hedging—Contingent Put and Call Options in Debt Instruments* (Topic 815) ("ASU No. 2016-06"). ASU No. 2016-06 clarifies the steps required to assess whether a call or put option meets the criteria for bifurcation as an embedded derivative. Effective April 3, 2016, the Company adopted the provisions of ASU No. 2016-06 on a prospective basis. The adoption of the provisions of ASU No. 2016-06 did not materially impact the Company's consolidated financial position or results of operations.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825) ("ASU No. 2016-01"). ASU No. 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU No. 2016-01 requires the change in fair value of many equity investments to be recognized in net income. ASU No. 2016-01 is effective for the Company in the first quarter of 2018, with early adoption permitted, and is to be applied prospectively. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-01.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes—Balance Sheet Classification of Deferred Taxes* (Topic 740) ("ASU No. 2015-17"). ASU No. 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated balance sheet. ASU No. 2015-17 is effective for the Company in the first quarter of 2017, with early adoption permitted. ASU No. 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Effective October 2, 2016, the Company adopted the provisions of ASU No. 2015-17 on a prospective basis. The adoption of the provisions of ASU No. 2015-17 resulted in a reclassification of deferred tax liabilities and assets from current to noncurrent and did not materially impact the Company's consolidated financial position or results of operations.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Inventory—Simplifying the Measurement of Inventory* (Topic 330) ("ASU No. 2015-11"). ASU No. 2015-11 requires an entity to measure inventory within the scope of the update at the lower of cost and net realizable value, and defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Effective January 1, 2016, the Company adopted the provisions of ASU No. 2015-11 on a prospective basis. The adoption of the provisions of ASU No. 2015-11 did not materially impact the Company's consolidated financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU No. 2014-09"). ASU No. 2014-09 supersedes all existing revenue recognition guidance. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for the Company in the first quarter of 2018, with early adoption permitted in the first quarter of 2017. ASU No. 2014-09 allows for either full retrospective or modified retrospective adoption. In March, April, May, and December 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU No. 2016-08"); ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing* ("ASU No. 2016-10"); ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* ("ASU No. 2016-12"); and ASU No. 2016-19, *Technical Corrections and Improvements* ("ASU No. 2016-19"), respectively. ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-19 provide supplemental adoption guidance and clarification to ASU No. 2014-09, and must be adopted concurrently with the adoption of ASU No. 2014-09. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-19.

Market Prices of and Dividends on Napo Common Stock

There is no established trading market for the Napo common stock. As of June 30, 2017, Napo common stock was held by approximately 275 stockholders of record. No cash dividends have been paid on Napo common stock during the two most recent fiscal years, and Napo does not intend to pay cash dividends on its common stock in the immediate future.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information with respect to the beneficial ownership of Napo's voting securities as of June 30, 2017, the date of the table, by:

- each person known by Napo to beneficially own more than 5% of the outstanding shares of its common stock;
- each of Napo's named executive officers;
- each of Napo's directors; and
- all of Napo's directors and executive officers as a group.

Information with respect to beneficial ownership has been furnished by each director, executive officer or beneficial owner of more than 5% of Napo's common stock. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting and investment power with respect to the securities. Except as otherwise provided by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Napo common stock shown as beneficially owned by them. The number of shares of Napo common stock used to calculate the percentage ownership of each listed person includes the shares of Napo common stock underlying options or warrants held by such persons that are currently exercisable or exercisable within 60 days of June 30, 2017, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Percentage of beneficial ownership is based on 108,202,786 shares of Napo common stock outstanding as of June 30, 2017.

Except as otherwise set forth below, the address of each beneficial owner listed in the table below is c/o Napo Pharmaceuticals, Inc., 201 Mission Street, Suite 2375, San Francisco, California 94105.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
5% Stockholders:			
The Bank of New York (Nominees) Limited(1)	Common	38,878,169	35.9%
Bochnowski Family Trust(2)	Common	7,007,020	6.5%
WBW Trust Number One(3)	Common	6,006,175	5.6%
ILFS Holdings(4)	Common	5,600,455	5.2%
Named executive officers and directors:			
Lisa A. Conte(5)	Common	1,394,380	1.3%
Richard W. Fields	Common	—	—
Joshua Mailman(6)	Common	5,135,674	4.7%
Gregory Stock(7)	Common	686,273	0.6%
Charles Thompson(8)	Common	137,000	0.1%
All current executive officers and directors as a group (5 persons)(9)	Common	7,353,327	6.7%

(1) Represents 38,878,169 shares held by entities advised by Invesco Asset Management Limited, a wholly owned subsidiary of Invesco UK Limited and Invesco Limited, a Bermudan company listed on the NYSE.

(2) James J. Bochnowski, the chairman of Jaguar's board, is a co-trustee and beneficiary of Bochnowski Family Trust and shares voting and investment control over such shares with his spouse.

(3) WBW Trust Number One is a Washington state trust, for which William T. Weyerhaeuser is the trustee with sole voting and investment power.

(4) Represents 5,600,455 shares held by ILFS Holdings.

(5) Includes (i) 673,380 shares of common stock and (ii) 757,000 shares of common stock issuable under stock options that are exercisable or will become exercisable within 60 days of June 30, 2017. Lisa A. Conte, Napo's interim Chief Executive Officer, is the chief executive officer and president of Jaguar.

(6) Includes (i) 4,899,321 shares of common stock directly held by Mr. Mailman and (ii) 236,363 shares of common stock held by the Joshua Mailman Foundation. The Joshua Mailman Foundation is an independent foundation founded by Mr. Mailman and he is the President and one of two directors of the foundation. The Joshua Mailman Foundation's principal business address is Hecht and Co., 350 Fifth Ave., 68th Floor, New York, NY 10118.

(7) Includes (i) 386,273 shares of common stock and (ii) 300,000 shares of common stock issuable under stock options that are exercisable or will become exercisable within 60 days of June 30, 2017.

(8) Represents 137,000 shares of common stock issuable under stock options that are exercisable or will become exercisable within 60 days of June 30, 2017.

(9) See footnotes (5) - (8).