



Napo Pharmaceuticals, Inc.

NEWS

For Immediate Release

Napo Secures Dismissal of Legal Action

January 11, 2012 – San Francisco, CA...Napo Pharmaceuticals, Inc. (“Napo”) announced a legal victory today in a dispute with Salix Pharmaceuticals, Inc. (“Salix”). Salix filed a voluntary motion requesting the dismissal of a lawsuit in which Salix had sought access to Napo’s financial books and records. Napo had argued the action was completely without merit.

When granted by the court, Salix’s [January 5, 2012](#) motion to dismiss the lawsuit will establish Napo as the prevailing party in the lawsuit filed by Salix on June 22, 2011. The motion to dismiss seeks a dismissal of Salix’s own lawsuit with prejudice and therefore will bar Salix from pursuing the same claims in the future against Napo.

“Salix’s voluntarily dismissal of this action confirms what our company believed all along – the action was completely without merit,” said Lisa Conte, CEO of Napo. “We feel vindicated by the final outcome and have already asked the court to require Salix to make a charitable contribution to a non-profit organization, the Healing Forest Conservancy, in an amount equal to the out-of-pocket expenses that we incurred in defending against Salix’s request for certain of our books and records. Our hope is that, with our request to the judge, some good comes of this action for the benefit of Amazonian communities.”

In the meantime, an amended lawsuit that Napo filed against Salix is pending in the Supreme Court of the State of New York, County of New York. Filed on December 28, 2011, the amended complaint claims that Salix breached its contract with Napo and seeks damages for the alleged failure of Salix to use “commercially reasonable efforts to develop and commercialize crofelemer,” a first in class novel drug compound. The lawsuit seeks tens of millions of dollars in damages.

On November 4, 2011, Napo terminated its Collaboration Agreement with Salix dated December 9, 2008, (the “Collaboration Agreement”) to commercially develop crofelemer. The compound is a treatment for diarrhea, a life-threatening ailment that impacts millions of people across the world.

The termination was based on Salix’s material breaches of the Collaboration Agreement. Recognizing the importance of crofelemer to address an unmet medical need, the U.S. Food and Drug Administration (“FDA”) designated crofelemer for fast track status for the indications of chronic diarrhea in people living with HIV/AIDS (“CRO-HIV”) and diarrhea-predominant irritable bowel syndrome (“CRO-IBS”). Despite positive Phase 3 results announced on



November 4, 2010, Salix did not file a new drug application (“NDA”) with the FDA until after it was terminated by Napo from the Collaboration Agreement, and did not file for priority review.

About Napo Pharmaceuticals, Inc.

Napo focuses on the development and commercialization of proprietary pharmaceuticals for the global marketplace. The company’s business model merges traditional high-value markets in the West with the higher volume business models of emerging and developing economies. Napo’s discovery process is based on the knowledge of traditional healers, or shamans, working in rain forest areas and provides benefit sharing to the communities with which it works. Visit Napo at www.napopharma.com

About Crofelemer

Napo’s proprietary patented gastrointestinal compound, crofelemer, is a first-in-class anti-secretory agent extracted from *Croton lechleri*, a medicinal plant sustainably harvested under fair trade working conditions from several countries in South America. Crofelemer is in various stages of clinical development for four distinct indications: 1) HIV-related diarrhea (CRO-HIV), NDA filed with the FDA; 2) diarrhea predominant irritable bowel syndrome (CRO-IBS), Phase 2; 3) acute infectious/watery diarrhea (including cholera), Phase 3 (CRO-ID); and 4) pediatric diarrhea (CRO-PED), Phase 1.

The FDA has granted fast track status to crofelemer development for IBS- and HIV-related indications, and has agreements with Napo under a Special Protocol Assessment related to the approval of CRO-HIV.

The Healing Forest Conservancy

Napo invests in the governments and societies with whom it collaborates through the Healing Forest Conservancy. A 501(c)3 organization founded in 1990, the Healing Forest Conservancy is dedicated to recognizing indigenous cultures, biological diversity, and basic human rights of the communities from which Napo sources *Croton lechleri*, a medicinal plant found in South America that provides a natural compound found in crofelemer.

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