

UNITED STATES BANKRUPTCY COURT

DISTRICT OF Delaware

In Re. EPI Health, LLC

§
§
§
§

Case No. 23-10938

Debtor(s)

Lead Case No. 23-10937

☒ Jointly Administered

Monthly Operating Report

Chapter 11

Reporting Period Ended: 03/31/2024

Petition Date: 07/17/2023

Months Pending: 9

Industry Classification: 4 2 4 2

Reporting Method:

Accrual Basis ☒

Cash Basis ☐

Debtor's Full-Time Employees (current):

0

Debtor's Full-Time Employees (as of date of order for relief):

1

Supporting Documentation (check all that are attached):

(For jointly administered debtors, any required schedules must be provided on a non-consolidated basis for each debtor)

- ☒ Statement of cash receipts and disbursements
☒ Balance sheet containing the summary and detail of the assets, liabilities and equity (net worth) or deficit
☒ Statement of operations (profit or loss statement)
☐ Accounts receivable aging
☐ Postpetition liabilities aging
☐ Statement of capital assets
☐ Schedule of payments to professionals
☐ Schedule of payments to insiders
☒ All bank statements and bank reconciliations for the reporting period
☐ Description of the assets sold or transferred and the terms of the sale or transfer

/s/ Scott Jones

Signature of Responsible Party

04/22/2024

Date

Scott Jones

Printed Name of Responsible Party

1201 North Market Street, P.O. Box 1347, Wilmington,
DE 19899-1347

Address

STATEMENT: This Periodic Report is associated with an open bankruptcy case; therefore § 1320.4(a)(2) applies.



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Debtor's Name EPI Health, LLC

Case No. 23-10938

| Part 1: Cash Receipts and Disbursements | Current Month | Cumulative |
|--|---------------|-------------|
| a. Cash balance beginning of month | \$6,269,984 | |
| b. Total receipts (net of transfers between accounts) | \$282,767 | \$7,459,125 |
| c. Total disbursements (net of transfers between accounts) | \$231,920 | \$1,162,681 |
| d. Cash balance end of month (a+b-c) | \$6,320,831 | |
| e. Disbursements made by third party for the benefit of the estate | \$0 | \$0 |
| f. Total disbursements for quarterly fee calculation (c+e) | \$231,920 | \$1,162,681 |

| Part 2: Asset and Liability Status (Not generally applicable to Individual Debtors. See Instructions.) | Current Month |
|--|---------------|
| a. Accounts receivable (total net of allowance) | \$3,384,932 |
| b. Accounts receivable over 90 days outstanding (net of allowance) | \$3,384,932 |
| c. Inventory (Book <input type="radio"/> Market <input type="radio"/> Other <input checked="" type="radio"/> (attach explanation)) | \$0 |
| d. Total current assets | \$10,887,542 |
| e. Total assets | \$10,887,542 |
| f. Postpetition payables (excluding taxes) | \$-1,748,883 |
| g. Postpetition payables past due (excluding taxes) | \$0 |
| h. Postpetition taxes payable | \$0 |
| i. Postpetition taxes past due | \$0 |
| j. Total postpetition debt (f+h) | \$-1,748,883 |
| k. Prepetition secured debt | \$0 |
| l. Prepetition priority debt | \$0 |
| m. Prepetition unsecured debt | \$27,517,898 |
| n. Total liabilities (debt) (j+k+l+m) | \$25,769,015 |
| o. Ending equity/net worth (e-n) | \$-14,881,473 |

| Part 3: Assets Sold or Transferred | Current Month | Cumulative |
|--|---------------|------------|
| a. Total cash sales price for assets sold/transferred outside the ordinary course of business | \$0 | \$0 |
| b. Total payments to third parties incident to assets being sold/transferred outside the ordinary course of business | \$0 | \$0 |
| c. Net cash proceeds from assets sold/transferred outside the ordinary course of business (a-b) | \$0 | \$0 |

| Part 4: Income Statement (Statement of Operations) (Not generally applicable to Individual Debtors. See Instructions.) | Current Month | Cumulative |
|---|---------------|---------------|
| a. Gross income/sales (net of returns and allowances) | \$0 | |
| b. Cost of goods sold (inclusive of depreciation, if applicable) | \$0 | |
| c. Gross profit (a-b) | \$0 | |
| d. Selling expenses | \$0 | |
| e. General and administrative expenses | \$36,903 | |
| f. Other expenses | \$8,218,349 | |
| g. Depreciation and/or amortization (not included in 4b) | \$0 | |
| h. Interest | \$0 | |
| i. Taxes (local, state, and federal) | \$0 | |
| j. Reorganization items | \$0 | |
| k. Profit (loss) | \$-8,255,252 | \$-26,346,658 |

Debtor's Name EPI Health, LLC

Case No. 23-10938

Part 5: Professional Fees and Expenses

| a. | | | Approved Current Month | Approved Cumulative | Paid Current Month | Paid Cumulative |
|--------|---|------|---------------------------|------------------------|-----------------------|--------------------|
| | Debtor's professional fees & expenses (bankruptcy) <i>Aggregate Total</i> | | \$0 | \$0 | \$0 | \$0 |
| | <i>Itemized Breakdown by Firm</i> | | | | | |
| | Firm Name | Role | | | | |
| i | | | \$0 | \$0 | \$0 | \$0 |
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| b. | | | Approved Current Month | Approved Cumulative | Paid Current Month | Paid Cumulative |
|------|--|------|---------------------------|------------------------|-----------------------|--------------------|
| | Debtor's professional fees & expenses (nonbankruptcy) <i>Aggregate Total</i> | | \$0 | \$0 | \$0 | \$0 |
| | <i>Itemized Breakdown by Firm</i> | | | | | |
| | Firm Name | Role | | | | |
| i | | | \$0 | \$0 | \$0 | \$0 |
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| c. | All professional fees and expenses (debtor & committees) | | | \$0 | \$0 | \$0 | \$0 |

Part 6: Postpetition Taxes**Current Month****Cumulative**

| | | | |
|----|---|-----|----------|
| a. | Postpetition income taxes accrued (local, state, and federal) | \$0 | \$0 |
| b. | Postpetition income taxes paid (local, state, and federal) | \$0 | \$0 |
| c. | Postpetition employer payroll taxes accrued | \$0 | \$3,307 |
| d. | Postpetition employer payroll taxes paid | \$0 | \$11,455 |
| e. | Postpetition property taxes paid | \$0 | \$0 |
| f. | Postpetition other taxes accrued (local, state, and federal) | \$0 | \$0 |
| g. | Postpetition other taxes paid (local, state, and federal) | \$0 | \$0 |

Part 7: Questionnaire - During this reporting period:

- a. Were any payments made on prepetition debt? (if yes, see Instructions) Yes ☐ No ☒
- b. Were any payments made outside the ordinary course of business without court approval? (if yes, see Instructions) Yes ☐ No ☒
- c. Were any payments made to or on behalf of insiders? Yes ☒ No ☐
- d. Are you current on postpetition tax return filings? Yes ☒ No ☐
- e. Are you current on postpetition estimated tax payments? Yes ☒ No ☐
- f. Were all trust fund taxes remitted on a current basis? Yes ☒ No ☐
- g. Was there any postpetition borrowing, other than trade credit? (if yes, see Instructions) Yes ☐ No ☒
- h. Were all payments made to or on behalf of professionals approved by the court? Yes ☐ No ☐ N/A ☒
- i. Do you have:
- Worker's compensation insurance? Yes ☐ No ☒
- If yes, are your premiums current? Yes ☐ No ☐ N/A ☒ (if no, see Instructions)
- Casualty/property insurance? Yes ☐ No ☒
- If yes, are your premiums current? Yes ☐ No ☐ N/A ☒ (if no, see Instructions)
- General liability insurance? Yes ☐ No ☒
- If yes, are your premiums current? Yes ☐ No ☐ N/A ☒ (if no, see Instructions)
- j. Has a plan of reorganization been filed with the court? Yes ☒ No ☐
- k. Has a disclosure statement been filed with the court? Yes ☒ No ☐
- l. Are you current with quarterly U.S. Trustee fees as set forth under 28 U.S.C. § 1930? Yes ☒ No ☐

Debtor's Name EPI Health, LLC

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Part 8: Individual Chapter 11 Debtors (Only)

- | | | |
|--|-------|-----|
| a. Gross income (receipts) from salary and wages | _____ | \$0 |
| b. Gross income (receipts) from self-employment | _____ | \$0 |
| c. Gross income from all other sources | _____ | \$0 |
| d. Total income in the reporting period (a+b+c) | _____ | \$0 |
| e. Payroll deductions | _____ | \$0 |
| f. Self-employment related expenses | _____ | \$0 |
| g. Living expenses | _____ | \$0 |
| h. All other expenses | _____ | \$0 |
| i. Total expenses in the reporting period (e+f+g+h) | _____ | \$0 |
| j. Difference between total income and total expenses (d-i) | _____ | \$0 |
| k. List the total amount of all postpetition debts that are past due | _____ | \$0 |
- l. Are you required to pay any Domestic Support Obligations as defined by 11 U.S.C § 101(14A)? Yes ☐ No ☒
- m. If yes, have you made all Domestic Support Obligation payments? Yes ☐ No ☐ N/A ☒

Privacy Act Statement

28 U.S.C. § 589b authorizes the collection of this information, and provision of this information is mandatory under 11 U.S.C. §§ 704, 1106, and 1107. The United States Trustee will use this information to calculate statutory fee assessments under 28 U.S.C. § 1930(a)(6). The United States Trustee will also use this information to evaluate a chapter 11 debtor's progress through the bankruptcy system, including the likelihood of a plan of reorganization being confirmed and whether the case is being prosecuted in good faith. This information may be disclosed to a bankruptcy trustee or examiner when the information is needed to perform the trustee's or examiner's duties or to the appropriate federal, state, local, regulatory, tribal, or foreign law enforcement agency when the information indicates a violation or potential violation of law. Other disclosures may be made for routine purposes. For a discussion of the types of routine disclosures that may be made, you may consult the Executive Office for United States Trustee's systems of records notice, UST-001, "Bankruptcy Case Files and Associated Records." See 71 Fed. Reg. 59,818 et seq. (Oct. 11, 2006). A copy of the notice may be obtained at the following link: http://www.justice.gov/ust/eo/rules_regulations/index.htm. Failure to provide this information could result in the dismissal or conversion of your bankruptcy case or other action by the United States Trustee. 11 U.S.C. § 1112(b)(4)(F).

I declare under penalty of perjury that the foregoing Monthly Operating Report and its supporting documentation are true and correct and that I have been authorized to sign this report on behalf of the estate.

/s/ Paula Brown Stafford

Signature of Responsible Party

Chief Executive Officer

Title

Paula Brown Stafford

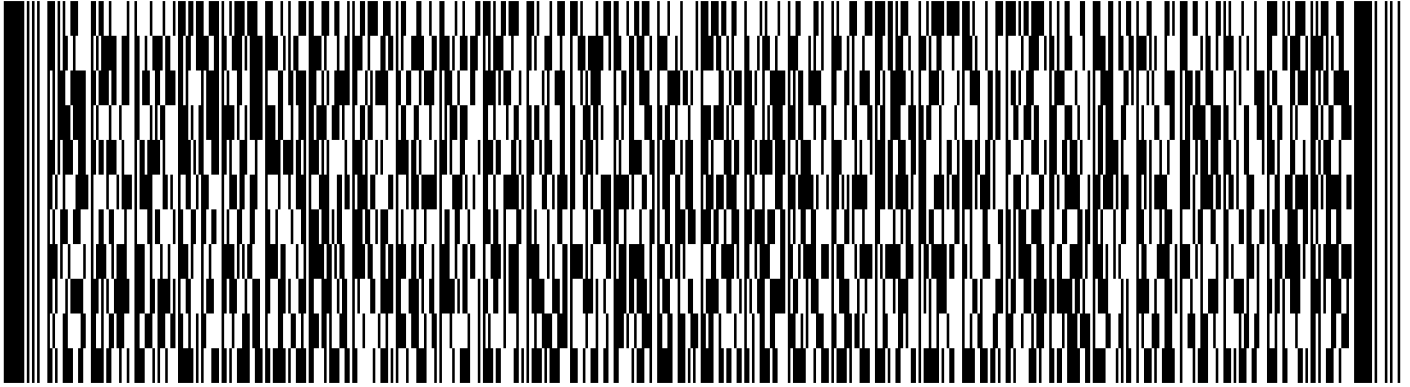
Printed Name of Responsible Party

04/22/2024

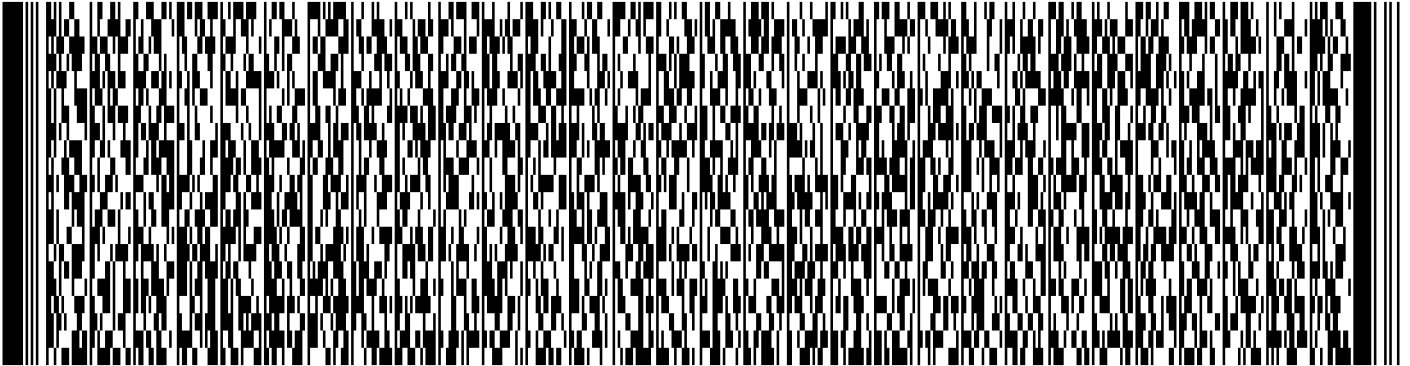
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Debtor's Name EPI Health, LLC

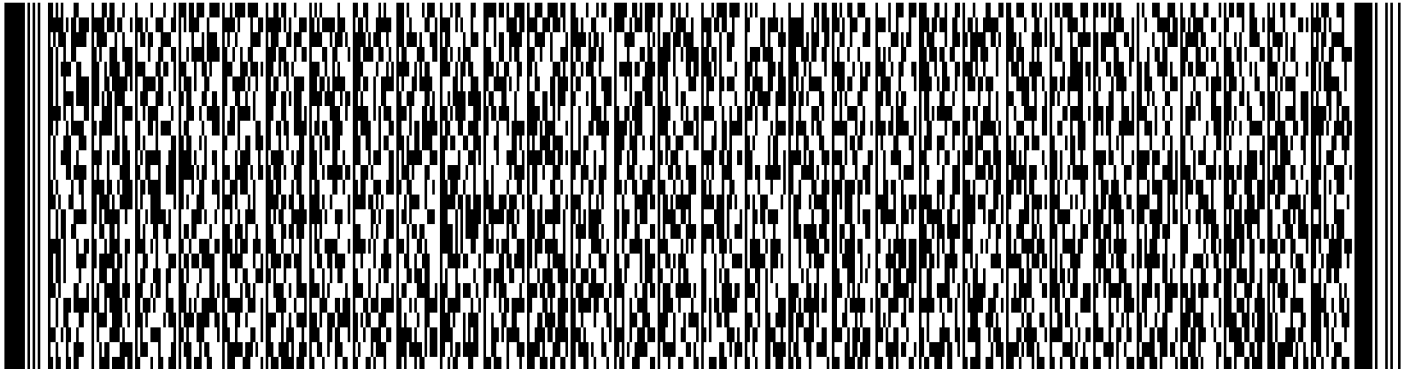
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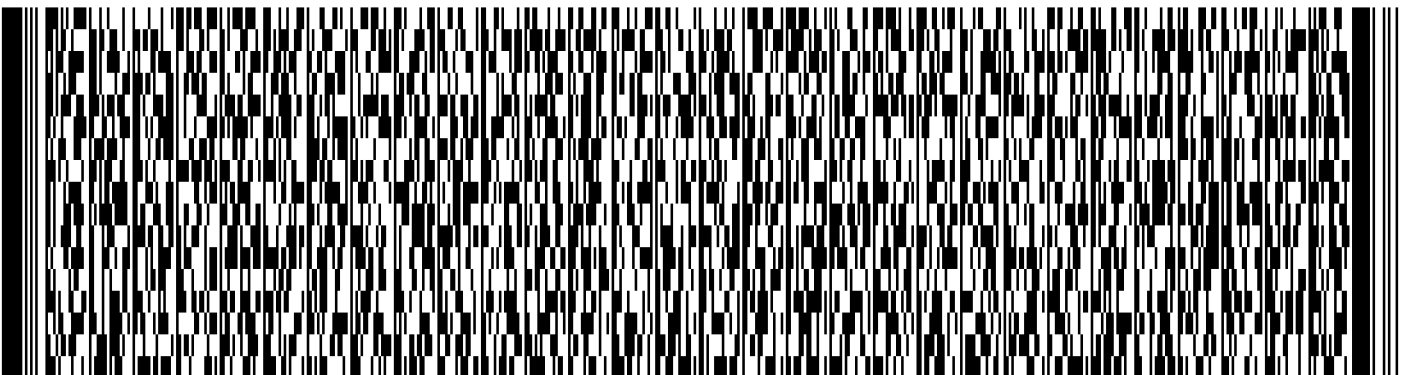
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Debtor's Name EPI Health, LLC

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Bankruptcy1to50



Bankruptcy51to100



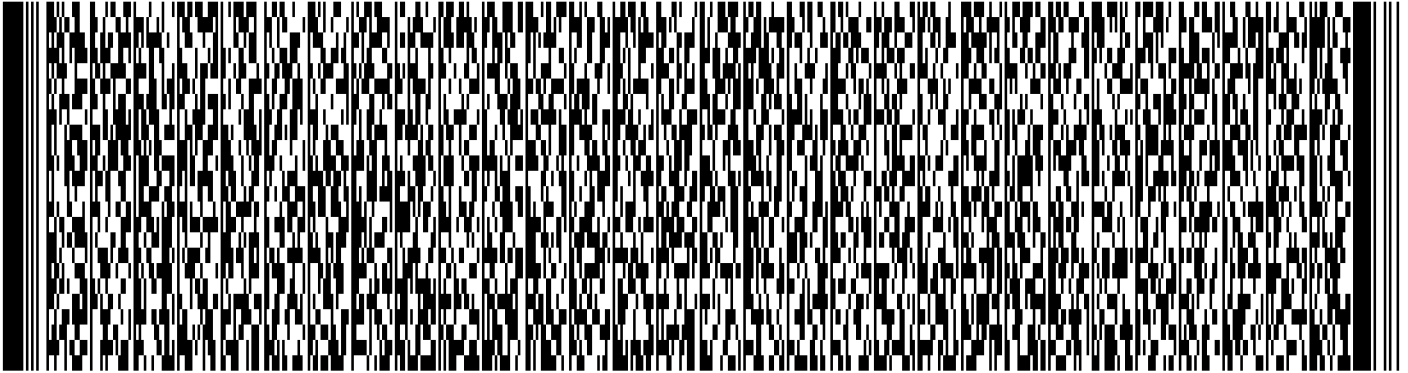
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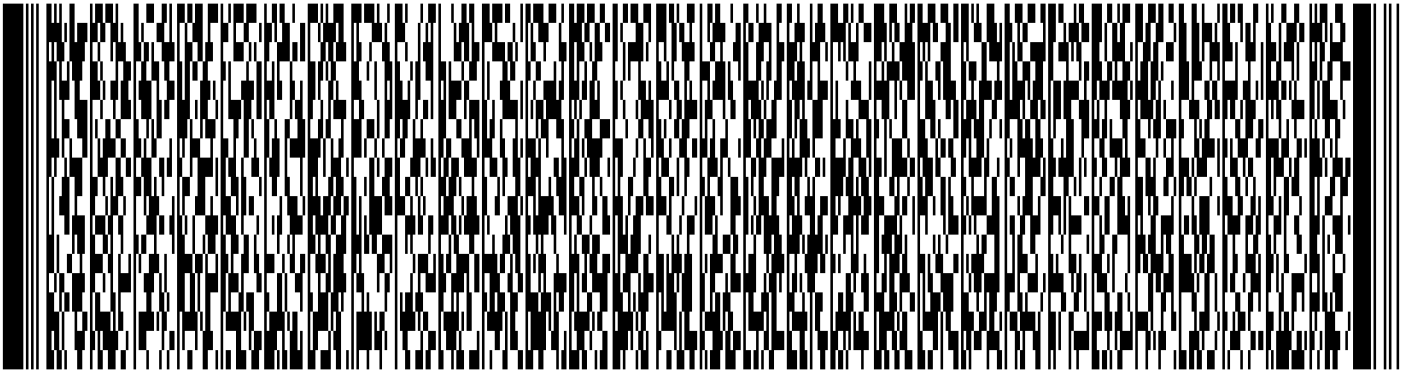
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Debtor's Name EPI Health, LLC

Case No. 23-10938



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PageFour

EPI Health, LLC
Balance Sheet
As of March 31, 2024

| | | |
|---|----|----------------------------------|
| Cash and cash equivalents | \$ | 6,320,831 |
| Trade accounts receivable, net | | 3,384,932 |
| Inventory, net | | - |
| Prepaid expenses and other current assets | | 1,181,779 |
| TOTAL CURRENT ASSETS | | <u>10,887,542</u> |
| Intangible Assets, net | | - |
| TOTAL ASSETS | \$ | <u><u>10,887,542</u></u> |
| | | |
| Accounts payable | \$ | 20,246,187 |
| Accrued expenses | | 5,522,828 |
| TOTAL CURRENT LIABILITIES | | <u>25,769,015</u> |
| Other long-term liabilities | | 494,070 |
| Due from Novan, Inc. | | (12,588,877) [1] |
| TOTAL LIABILITIES | | <u>13,674,208</u> |
| Additional paid-in capital | | 32,045,966 |
| Accumulated deficit | | (34,832,632) |
| TOTAL EQUITY | | <u>(2,786,666)</u> |
| TOTAL LIABILITIES & EQUITY | \$ | <u><u>10,887,542</u></u> |

Footnote:

[\[1\]](#) This line item includes an intercompany balance generated post-petition related to the NVN Liquidation, Inc. (f/k/a Novan, Inc.) joint administration of case 23-10937 and 23-10938 totaling \$4.4 million. As part of the joint administration of the bankruptcy proceedings, certain transactions and amounts have been recorded on the books and records of NVN Liquidation, Inc. rather than EPI Health, LLC, due to the nature of the underlying general ledger and accounting system. Post-petition adjustments specifically impacting either Debtor have been reflected within the intercompany account balances accordingly.

EPI Health, LLC**Statement of Operations****Reporting Period: March 1 to March 31, 2024**

| | | |
|-----------------------------------|----|--------------------|
| Net product sales | \$ | - |
| License and collaboration revenue | | - |
| TOTAL REVENUE | | - |
| Cost of goods sold | | - |
| GROSS PROFIT | | - |
| Sell, General & Administrative | | 36,903 |
| Amortization expense | | - |
| TOTAL OPERATING EXPENSES | | 36,903 |
| Interest Expense | | - |
| Loss on Disposal of Assets | | 8,218,349 |
| NET INCOME (LOSS) | \$ | (8,255,252) |

Footnote:

[\[1\]](#) In January 2024, a motion to abandon the Minolira and Cloderm products (the "Abandonment Motion") was filed with the bankruptcy court. In early April 2024, the bankruptcy court issued an order approving the Abandonment Motion. As a result of this event, Minolira inventory and intangible asset balances were written off as of March 31, 2024, with a corresponding loss on disposal recognized herein during the monthly period ended March 31, 2024.

EPI Health, LLC**Statement of Cash Receipts and Disbursements Summary (Cash Basis)****Reporting Period: March 1 to March 31, 2024**

| | |
|--|----------------------------|
| BEGINNING CASH BALANCE | <u><u>\$ 6,269,984</u></u> |
| Receipts: | |
| Receipt of erroneous cash payment from third party | \$ 50,414 [1] |
| Transfers from Novan, Inc. | 231,920 |
| Other miscellaneous | 433 |
| TOTAL RECEIPTS | <u>282,767</u> |
| Operating Disbursements: | |
| Third-party logistics provider | 9,819 |
| Regulatory activities and services | 219,131 |
| Market related activities and services | 2,970 |
| Bank fees and other miscellaneous | - |
| TOTAL DISBURSEMENTS | <u>231,920</u> |
| NET CASH FLOW | 50,847 |
| ENDING CASH BALANCE | <u><u>\$ 6,320,831</u></u> |

Footnotes:

[1] In March 2024, a third party sent an erroneous payment to EPI Health's Bank of America 1379 account. Also in March 2024, the Company remitted the funds back to the third party from NVN Liquidation's Silicon Valley Bank 7949 account. Because these two transactions involved different Debtors, both Debtors' intercompany accounts were adjusted to balance their books and records.

EPI Health, LLC
Summary of Cash Book Balances
As of March 31, 2024

Cash and cash equivalents

| Account Description | Bank | Account Number Last 4 Digits | Book Balance as of 3/31/2024 | |
|----------------------------|---------------------|---|---|-----|
| Operational | Silicon Valley Bank | 9806 | \$ 5,736 | [1] |
| Lockbox | Bank of America | 1379 | 1,596,379 | |
| DIP Deposit | East West Bank | 0007 | 4,718,717 | |
| | | | \$ 6,320,831 | |

Footnotes:

[1] This account, while owned by parent Debtor, NVN Liquidation, Inc., is used to track operational activities related to EPI Health, LLC.

EPI Health, LLC**Summary of Intercompany Balances Due from NVN Liquidation, Inc.****Reporting Period: March 1 to March 31, 2024**

| | <u>Pre-petition</u> | <u>Post-petition</u> | <u>Total</u> |
|--|---------------------|----------------------|-----------------------------------|
| BEGINNING BALANCE (March 1, 2024) | \$ 9,614,641 | \$ 3,157,616 | \$ 12,772,257 [1] |
| Reductions: | | | |
| Operating transactions | - | 183,381 | 183,381 |
| TOTAL REDUCTIONS | - | 183,381 | 183,381 |
| NET ACTIVITY | - | (183,381) | (183,381) |
| ENDING BALANCE (March 31, 2024) | \$ 9,614,641 | \$ 2,974,236 | \$ 12,588,877 |

Footnote:

[\[1\]](#) Certain intercompany balance generated post-petition relate to the NVN Liquidation, Inc. (f/k/a Novan, Inc.) joint administration of Case 23-10937 and Case 23-10938. As part of the joint administration of the bankruptcy proceedings, certain transactions and amounts have been recorded on the books and records of NVN Liquidation, Inc. rather than EPI Health, LLC, due to the nature of the underlying general ledger and accounting system. Post-petition adjustments specifically impacting either Debtor have been reflected within the intercompany account balances accordingly.

Prior to the petition date, the Debtors recorded intercompany assets and liabilities through one intercompany account. The intercompany account recorded transactions, including, but not limited to, transfers of cash, disbursements and other financial reporting adjustments related to the operations of the Debtor and its subsidiaries on a consolidated basis. The pre-petition intercompany balance was generated by transactions which were based on the consolidated operations of the Debtors, not on an arm's length basis. For example, there were no intercompany allocation of certain operating and non-operating expenses to EPI Health, LLC from NVN Liquidation, Inc. Such allocations, if recorded, would have impacted the pre-petition intercompany balances.