

UNITED STATES BANKRUPTCY COURT

DISTRICT OF Delaware

Clear All Fields

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In Re. Zosano Pharma Corporation

§
§
§
§

Case No. 22-10506

Debtor(s)

☐ Jointly Administered**Monthly Operating Report**

Chapter 11

Reporting Period Ended: 08/31/2022

Petition Date: 06/01/2022

Months Pending: 3

Industry Classification: 3 2 5 4

Reporting Method:

Accrual Basis ☒Cash Basis ☐

Debtor's Full-Time Employees (current):

3

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

15

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/ Dennis A. Meloro

Signature of Responsible Party

09/23/2022

Date

Dennis A. Meloro (DE Bar No. 4435)

Printed Name of Responsible Party

1007 N. Orange St., Suite 1200, Wilmington, DE 19801
Address

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



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Part 1: Cash Receipts and Disbursements	Current Month	Cumulative
a. Cash balance beginning of month	\$4,823,978	
b. Total receipts (net of transfers between accounts)	\$1,000,004	\$1,376,285
c. Total disbursements (net of transfers between accounts)	\$322,493	\$1,602,242
d. Cash balance end of month (a+b-c)	\$5,501,488	
e. Disbursements made by third party for the benefit of the estate	\$0	\$0
f. Total disbursements for quarterly fee calculation (c+e)	\$322,493	\$1,602,242

Part 2: Asset and Liability Status (Not generally applicable to Individual Debtors. See Instructions.)	Current Month
a. Accounts receivable (total net of allowance)	\$0
b. Accounts receivable over 90 days outstanding (net of allowance)	\$0
c. Inventory (Book <input checked="" type="radio"/> Market <input type="radio"/> Other <input type="radio"/> (attach explanation))	\$0
d. Total current assets	\$5,731,811
e. Total assets	\$6,189,258
f. Postpetition payables (excluding taxes)	\$909,292
g. Postpetition payables past due (excluding taxes)	\$573,210
h. Postpetition taxes payable	\$0
i. Postpetition taxes past due	\$0
j. Total postpetition debt (f+h)	\$909,292
k. Prepetition secured debt	\$0
l. Prepetition priority debt	\$37,729
m. Prepetition unsecured debt	\$11,527,807
n. Total liabilities (debt) (j+k+l+m)	\$12,474,827
o. Ending equity/net worth (e-n)	\$-6,285,570

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	\$2,950
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	\$2,950

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	\$3,300,699	
f. Other expenses	\$9,283,959	
g. Depreciation and/or amortization (not included in 4b)	\$10,951	
h. Interest	\$53	
i. Taxes (local, state, and federal)	\$0	
j. Reorganization items	\$263,380	
k. Profit (loss)	\$-12,859,042	\$-16,492,085

Part 5: Professional Fees and Expenses

		Approved Current Month	Approved Cumulative	Paid Current Month	Paid Cumulative
a.	Debtor's professional fees & expenses (bankruptcy) <i>Aggregate Total</i>	\$0	\$0	\$108,709	\$108,709
	<i>Itemized Breakdown by Firm</i>				
Add	Firm Name	Role			
Delete	i KURTZMAN CARSON CON	Other	\$0	\$0	\$108,709

		Approved Current Month	Approved Cumulative	Paid Current Month	Paid Cumulative
b.	Debtor's professional fees & expenses (nonbankruptcy) <i>Aggregate Total</i>	\$0	\$0	\$0	\$0
	<i>Itemized Breakdown by Firm</i>				
Add	Firm Name	Role			
Delete	i		\$0	\$0	\$0
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	\$0
d. Postpetition employer payroll taxes paid	\$5,034	\$25,660
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 ☐

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 <input type="radio"/> No <input checked="" type="radio"/> | |
| m. If yes, have you made all Domestic Support Obligation payments? | Yes <input type="radio"/> No <input type="radio"/> N/A <input checked="" type="radio"/> | |

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/ Steven Lo

Signature of Responsible Party

President and CEO

Title

Steven Lo

Printed Name of Responsible Party

09/23/2022

Date

Save

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Balance Sheet

9/13/2022

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Report Analysis Code	08-2022 Closing Balance
Assets	
Current assets	
Cash and cash equivalents	
10012 Cash, SVB ZPC Checking	4,992,242.63
10013 Cash, SVB (IGOE Admin)	51,798.09
TOTAL Cash and cash equivalents	5,044,040.72
Inventory	
12100 Raw Material Inventory	967,435.52
12199 Pre-Launch Inv-Reserve	(967,435.52)
TOTAL Inventory	0.00
Prepaid expenses and other current assets	
11160 Accounts Rec - Other	261,148.43
13111 Short-Term Deposits	4,689.73
13131 Prepaid Exp, Insurance	30,057.15
13181 Prepaid Expenses, Other	169,873.57
13182 Prepaid Software - ST	172,644.25
14000 Other Current Assets	49,356.70
TOTAL Prepaid expenses and other current assets	687,769.83
TOTAL Current assets	5,731,810.55
Restricted cash	
Restricted cash	
10120 Restricted Cash	457,447.48
TOTAL Restricted cash	457,447.48
TOTAL Restricted cash	457,447.48
Property and equipment, net	
Property and equipment	
16211 Manufacturing Equipment	11,572,297.37
16221 MFG Equip, Tools/Dies	3,515,445.03
16311 Furniture & Fixtures	98,901.70
16411 Office Equipment	45,736.00
16413 Office Equipment - Lease	24,604.00
16511 Laboratory Equipment	1,374,574.67
16611 Computer Equipment	135,398.04
16652 Computers - Leased	18,712.89
16711 Software	34,436.38
16811 Leasehold Improvements	18,074,362.00
16915 Fixed Assets Clearing	(451,891.46)
16916 Mfg Equip - Clearing	(11,572,297.37)
16917 MfgTools/Dies - Clearing	(3,515,445.13)
16918 Furn & Fixt - Clearing	(98,901.70)

16919 Lab Equip - Clearing	(1,374,574.67)
16920 Comptr Equip - Clearing	(135,398.04)
TOTAL Property and equipment	17,745,959.71
Accumulated depreciation	
17211 Accum Depr, MFG Equip	(9,848,160.67)
17221 Accum Depr, Tools/Dies	(1,593,344.98)
17311 Accum Depr, Furn & Fixt	(45,209.26)
17411 Accum Depr, Office Equip	(45,736.00)
17413 Accum Depr, OE - Leased	(24,604.00)
17511 Accum Depr, Lab Equip	(998,161.83)
17611 Accum Depr, Comp Equip	(115,760.18)
17652 Accum Depr. Comp - Lease	(18,712.89)
17711 Accum Depr, Software	(33,787.85)
17811 Accum Depr, LH Improv	(17,761,858.25)
17915 Accum Depr, Clearing	138,739.12
17916 AccDep MfgEqu - Clearing	9,848,160.67
17917 AccDep Tool/Die-Clearing	1,593,344.98
17918 AccDep Furn/Fix - Cleari	45,209.26
17919 AccDep LabEquip-Clearing	998,161.83
17920 AccDep Comptr - Clearing	115,760.18
TOTAL Accumulated depreciation	(17,745,959.87)
TOTAL Property and equipment, net	(0.16)
Deferred tax assets	
Deferred tax assets	
19910 Deferred Tax Asset	39,380,141.00
19911 Def. Tax Asset Allowance	(38,458,373.00)
19912 Deferred tax liability	(921,768.00)
TOTAL Deferred tax assets	0.00
TOTAL Assets	6,189,257.87
Liabilities & Equity	
Liabilities	
Current liabilities	
Accounts payable	
20100 Accounts Payable (Trade)	6,388,385.10
20120 AP - Unvouchered/Adj	248,993.79
TOTAL Accounts payable	6,637,378.88
Accrued compensation	
21100 Wage/Severance Payable	4,300.00
21110 Vacation Liability	129,601.83
TOTAL Accrued compensation	133,901.83
Build-to-suit obligation, current portion	
Operating lease liabilities, current portion	
22200 Operating Lease Liab-ST	1,671,759.09
TOTAL Operating lease liabilities, current portion	1,671,759.09
Other accrued liabilities	
20180 Miscellaneous Accrual	887,571.23
23200 Other ST Liability	1,071,935.48

25110 Legal - Accrual	59,296.05
25130 Use Tax Payable (CA)	0.00
TOTAL Other accrued liabilities	2,018,802.76
TOTAL Current liabilities	10,461,842.56
29230 Operating Lease Liab-LT	2,012,985.09
TOTAL Operating Lease Liabilities, long -term portion	2,012,985.09
TOTAL Liabilities	12,474,827.65
Equity	
Common stock	
31200 Common Stock (Par)	490.23
TOTAL Common stock	490.23
Additional paid In capital	
31111 APIC, Common	306,957,654.36
32213 APIC, Warrant	1,438,718.34
32223 Issuance Costs, Common	(12,822,167.57)
32233 Iss Costs, Common (IPO)	(5,895,000.97)
32251 Realized (Gain) Loss	120,309,803.89
32255 Unrealized FX Loss	(9,600.11)
TOTAL Additional paid In capital	409,979,407.94
Accumulated deficit	
39121 Retained Earnings CY	(54,150,709.31)
39123 Retained Earnings	(362,114,758.64)
TOTAL Accumulated deficit	(416,265,467.95)
Accumulated other comprehensive (income) loss	
TOTAL Equity	(6,285,569.78)
TOTAL Liabilities & Equity	6,189,257.87

ZOSANO PHARMA CORPORATION
STATEMENT OF OPERATIONS
(in thousands)

	Month of August 31, 2022	Cumulative Post-Petition
	(unaudited)	(unaudited)
Service revenue	\$ -	\$ (6)
Operating expenses:		
Cost of service revenue	-	20
Research and development	550	2,240
General and administrative	3,564	5,739
Loss on impairment of assets	-	-
Total operating expenses	4,114	7,999
Loss from operations	(4,114)	(8,005)
Other income (expense):		
Interest income	-	1
Interest expense	-	-
Other income (expense), net	(8,746)	(8,489)
Loss before provision for income taxes	(12,860)	(16,493)
Provision for income taxes	-	-
Net loss	(12,860)	\$ (16,493)

Zosano Pharma - Schedule of Payments to Professionals
For the Month Ended Aug 31, 2022

Name of Professional	Role	Date of Retention	Retainer Received	Court Approved ⁽¹⁾				Retainer Applied				Paid by Estate			
				Compensation	Expenses	Current Period	Cumulative	Compensation	Expenses	Current Period	Cumulative	Compensation	Expenses	Current Period	Cumulative
Kurtzman Carson Consultants LLC	Claims and Noticing Agent	6/1/2022	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,260	\$ 70,473	\$ 37,931	\$ 108,404	\$ 108,404

(1) Per the order authorizing rentention of Kurtzman Carson Consultants LLC (KCC) as Claims and Noticing Agent (Docket No. 23), the Debtor is authorized to compensate KCC for its services and expenses without the need for KCC to file fee applications or otherwise seek Court approval.

**Zosano Pharma - Prepetition Payments
For the Month Ended Aug 31, 2022**

Date	Vendor	Description	Amount
8/1/2022	CDFT Sales Tax	Sales Tax	2,682.00
8/5/2022	Alfonso Lictao	Pre-Petition Vacation	12,204.13
8/5/2022	Mahmoud Ameri	Pre-Petition Vacation	609.38
8/18/2022	Jagdeep Singh	Pre-Petition Vacation	7,668.97
8/18/2022	Lu Liu	Pre-Petition Vacation	9,401.29
		Total	<u>\$ 32,565.77</u>

Zosano Pharma Corporation - Monthly Operating Report**Schedule of Cash Receipts and Disbursements****Case No. 22-10506****Reporting Period: July 1st through Aug 31st, 2022**

(\$USD)

	Month Ending 6/30/2022	Month Ending 7/31/2022	Month Ending 8/31/2022	Cumulative Total
Cash Flow				
<u>Receipts</u>				
Receipts	\$ 147,074	\$ 229,207	\$ 1,000,004	\$ 1,376,285
<u>Operating Disbursements</u>				
Payroll	314,677	227,404	165,792	707,873
Benefits	41,852	51,191	13,955	106,998
Rent	-	186,946	-	186,946
Utilities	4,382	23,136	1,791	29,310
Insurance	-	9,389	-	9,389
Taxes	-	204,029	2,682	206,711
IT and Other Essential Services	9,257	22,425	9,512	41,194
Board fees	-	70,908	17,178	88,086
Other Operating Disbursements	8,124	18,278	2,874	29,276
Total Operating Disbursements	\$ 378,292	\$ 813,707	\$ 213,785	\$ 1,405,783
Operating Cash Flow	\$ (231,218)	\$ (584,500)	\$ 786,219	\$ (29,498)
Cumulative Operating Cash Flow	\$ (231,218)	\$ (815,718)	\$ (29,498)	\$ (29,498)
<u>Non-Operating Disbursements</u>				
Debtor Counsel	\$ -	\$ -	\$ -	-
Strategic Process / Debtor Financial Advisor	-	-	-	-
United States Trustee	-	250	-	250
Claims Agent	-	-	108,709	108,709
Other	-	-	-	-
Sales Agent	-	87,500	-	87,500
Contingency	-	-	-	-
Total Non-Operating Disbursements	\$ -	\$ 87,750	\$ 108,709	\$ 196,459
Net Cash Flow	\$ (231,218)	\$ (672,250)	\$ 677,510	\$ (225,957)
Cumulative Net Cash Flow	\$ (231,218)	\$ (903,468)	\$ (225,957)	\$ (225,957)
<u>Cash Balance</u>				
Beginning Balance	\$ 5,727,445	\$ 5,496,228	\$ 4,823,978	5,727,445
Net Cash Flow	(231,218)	(672,250)	677,510	(225,957)
Ending Balance	\$ 5,496,228	\$ 4,823,978	\$ 5,501,488	\$ 5,501,488
Restricted Cash	\$ 457,447	\$ 457,447	\$ 454,580	\$ 454,580
Available Cash	\$ 5,038,780	\$ 4,366,530	\$ 5,046,908	\$ 5,046,908