

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

In re:	:	
	:	Case No. 26-20879-JAD
LIPELLA PHARMACEUTICALS INC.,	:	
	:	Chapter 11
Debtor.	:	
	:	

**DISCLOSURE STATEMENT TO ACCOMPANY CHAPTER 11
PLAN OF LIQUIDATION OF LIPELLA PHARMACEUTICALS, INC.**

Dated: September 21, 2026

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. THE DEBTOR RESERVES THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT.

IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

IT IS THE DEBTOR'S OPINION THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR'S ESTATE, CREDITORS, AND INTEREST HOLDERS. THEREFORE, THE DEBTOR RECOMMENDS THAT ALL PERSONS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

THE DEBTOR MUST RECEIVE BALLOTS FOR VOTING TO ACCEPT OR REJECT THE PLAN ON OR BEFORE **NOVEMBER 13, 2026, AT 4:00 P.M. (EASTERN PREVAILING TIME)** (THE "VOTING DEADLINE").

THE RECORD DATE FOR DETERMINING WHICH HOLDERS OF CLAIMS MAY VOTE ON THE PLAN IS **OCTOBER 13, 2026** (THE "VOTING RECORD DATE").

A HEARING TO CONSIDER APPROVAL OF THIS DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN (THE "CONFIRMATION HEARING") WILL BE HELD BEFORE THE HONORABLE JEFFERY A. DELLER, UNITED STATES BANKRUPTCY JUDGE, VIA THE ZOOM VIDEO CONFERENCE APPLICATION, ON **NOVEMBER 24, 2026, BEGINNING AT 10:00 A.M. (EASTERN PREVAILING TIME)**. THE CONFIRMATION HEARING MAY BE ADJOURNED OR CONTINUED FROM TIME TO TIME BY THE BANKRUPTCY COURT OR THE DEBTOR WITHOUT FURTHER NOTICE OTHER THAN AS INDICATED IN ANY NOTICE OR AGENDA OF MATTERS SCHEDULED FOR A PARTICULAR HEARING THAT IS FILED WITH THE BANKRUPTCY COURT OR BY ANNOUNCEMENT IN OPEN COURT.

ANY OBJECTIONS TO FINAL APPROVAL OF THE DISCLOSURE STATEMENT AND/OR CONFIRMATION OF THE PLAN MUST BE SERVED AND FILED ON OR BEFORE **NOVEMBER 13, 2026, AT 4:00 P.M. (EASTERN PREVAILING TIME)** (THE "DISCLOSURE STATEMENT AND CONFIRMATION OBJECTION DEADLINE").

PLEASE READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. A COPY OF THE PLAN IS ATTACHED HERETO AS **EXHIBIT A**. THIS DISCLOSURE STATEMENT SUMMARIZES THE MATERIAL TERMS OF THE PLAN, BUT SUCH SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE ACTUAL TERMS AND PROVISIONS OF THE PLAN. ACCORDINGLY, IF THERE ARE ANY INCONSISTENCIES BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL CONTROL.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING STATEMENTS INCORPORATED BY REFERENCE AND FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN.

READERS ARE FURTHER CAUTIONED THAT MANY OF THE ASSUMPTIONS, RISKS, AND UNCERTAINTIES RELATING TO THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN, INCLUDING THE IMPLEMENTATION OF THE PLAN, ARE BEYOND THE CONTROL OF THE DEBTOR. IMPORTANT ASSUMPTIONS AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY INCLUDE, BUT ARE NOT LIMITED TO, THOSE FACTORS, RISKS, AND UNCERTAINTIES DESCRIBED IN MORE DETAIL UNDER THE HEADING “RISK FACTORS” DESCRIBED IN ARTICLE X OF THIS DISCLOSURE STATEMENT AS WELL AS OTHER RISKS INHERENT TO THE DEBTOR. PARTIES ARE CAUTIONED THAT ANY FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE, ARE BASED ON THE DEBTOR’S CURRENT BELIEFS, INTENTIONS, AND EXPECTATIONS, AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTOR UNDERTAKES NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS. THE DEBTOR DOES NOT INTEND TO, AND UNDERTAKES NO OBLIGATION TO, UPDATE OR OTHERWISE REVISE ANY FORWARD-LOOKING STATEMENTS, INCLUDING ANY PROJECTIONS CONTAINED HEREIN, TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

NO INDEPENDENT AUDITOR OR ACCOUNTANT HAS REVIEWED OR APPROVED THE LIQUIDATION ANALYSIS HEREIN.

THE DEBTOR HAS NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, IN CONNECTION WITH THE PLAN OR THE DISCLOSURE STATEMENT, EXCEPT THAT THE DEBTOR’S COURT-APPROVED CHAPTER 11 COUNSEL IS AUTHORIZED TO PROSECUTE APPROVAL OF THE DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN BEFORE THE BANKRUPTCY COURT.

THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES IN THE DISCLOSURE STATEMENT.

I. INTRODUCTION

Reference is made to the Chapter 11 Plan of Liquidation of Lipella Pharmaceuticals Inc. (the “**Plan**”), which is attached hereto as **Exhibit A**. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan. Lipella Pharmaceuticals Inc. (the “**Debtor**” or “**Lipella**”) submits this disclosure statement (the “**Disclosure Statement**”), pursuant to section 1125 of the Bankruptcy Code, to holders of Claims against and Interests in the Debtor in connection with the solicitation of votes for acceptance of the Plan.

II. PRELIMINARY STATEMENT

A. Background on the Debtor

Prior to filing this Chapter 11 Case (defined herein), the Debtor operated as a clinical-stage biotechnology company focused on developing new drugs by reformulating the active agents of existing drugs and optimizing these reformulations for new applications. Founded in 2005 and headquartered in Pittsburgh, Pennsylvania, the Debtor’s operations consisted of research, preclinical development and clinical development activities, centered on liposomal drug delivery technology, which involved encapsulating drugs within microscopic bilayer vesicles to enhance their stability and effectiveness. The technology was intended to effectively deliver drug therapy directly to body cavities or mucosal tissue. Current drugs (the “**Liposomal Therapies**”) include:

- a. LP-10 (Oral Rinse) for the treatment of oral lichen planus (OLP), a chronic, painful, inflammatory, pre-malignant, T-cell-mediated autoimmune disease affecting roughly 6 million Americans. Lipella received IND approval for a Phase 2a multicenter dose escalation trial evaluating the efficacy and safety of LP-10 in subjects with symptomatic OLP.
- b. LP-10 (Intravesical) for the treatment of moderate to severe hemorrhagic cystitis (HC), a serious disease with limited available treatment options. LP-10 (Intravesical) has been granted Orphan Drug Designation by the US FDA and has generated positive top line results in demonstrating preliminary safety and efficacy in a multicenter Phase 2a dose escalation trial. Early LP-10 research was funded by the US National Institutes of Health.
- c. LP-10 (Oral Rinse) for the treatment of oral Graft-verses Host Disease (GvHD). Lipella has been granted FDA Orphan Drug Designation for LP-10 in the treatment of GvHD and has received conditional IND approval for a Phase 2a clinical trial.

The Debtor’s business included a small manufacturing facility to make the Liposomal Therapies. A quantity of the Liposomal Therapies is currently in cold storage. The Debtor ceased manufacturing operations as part of cost-reduction efforts prior to filing the Chapter 11 Case.

In addition to the Liposomal Therapies, the Debtor was granted U.S. patent number 12,326,492 on June 10, 2025, for Systems and Methods of Detecting Interstitial Cystitis (the

“Patent”). Upon further development, this patent and associated technology can potentially be utilized for detecting interstitial cystitis, a chronic painful bladder condition.

B. Events Leading to the Bankruptcy Filing

In order to continue to fund operations and drug testing in pursuit of FDA approval of the Liposomal Therapies, and after completing a \$3 million investment bank-led private placement in 2020, the Debtor went public and completed a successful initial public offering in 2022, raising approximately \$7 million. The Debtor’s stock traded on the NASDAQ exchange under the symbol LIPO. At the time of the IPO, the Debtor had a market capitalization of \$50 million. The proceeds of the IPO were used to fund operational expenses, to continue to develop the Liposomal Therapies, and to continue pursuit of the Patent. To continue to develop (and eventually market) the Liposomal Therapies, the Debtor began to explore raising additional capital, including a \$2 million private placement in October 2023, and a \$1.2 million private placement in August 2024, both to institutional investors.

In April 2024, Debtor’s bid price fell below the \$1 NASDAQ bid-price minimum, and then on August 2024, the equity of Debtor’s shareholders fell below NASDAQ’s \$2.5 million shareholders’ equity rule. By November 2024, Debtor regained compliance with NASDAQ’s bid-price minimum and planned to regain compliance with the shareholders’ equity rule by raising approximately \$6 million of additional capital by April 2025, which was NASDAQ’s deadline for Debtor to regain compliance with the shareholders’ equity rule.

In December 2024, the Debtor engaged outside professional advisors, including an investment bank and securities counsel (the “**Prepetition Securities Advisors**”), to structure and execute a series of Private Investments in Public Equities (“**PIPE**”) transactions intended to raise capital from retail investors. These transactions resulted in aggregate net proceeds of approximately \$5.9 million through multiple closings between December 2024 and March 2025. The structure, terms, and pricing of these transactions, including the issuance of multiple classes of securities and compensation instruments, were developed and implemented with the advice and direction of the Debtor’s Prepetition Securities Advisors.

In structuring the PIPE transactions, the Debtor and its management relied on the expertise of its Prepetition Securities Advisors to ensure compliance with applicable securities laws and NASDAQ listing rules. The Debtor reasonably expected that the structure and terms recommended by its Prepetition Securities Advisors were compliant with all applicable requirements. However, certain aspects of the PIPE transactions, including the rights associated with securities issued as placement agent compensation and the aggregate impact of the issuances relative to the Debtor’s pre-transaction capitalization, raised questions under applicable NASDAQ listing standards and contributed directly to subsequent compliance deficiencies.

On April 29, 2025, NASDAQ notified the Debtor of concerns regarding the PIPE transactions, including the structure, pricing, and rights associated with certain securities issued in connection with those transactions. In subsequent communications, NASDAQ indicated that the Debtor’s issuance of preferred equity, warrants, and related placement agent compensation instruments in connection with the financing raised questions under applicable listing rules,

including those relating to shareholder approval and voting rights. On May 14, 2025, NASDAQ informed the Debtor that it believed aspects of the transactions did not comply with its listing requirements, specifically asserting a shareholder approval violation and a voting rights violation, and requested a response addressing those concerns. The Debtor believes that the issues identified by NASDAQ arose from structural elements of the transactions that were designed, recommended, and implemented with the involvement of the Debtor's Prepetition Securities Advisors. In responding to NASDAQ's inquiries, the Debtor acted through and in consultation with its Prepetition Securities Advisors and continued to rely on their guidance with respect to compliance, disclosure, and remediation. Despite these efforts, the Debtor was unable to resolve the issues to NASDAQ's satisfaction.

On June 17, 2025, the NASDAQ Hearings Panel determined to delist the Debtor's stock, and trading in the Debtor's common stock was suspended at the open of business on June 20, 2025. The delisting had an immediate and materially adverse effect on the Debtor's ability to access capital markets. The Panel's determination was based, in significant part, on findings that the Debtor's financing transactions violated Nasdaq Listing Rules relating to shareholder approval and voting rights, including the issuance of securities to its placement agent representing a substantial percentage of the Debtor's pre-transaction shares outstanding and conferring disproportionate voting power, which Nasdaq concluded raised public interest concerns and warranted delisting.

Though the Debtor and its officers and directors actively pursued efforts to raise additional capital and to relist the Debtor's securities on a national exchange following the NASDAQ delisting, such efforts were unsuccessful. The Debtor continued its operations and released positive results in September 2025 from a Phase 2a clinical trial. Ultimately, the ability to continue Debtor's operations proved insurmountable in light of the cash flow requirements to clinically advance any of the drugs in its pipeline. Accordingly, the Debtor's board of directors ultimately reached the decision that seeking chapter 11 relief and conducting an orderly liquidation of its assets and wind-down of its business was in the best interest of the Debtor, its creditors, equity holders, and other stakeholders.

On March 30, 2026 (the "**Petition Date**"), the Debtor commenced this chapter 11 bankruptcy case (the "**Chapter 11 Case**").

C. Development of the Plan

Following the Petition Date, the Debtor has been working with its counsel, Tucker Arensberg, P.C. ("**TAPC**"), and its financial advisor and investment banker, BDO Consulting Group, LLC to facilitate a sale of substantially all of its assets and to otherwise maximize the Estate assets for the benefit of the Debtor's creditors.

The Debtor is proposing a liquidating plan that establishes a Liquidating Trust and enables:

- The Purchaser of the Debtor's Assets to utilize the Liposomal Therapies to further pursue Debtor's research and clinical trials and, if certain Sale Milestones are reached, generate additional proceeds for the benefit of the creditors;

- Special counsel to pursue potential claims against Debtor's Prepetition Securities Advisors regarding the actions leading to NASDAQ's decision to delist the Debtor's stock;
- The Liquidating Trustee to investigate and, as appropriate, pursue other potential Causes of Action that could generate proceeds for the benefit of the Debtor's creditors and, if sufficient assets ultimately become available for a distribution to Class 3 in accordance with the Plan, Holders of Equity Interests; and

The Debtor strongly believes that the Plan is in the best interests of the Debtor's Estate and represents the best available recovery to parties in interest at this time. Accordingly, the Debtor strongly recommends that Holders of Claims that are entitled to vote to accept or reject the Plan vote to accept the Plan. The Debtor has proposed a solicitation and confirmation timeline to allow for Holders of Claims to vote on the Plan, as well as to allow other parties in interest to participate in the process in accordance with applicable law.

Solicitation and Confirmation Timeline

EVENT	DATE AND TIME
Hearing on Motion to Consolidate	October 2, 2026
Voting Record Date	October 13, 2026
Solicitation Deadline	October 16, 2026
Deadline to Object to Proofs of Claims for Voting Purposes Only	October 19, 2026
Deadline to File Rule 3018(a) Motions	October 21, 2026
Hearing to Consider Rule 3018(a) Motions	October 27, 2026
Disclosure Statement and Confirmation Objection Deadline	November 13, 2026, at 4:00 P.M. (Eastern Prevailing Time)
Voting Deadline	November 13, 2026, at 4:00 P.M. (Eastern Prevailing Time)
Deadline for Debtor to File Confirmation Brief and Ballot Report	November 18, 2026
Deadline to File Report of Ballots	November 18, 2026
Combined Hearing	November 24, 2026, at 10:00 A.M. (Eastern Prevailing Time)

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is Chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors

and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code. The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor in possession.”

Consummating a chapter 11 plan is the principal objective of a chapter 11 case. A bankruptcy court’s confirmation of a chapter 11 plan binds the debtor, any person acquiring property under the plan, any creditor or interest holder of the debtor (whether or not such creditor or interest holder voted to accept the plan), and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the bankruptcy court’s order confirming a plan provides for the treatment of the debtor’s liabilities in accordance with the terms of the confirmed plan.

B. Why is the Debtor sending me this Disclosure Statement?

The Debtor is seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind and in sufficient detail to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and to share such disclosure statement with all holders of claims whose votes on the Plan are being solicited. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I Entitled to Vote on the Plan?

Your ability to vote on and your distribution under the Plan, if any, depends on what type of Claim or Interest you hold. Pursuant to section 1122(a) of the Bankruptcy Code, each category of Holders of Claims or Interests, as set forth in Article III of the Plan is referred to as a “Class.” Each Class’s respective voting status is set forth below:

Class	Claim/Interest	Status	Voting Rights
1	Non-Tax Priority Claim	Unimpaired	No
2	General Unsecured Claim	Impaired	Yes
3	Equity Interests	Impaired	No — Deemed to Reject

D. What Will I Receive From the Debtor if the Plan is Consummated?

The following chart provides a summary of the anticipated recovery to Holders of Allowed Claims or Allowed Interests under the Plan based upon the estimated (i) Cash on hand as of the Effective Date, and (ii) funding expected to be available to the Liquidating Trust. The funding of the Liquidating Trust is speculative at this time due to the unknown collectability of the Causes of Action, including Litigation Claims and whether any Sale Milestones will be achieved. Any estimates of Claims or Interests in this Disclosure Statement may vary from the final Allowed Amounts.

Your ability to receive distributions under the Plan depends upon the ability of the Debtor to obtain Confirmation and meet the conditions necessary to consummate the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND, THEREFORE, ARE SUBJECT TO CHANGE. REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN FOR A COMPLETE DESCRIPTION OF THE DEBTOR'S CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.¹

Except to the extent that the Debtor and a Holder of an Allowed Claim or Interest, as applicable, agree to a less favorable treatment, such Holder shall receive under the Plan the treatment described below in full and final satisfaction, compromise, and settlement of and in exchange for such Holder's Allowed Claim or Interest. Unless otherwise indicated, distributions on account of Allowed Claims shall be made at the times specified in the Plan. No distribution shall be made to Holders of Class 3 Equity Interests unless and until the Liquidating Trustee makes a Class 3 Distribution Determination in accordance with the Plan and the Liquidating Trust Agreement.

Class	Claim/Interest	Treatment of Claim or Interest	Projected Amount of Claims	Estimated Recovery Under Plan
1	Non-Tax Priority Claims	In full satisfaction of the Allowed Non-Tax Priority Claims, each Holder of an Allowed Non-Tax Priority Claim shall receive payment in full in Cash on the Effective Date.	\$17,150	100%
2	General Unsecured Claims	On the Effective Date, each Holder of an Allowed General Unsecured Claim, other than an Allowed General Unsecured Claim held by an Insider, shall be paid 45% of the amount of its Allowed General Unsecured Claim. Holders of Allowed General Unsecured Claims that are Insiders shall not receive a distribution on the Effective Date. The unpaid balance of	\$322,098	45%

¹ The recoveries set forth below may change based upon changes in the amount of Claims that are Allowed as well as other factors related to the funding available to the Liquidating Trust and general economic conditions.

		each Allowed General Unsecured Claim, including the full amount of each Allowed General Unsecured Claim held by an Insider, shall be transferred to the Liquidating Trust, and each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of available funds from the Liquidating Trust as funds become available, up to the full amount of such Allowed General Unsecured Claim.		
3	Equity Interests	On the Effective Date, all Equity Interests shall be cancelled, extinguished, and of no further force or effect. Holders of Equity Interests shall not become beneficiaries of the Liquidating Trust solely by reason of holding such Equity Interests or the contingent right described herein. If and only if the Liquidating Trustee determines, in accordance with the Plan and the Liquidating Trust Agreement, that sufficient assets are available to make a distribution to Holders of Class 3 Equity Interests after satisfaction or appropriate provision for all Claims senior to Class 3 and all costs and obligations of the Liquidating Trust (the “Class 3 Distribution Determination”), Holders of Class 3 Equity Interests entitled to receive such distributions shall become beneficiaries of the Liquidating Trust solely for purposes of	Unknown	TBD

		receiving and administering such distributions. Any distributions to Class 3 shall be made in accordance with the Plan and the Liquidating Trust Agreement.		
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E. What will I Receive From the Debtor if I Hold an Administrative Claim?

Administrative Claims have not been placed in a Class in the Plan consistent with section 1123(a)(1) of the Bankruptcy Code. Article II.A of the Plan sets forth the treatment for Administrative Claims and provides in part that such Claims will be satisfied in full in an amount of Cash equal to the amount of such Allowed Administrative Claim.

In accordance with section 1123(a)(1) of the Bankruptcy Code, (i) Administrative Claims, (ii) Professional Fee Claims, and (iii) Priority Tax Claims have not been classified and, thus, are excluded from the classification of Claims and Interests set forth in Article III of the Plan.

1. Administrative Claims

The Plan provides that except to the extent that an Administrative Claim has already been paid during the Chapter 11 Case, or a Holder of an Allowed Administrative Claim and the Debtor (or after the Effective Date, such Holder and the Liquidating Trustee) agree in writing to less favorable treatment, each Holder of an Allowed Administrative Claim shall be paid in full in Cash (i) if such Administrative Claim is Allowed as of the Effective Date, on the Effective Date; or (ii) if such Administrative Claim is not Allowed as of the Effective Date, upon entry of an order of the Bankruptcy Court Allowing such Claim, or as soon as reasonably practicable thereafter; provided, that, if an Allowed Administrative Claim arises from liabilities incurred by the Debtor's Estate in the ordinary course of business after the Petition Date, such Claim shall be paid in the ordinary course of business in accordance with the terms and conditions of the particular transaction giving rise to such Claim.

Except as otherwise provided in Article II of the Plan, requests for payment of Allowed Administrative Claims must be Filed and served on the Debtor pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than the Administrative Claims Bar Date; provided, that, the Administrative Claims Bar Date shall not apply to Professional Fee Claims or Administrative Claims arising in the ordinary course of business and already paid.

The Debtor or Liquidating Trustee may settle Administrative Claims in the ordinary course of business without further Bankruptcy Court approval. Additionally, the Debtor may object to any Administrative Claim. Unless the Debtor or Liquidating Trustee objects to a timely-Filed and properly served Administrative Claim, such Administrative Claim will be deemed Allowed in the amount requested. In the event that the Debtor or Liquidating Trustee objects to an Administrative

Claim, the parties may confer to try to reach a settlement and, failing that, the Bankruptcy Court will determine whether such Administrative Claim should be Allowed and, if so, in what amount.

HOLDERS OF ADMINISTRATIVE CLAIMS THAT ARE REQUIRED TO, BUT DO NOT, FILE AND SERVE A REQUEST FOR PAYMENT OF SUCH ADMINISTRATIVE CLAIMS BY THE ADMINISTRATIVE CLAIMS BAR DATE SHALL BE FOREVER BARRED, ESTOPPED, AND ENJOINED FROM ASSERTING SUCH ADMINISTRATIVE CLAIMS AGAINST THE DEBTOR, ITS ESTATE, THE LIQUIDATING TRUST, THE LIQUIDATING TRUSTEE, OR THEIR RESPECTIVE PROPERTY.

2. Priority Tax Claims

The Debtor does not believe that there are any outstanding Priority Tax Claims. To the extent that any Priority Tax Claim is Allowed, each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction of such Allowed Priority Tax Claim, treatment consistent with section 1129(a)(9)(C) of the Bankruptcy Code, unless such Holder and the Debtor agree in writing to different treatment. To the extent that any Allowed Priority Tax Claim is not required to be paid in full on or before the Effective Date pursuant to the Plan or a written agreement between the Holder of such Allowed Priority Tax Claim and the Debtor, such Claim shall become an obligation of the Liquidating Trust and shall be paid by the Liquidating Trustee in accordance with the Plan and the terms of any such written agreement.

F. Are Any Regulatory Approvals Required to Consummate the Plan?

There are no known U.S. regulatory approvals that are required to consummate the Plan.

G. What Happens to My Recovery if the Plan is not Confirmed or Does Not Go Effective?

If the Plan is not confirmed or does not go effective, there is no assurance that the Debtor will be able to confirm an alternative chapter 11 plan. It is possible that any alternative plan may provide Holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case or a liquidation scenario see discussion of risk factors set forth in Article X, below.

H. If the Plan Provides That I Get a Distribution, Do I Get It Upon Confirmation or When the Plan Goes Effective, and What Do the Terms “Confirmation,” “Effective Date,” and “Consummation” Mean?

“Confirmation” of the Plan refers to the Bankruptcy Court’s approval of the Plan. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to Holders of Allowed Claims will only be made on the date the Plan becomes effective—the “Effective Date”—or as soon as reasonably practicable thereafter, as specified in the Plan. Timing of distributions for creditors will also

depend on, among other things, (1) when such claims become Allowed Claims, (2) the procedures for reserving distributions for Claims that are in the process of being reconciled and are neither Allowed nor Disallowed under the Plan, and (3) the funding of the Liquidating Trust. See Articles VI and VII of the Plan. “Consummation” means the occurrence of the Effective Date.

I. What Are the Sources of Cash and Other Consideration Required to Fund the Plan?

On the Effective Date, or as close thereto as is reasonably possible, the Debtor shall pay Allowed Administrative Claims, Non-Tax Priority Claims, and a percentage of Allowed General Unsecured Claims from Cash on hand and the closing payment received from the Sale Transaction. Future distributions to Holders of Allowed General Unsecured Claims will be made by the Liquidating Trustee from the Liquidating Trust through any remaining Cash on hand, the net proceeds received from Sale Milestones after payment of any applicable BDO Success Fee in accordance with the Plan and the Liquidating Trust Agreement, and the net proceeds from the successful prosecution, settlement, or other resolution of any Causes of Action, including the Litigation Claims.. Distributions to Holders of Class 3 Equity Interests will be made only if the Liquidating Trustee makes a Class 3 Distribution Determination in accordance with the Plan and the Liquidating Trust Agreement. All such distributions will be made in accordance with the priorities, classifications, and distribution provisions of the Plan and the applicable provisions of the Liquidating Trust Agreement.

J. Is There Potential Litigation Related to the Plan?

Parties in interest may object to the approval of this Disclosure Statement and may also object to Confirmation of the Plan, which objections potentially could give rise to litigation. In the event that it becomes necessary to confirm the Plan over the objection of certain Classes, the Debtor may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes.

The Bankruptcy Court may confirm the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code.

The Liquidating Trustee may pursue certain Causes of Action, including Litigation Claims against the Debtor’s Prepetition Securities Advisors, related to certain prepetition securities transactions. Any proceeds from such litigation would be used to fund the Liquidating Trust.

K. Will There Be Releases and Exculpation Granted to Parties in Interest as Part of the Plan?

Yes, the Plan contains certain releases, as described more fully in Article VIII of this Disclosure Statement. The Released Parties under the Plan include (i) the Debtor; (ii) its Estate; (iii) the officers and directors of the Debtor who served during any portion of the Chapter 11 Case; and (iv) the Professionals retained in the Chapter 11 Case by the Debtor. For the avoidance of doubt, the Released Parties include, but are not limited to, the Former President, the Former Chief Financial Officer, and any Professional retained by the Debtor pursuant to section 327(a) or section

328 of the Bankruptcy Code; provided that, in each case, an Entity shall be a Released Party only to the extent that it has performed necessary and valuable duties in connection with the Chapter 11 Case.

The Debtor believes that the Debtor's releases and exculpation provisions included in the Plan are an integral part of the transactions contemplated by the Plan and Debtor's overall liquidation efforts. Further, the Debtor asserts that many of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtor's bankruptcy through efforts to negotiate and implement the Plan, which will maximize the value of the Estate for the benefit of all parties in interest. Accordingly, for all of these reasons, the Debtor believes that each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

In sum, the Debtor believes that each of the Released Parties has made substantial and valuable contributions to the Debtor's efforts to implement the Plan, which will maximize and preserve the liquidation value of the Debtor's Estate for the benefit of all parties in interest. The Debtor believes that the releases are consistent with the law in this jurisdiction and appropriate under the facts and circumstances in this case.

L. What is the Deadline to Vote on the Plan?

The Voting Deadline is **November 13, 2026, at 4:00 P.M. (Eastern Prevailing Time)**.

M. How Do I Vote For or Against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to Holders of Claims that are entitled to vote on the Plan. You must submit your ballot in accordance with the instructions provided on your Ballot and in Article V.D of this Disclosure Statement in order for your vote to be counted. **BALLOTS SENT BY EMAIL OR FAX ARE NOT ALLOWED AND WILL NOT BE COUNTED.**

N. Why is the Bankruptcy Court Holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan. The Confirmation Hearing will be **November 24, 2026, at 10:00 A.M. (Eastern Prevailing Time)**; provided that the Bankruptcy Court or the Debtor may adjourn the Confirmation Hearing from time to time without further notice other than as indicated in a notice that is filed with the Bankruptcy Court or as may be announced in open court.

O. What is the Purpose of the Confirmation Hearing?

The purpose of the Confirmation Hearing is to permit the Bankruptcy Court to consider whether the Plan satisfies the applicable requirements of the Bankruptcy Code and should be confirmed. If the Plan is confirmed and becomes effective, the provisions of the Plan and the Confirmation Order will bind the Debtor and all Holders of Claims and Interests to the extent

provided by the Bankruptcy Code, the Plan, and the Confirmation Order. The Plan provides for the liquidation and dissolution of the Debtor and the administration and distribution of the Debtor's remaining assets through the Liquidating Trust.

Any objections to the Plan must be filed with the Bankruptcy Court and served on the applicable notice parties so as to be actually received on or before **November 13, 2026, at 4:00 P.M. (Eastern Prevailing Time)**.

P. Who Do I Contact if I Have Additional Questions with Respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Debtor at the following address:

**Lipella Pharmaceuticals Inc.
c/o Tucker Arensberg, P.C.
1500 One PPG Place
Pittsburgh, Pennsylvania 15222
Attn: Michael A. Shiner, Esq.**

or by emailing **mshiner@tuckerlaw.com**.

Copies of the Plan and the Disclosure Statement will be available for inspection for a fee on the Bankruptcy Court's website at <http://www.pawb.uscourts.gov>. Note that a PACER password is needed to access documents on the Court's website (a PACER password may be obtained by accessing the PACER website, <http://www.pacer.gov>).

Q. Does the Debtor Recommend Voting in Favor of the Plan?

Yes. The Debtor believes the Plan provides for a larger distribution to creditors than would otherwise result from any other available alternative. The Debtor believes that the Plan is in the best interest of all Holders of Claims or Interests, and that any other alternatives (to the extent they exist) fail to realize or recognize the value inherent under the Plan.

IV. OVERVIEW OF THE PLAN

A. General Settlement of Claims and Interests

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, Causes of Action and controversies resolved pursuant to the Plan. The Plan shall be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule

9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable, and in the best interests of the Debtor and its Estate. Subject to Article VI of the Plan, all distributions made to Holders of Allowed Claims and Interests (as applicable) in any Class are intended to be and shall be final.

B. Sale Transaction

On June 4, 2026, the Court approved the sale of substantially all of the Debtor's assets, consisting of the LP Assets and MRI Assets, collectively referred to as the Purchased Assets, to XRAIY LLC, pursuant to the Sale Order. The Sale Order also approved the Asset Purchase Agreement by and among the Debtor and the Purchaser.

In consideration of the sale of the Purchased Assets to Purchaser, the Asset Purchase Agreement provided for a Purchase Price to be paid in accordance with the following initial payment and Sale Milestones:

- (i) \$205,000 in immediately available funds, paid at closing;
- (ii) \$200,000 upon the enrollment of the first patient in the Phase II(b) FDA Drug Trial for the LP-310 indication of the LP Assets;
- (iii) \$1,000,000 upon the enrollment of the first patient in the Phase III FDA registration Drug Trial for the LP-310 indication of the LP Assets; and
- (iv) \$2,000,000 upon submission of a New Drug Application with the FDA for any indication of the LP Assets.

The Sale Transaction closed on June 25, 2026, at which time the Purchaser remitted \$205,000 to the Debtor.

Pursuant to BDO Consulting Group, LLC's engagement with the Debtor, BDO is entitled to a Success Fee in connection with the Sale Transaction. To the extent additional Purchase Price is received on account of a Sale Milestone after the Effective Date, the applicable BDO Success Fee attributable to such proceeds will be paid from such proceeds upon receipt by the Liquidating Trust, in accordance with the Plan and the Liquidating Trust Agreement, before the remaining net proceeds are available for distribution to Holders of Claims or Interests.

C. Recoveries to Certain Holders of Claims and Interests

The recoveries to Holders of Claims and Interests are described in Article III.C of the Plan and in Article III.D above, entitled "What Will I Receive from the Debtor if the Plan is Consummated?"

D. Liquidating Trust

As of the Effective Date, the Liquidating Trust shall be established and the Debtor's remaining assets, including its rights under the D&O Policies, shall be transferred to the Liquidating Trust without further action of the Bankruptcy Court. The Liquidating Trust shall be funded by (i) the Cash on hand, (ii) all rights under the Asset Purchase Agreement, including, but not limited to, all proceeds from the Sale Transaction, including proceeds received from the Sale Milestones, and (iii) all proceeds received from any Cause of Action, including, but not limited to, the Litigation Claims. All proceeds held by the Liquidating Trust shall be administered and distributed in accordance with the priorities, classifications, and distribution provisions of the Plan and the applicable terms and conditions of the Liquidating Trust Agreement. Any proceeds received by the Liquidating Trust on account of a Sale Milestone will be subject to payment of the applicable BDO Success Fee in accordance with the Plan and the Liquidating Trust Agreement. Only the remaining net proceeds from such Sale Milestone, after payment of the applicable BDO Success Fee, will be available for distribution to Holders of Claims or Interests. Holders of Class 3 Equity Interests shall not become beneficiaries of the Liquidating Trust solely by reason of holding such Equity Interests or the contingent right to a distribution under the Plan and shall become beneficiaries only if and to the extent provided following a Class 3 Distribution Determination.

On the Effective Date, the Liquidating Trustee shall establish and separately maintain a Litigation Reserve in the amount of \$172,000 from the Liquidating Trust Assets. The Litigation Reserve shall be used solely for the payment of out-of-pocket costs and expenses incurred in connection with the investigation, prosecution, pursuit, litigation, compromise, or settlement of the Litigation Claims. The Litigation Reserve may not be used to pay compensation, fees, costs, or expenses of the Liquidating Trustee, attorneys' fees or other professional fees, or any costs, expenses, Claims, liabilities, or obligations of the Liquidating Trust unrelated to the Litigation Claims. Any amount remaining in the Litigation Reserve following the final disposition of all Litigation Claims and payment or provision for payment of permitted litigation expenses shall be distributed in accordance with the Plan.

E. Liquidating Trustee

The Liquidating Trustee's retention shall commence on the Effective Date and shall continue until (i) the Bankruptcy Court enters an Order closing the Chapter 11 Case unless otherwise set forth in such Order, (ii) the Bankruptcy Court enters an Order removing the Liquidating Trustee for cause, or (iii) the Liquidating Trustee resigns, dies, dissolves, is incapacitated, or is removed in accordance with the Liquidating Trust Agreement and a successor Liquidating Trustee is appointed in accordance with the Liquidating Trust Agreement.

F. Dissolution of Debtor

On the Effective Date, the Former President and Former Chief Financial Officer of the Debtor, and any other officer or director of the Debtor, shall be discharged from their duties and terminated automatically without the need for any corporate action or approval and without the need for any corporate filings, and, unless subject to a separate agreement with the Liquidating Trustee, shall have no continuing obligations to the Debtor after the Effective Date.

The Debtor shall be deemed dissolved without further order of the Bankruptcy Court or action by the Debtor or the Liquidating Trustee; provided that the Liquidating Trustee is authorized to file a certificate of cancellation and any other documents with the Secretary of State of Delaware or in any other jurisdiction.

G. Cancellation of Existing Equity Interests

On the Effective Date, all Equity Interests shall be cancelled, extinguished, and of no further force or effect. Holders of Equity Interests shall not receive or become beneficiaries of any interest in the Liquidating Trust solely by reason of holding such Equity Interests or the contingent right to a distribution under the Plan.

If and only if the Liquidating Trustee makes a Class 3 Distribution Determination in accordance with the Plan and the Liquidating Trust Agreement, Holders of Class 3 Equity Interests entitled to receive distributions shall become beneficiaries of the Liquidating Trust solely for purposes of receiving and administering such distributions. Any such distributions shall be made by the Liquidating Trustee in accordance with the Plan and the Liquidating Trust Agreement.

H. Vesting of Assets in the Liquidating Trust

Except as otherwise provided in the Plan (including in Article III of the Plan), on the Effective Date, all property of the Estate and any property acquired by the Debtor pursuant to the Plan shall vest in the Liquidating Trust, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, the Liquidating Trustee may use, acquire, or dispose of property and compromise or settle any Claims or Interests in accordance with the Liquidating Trust Agreement without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, including for the avoidance of doubt any restrictions on the use, acquisition, sale, lease, or disposal of property under section 363 of the Bankruptcy Code. Notwithstanding the foregoing, the Liquidating Trustee's authority with respect to the Litigation Reserve shall be subject to the restrictions set forth in the Plan and the Liquidating Trust Agreement, including the requirement that the Litigation Reserve be separately maintained and used solely for the permitted out-of-pocket costs and expenses of the Litigation Claims.

I. Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, but subject to the releases set forth in this section and in Article VIII of the Plan, all Causes of Action that the Debtor may hold against any Entity, including but not limited to claims against the Prepetition Securities Advisors, shall vest in the Liquidating Trust on the Effective Date. Thereafter, the Liquidating Trust shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, whether arising before or after the Petition Date, and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any specific Cause of Action as any

indication that the Debtor or Liquidating Trust will not pursue any and all available Causes of Action. The Debtor and the Liquidating Trust expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to any Cause of Action upon, after, or as a consequence of the Confirmation or the occurrence of the Effective Date.

Notwithstanding any provision in the Plan or any order entered in the Chapter 11 Case, the Debtor and the Liquidating Trust forever waive, relinquish, and release any and all Causes of Action the Debtor and its Estate had, have, or may have against any Released Party; provided, however, that nothing in the Plan, including the releases set forth herein or in Article VIII, shall release, waive, relinquish, impair, or otherwise affect any Litigation Claim or any other Cause of Action expressly retained by the Debtor or vested in the Liquidating Trust pursuant to the Plan against any Person or Entity that is not a Released Party.

J. Provisions Governing Distributions

1. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Plan, on the Effective Date, the Debtor shall make the distributions required to be made on the Effective Date on account of Allowed Claims. Following the Effective Date, and subject to payment of any applicable BDO Success Fee from proceeds received on account of a Sale Milestone in accordance with the Plan and the Liquidating Trust Agreement, distributions from the Liquidating Trust shall be made by the Liquidating Trustee in accordance with the Plan and the Liquidating Trust Agreement. No distribution shall be made to Holders of Class 3 Equity Interests unless and until the Liquidating Trustee makes a Class 3 Distribution Determination in accordance with the Plan and the Liquidating Trust Agreement. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, such payment or performance may be completed on the next Business Day and shall be deemed to have been completed as of the required date.

If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII of the Plan. Except as specifically provided in the Plan, the Confirmation Order, or other Final Order of the Bankruptcy Court, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date.

2. Special Rules for Distributions to Holders of Disputed Claims and Interests

Except as otherwise set forth in the Plan, no partial payments and no partial distributions shall be made with respect to the Disputed portion of any Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order. Any dividends or other distributions arising from property distributed to Holders of Allowed Claims in

a Class and paid to such Holders under the Plan shall also be paid, in the applicable amounts, to any Holder of a Disputed Claim in such Class that becomes an Allowed Claim after the date or dates that such dividends or other distributions were earlier paid to Holders of Allowed Claims in such Class.

3. Delivery of Distributions and Undeliverable or Unclaimed Distributions

a. Record Date for Distribution

On the Distribution Record Date, the Claims Register shall be closed, and any party responsible for making distributions shall be authorized and entitled, but not required, to recognize only those record Holders listed on the Claims Register as of the close of business on the Distribution Record Date.

b. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Debtor or Liquidating Trustee has used reasonable efforts to determine the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, that such distribution shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code upon the expiration of one year from the time of such distribution. After such date, all such unclaimed property or interests in property shall become property of the Liquidating Trust, notwithstanding any applicable federal, state, or other jurisdiction's escheat, abandoned, or unclaimed property laws to the contrary, and any right or Claim of any Holder with respect to such property or interest in property shall be forever barred.

A distribution shall be deemed unclaimed if a Holder has not (i) accepted a particular distribution or, in the case of distributions made by check, negotiated such check; (ii) given notice to the Liquidating Trustee of an intent to accept a particular distribution; (iii) responded to the Liquidating Trustee's requests for information necessary to facilitate a particular distribution; or (iv) taken any other action necessary to facilitate such distribution.

4. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Debtor and, after the Effective Date, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. The Debtor or the Liquidating Trustee, as applicable, shall be authorized to take all actions necessary or appropriate to comply with such requirements, including withholding from distributions, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing other reasonable and appropriate mechanisms for compliance.

The Debtor or the Liquidating Trustee, as applicable, may require, as a condition to receipt of a distribution, that the Holder of an Allowed Claim or any Holder of a Class 3 Equity Interest entitled to receive a Distribution under the Plan provide any information necessary to allow the distributing party to comply with any applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority. If the Debtor or the Liquidating Trustee, as applicable, makes such a request and the Holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution shall irrevocably revert to the Debtor or, if after the Effective Date, the Liquidating Trust, and any right or Claim in respect of such distribution shall be forever barred from assertion against the Debtor, the Liquidating Trust, the Liquidating Trustee, or their respective property.

5. Distributions from the Liquidating Trust

All distributions to be made after the Effective Date shall be made by the Liquidating Trustee, subject to the applicable terms and conditions of the Liquidating Trust Agreement.

Notwithstanding the foregoing, if a Class 3 Distribution Determination is made, no distribution shall be made with respect to any Class 3 Equity Interest position that would otherwise be entitled to receive an aggregate distribution of \$250 or less. Any amount that otherwise would have been distributed with respect to such position shall instead be reallocated among the remaining Class 3 Equity Interest positions entitled to receive distributions, in accordance with the Plan.

6. No Postpetition or Default Interest on Claims

Unless otherwise specifically provided for in the Plan, the Confirmation Order, or other order of the Bankruptcy Court, or required by applicable bankruptcy law, postpetition and default interest shall not accrue or be paid on any Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any such Claim.

7. Setoff and Recoupment

Except as otherwise expressly provided in the Plan, the Debtor or, after the Effective Date, the Liquidating Trustee may, but shall not be required to, set off against or recoup from any Claim any claim, right, or Cause of Action of the Debtor, the Estate, or the Liquidating Trust against the Holder of such Claim, subject to applicable law. Neither the failure to exercise any such right of setoff or recoupment nor the Allowance of any Claim shall constitute a waiver or release of any such claim, right, or Cause of Action. In no event shall any Holder of a Claim be entitled to set off or recoup such Claim against any claim, right, or Cause of Action of the Debtor, the Estate, or the Liquidating Trust unless such setoff or recoupment is permitted under the Plan, the Confirmation Order, or applicable law.

V. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, which is accompanied by a ballot (the “**Ballot**”) to be used for voting on the Plan, is being distributed to the Holders of Claims in the Classes entitled to vote to accept or reject the Plan.

A. Holders of Claims Entitled to Vote on the Plan

Under the Plan, Class 2 (General Unsecured Claims) is Impaired and entitled to vote to accept or reject the Plan (the “**Voting Class**”). Class 1 (Non-Tax Priority Claims) is Unimpaired under the Plan and is therefore deemed to accept the Plan and is not entitled to vote. Class 3 (Equity Interests) is Impaired under the Plan and is deemed to reject the Plan and therefore is not entitled to vote.

B. Votes Required for Acceptance by a Class

Under the Bankruptcy Code, acceptance by a class of claims requires an affirmative vote of more than one-half in number of total allowed claims that have voted and an affirmative vote of at least two-thirds in dollar amount of the total allowed claims that have voted.

C. Certain Factors to Be Considered Prior to Voting

There are a variety of factors that all Holders of Claims entitled to vote on the Plan should consider prior to voting to accept or reject the Plan. These factors may impact recoveries under the Plan and include, among other things, the following:

- Unless otherwise specifically indicated, the financial information contained in the Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and the Disclosure Statement;
- Although the Debtor believes that the Plan complies with all applicable provisions of the Bankruptcy Code, the Debtor can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;
- The Debtor may seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code notwithstanding the rejection, or deemed rejection, of the Plan by an Impaired Class, provided that the applicable requirements for confirmation under section 1129(b) are satisfied; and
- Any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims and Professional Fee Claims.

While these factors could affect distributions available to Holders of Allowed Claims and Interests under the Plan, the occurrence or impact of such factors may not necessarily affect the validity of the vote of the Voting Classes or necessarily require a re-solicitation of the votes of Holders of Claims in the Voting Classes pursuant to section 1127 of the Bankruptcy Code.

For a further discussion of risk factors, please refer to “Risk Factors” described in Article X of this Disclosure Statement.

D. Solicitation Procedures

1. Solicitation Package

The following materials constitute the solicitation package (collectively, the “**Solicitation Package**”) distributed to Holders of Claims in the Voting Classes:

- a. The order conditionally approving the Disclosure Statement and scheduling a combined hearing on final approval of the Disclosure Statement and confirmation of the Plan;
- b. The Disclosure Statement;
- c. The Plan;
- d. An appropriate Ballot and voting instructions;
- e. The Confirmation Hearing Notice;
- f. A pre-addressed return envelope; and
- g. Any other documents or materials required by the Court to be included in the Solicitation Package.

2. Distribution of the Solicitation Package and Plan Supplement

The Debtor will distribute the Solicitation Package to Holders of Claims in Class 2 three business days following entry of the Solicitation Order or as soon as reasonably practicable thereafter. The Solicitation Package (except the Ballots) may also be obtained from the Debtor the following address:

**Lipella Pharmaceuticals Inc.
c/o Tucker Arensberg, P.C.
1500 One PPG Place
Pittsburgh, Pennsylvania 15222
Attn: Nichole Tepper (ntepper@tuckerlaw.com)**

The Debtor will file any necessary Plan Supplement prior to the Confirmation Hearing. Once filed, parties may obtain a copy of the Plan Supplement on the Court’s website, <http://www.pawb.uscourts.gov>. Note that a PACER password is needed to access documents on the Court’s website (a PACER password may be obtained by accessing the PACER website,

<http://www.pacer.gov>). Parties may also obtain a copy of the Plan Supplement by (i) emailing mshiner@tuckerlaw.com, or (ii) writing to the Debtor at the above address.

3. Voting on the Plan

The Voting Deadline is **November 13, 2026, at 4:00 P.M. (Eastern Prevailing Time)**. You may submit your Ballot via first class mail, overnight delivery, or hand delivery to the address listed below. In order to be counted as votes to accept or reject the Plan, all Ballots must be properly executed, completed, and delivered in accordance with the instructions on your Ballot so that the Ballots are actually received by the Debtor on or before the Voting Deadline:

DELIVERY OF BALLOTS BY MAIL

**Lipella Pharmaceuticals Inc.
c/o Tucker Arensberg, P.C.
1500 One PPG Place
Pittsburgh, Pennsylvania 15222
Attn: Nichole Tepper**

VI. OVERVIEW OF THE COMPANY

A. The Debtor's Organizational Structure

The Debtor is a corporation organized under the laws of the State of Delaware.

B. The Debtor's Prepetition Debt

The Debtor has no prepetition or postpetition secured debt. At the time of filing, the Debtor was current on all prepetition tax obligations and, accordingly, has no prepetition priority tax claims. Minimal postpetition non-priority tax debt is owed.

The aggregate amount of General Unsecured Claims against the Debtor is approximately \$322,098. The Debtor intends to use the proof of claim process to reconcile the General Unsecured Claims and determine on a final and equitable basis the appropriate allowed amount of such Claims.

VII. OVERVIEW OF THE CHAPTER 11 CASE

A. Commencement of Chapter 11 Case

On March 30, 2026, the Debtor commenced the Chapter 11 Case. Post-petition, the Debtor continued to manage operations as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, but focused on a wind-down of the business.

B. First Day Motions

On or around the Petition Date, the Debtor filed motions with the Bankruptcy Court seeking various forms of relief designed to facilitate a smooth transition for the Debtor into chapter 11 (the “**First Day Motions**”). The Bankruptcy Court granted substantially all of the relief requested in the First Day Motions and entered, among others, orders:

- (i) authorizing the Debtor to pay certain wages and employee benefits [Doc. No. 18]; and
- (ii) authorizing the Debtor to use existing bank accounts [Doc. No. 20];

C. Procedural Motions and Applications

Throughout the Chapter 11 Case, Debtor filed various motions and applications regarding procedural issues, many of which are typical in chapter 11 cases of similar size and complexity. The Bankruptcy Court granted the following motions:

- (i) Debtor’s Motion for Entry of an Order Modifying the Requirements for the List of Equity Security Holders and Modifying the Notice Requirements for Equity Security Holders [Order issued at Doc. No. 119]; and
- (ii) Debtor’s Motion for Entry of an Order (A) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals and (B) Granting Related Relief [Order issued at Doc. No. 139].

D. Retention of Chapter 11 Professionals

The Debtor filed several applications and obtained authority to retain various professionals to assist the Debtor in carrying out its duties under the Bankruptcy Code during the Chapter 11 Case. The Debtor’s professionals include:

- (i) Tucker Arensberg P.C. as its bankruptcy counsel [Doc. No. 53];
- (ii) BDO Consulting Group, LLC, its financial advisor and investment banker [Doc. No. 54]; and
- (iii) Raines Feldman Littrell LLP, special litigation counsel [Doc. No. 99].

E. Statements and Schedules and Claims Bar Dates

On April 13, 2026, the Debtor filed its schedules of assets and liabilities (the “**Schedules**”) and its statement of financial affairs (the “**SOFA**”) [Doc. No. 29].

On April 14, 2026, the Bankruptcy Court set August 13, 2026, as the deadline for persons or entities (except governmental units) to file proofs of claim in the Chapter 11 Case (the “**General**

Bar Date”). The Bankruptcy Court set September 28, 2026, as the deadline for governmental units to file proofs of claim in the Chapter 11 Case (the “**Governmental Bar Date**”).

VIII. SUMMARY OF THE RELEASES, INJUNCTION, EXCULPATION, AND OTHER PROVISIONS CONTEMPLATED BY THE PLAN

A. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the Plan is and shall be deemed a good-faith compromise and settlement of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest, including, for the avoidance of doubt, with respect to the Released Claims.

Specifically, in consideration for the classification, distributions, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan will constitute a good faith compromise and settlement between the Debtor and the Released Parties regarding, *inter alia*, the Released Claims held by (or that could be asserted by or on behalf of) the Debtor under the Plan (including the releases and related provisions provided herein).

The entry of the Confirmation Order shall constitute the Bankruptcy Court’s approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtor, its Estate, and Holders of Claims and Interests and is fair, equitable, reasonable, and within the range of reasonableness. The compromises, settlements, and releases described herein shall be deemed nonseverable from each other and from all other terms of the Plan. In accordance with the provisions of the Plan, section 1123 of the Bankruptcy Code, and Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Liquidating Trustee may compromise and settle Claims against, and Interests in, the Debtor and its Estate and Causes of Action against other Entities.

B. Satisfaction of Claims and Termination of Interests

Except as otherwise specifically provided in the Plan or the Confirmation Order, the distributions, rights, and treatment provided under the Plan shall be in full and final satisfaction and settlement of Claims and Interests to the extent provided in the Plan. On the Effective Date, all Equity Interests shall be cancelled and extinguished in accordance with the Plan, subject solely to the contingent right of Holders of Class 3 Equity Interests to receive distributions if and to the extent a Class 3 Distribution Determination is made in accordance with the Plan and the Liquidating Trust Agreement.

The Debtor is a corporation and the Plan provides for the liquidation of all or substantially all of the property of the Estate and the dissolution of the Debtor. Accordingly, the Debtor shall

not receive a discharge under section 1141(d) of the Bankruptcy Code. Nothing in the Plan or the Confirmation Order shall be construed as granting the Debtor a discharge.

C. Releases by the Debtor, Its Officers, Directors, and Professionals

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, the adequacy of which is hereby acknowledged and confirmed, as of the Effective Date, the Debtor, its Estate, the officers and directors of the Debtor, and the Professionals retained in this Chapter 11 Case by the Debtor, on behalf of themselves and any successor, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Released Parties from the Released Claims, which include, for the avoidance of doubt, any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever (including any derivative Claims asserted or that may be asserted on behalf of the Debtor or its Estate), whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, based on or relating to, or in any manner arising from, in whole or in part, the Debtor, the formulation, preparation, dissemination, negotiation of the Plan, any Disclosure Statement, the Sale Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Plan, the Disclosure Statement, the Chapter 11 Case, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing.

D. Exculpation

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur liability for, and each Exculpated Party is hereby released and exculpated from, any Cause of Action or any claim related to any act or omission from the Petition Date to the Effective Date in connection with, relating to, or arising out of, the Chapter 11 Case, in whole or in part, the Debtor, the formulation, preparation, dissemination, negotiation, of the Plan, the Disclosure Statement, any Definitive Document, the Sale Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Plan, the Disclosure Statement, the filing of the Chapter 11 Case, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the distribution of property under the Plan, or any other related agreement, except for Claims or Causes of Action arising from an act or omission that is judicially determined in a Final Order to have constituted actual fraud, willful misconduct, or gross negligence, but in all respects, such Exculpated Parties shall be entitled to the fullest extent permitted by law to reasonably rely upon the advice of counsel with respect to their duties and responsibilities, including the distribution of property under the Plan or any other related agreement, without the Bankruptcy Court (i) first determining, after notice and a hearing, that such claim or Cause of Action represents a colorable claim of any kind, including, but not limited to actual fraud, willful misconduct, or gross negligence against an

Exculpated Party, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan, and (ii) specifically authorizing a party to bring such claim or cause of action against any such Exculpated Party. The Exculpated Parties have, and upon Consummation of the Plan, shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of, and distribution of, consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

E. Bar Order

The Confirmation Order shall permanently enjoin the commencement or prosecution by any Entity whether directly, derivatively or otherwise, of any claims or Causes of Action released pursuant to this Plan, including but not limited to the Released Claims and the claims and Causes of Action released in Article VIII.C of the Plan. For the avoidance of doubt and subject to the following sentence, this injunction shall permanently bar, enjoin, and restrain (i) all persons and entities from commencing or prosecuting any litigation or asserting any claims against the Released Parties based on any Released Claims; (ii) to the maximum extent possible under applicable law, each person or entity from commencing, prosecuting, or asserting against any of the Released Parties any claims, actions or proceedings for contribution or indemnity, or otherwise, including any claims, actions or proceedings for contribution or indemnity or otherwise arising out of or in connection with any Released Claims.

F. Permanent Injunction

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR FOR DISTRIBUTIONS REQUIRED TO BE PAID OR DELIVERED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD ANY CLAIMS OR INTERESTS THAT EITHER (1) HAVE BEEN RELEASED PURSUANT TO Article VIII.C, (2) HAVE BEEN SATISFIED, SETTLED, OR OTHERWISE TREATED PURSUANT TO Article VIII.B OF THE PLAN, OR (3) ARE SUBJECT TO EXCULPATION PURSUANT TO Article VIII.D, ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE RELEASED PARTIES (TO THE EXTENT OF THE RELEASES PROVIDED PURSUANT TO Article VIII.C WITH RESPECT TO THE RELEASED PARTIES), THE DEBTOR, OR THE EXCULPATED PARTIES (TO THE EXTENT OF THE EXCULPATION PROVIDED PURSUANT TO Article VIII.D WITH RESPECT TO THE EXCULPATED PARTIES): (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH ENTITY ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (III) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OF THE

ESTATE OF SUCH ENTITY ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM SUCH ENTITIES OR AGAINST THE PROPERTY OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF RIGHT IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT IN ACCORDANCE WITH THE TERMS OF THIS PLAN EXPLICITLY PRESERVING SUCH SETOFF, AND NOTWITHSTANDING AN INDICATION OF A CLAIM OR INTEREST OR OTHERWISE THAT SUCH ENTITY ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO APPLICABLE LAW OR OTHERWISE; AND (V) TAKING ANY OTHER ACTION OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

G. Subordination Rights

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code, or otherwise, that a Holder of a Claim or Interest may have against other Claim or Interest Holders with respect to any distribution made pursuant to the Plan.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN MAY BE COMPLEX. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PLAN, INCLUDING, AS APPLICABLE, THE CANCELLATION OF EQUITY INTERESTS, THE CONTINGENT RIGHT OF HOLDERS OF CLASS 3 EQUITY INTERESTS TO RECEIVE A DISTRIBUTION UNDER THE PLAN, AND THE RECEIPT, OWNERSHIP, OR DISPOSITION OF ANY DISTRIBUTIONS OR PROCEEDS. THE TAX CONSEQUENCES MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH EQUITY HOLDER.

THE TAX TREATMENT OF THE CANCELLATION OF CLASS 3 EQUITY INTERESTS, THE CONTINGENT RIGHT TO RECEIVE A DISTRIBUTION FOLLOWING A CLASS 3 DISTRIBUTION DETERMINATION, AND ANY SUBSEQUENT DISTRIBUTION TO A HOLDER OF A CLASS 3 EQUITY INTEREST MAY DEPEND UPON FACTS AND CIRCUMSTANCES SPECIFIC TO THE EQUITY HOLDER AND MAY BE UNCERTAIN. NOTHING IN THE PLAN OR THIS DISCLOSURE STATEMENT IS INTENDED TO REPRESENT OR GUARANTEE THAT ANY EQUITY HOLDER WILL BE ENTITLED TO CLAIM A PARTICULAR TAX TREATMENT, DEDUCTION, LOSS, OR OTHER TAX CONSEQUENCE.

MOREOVER, THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN MAY BE UNCERTAIN DUE TO, IN SOME CASES, THE LACK OF APPLICABLE LEGAL PRECEDENT AND THE POSSIBILITY OF CHANGES IN THE LAW. NO RULING HAS BEEN APPLIED FOR OR OBTAINED FROM THE IRS WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN, AND NO OPINION OF COUNSEL HAS BEEN REQUESTED OR OBTAINED BY THE DEBTOR WITH RESPECT THERETO.

THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY ENCOURAGED TO CONSULT WITH HIS, HER, OR ITS OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, OR OTHER TAX CONSEQUENCES OF THE PLAN.

X. RISK FACTORS

Before voting to accept or reject the Plan, Holders of Claims entitled to vote should read and carefully consider the risk factors set forth below, in addition to the information set forth in this Disclosure Statement together with any attachments, exhibits, or documents incorporated by reference hereto. The factors below should not be regarded as the only risks associated with the Plan or its implementation.

A. Risks Related to Bankruptcy Law

1. Risk of Non-Confirmation of the Plan

Although the Debtor believes that the Plan satisfies all requirements necessary for the Bankruptcy Court to confirm the Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate re-solicitation of votes. Moreover, the Debtor can make no assurances that it will receive the requisite acceptances to confirm the Plan. Even if all Voting Classes vote in favor of the Plan or the requirements for confirmation under section 1129(b) of the Bankruptcy Code are satisfied with respect to any Class that rejects or is deemed to reject the Plan, there can be no assurance that the Plan will be confirmed. If the Plan is not confirmed, it is uncertain what distributions Holders of Claims or Interests would ultimately receive under any alternative chapter 11 plan, in a chapter 7 liquidation, or otherwise.

2. Non-Consensual Confirmation

If any Impaired Class of Claims or Interests does not accept or is deemed not to accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request if at least one Impaired Class of Claims has accepted the Plan, determined without including any acceptance of the Plan by an Insider, and the Bankruptcy Court determines that the Plan does not discriminate unfairly and is fair and equitable with respect to each Impaired Class that has not accepted the Plan. If any Class votes to reject or is deemed to reject the Plan, these requirements must be satisfied with respect to such rejecting Class. The Debtor believes that the Plan satisfies these requirements.

3. Allowed Claims Could Exceed Estimates

There can be no assurance that the Allowed amount of Claims participating in distributions will not be significantly more than projected, which, in turn, could cause the value of distributions to Holders of Allowed Claims whose treatment is limited to distributions from a specified recovery source to be reduced. Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the ultimate results and total amount of Claims against the Debtor's Estate. Therefore, the actual amount of Allowed Claims may vary from what is contained in the Disclosure Statement or supporting documents, and the variation may be material.

4. Risk of Non-Occurrence of the Effective Date

Although the Debtor believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to the timing of the Effective Date. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or have not been waived as set forth in Article IX of the Plan, then the Confirmation Order may be vacated, in which event no distributions would be made under the Plan, the Debtor and all Holders of Claims or Interests would be restored to the status quo as of the day immediately preceding the Confirmation Date, and the Debtor's obligations with respect to Claims and Interests would remain unchanged.

5. Conversion into a Chapter 7 Case

If the Plan cannot be confirmed or if the Bankruptcy Court otherwise determines that conversion would be in the best interests of creditors and the Estate, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code. In such circumstances, a trustee would be appointed or elected to liquidate the Debtor's remaining assets for distribution in accordance with the priorities set forth in the Bankruptcy Code.

6. Parties in Interest May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtor believes that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor created Classes of Claims and Interests each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

7. The Debtor May Fail to Satisfy Vote Requirements

If votes are received in number and amount sufficient to satisfy the applicable requirements for confirmation of the Plan, the Debtor intends to seek Confirmation of the Plan as promptly as

practicable. If sufficient votes are not received, the Debtor may seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, propose or seek confirmation of an alternative chapter 11 plan, or consider other alternatives available under the Bankruptcy Code. There can be no assurance that any such alternative would result in distributions to Holders of Claims or Interests that are equal to or greater than those contemplated under the Plan.

8. Contingencies Could Affect Distributions Under the Plan

The distributions available to Holders of Allowed Claims under the Plan may be affected by a variety of contingencies, including the ultimate amount of Allowed Claims and the amount of assets ultimately available for distribution. The estimated Claims and recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may differ materially from those estimates. The Debtor cannot determine with certainty at this time the number or amount of Claims that will ultimately be Allowed or the amount of proceeds that ultimately will be realized by the Liquidating Trust. Such differences may materially affect distributions to Holders of Allowed Claims and whether sufficient assets ultimately become available for any distribution to Holders of Class 3 Equity Interests.

9. Releases, Injunctions, and Exculpations Provisions May Not Be Approved

Article VIII of the Plan provides for certain settlement, release, exculpation, bar-order, and injunction provisions. These provisions are subject to approval by the Bankruptcy Court and may be subject to objection by parties in interest. There can be no assurance that the Bankruptcy Court will approve all such provisions as proposed. If the Bankruptcy Court determines that any such provision cannot be approved, the Debtor may be required to modify the Plan, and any such modification could affect the terms of the Plan or the Debtor's ability to obtain Confirmation.

10. The Debtor's Efforts to Confirm the Plan May Be Disrupted by a Competing Plan

At the outset of the Chapter 11 Case, the Bankruptcy Code gave the Debtor the exclusive right to propose and solicit acceptances of the Plan for initial periods of 120 and 180 days, respectively (the "**Exclusivity Periods**"), and prohibited creditors and other parties in interest from proposing a plan within the Debtor's Exclusivity Periods. If the Exclusivity Periods expire pursuant to statute and the Debtor fails confirm a Plan within that period or timely request an extension of the time to do so (should it become necessary), there could be a material adverse effect on the Debtor's ability to achieve confirmation of the Plan in order to achieve the Debtor's stated goals.

B. Additional Factors

1. The Debtor Could Withdraw the Plan

Subject to and without prejudice to the rights of any party in interest, the Debtor may revoke or withdraw the Plan before the Confirmation Hearing.

2. The Debtor Has No Duty to Update

The statements contained in this Disclosure Statement are made as of the date hereof unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Additionally, the Debtor has no duty to update this Disclosure Statement unless the Bankruptcy Court orders otherwise.

3. No Representations Outside this Disclosure Statement Are Authorized

No representations concerning or related to the Debtor, the Chapter 11 Case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than those contained in or included with this Disclosure Statement should not be relied upon in making the decision to accept or reject the Plan.

4. No Legal or Tax Advice Is Provided by this Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or Interest should consult its own legal counsel and accountant as to legal, tax, and other matters concerning their Claim or Interest. This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

5. No Admission Made

Nothing contained herein or in the Plan shall constitute an admission of or shall be deemed evidence of the tax or other legal effects of the Plan on the Debtor or Holders of Claims or Interests.

XI. CONFIRMATION OF THE PLAN

The Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan is (a) accepted by all Impaired Classes of Claims and Interests entitled to vote or, if rejected or deemed rejected by an Impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such class, (b) in the “best interests” of the Holders of Claims and Interests impaired under the Plan, and (c) feasible.

A. Acceptance of the Plan

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Holders of Claims that fail to vote are not counted in determining the thresholds for acceptance of the Plan. Under

the Plan, Class 2 General Unsecured Claims is the only Class entitled to vote to accept or reject the Plan. Class 3 Equity Interests is Impaired and deemed to reject the Plan and therefore is not entitled to vote. Accordingly, if Class 2 accepts the Plan, the Debtor intends to seek confirmation of the Plan notwithstanding the deemed rejection by Class 3 pursuant to section 1129(b) of the Bankruptcy Code. The “unfair discrimination” test applies to classes of claims or interests that are of equal priority and are receiving different treatment under the plan. A chapter 11 plan does not discriminate unfairly, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class of claims or interests receives more than it legally is entitled to receive for its claims or interests. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” The “fair and equitable” test applies to classes of different priority and status (e.g., secured versus unsecured; claims versus interests) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards that must be satisfied in order for the plan to be confirmed, depending on the type of claims or interests in such class. The following sets forth the “fair and equitable” test that must be satisfied as to each type of class for a plan to be confirmed if such class rejects the plan:

- Unsecured Creditors. Either (a) each holder of an impaired unsecured claim receives or retain under the plan, property of a value, as of the effective date of the plan, equal to the amount of its allowed claim or (b) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.
- Interests. Either (a) each interest holder will receive or retain under the plan property of a value equal to the greater of (i) the fixed liquidation preference or redemption price, if any, of such interest and (ii) the value of the interest or (b) the holders of interests that are junior to the interests of the dissenting class will not receive or retain any property under the plan.

The Debtor believes the Plan satisfies the “fair and equitable” requirement with respect to any rejecting Class.

IF ALL OTHER CONFIRMATION REQUIREMENTS ARE SATISFIED AT THE CONFIRMATION HEARING, THE DEBTOR WILL ASK THE BANKRUPTCY COURT TO RULE THAT THE PLAN MAY BE CONFIRMED ON THE GROUNDS THAT THE SECTION 1129(B) REQUIREMENTS HAVE BEEN SATISFIED.

B. Best Interests of Creditors Test

The Bankruptcy Code requires that each holder of an impaired claim or interest either (1) accepts the plan or (2) receives or retains under the plan property of a value, as of the effective date, that is not less than the value such holder would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. This requirement is customarily referred to as the “best interests of creditors” test. As demonstrated in the liquidation analysis attached hereto as Exhibit B, the Debtor believes that each Holder of an Impaired Claim or Interest will receive or retain under the Plan property of a value that is not less than the value such Holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan. The Plan expressly provides for the liquidation of the Debtor, the transfer of the Debtor's remaining assets to the Liquidating Trust, and the dissolution of the Debtor. Accordingly, the Debtor believes that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code because the liquidation of the Debtor is expressly contemplated by the Plan and the Plan provides the mechanisms necessary to administer the Liquidating Trust Assets, resolve Claims, and make distributions in accordance with the Plan and the Liquidating Trust Agreement.

D. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a confirmation hearing upon appropriate notice to all required parties. The Confirmation Hearing will be held on **November 24, 2026, at 10:00 A.M. (Eastern Prevailing Time)**. The Bankruptcy Court may adjourn the Confirmation Hearing without further notice except for the announcement of the continuation date made at the Confirmation Hearing, at any subsequent continued Confirmation Hearing, or pursuant to a notice filed on the docket for the Chapter 11 Case. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to the confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and the local rules of the Bankruptcy Court, must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the Debtor's estate or properties, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court and served no later than the Confirmation Objection Deadline.

XII. CONCLUSION AND RECOMMENDATION

The Debtor believes the Plan is in the best interests of all stakeholders and urges the Holders of Claims entitled to vote on the Plan to vote in favor thereof.

Respectfully submitted,

Date: September 21, 2026

TUCKER ARENSBERG, P.C.

/s/ Michael A. Shiner

Michael A. Shiner, Esquire (PA ID No. 78088)
Zakarij O. Thomas, Esquire (PA ID No. 86385)
Maribeth Thomas, Esquire (PA ID No. 208376)
Joanna D. Studeny, Esquire (PA ID No. 313148)
1500 One PPG Place

Pittsburgh, PA 15222
Phone: 412-566-1212
mshiner@tuckerlaw.com
zthomas@tuckerlaw.com
jstudy@tuckerlaw.com

Counsel for Lipella Pharmaceuticals Inc.

LIQUIDATION ANALYSIS**Introduction**

Pursuant to section 1129(a)(7) of the Bankruptcy Code, each holder of an impaired claim or equity interest must either (a) accept a chapter 11 plan or (b) receive or retain under a chapter 11 plan property of a value, as of the plan effective date, that is not less than the value such nonaccepting holder would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code (often referred to as the "Best Interests Test"). To demonstrate that the proposed Plan satisfies the Best Interests Test, the Plan Proponents, have prepared the following hypothetical liquidation analysis (the "Liquidation Analysis"), which is based upon certain assumptions discussed in the Disclosure Statement (as defined herein) and in the accompanying notes to the Liquidation Analysis.

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan and Disclosure Statement, as applicable.

Methodology

The Liquidation Analysis has been prepared assuming that the Debtor's Chapter 11 Case is converted to a chapter 7 liquidation on August 31, 2026 (the "Chapter 7 Conversion Date").

The values set forth therein are assumed to be representative of the Debtor's approximate assets and liabilities as of the Chapter 7 Conversion Date. It is assumed that, on the Chapter 7 Conversion Date, the Bankruptcy Court would appoint a chapter 7 trustee (the "Chapter 7 Trustee").

Global Notes & Assumptions**1. Chapter 7 Liquidation Costs and Length of Liquidation Process —The Plan**

Proponents have assumed that liquidation pursuant to chapter 7 of the Bankruptcy Code would require approximately the same amount of time as it would if the Chapter 11 Case was not converted to Chapter 7. In an actual liquidation, the wind down process and time period could vary significantly, thereby impacting recoveries. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized in a chapter 7 liquidation.

Pursuant to section 726 of the Bankruptcy Code, the allowed administrative expenses incurred by the Chapter 7 Trustee would be entitled to payment in full prior to any distributions to chapter 11 Allowed Administrative Claims and Allowed Priority Claims. The estimates used in the Liquidation Analysis for these expenses include estimates for operational expenses and the fees and costs for certain legal, accounting, and other professionals, as well as an estimated fee payable to the Chapter 7 Trustee (calculated in accordance with 11 U.S.C. § 326(a)) based on the amount of assets distributed to creditors.

2. Distribution of Net Proceeds —The assumed distributions to creditors as reflected in the Liquidation Analysis are estimated in accordance with the absolute priority rule pursuant to section 1129(b)(2) of the Bankruptcy Code or section 726 of the Bankruptcy Code, as applicable.

Lipella Pharmaceuticals Inc.
Best Interest of Creditors Test

	Projected Book Value	Chapter 7 - Low % Adjusted Value	Chapter 7 - High % Adjusted Value	Chapter 11 - Low % Adjusted Value	Chapter 11 - High % Adjusted Value	Notes
Assets						
Cash of the Estate as at August 31, 2026	\$ 649,085	100% \$ 649,085	100% \$ 649,085	100% \$ 649,085	100% \$ 649,085	1
Total Assets	\$ 649,085	\$ 649,085	\$ 649,085	\$ 649,085	\$ 649,085	
Liabilities						
Professional Fees payable through to Effective Date		\$ 294,000	\$ 294,000	\$ 130,000	\$ 130,000	2
CEO/CFO Costs through to Effective Date		69,213	69,213	30,380	30,380	3
2025 Tax Returns and UST Fees for 11 proceedings		12,616	12,616	12,616	12,616	
D&O Liability Coverage Cost		170,000	170,000	170,000	170,000	
Other		13,522	13,522	13,522	13,522	4
Total		\$ 559,351	\$ 559,351	\$ 356,518	\$ 356,518	
Recovery %		100%	100%	100%	100%	
Estimated Cash at Effective Date (November 15, 2026):		\$ 89,734	\$ 89,734	\$ 292,567	\$ 292,567	
Potential Recoveries from:						
	Gross Recovery					
Lab Equipment	\$ 63,500	0% \$ -	25% \$ 15,875	0% \$ -	25% \$ 15,875	5
Proceeds from Milestone 1 Payment under the APA	\$ 200,000	0% \$ -	100% \$ 200,000	0% \$ -	100% \$ 200,000	6
Proceeds from Milestones 2 under the APA	\$ 1,000,000	0% \$ -	0% \$ -	0% \$ -	50% \$ 500,000	7
Proceeds from Milestones 3 under the APA	\$ 2,000,000	0% \$ -	0% \$ -	0% \$ -	25% \$ 500,000	7
Fees on SH APA Proceeds	-	-	(40,000)	-	(199,500)	8
Potential Litigation Proceeds	-	-	-	-	-	9
Total Net Recoveries	\$ 3,263,500	\$ -	\$ 175,875	\$ -	\$ 1,016,375	
Estimated Cash Available Incl. Potential Recoveries		\$ 89,734	\$ 265,609	\$ 292,567	\$ 1,308,942	
Trustee Fees and Incremental Professional Fees						
Chapter 7 Trustee Fee (3%)		\$ 2,692	\$ 7,968	\$ -	\$ -	10
Chapter 7 Trustee Professional Fee and Costs		300,000	300,000	-	-	11
Chapter 11 Liquidating Trustee Fees and Costs		-	-	284,750	284,750	11
Total		\$ 302,692	\$ 307,968	\$ 284,750	\$ 284,750	
Cash Available to Priority Claims:		\$ (212,958)	\$ (42,360)	\$ 7,817	\$ 1,024,192	
Priority Claims		\$ 17,150	\$ 17,150	\$ -	\$ -	12
% Recovery		0%	0%	n/a	n/a	
Cash Available to Non-Insider GUC Claims:		\$ (230,108)	\$ (59,510)	\$ 7,817	\$ 1,024,192	
Non-Insider Claims		\$ 23,748	\$ 23,748	\$ 23,748	\$ 23,748	13

	Projected Book Value	Chapter 7 - Low Adjusted Value	Chapter 7 - High Adjusted Value	Chapter 11 - Low Adjusted Value	Chapter 11 - High Adjusted Value	Notes
% Recovery		0%	0%	33%	100%	
Cash Available for Remaining Deferred Claims		\$ (253,857)	\$ (83,258)	\$ (15,931)	\$ 1,000,444	
Unsecured Deferred Claims		\$ -	\$ -	\$ 219,983	\$ 219,983	14
% Recovery		n/a	n/a	0%	100%	
Cash Available for Remaining Insider Claims		\$ (253,857)	\$ (83,258)	\$ (235,915)	\$ 780,460	
Unsecured Insider Claims		\$ 298,350	\$ 298,350	\$ 298,350	\$ 298,350	15
% Recovery		0%	0%	0%	100%	
Cash Available for Equity Claims		\$ (552,207)	\$ (381,608)	\$ (534,265)	\$ 482,110	
# of Equity Claims		4,500,000	4,500,000	4,500,000	4,500,000	
Equity \$/ Claim		\$ -	\$ -	\$ -	\$ 0.11	

Notes	
1	Cash at August 31, 2026 per the August 31, MOR.
2	Debtor's Counsel fees from August 31, 2026 through to Effective Date, net of deferred professional fees of \$160,000 under the 11 scenarios.
3	Compensation costs for J. Kauffman (CEO) and D. Johnson for services performed from Petition Date through to August 31, 2026. Net of deferred compensation of CEO.
4	Post filing AP and additional \$10K costs in Chapter 11 and Chapter 7 for Broadridge costs.
5	All of the Debtor's lab equipment was provided to the University of Pittsburgh / Pittsburgh Surplus for sale on consignment.
6	Under the terms of the SH APA, upon achievement of Milestone 1, the Purchaser is to remit \$200,000 to the Debtor. The figure included above is net of fees owing to BDO Consulting Group LLC in the amount of \$40,000 in accordance with their SOW and their retention order.
7	Under the terms of the SH APA, the Debtor is owed \$1 million and \$2 million, respectively, if the Purchaser is able to achieve Milestones 2 and 3.
8	Fees as stipulated under the court approved Retention Order.
9	The Debtor intends to pursue legal action against its former pre-filing professional advisors as it relates to the NASDAQ compliance issues. The Debtor cannot, at this time, reasonably project the damages and therefore potential proceeds from this pending litigation.
10	Statutory rate.
11	Assumes trustee hires own counsel and other professionals and will incur costs and time to get up to speed.
11	Estimated Chapter 11 Liquidating Trustee Fee are expected to be less than the total Chapter 7 Trustee and incremental professional fees.
12	Priority Claim of the CEO have been deferred in the Chapter 11 Plan.