UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF PENNSYLVANIA

In re: LIPELLA PHARMACEUTICALS INC., Debtor,	Chapter 11 Case No.
LIPELLA PHARMACEUTICALS INC., Movant, v. NO RESPONDENTS, Respondent(s).	Hearing Date and Time: Response Deadline:

DECLARATION OF JONATHAN KAUFMAN IN SUPPORT OF
CHAPTER 11 PETITION AND FIRST DAY APPLICATIONS AND MOTIONS

I, Jonathan Kaufman, hereby make the following declaration under penalty of perjury, pursuant to 28 U.S.C. § 1746, as follows:

1. I am the Chief Executive Officer of the Debtor, Lipella Pharmaceuticals Inc. (the "**Debtor**"). I graduated from Carnegie Mellon University with a BS in physics in 1988, an MS in Measurement and Control in 1989. I obtained an MS in Geophysics from Brown University in 1994, a PhD in Biophysics from the University of Pennsylvania in 2000, and an MBA in Finance from the Wharton School in 2004.

2. I submit this declaration (the "**Declaration**") to support the Debtor's Chapter 11 Petition filed on March 30, 2026 (the "**Petition Date**") and First Day Motions (as defined herein) seeking immediate relief to facilitate an orderly transition into chapter 11 and to preserve the value of the Debtor's assets. Except as otherwise indicated herein, all statements set forth in this

Declaration are based upon my personal knowledge, information supplied to me by other members of the Debtor's management or the Debtor's professionals, discussions with other employees of the Debtor, my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtor's operations and financial conditions and the industry in which the Debtor operates. If called as a witness, I could and would competently testify to the matters set forth in this Declaration.

3. The Debtor is 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. The Debtor was founded in 2005, is incorporated in Delaware, and is currently headquartered in Pittsburgh, Pennsylvania. The Debtor's co-founder, Jonathan Kaufman, PhD, and its co-founder and former Chief Medical Officer, Michael Chancellor, MD, led the development of these drugs since 2005. Dr. Chancellor resigned from his employment with the Debtor and from his seat on the Debtor's Board of Directors on December 3, 2025.

4. The Debtor's operations consist of research, preclinical development and clinical development activities, and its most advanced programs are in Phase 2 clinical development.

5. The Debtor initially funded its operations by raising angel investments, community development fund financing, and by applying for and receiving various research grants.

6. The Debtor's technology centers on liposomal drug delivery, which involves encapsulating drugs within microscopic bilayer vesicles to enhance their stability and effectiveness. The technology is intended to effectively deliver drug therapy directly to body cavities or mucosal tissue.

7. Current drugs (hereafter "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 has 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.

d. LP-50 (Intravesical) for the treatment of non-muscle invasive bladder cancer. Lipella presented an abstract highlighting pre-clinical data at the American Society of Clinical Oncology's 2024 annual meeting.

8. 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 has ceased manufacturing operations as part of cost-reduction efforts prior to the Petition Date.

9. The Debtor's scientific advisory board has included professionals affiliated with the College of Medicine Miami Cancer Institute, Oral Medicine at Wake Forest University, UCSF School of Dentistry, Tufts University School of Dental Medicine, and Harvard School of Dental Medicine.

10. 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").

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

12. 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.

13. 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.

14. After the initial public offering, the Debtor had seven employees. Presently, the Debtor has six employees.

15. 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.

16. 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.

17. In April 2024 Debtor's bid price fell below the $1 NASDAQ bid price minimum, and then on August 2024 the Debtor's shareholders' equity fell below NASDAQ's $2.5 million equity rule. By November of 2024 Debtor regained compliance with NASDAQ's bid price minimum, and planned to regain compliance with the shareholders' equity minimum 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.

18. In December 2024 the Debtor engaged outside professional advisors, including an investment bank and securities counsel, 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 professional advisors.

19. In structuring the PIPE transactions, the Debtor and its management relied on the expertise of such advisors to ensure compliance with applicable securities laws and NASDAQ listing rules. The Debtor reasonably expected that the structure and terms recommended by its 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.

20. 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. Based on my understanding, 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 professional advisors.

21. In responding to NASDAQ's inquiries, the Debtor acted through and in consultation with its 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.

22. 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.

23. The Debtor and its officers and directors at all times acted in good faith and with the intent to comply with applicable securities laws and NASDAQ listing requirements, and reasonably relied on the advice of their professional advisors in structuring and executing the PIPE transactions. To the extent that the structure of the PIPE transactions failed to comply with applicable rules or gave rise to the Debtor's delisting and resulting damages, such outcomes may have resulted, in whole or in part, from deficiencies in the advice, analysis, or structuring recommendations provided by such advisors. The Debtor is evaluating potential claims relating to these matters.

24. 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. These efforts were unsuccessful. The Debtor continued its operations and released positive results in September 2025 on from phase 2a clinical trial. But the Debtor needed to be listed (or at least listable) on a national exchange such as NASDAQ or NYSE in order to raise additional capital. 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.

25. 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 is in the best interest of the Debtor, its creditors, equity holders, and other stakeholders.

26. The Debtor does not have any secured debt, and enters this chapter 11 proceeding with adequate cash on hand to fund an auction process and orderly wind-down of its affairs.

27. The Debtor has six employees as of the Petition Date.

28. The Debtor's assets primarily consist of cash on hand and funds in a custodial account, intellectual property, certain prepaid deposits, laboratory equipment, a small quantity of the Liposomal Therapies, and potential litigation claims, including claims related to prior professional services.

29. The Debtor has retained Tucker Arensberg, P.C. as its legal counsel to advise the Debtor in connection with this chapter 11 case and an application to retain Tucker Arensberg, P.C. as counsel is being filed contemporaneously herewith.

30. The Debtor has retained BDO Consulting Group, LLC as its financial advisor and investment banker to, *inter alia*, conduct a robust marketing process for the Debtor's intellectual property and related assets and conduct an auction in accordance with 11 U.S.C. § 363 which will be the subject of a motion to approve bid procedures and, ultimately, approval of the sale, to be

filed promptly following the Petition Date, and an application to retain BDO Consulting Group, LLC as its financial advisor and investment banker is being filed contemporaneously herewith.

31. The Debtor is in the process of identifying and engaging special litigation counsel to pursue certain litigation claims for the Debtor. Once counsel is identified and the terms of engagement are finalized, the Debtor will file an application to retain special litigation counsel.

32. To maintain business continuity, the Debtor requests approval of its bank account motion, wage motion and applications to engage legal counsel and financial advisor, filed contemporaneously herewith (together, "**First Day Motions**").

33. Approval of the relief requested in the First Day Motions is critical to the Debtor's ability to continue preserving the value of its assets. I have reviewed each of the First Day Motions, and I believe that the relief sought herein is necessary to permit an effective transition into chapter 11. The facts set forth in the First Day Motions are true and correct to the best of my knowledge and belief with appropriate reliance on the Debtor's management and the Debtor's advisors, and I can attest to such facts. I believe that the Debtor's estate would suffer immediate and irreparable harm absent the ability to make certain essential payments and otherwise continue its business operations as sought in the First Day Motions, and that the relief requested in the First Day Motions is in the best interests of the Debtor's creditors, employees, and other stakeholders.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on March __, 2026

By: /s/______________
Jonathan Kaufman
Chief Executive Officer
Lipella Pharmaceuticals Inc.