

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
AVADIM HEALTH, INC., et al., ¹)	Case No. 21-10883 (CTG)
)	
Debtors.)	(Jointly Administered)

NOTICE OF SALE, BIDDING PROCEDURES, AUCTION, AND SALE HEARING

PLEASE TAKE NOTICE that Avadim Health, Inc. and its affiliated debtors, as debtors and debtors in possession (collectively, the “Company” or the “Debtors”) in the above-captioned chapter 11 cases (the “Chapter 11 Cases”), filed petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) on May 31, 2021.

PLEASE TAKE FURTHER NOTICE that, on May 31, 2021, the Company entered into that certain stalking horse asset purchase agreement (the “Stalking Horse APA”) with Midava Holdings 3, Inc. (the “Stalking Horse Bidder”), as more fully set forth in the *Debtors’ Motion for Entry of an Order (I) Authorizing and Approving the Debtors’ Entry into the Stalking Horse APA with the Stalking Horse Bidder, Subject to the Bidding Procedures and the Sale Hearing, (II) Approving Bidding Procedures, (III) Scheduling the Bid Deadlines and the Auction, (IV) Scheduling a Hearing to Consider the Transaction, (V) Approving the Form and Manner of Notice Thereof, (VI) Approving Contract Procedures, and (VII) Granting Related Relief* filed with the Bankruptcy Court on June 1, 2021 [ECF No. 16] (the “Bidding Procedures Motion”).² Through the Bidding Procedures Motion, the Debtors seek, among other things, approval of certain procedures (the “Bidding Procedures”) to govern the sale (the “Sale”) of all or substantially all of the Debtors’ assets (the “Company Assets”), pursuant to section 363 of the Bankruptcy Code, to the Stalking Horse Bidder or such other Successful Bidder (as defined in the Bidding Procedures) at an auction, free and clear of all claims, liens and encumbrances, as set forth in the Stalking Horse APA or a purchase agreement with such alternative Successful Bidder.

PLEASE TAKE FURTHER NOTICE that, on June 23, 2021, the Bankruptcy Court entered the *Order (A) Establishing Bidding Procedures for the Sale of all or Substantially all of the Debtors’ Assets, (B) Authorizing and Approving Entry into the Stalking Horse APA, (C) Approving the Designation of the Stalking Horse Bidder, (D) Scheduling a Sale Hearing and Objection Deadlines with respect to the Sale, (E) Scheduling an Auction, (F) Approving the Form and Manner of Notice of the Sale Hearing and Auction, (G) Approving Contract Assumption and Assignment Procedures, and (H) Granting Related Relief*

¹ The Debtors, along with the last four (4) digits of each Debtor’s federal tax identification number are: Avadim Health, Inc. (8411); Avadim Health IP, Inc. (7594); Bionome Properties Corp. (6483); Quality Assurance Associates, Inc. (5613); and Relion Manufacturing, Inc. (0430). The Debtors’ business address is 81 Thompson Street, Asheville, NC 28803.

² Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Bidding Procedures Motion, Bidding Procedures Order (as defined herein), or Bidding Procedures (each as defined herein), as applicable.

[ECF No. 115] (the “Bidding Procedures Order”), by which the Bankruptcy Court approved the Bidding Procedures, as set forth therein and attached thereto as Exhibit 1, with respect to the Sale. ***All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures in their entirety.***

PLEASE TAKE FURTHER NOTICE that the Bidding Procedures provide for the consideration of Qualified Bids to acquire an individual Company Asset, any portion of the Company Assets, or all or substantially all of the Company Assets. All interested parties are invited to provide materials (as described in the Bidding Procedures) to apply to become a Potential Bidder and submit a Bid in accordance with the Bidding Procedures and the Bidding Procedures Order. The Bidding Procedures provide information regarding the requirements for a Potential Bidder to be a “Qualified Bidder” and a Bid to be a “Qualified Bid” for purposes of competing at an Auction (as defined below).

PLEASE TAKE FURTHER NOTICE that the deadline to submit a Qualified Bid for the Company Assets (the “Bid Deadline”) is **July 26, 2021 at 11:59 a.m. (prevailing Eastern Time)**. Pursuant to the Bidding Procedures Order, in the event that the Debtors timely receive one or more Qualified Bids other than one from the Stalking Horse Bidder, the Debtors are authorized to conduct an auction (the “Auction”) for the Company Assets in accordance with the Bidding Procedures Order. The Auction, if any, shall take place virtually at **10:00 a.m. (prevailing Eastern Time) on July 28, 2021**. Only (a) Qualified Bidders (including the Stalking Horse Bidder) and their legal and financial advisors, (b) the Consultation Parties and their legal and financial advisors, (c) the U.S. Trustee, and (d) actual creditors of the Debtors (*provided* that they give at least two (2) business days’ notice to the Debtors’ counsel of their intention to attend the Auction), shall be entitled to attend the Auction. If the Auction is cancelled, the Debtors shall file with the Bankruptcy Court a notice of cancellation of the Auction.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Sale (the “Sale Objections”), shall be in writing, shall conform to the Bankruptcy Rules and the Local Rules, shall set forth the name of the objection party, the nature and amount of any claims or interests held or asserted against the Debtors’ estates or properties, the basis for the objection, and the specific grounds therefor and shall be filed and served upon the following parties by **no later than July 9, 2021 at 5:00 p.m. (prevailing Eastern Time)** (the “Sale Objection Deadline”): (a) counsel for the Debtors, (i) Pachulski Stang Ziehl & Jones LLP, 919 N. Market St., 17th Floor, Wilmington, Delaware 19801 (Attn: Laura Davis Jones, Esq., ljones@pszjlaw.com), and (ii) Chapman and Cutler LLP, 1270 Avenue of the Americas, New York, New York 10020 (Attn: Larry G. Halperin, Esq., halperin@chapman.com); (b) the Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Wilmington, Delaware 19801 (Attn: Richard L. Schepacarter, Esq., richard.schepacarter@usdoj.gov); (c) counsel to the DIP Agent and Administrative Agent, (i) Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: David N. Griffiths, Esq. (david.griffiths@weil.com) and Bryan Podzius, Esq. (bryan.podzius@weil.com)) and (ii) Richards, Layton & Finger, P.A., 920 N. King St., Wilmington, Delaware 19801 (Attn: Zachary I. Shapiro, Esq. (shapiro@rlf.com)); and (d) counsel for the Committee, (i) Lowenstein Sandler LLP, 1251 Avenue of the Americas, New York, NY 10020 (Attn: Robert M. Hirsh, Esq. (rhirsh@lowenstein.com) and Eric S. Chafetz, Esq. (echafetz@lowenstein.com)) and (ii) Fox Rothschild LLP, 919 North Market Street, Suite 300, Wilmington, Delaware 19899 (Attn: Seth A. Niederman, Esq. (sneiderman@foxrothschild.com), Michael A. Sweet, Esq. (msweet@foxrothschild.com), and Gordon E. Gouveia, Esq. (ggouveia@foxrothschild.com)) (collectively, the “Objection Notice Parties”).

PLEASE TAKE FURTHER NOTICE that objections, if any, to (i) the conduct at the Auction (if held) or (ii) solely with respect to the Non-Debtor Counterparties to the Contracts, to the specific identity of and adequate assurance of future performance provided by the Successful Bidder (only if such Successful Bidder is not the Stalking Horse Bidder) (such a limited objection, a “Post-Auction Objection”) shall be in writing, shall conform to the Bankruptcy Rules and the Local Rules, shall set forth the name of the objection

party, the nature and amount of any claims or interests held or asserted against the Debtors' estates or properties, the basis for the objection, and the specific grounds therefor and shall be filed and served upon the Objection Notice Parties by no later than **5:00 p.m. (prevailing Eastern Time) on July 29, 2021** (the "Post-Auction Objection Deadline").

PLEASE TAKE FURTHER NOTICE that failure of any entity to file a Sale Objection or Post-Auction Objection on or before the Sale Objection Deadline or Post-Auction Objection Deadline, as applicable, shall be deemed to constitute consent to the sale of the Company Assets to the Successful Bidder or the Backup Bidder(s) (as defined in the Bidding Procedures) and the other relief requested in the Bidding Procedures Motion, and be a waiver of and an absolute bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Motion, the Auction, the Sale, or the Debtors' consummation and performance of the terms of the Stalking Horse APA or the purchase agreement entered into with the Successful Bidder or the Backup Bidder(s).

PLEASE TAKE FURTHER NOTICE that a hearing to approve the Sale of the Company Assets to the Successful Bidder (the "Sale Hearing") is scheduled to take place on **July 30, 2021 at 10:00 a.m. (prevailing Eastern Time)** before the Honorable Judge Craig T. Goldblatt at the Bankruptcy Court, 824 Market Street, Wilmington, Delaware. If no Auction is to be held, the Sale Hearing will still take place on **July 30, 2021 at 10:00 a.m. (prevailing Eastern Time)**.

For ease of reference, the following chart has been included to summarize key dates relevant to this notice:³

<u>Key Events and Deadlines</u>	<u>Date</u>
Bidding Procedures Objection Deadline	June 10, 2021 by 5:00 P.M. (prevailing Eastern Time)
Sale Objection Deadline	July 9, 2021 by 5:00 P.M. (prevailing Eastern Time)
Bid Deadline	July 26, 2021 by 11:59 A.M. (prevailing Eastern Time)
Auction (if any)	July 28, 2021 at 10:00 A.M. (prevailing Eastern Time)
Post-Auction Objection Deadline	July 29, 2021 by 5:00 P.M. (prevailing Eastern Time)
Sale Hearing	July 30, 2021 at 10:00 A.M. (prevailing Eastern Time)

PLEASE TAKE FURTHER NOTICE that this Notice is subject to the full terms and conditions of the Bidding Procedures Motion, the Bidding Procedures Order, and the Bidding Procedures, which shall control in the event of any conflict, and the Debtors urge parties in interest to review such documents in their entirety. Copies of the Stalking Horse APA, the Bidding Procedures Motion, the Bidding Procedures Order, and the Bidding Procedures, in addition to any related documents that may be filed, may be obtained by accessing (a) the website of the Debtors' noticing and claims agent, Omni Agent Solutions, at <https://omniagentsolutions.com/AvadimHealth>, or (b) the Bankruptcy Court's website: <https://ecf.deb.uscourts.gov>, for a fee, through an account obtained from the PACER website at

³ All dates, times, and deadlines are subject to change or modification in accordance with the Bidding Procedures Order.

<http://pacer.psc.uscourts.gov>. The documents may also be obtained from the Debtors' claims and noticing agent, Omni Agent Solutions at (818) 906-8300.

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE A SALE OBJECTION

ANY PARTY OR ENTITY THAT FAILS TO TIMELY FILE AND SERVE A SALE OBJECTION OR POST-AUCTION OBJECTION ON OR BEFORE THE SALE OBJECTION DEADLINE OR POST-AUCTION OBJECTION DEADLINE, AS APPLICABLE, IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE SALE, INCLUDING WITH RESPECT TO THE TRANSFER OF THE COMPANY ASSETS OF THE DEBTORS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS AFFECTED THEREUNDER.

Dated: June 28, 2021

PACHULSKI STANG ZIEHL & JONES LLP

/s/ Laura Davis Jones

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