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NOVASOM, INC., FILES FOR RELIEF UNDER CHAPTER 11 IN DELAWARE

August 21, 2019

On August 2, 2019, NovaSom, Inc., filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

NovaSom is a home sleep testing company that sends an FDA-approved sleep recorder to a patient's home in order for the patient to be tested for obstructive sleep apnea in his or her own home, rather than in a sleep lab. The home sleep testing is prescribed by a physician based on symptoms and the patient's condition. The device records and auto-scores the number of apnea events, then sends the data back to NovaSom's servers via a cell phone chip in the device. Sleep physicians are then able to overscore the data and give an opinion to the ordering physician as to the patient's likelihood of having obstructive sleep apnea.

From 2010 to 2012, NovaSom developed a new device which enabled sleep data to be sent wirelessly, rather than requiring the return of the device to a lab in order to download the data. When that device launched, sales were not as robust as planned, and as a result, NovaSom never reached profitability. Subsequently, NovaSom tried to attract a buyer for the company, and, when that did not work, to find possible private equity groups to provide the resources for continued growth, to find a structured debt provider which was to provide significant growth capital for the company, and then again to find a potential buyer. In July, 2019, NovaSom, in consultation with its senior secured lender, solicited and received an offer to acquire substantially all of its assets. That offer was conditioned, among other things, on the immediate filing of a voluntary Chapter 11 petition and an expeditious sale process. NovaSom evaluated the offer in conjunction with its lender and determined that a Chapter 11 case, and a sale of substantially all of its assets, subject to a process for obtaining potentially higher, better or competing offers, was in the best interest of NovaSom, its creditors, customers and employees. NovaSom's case is progressing as planned, and the Debtor has filed a sale motion, and is seeking to conduct an auction and sell substantially all of its assets.

Dilworth Paxson LLP and Kurtzman o Steady, LLC are co-counsel to NovaSom in the United States Bankruptcy Court for the District of Delaware.