

1 JEFFER MANGELS BUTLER & MITCHELL LLP  
2 BENNETT G. YOUNG (Bar No. 106504)

3 *byoung@jmbm.com*  
4 Two Embarcadero Center, 5th Floor  
5 San Francisco, California 94111-3813  
6 Telephone: (415) 398-8080  
7 Facsimile: (415) 398-5584

8 Attorney for  
9 ARADIGM CORPORATION  
10 Debtor and Debtor-in-Possession

11 UNITED STATES BANKRUPTCY COURT

12 NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

13 In re

14 ARADIGM CORPORATION

CASE NO. 19-40363 WJL

Chapter 11

**MOTION FOR AUTHORIZATION TO  
SELL SURPLUS LABORATORY  
EQUIPMENT**

Tentative

Hearing Date: May 22, 2019

Time: 10:30 a.m.

Place: 1300 Clay Street, Room 220  
Oakland, CA

Judge: Hon. William J. Lafferty

**[HEARING WILL NOT GO FORWARD  
UNLESS OBJECTION OR REQUEST  
FOR HEARING IS TIMELY FILED AND  
SERVED UNDER LOCAL BANKRUPTCY  
RULE 9014-1(B)(3)]**

21  
22 Aradigm Corporation, as debtor and debtor in possession (the “Debtor”) in the  
23 above-captioned chapter 11 case (the “Chapter 11 Case”), hereby submits this Motion (the  
24 “Motion”), pursuant to Bankruptcy Code section 363(b) for authorization to sell certain surplus  
25 laboratory equipment. In support of the Motion, the Debtor states as follows:

26 1. This case was commenced on February 15, 2019 by the filing of a voluntary Petition  
27 for Relief under Chapter 11. (Dkt. No. 1.) No trustee has been appointed and the Debtor continues  
28 in possession of its assets and properties.

1           2.       The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and  
2       1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order  
3       24 (N.D. Cal.). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the  
4       Court pursuant to 28 U.S.C. §§ 1408 and 1409.

5           3.       The Debtor is a publicly traded emerging specialty pharmaceutical company focused  
6       on the development and commercialization of products for the treatment and prevention of severe  
7       respiratory diseases. The Debtor has concentrated on the development of drug delivery  
8       technologies, particularly the development of respiratory drug delivery. The Debtor's lead product  
9       candidates are proprietary formulations of the potent antibiotic ciprofloxacin that are delivered by  
10      inhalation for the management of infections associated with the severe respiratory diseases of cystic  
11      fibrosis, non-cystic fibrosis bronchiectasis ("NCFBE").

12          4.       The Debtor's inhaled ciprofloxacin formulation ("Ciprofloxacin DI") for the  
13      treatment of NCFBE patients with chronic lung infection with *P. aeruginosa* recently completed  
14      two Phase 3 trials. In July 2017, the Debtor submitted a New Drug Application ("NDA") to the  
15      Federal Drug Administration ("FDA") for Ciprofloxacin DI. In January 2018, the FDA sent a  
16      Complete Response Letter ("CRL") stating that it cannot approve the NDA in its present form. In  
17      2018 the Debtor addressed all issues stated in the CRL and the FDA is now requesting the conduct  
18      of an additional Phase 3 trial. The Debtor remain confident in the efficacy, safety and quality of  
19      Ciprofloxacin DI and is committed to continue working on the approval of Ciprofloxacin DI in the  
20      US for NCFBE patients who have very severe disease with high morbidity and mortality and no  
21      available treatment options.

22          5.       In March 2018, the Debtor submitted a marketing authorization application ("MAA")  
23      to the European Medicines Agency ("EMA"), seeking approval for Ciprofloxacin DI for the  
24      treatment of NCFBE patients with chronic lung infection with *P. aeruginosa*. The EMA is  
25      currently reviewing the MAA for Ciprofloxacin DI according to standard timelines.

26          6.       The Debtor continues to seek regulatory approval of Ciprofloxacin DI formulation to  
27      treat NCFBE patients. However, the Debtor has limited operating income and relies on investor  
28      capital to fund its operations and its research and development efforts. Addressing the delays the

1 Debtor has experienced obtaining regulatory approval and the FDA's request for an additional Phase  
2 3 trial will require significant expenditures by the Debtor on additional research and development,  
3 but the Debtor lacks the capital to fund these expenditures. The Debtor therefore filed this Chapter  
4 11 case in order to conserve its cash resources and to pursue a sale of its assets.

5 7. The Debtor's assets include laboratory equipment. The Debtor has determined that  
6 certain of this equipment is no longer needed by the Debtor and that it is in the best interests of  
7 creditors and the estate to sell such surplus equipment.

8 8. The Debtor has received an offer from Exelead, Inc. to purchase certain surplus  
9 equipment for \$19,500 cash, inclusive of sales tax. The equipment to be sold consists of the  
10 following:

11 1 vacuum oven;

12 1 water bath; and

13 1 rheometer with personal computer and software.

14 9. The sale is for cash payable upon shipping and Exelead will pay all costs of removal  
15 and shipping.

16 10. Pursuant to Bankruptcy Code section 363(b) the Debtor may sell property of the  
17 estate outside the ordinary course of business after notice and a hearing. The Debtor requests  
18 authorization to sell the surplus equipment listed herein to Exelead for \$19,500 cash.

19 Wherefore the Debtor prays that the Court authorize the Debtor to sell the surplus  
20 equipment listed herein on the terms set forth herein.

21 DATED: April 3, 2019

JEFFER MANGELS BUTLER & MITCHELL LLP  
BENNETT G. YOUNG

22  
23  
24 By: /s/ Bennett G. Young  
BENNETT G. YOUNG  
25 Attorney for ARADIGM CORPORATION  
26 Debtor and Debtor-in-Possession  
27  
28