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5 Proposed Attorney for
ARADIGM CORPORATION
6 Debtor and Debtor-in-Possession

8 UNITED STATES BANKRUPTCY COURT

9 NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

10 In re
11 ARADIGM CORPORATION

CASE NO. 19-40363 WJL

Chapter 11

12 **DECLARATION OF LISA THOMAS IN**
13 **SUPPORT OF MOTION OF DEBTOR**
14 **AND DEBTOR IN POSSESSION FOR**
15 **INTERIM AND FINAL AUTHORITY TO**
16 **CONTINUE EXISTING CASH**
17 **MANAGEMENT SYSTEM, AND**
18 **MAINTAIN EXISTING BANK**
19 **ACCOUNTS AND BUSINESS FORMS**

Judge: William J. Lafferty

19 The undersigned, Lisa Thomas, declares as follows:

20 1. I am the Acting Corporate Controller of Aradigm Corporation (the "Debtor"). I make
21 this declaration based upon my personal knowledge and if called as a witness, I could and would
22 testify as set forth herein.

23 2. The Debtor is a publicly traded emerging specialty pharmaceutical company focused
24 on the development and commercialization of products for the treatment and prevention of severe
25 respiratory diseases. The Debtor has concentrated on the development of drug delivery
26 technologies, particularly the development of respiratory drug delivery. The Debtor's lead product
27 candidates are proprietary formulations of the potent antibiotic ciprofloxacin that are delivered by
28 inhalation for the management of infections associated with the severe respiratory diseases of cystic

1 fibrosis, non-cystic fibrosis bronchiectasis ("NCFBE") or infections with non-tuberculous
2 mycobacteria.

3 3. The Debtor's inhaled ciprofloxacin formulation ("Ciprofloxacin DI") for the
4 treatment of NCFBE patients with chronic lung infection with *P. aeruginosa* recently completed
5 two Phase 3 trials. In July 2017, the Debtor submitted a New Drug Application ("NDA") to the
6 Federal Drug Administration ("FDA") for Ciprofloxacin DI. In January 2018, the FDA sent a
7 Complete Response Letter ("CRL") stating that it cannot approve the NDA in its present form. In
8 2018 the Debtor addressed all issues stated in the CRL and the FDA is now requesting the conduct
9 of an additional Phase 3 trial. The Debtor remain confident in the efficacy, safety and quality of
10 Ciprofloxacin DI and is committed to continue working on the approval of Ciprofloxacin DI in the
11 US for NCFBE patients who have very severe disease with high morbidity and mortality and no
12 available treatment options.

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

17 5. The Debtor continues to seek regulatory approval of Ciprofloxacin DI formulation to
18 treat NCFBE patients. However, the Debtor has limited operating income and relies on investor
19 capital to fund its operations and its research and development efforts. Addressing the delays the
20 Debtor has experienced obtaining regulatory approval and the FDA's request for an additional Phase
21 3 trial will require significant expenditures by the Debtor on additional research and development,
22 but the Debtor lacks the capital to fund these expenditures. The Debtor therefore filed this Chapter
23 11 case in order to conserve its cash resources and to pursue a sale of its assets.

24 6. The Debtor currently has a limited staff of thirteen persons. To conserve cash, these
25 persons work on a part time basis. The majority of the personnel focus on the Debtor's research and
26 development efforts and the regulatory approval process. The Debtor's accounting personnel
27 consists of myself, the Acting Controller, and one assistant. My assistant and I are responsible for
28 the Debtor's internal accounting function as well as the preparation of the Debtor's schedules and

1 statements and the Debtor's reporting to the United States Trustee.

2 7. In the ordinary course of business, the Debtor utilizes its Cash Management System,
3 which is an integrated, centralized system designed to collect, transfer, and disburse funds. The
4 main components of the Cash Management System are cash collection, including the collection of
5 payments made to the Debtor from revenue generated in the ordinary course of business, and cash
6 disbursements that fund the Debtor's business operations and related obligations. The Debtor
7 believes that it is critical that the existing Cash Management System and its existing bank accounts
8 remain intact during the Chapter 11 Case. In order to avoid inadvertently paying a pre-petition
9 obligation, the Debtor has stopped payment on all of its outstanding pre-petition checks.

10 8. The Cash Management System facilitates cash monitoring, forecasting, and reporting
11 and enables the Debtor to maintain control over the administration of its bank accounts. The Debtor
12 maintains three bank account (each, a "Bank Account" and, collectively, the "Bank Accounts") at
13 Wells Fargo Bank ("Bank"), which has been designated as an authorized depository by the Office of
14 the United States Trustee for Region 17 (the "U.S. Trustee") pursuant to the U.S. Trustee's
15 Guidelines (the "UST Guidelines").

16 9. The Debtor's main account is a collection account into which cash and other
17 receivables generated from the Debtor's operations are deposited. The Debtor also maintains a
18 disbursement account for accounts payable payments and other disbursements and a payroll
19 account. Maintaining the Cash Management System in its current state is crucial to the Debtor's
20 reorganization. A disruption of the Cash Management System could unnecessarily disrupt the
21 Debtor's operations and jeopardize its efforts to sell its assets, which could impede the successful
22 administration of the Chapter 11 Case.

23 10. In the ordinary course of business, the Debtor issues checks from time to time and
24 uses a variety of correspondence and business forms, including, but not limited to, letterhead,
25 purchase orders, and invoices (collectively, the "Business Forms"). To minimize the expense to the
26 Debtor's estate associated with developing and/or purchasing entirely new forms or otherwise
27 complying with Bankruptcy Local Rule 2015-1(a), the delay in conducting business prior to
28 obtaining such forms, and the confusion of suppliers and other vendors, the Debtor seeks authority

1 to continue using its Business Forms substantially in the forms used immediately prior to the
2 Petition Date, without reference therein to the Debtor's status as "Debtor in Possession." The Debtor
3 does not believe that any prejudice will be suffered by any party of this relief is granted.

4 11. I have been advised that the process closing the Debtor's existing bank accounts and
5 opening new DIP accounts will take some time, perhaps as much as two weeks. If the Debtor does
6 not have access to its cash during that period, the Debtor's ability to sell its assets successfully may
7 be jeopardized.

8 12. The Debtor's accounting staff is very limited, consisting of only two individuals. In
9 addition to their normal duties, these persons are responsible for preparing the statements,
10 schedules, and the US Trustee reports. Requiring the Debtor to close its existing bank accounts and
11 open new DIP accounts will strain the Debtor's limited staff and be unduly burdensome.

12 I declare under penalty of perjury under the laws of the United States of America that
13 the foregoing is true and correct.

14 DATED: February 21, 2019

/s/ Lisa Thomas

LISA THOMAS, Declarant