

## **Exhibit B**

JEFFER MANGELS BUTLER & MITCHELL LLP  
BENNETT G. YOUNG (Bar No. 106504)  
*byoung@jmbm.com*  
Two Embarcadero Center, 5th Floor  
San Francisco, California 94111-3813  
Telephone: (415) 398-8080  
Facsimile: (415) 398-5584

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

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re  
ARADIGM CORPORATION

CASE NO. 19-40363 WJL

Chapter 11

**DECLARATION OF LISA THOMAS IN  
SUPPORT OF MOTION OF DEBTOR  
AND DEBTOR IN POSSESSION FOR  
INTERIM AND FINAL AUTHORITY TO  
CONTINUE EXISTING CASH  
MANAGEMENT SYSTEM, AND  
MAINTAIN EXISTING BANK  
ACCOUNTS AND BUSINESS FORMS**

Judge: William J. Lafferty

The undersigned, Lisa Thomas, declares as follows:

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

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

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

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

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

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

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

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

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

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

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

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