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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 TO
MODIFY REQUIREMENTS OF LOCAL
BANKRUPTCY RULE 2015-2 AS TO THE
DEBTOR'S INITIAL MONTHLY
OPERATING REPORT**

Judge: William J. Lafferty

NO HEARING REQUIRED

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

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 utilizes a version of an accounting system that is no longer supported by
25 the vendor. The accounting system allows the Debtor to close a month only once. The system does
26 not permit the Debtor to close a month in the middle of the month and then again at the end of the
27 month. In order to prepare a monthly operating report for the stub post-petition February period, I
28 would need to close the month of February for accounting purposes on February 15 and then close

1 the month again on February 28. However, the accounting system will not accommodate multiple
2 closings in a single month. Because of this limitation, the monthly operating report for the stub
3 period would have to be prepared manually, which would require a significant amount of effort.

4 7. There were no disbursements from the Debtor's bank accounts between the Filing
5 Date and February 28.

6 8. The Debtor currently has a limited staff of thirteen persons. The Debtor's accounting
7 personnel consists of myself, the Acting Controller, and one assistant, both of whom work part-
8 time. My assistant and I are responsible for the Debtor's internal accounting function as well as the
9 preparation of the Debtor's schedules and statements and the Debtor's reporting to the United States
10 Trustee. Currently, my assistant and I are focused on meeting the March 22 filing deadline for the
11 Debtor schedules and statements.

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: March 14, 2019

/s/ Lisa Thomas

LISA THOMAS, Declarant