23-90085

Sorrento Therapeutics Bankruptcy
Objection to Payment of Professional Fees

Docket Number	Professional
2233	Tran Singh
2238	Moelis & Co
2239	Milbank LLP
2240	Berkeley Research Group
2241	Norton Rose Fulbright
2244	Greenberg Traurig, LLP
2245	Latham & Watkins LLP
2249	M3 Advisory Partners, LP
2254	Glenn Agre Bergman & Fuentes
2259 / 2260	Jackson Walker LLP

Submitted: July 1, 2024

To: The Honorable Christopher Lopez
Bankruptcy Judge in the Southern District of Texas
c/o Nathan Ochsner, Clerk of the Court, PO Box 61010, Houston, Texas 77208

Copy to: Hector Duran & Millie Sall
US Department of Justice, Office of the US Trustee
Via Email

From: Alexander Espalin
Sorrento Therapeutics Secured Creditor, Unsecured Creditor & Shareholder

Background

Alexander Espalin is a Sorrento Therapeutics creditor as well as a shareholder in the company. He served as a management consultant providing professional services to Sorrento Therapeutics beginning in 2022 up to the time Sorrento filed for bankruptcy in February 2023. Sorrento Therapeutics had already been delinquent in making payments to Mr. Espalin as of December 2022.

Mr. Espalin is a seasoned business executive with over 20 year's corporate experience. He graduated from Cornell University with a Bachelor of Science degree, and holds two Masters' degrees in business and economics from the University of Michigan and Harvard University, respectively.

Mr. Espalin has closely followed these proceedings, reviewed online investment forums covering Sorrento, spoke up at a Court hearing against the misconduct and missteps by the professionals handling this case, requested a seat on the Creditor's Committee, and raised his concerns with the US Trustee who ultimately filed a formal complaint against the professionals engaged in alleged acts of fraud in this case.

Objection to Professional Fees in Sorrento Bankruptcy

Over the course of the 15-month Sorrento Bankruptcy from 2023 to 2024, legal and managerial professionals collectively billed the Sorrento Estate over $70 million in fees, misled the court and perpetrated fraud, deceived shareholders, demonstrated gross incompetence, destroyed over a billion dollars in Sorrento's market value, and enriched themselves while some operated under clear and now-confirmed conflicts of interest.

The bad actors in this case include:

- Judge David Jones & Elizabeth Freeman and the Jackson Walker Law Firm
- Mo Meghji and M3 Advisory Partners
- Caroline Reckler and Latham & Watkins
- Moelis & Company
- Unsecured Creditors Committee Professionals: Norton Rose Fulbright, Berkley Research Group and Mark Shinderman of Milbank
- Andrew Glenn and other Equity Committee Professionals
- Tran Singh

These professionals acted in bad faith, putting their self-interests ahead of the Sorrento Estate, and profiteered massive sums of cash that should have been used to pay creditors and preserve company assets for the benefit of the principal stakeholders.

The bankruptcy professionals have sold Sorrento assets at deeply discounted valuations to the sum of over $160 million, but not a penny of which was paid to creditors or returned to shareholders. Instead, that money went to the professionals handling the bankruptcy and covered other expenses during the grossly mismanaged "strategic restructuring" by the Chief Restructuring Officer, Mo Meghji.

Sorrento has emerged out of bankruptcy as a nearly empty shell, stripped bare after the Court sanctioned the sale of the company's assets to former Sorrento management. Moreover, the final court decree included the continuation of legal fees to be paid to lawyers representing the creditors, with no clear resolution as to how creditors will recover the money they are owed. The only winners from the Sorrento Bankruptcy were the professionals who routinely patronize this Court and Sorrento management who ended up with 93% control of what remained of the Sorrento assets.

Broadly speaking, there was a breach of fiduciary duty to Sorrento and its shareholders and creditors, along with gross negligence (at best) to outright fraud (at worst). Sorrento was drawn into a racketeering operation that the bankruptcy professionals actively orchestrated in the Southern District of Texas Bankruptcy Court (as detailed in the Van Deelen and Bouchard cases being prosecuted by the Bandas Law Firm in two other bankruptcies, also covered by Mr. Tim Culberson and the US Trustee in bringing forth evidence of fraud committed by certain lawyers, and reported by the Wall Street Journal and Business Insider – see exhibits).

I ask the Court to please take the points below into consideration in evaluating whether the bad actor professionals are entitled to the egregious fees they are attempting to pilfer from the Sorrento Estate. In my view, not only should they be disgorged of the extravagant fees they have already been paid by the Estate, but also should be held responsible for damages measuring in the billions of dollars for their improprieties and malfeasance in perpetrating fraud on this Court and inflicting damage to stakeholders – the creditors and shareholders of Sorrento.

Judge David Jones & Elizabeth Freeman and the Jackson Walker Law Firm

There is no need to belabor here the well-publicized and now confirmed on-going affair between a presiding judge and his live-in lawyer girlfriend who benefitted financially from the Sorrento Estate. (Exhibit A – Wall Street Journal article dated June 20, 2024: *"This Judge Made Houston the Top Bankruptcy Court. Then He Helped His Girlfriend Cash In."*) Ms. Freeman and Judge Jones cohabitated while she submitted legal bills that were approved by her boyfriend. It was a clear conflict of interest that violated every ethical standard and went undisclosed for nearly eight months into the Sorrento Bankruptcy until news of the improper relationship became public in October 2023.

The Bankruptcy Court in the Southern District of Texas is apparently a friendly and social group. They know each other well. In fact, judges and attorneys have worked together for years. Judge Jones stated this fact in the Court record. They socialize at barbeques, host other parties in their homes, and post casual group photos on Facebook. (Exhibit B – Business Insider article dated June 3, 2024: *"The Incredible Oblivion of Judge Marvin Isgur" – which suggests it is implausible that the legal community was completely oblivious to the Jones-Freeman relationship.*) Despite this, every professional linked to the Sorrento case conveniently dismisses any knowledge of the Jones-Freeman romantic relationship which went on for years. This includes multiple Jackson Walker lawyers (Veronica Polnick, Genevieve Graham, Matthew Cavanaugh, Patricia Tomasco, etc.), Tran Singh, and Caroline Reckler and other bankruptcy lawyers of Latham & Watkins. The consequences of admitting to knowledge of the Jones-Freeman affair are too great for these professionals with careers at stake along with historical legal billings accumulating in the hundreds of millions of dollars.

Elizabeth Freeman worked for Jackson Walker, the Houston law firm which initially served as lead counsel in the Sorrento bankruptcy and later suspiciously demoted to local counsel.

Jackson Walker acknowledged that it was made aware of Liz Freeman's personal relationship with Judge Jones and, yet, still recommended Freeman as conflicts counsel and utilized her services surreptitiously. As a senior partner in her firm, Liz Freeman was obligated to disclose the nature of her intimate relationship with a sitting judge, but year after year, case after case, for over a decade this was an "open secret" among the professionals frequenting this court who used it to their advantage. Instead, Ms. Freeman continued to rack up legal fees on behalf of Jackson Walker, while her live-in boyfriend automatically granted approval of her fees, as well as the fees of her associates at Jackson Walker and other bigger firms like Latham & Watkins and Kirkland & Ellis that brought in "business" to his court.

Judge David Jones, Elizabeth Freeman & Jackson Walker perpetrated fraud by failing to disclose the nature of a personal relationship between a judge and lawyer. All fees paid to Jackson Walker in the Sorrento Bankruptcy should be returned to the Sorrento Estate and there should be full discovery into all the lawyers and other bankruptcy professionals involved in this case that colluded with them and profited from their relationship at the expense of Sorrento stakeholders.

Mo Meghji and M3 Advisory Partners, Chief Restructuring Officer

The court record shows that Judge David Jones had worked with Mr. Mo Meghji in prior bankruptcy proceedings. The Judge said as much in court on several occasions. Mr. Meghji was primarily hired because of this prior working relationship with Judge Jones. Unfortunately, this prior experience with Judge Jones did not qualify Mr. Meghji for the job of restructuring a complex biopharma technology company like Sorrento. It would become apparent to many people at Sorrento that Mr. Meghji was completely out of his element. For example, It was reported by multiple former Sorrento and Scilex employees that M3/Moelis (the finance group leading the sale process) did not know the difference between a Phase II and Phase III clinical trial of a biotech drug. Such understanding is fundamental to measuring the value of biotech assets and how best to capitalize, market and sell a biotech company. Unfortunately, the inexperience of Mr. Meghji and Moelis handicapped the Sorrento Estate and led to the destruction of market value.

Mr. Meghji spread himself thin by serving as Chief Restructuring Officer for multiple bankrupt companies, raking in fees on every case. He was a contemporaneous CRO assigned to several simultaneous engagements "restructuring" multiple companies at the same time, despite earning a quarter million per month to be Sorrento's CRO. In terms of his time availability alone, he should either not have accepted the Sorrento mandate or not taken on other bankrupt companies subsequently. In fact, the court record shows Mr. Meghji asked the Court to be excused early from the witness stand in order to tend to other priorities. He didn't have the experience nor time to do the job properly. In fact, we are not aware if Mr. Meghji ever visited Sorrento's headquarters in San Diego, or any other Sorrento facility in the USA or abroad.

Mr. Meghji demonstrated his lack of experience with biotech particularly as it related to the Scilex asset, the largest and most significant of Sorrento's assets valued at over $1 billion at the time Sorrento filed for bankruptcy. Mr. Meghji prevented Scilex from being adequately capitalized in 2023 which led to value destruction. Instead of tapping the market value of Scilex at the outset of the bankruptcy which would have taken care of creditors almost immediately, Mr. Meghji oversaw a problematic asset sale process which he mis-managed all the while lining his pocket with professional fees and enriching his bankruptcy friends and benefactors involved in this and other cases. The lawyers were content with this approach because they also benefitted by needlessly prolonging the bankruptcy and doing nothing to create value. In the end, Mr. Meghji failed in securing a buyer for the asset at a price representative of Scilex's over $1 billion market value.

Scilex had a unique opportunity to be included in the Russell Index, which would have fueled demand for the stock and increased the company's market value substantially. Instead, Scilex was denied inclusion in the Russell Index because the company failed to meet basic requirements of maintaining minimum stock float, a problem which could have been easily corrected by an experienced Chief Restructuring Officer who was taking care of the business. This failure happened because Mr. Meghji was incompetent in carrying out his fiduciary duty, stretched thin among multiple bankruptcies, and was inexperienced with biotech companies.

An experienced CRO familiar with biotech would have approached the Sorrento bankruptcy by getting to know the company, its valuable assets and employees, communicating a reorganization strategy that utilized more experienced financial advisors with recent and significant expertise in biotech deal-making, running a robust marketing and sales process targeted appropriately to the right acquirers, ensuring proper liquidity runway was in place to maximize value, and minimizing unnecessary overhead costs immediately by slashing executive compensation instead of needlessly paying millions to the idle executive team that bankrupted the company.

The auction of Scilex was a messy, unnecessary drama mired by mis-communications and constant delays. As a creditor, I received permission to observe the auction. I can honestly say the process was completely disorganized and unprofessional. As the bidding process opened, interested parties were directed to a "Data Room" which served as a repository of confidential company information essential for prospective bidders to consider the potential value of Sorrento assets. Unfortunately, this important information was either unavailable, incomplete, delayed, or nowhere near industry standard. Prospective bidders could not reach an informed decision on whether to proceed with a bid. Not surprisingly, absent the necessary information and seemingly unimpressed by what was presented, bidders bailed and the process failed to yield the desired positive outcome.

It was no wonder to me that the auction ended with only two bids, and the CRO promoting the bid from a company called "Oramed." The other bid came from Scilex management, which was higher than Oramed's bid. Both the Unsecured Committee of Creditors and Equity Committee endorsed the higher Scilex bid. Mr. Meghj, however, in a complete breach of his fiduciary duty to the Sorrento Estate, went to court to have Judge Jones approve the lower-priced Oramed bid on the grounds that the Scilex offer came in too late (but before a winning bidder had been confirmed by the bankruptcy court). The auction was poorly marketed, mis-managed, and yielded horrible results that led to Mr. Meghji's recommendation in the end to liquidate all the Sorrento assets at any price. The creditors were asked to vote and approve this liquidation plan which they did in overwhelming numbers because they were given no viable alternative and were told they risked getting wiped out if they didn't vote in favor of liquidation. I voted against Mr. Meghji's proposal and asked the court to freeze further professional billing as I had seen first-hand how the company had been destroyed by Mr. Meghji, serious conflicts of interest had surfaced calling into question the sanctity of these proceedings, accusations of fraud (illegal venue) began to get investigated by active shareholders, and the professionals were recklessly and irresponsibly running up their bills "unchecked" to the detriment of the Sorrento Estate.

In the summer of 2023, it was brought to my attention that a Sorrento leader had hired his son on the company payroll to work as an intern. This made no sense to me: how does a company in bankruptcy, undergoing layoffs, with outstanding debt to creditors, get approval from a CRO to hire a summer intern? This suggested that there was no oversight by the CRO in managing / approving company spending.

This bankruptcy faced multiple urgent deadlines related to DIP financing. Mr. Meghji received options for DIP replacement and exit financing from the Equity Committee and was disengaged or distracted from considering those options (as reported by the Equity Committee's financial advisor, Seaport, in its final fee application). Instead, looming deadlines on DIP financing payments forced the quick sale of Sorrento assets at 90% or more discounts to their cost basis.

Mr. Meghji bungled an attempt to reach settlement with banks on millions of shares in Sorrento and Scilex stock that had been shorted and went unaccounted for. Discussions with stock brokers had commenced, a settlement offer had been made, and the settlement inexplicably folded at the last moment (likely because of a premature and strange buyout offer from a Chinese group called "Hundred Gain" with ties to Sorrento's CEO that Mo Meghji seemed to advocate for and then back away from weeks later). It seemed that Mr. Meghji did not fully understand the situation with short selling and the broker's lawyers got the better of him. This potential opportunity proved fruitless, with no benefit to the Sorrento Estate while Mr. Meghji continued to get paid exorbitant fees.

Time and again during the bankruptcy, paying the professional fees became a matter of urgency for Mr. Meghji. However, he effectively had no oversight or quality control of the professional fee cash burn. They seemingly billed "at will." In April, 2023 alone, over 25 partners and associates at Latham Watkins billed against the Sorrento Estate. Mr. Meghji prioritized payment of professional fees over all else.

A proposal had been floated by Mr. Andrew Glenn, attorney for the Equity Committee, to raise sufficient funds from existing shareholders and investment firms to help Sorrento emerge from Chapter 11. I participated in several meetings with Mr. Glenn and learned that Mr. Meghji was providing no support to this cause. Mr. Meghji did not provide financial projections for Sorrento. NDAs submitted to Mr. Meghji were delayed or rejected. The reasons for Mr. Meghji's stonewalling are unknown, aside from the lack of professionalism and incompetence routinely demonstrated by Mr. Meghji and M3.

Sorrento had a very robust pipeline of breakthrough drugs in development, any one of which had the potential to materially transform the company's prospects. Mr. Meghji seemed to have little understanding of these promising drugs. At no point did he disclose (or seem aware of) material developments in Sorrento's drugs (e.g., *A166*, *Socazolimab*, *Ovydso*, etc.) or progress in other companies in which Sorrento had an equity stake (e.g., Elsie, Celularity, Cytimm, etc.).

In December 2023, Sorrento received approval in China for its drug *Socazolimab* – a breakthrough treatment for cervical cancer. This news was not shared by Mr. Meghji, but instead discovered by an alert shareholder who posted the announcement online in a public forum. The Journal of Clinical Oncology said this:

> *Conclusions: Our study demonstrates that socazolimab has remarkable safety and efficacy for the treatment of recurrent or metastatic cervical cancer and exhibits a safety profile similar to other anti–PD-1/PD-L1 monoclonal antibodies. Clinical trial information: NCT03676959.*

Regulatory approval of a cancer fighting drug is a significant achievement that should have catapulted Sorrento's market value. However, Mr. Meghji failed to understand this or execute on the positive news. In the end, Dr. Henry Ji - Sorrento's CEO, acquired a majority ownership in socazolimab along with the other remaining Sorrento assets for a mere $10 million and other minor financial considerations. Creditors and shareholders were cut out from the future rewards of a breakthrough drug that they essentially funded. This was due to the CRO's lack of experience with biotech companies and failure in meeting his fiduciary duty to stakeholders.

Mr. Meghji authorized payments to outside accountants for financial reporting during the bankruptcy, but discontinued SEC filings which brought an abrupt halt to Sorrento stock trading by the general public and relegated the stock to the "expert market." The stock price subsequently plummeted to a penny bringing the company's market value to near zero. Many shareholders sold their stakes at 99% losses thinking the company was about to fold which effectively wiped out their investments in Sorrento. During this time, Mr. Meghji continued paying himself along with the other professionals.

Sorrento had lease commitments on large amounts of real estate space that was either under-utilized or sitting idle. This space could have been re-leased to third-parties or leases could have been terminated via a negotiated settlement. Mr. Meghji did not do either. In fact, he did not retain real estate professionals at any point. Instead, lease payments on unused space continued to increase, thereby needlessly multiplying creditor claims. Mr. Meghji did not restructure the company's lease obligations, which only increased Sorrento's debt.

When I saw a creditor report stating an incorrect amount I was owed by Sorrento, I reached out to Mr. Meghji's firm as well as Latham Watkins to clear up the problem. Mr. Meghji's representatives at M3 ignored my emails and phone calls. Latham Watkins had no idea and didn't look into it. This went on for weeks with repeated attempts on my part to understand the discrepancy. Finally, at a bankruptcy hearing on November 30, 2023, I spoke up in court to raise concerns over the unprofessionalism and disorganization I was seeing first hand. Judge Lopez instructed Mr. Meghji's firm and Latham Watkins to respond to me, which they finally did, but their answer was different than the information provided to me by Sorrento.

Mr. Meghji was hired as Chief Restructuring Officer in the Sorrento Bankrtuptcy and failed to produce a cohesive restructuring plan. There was no restructuring whatsoever, just layoffs and asset sales under distress as the bankruptcy pressed on and cash became short. Professionals were paid in the tens of millions, and the company which was worth over a billion at the commencement of the bankruptcy, was bled to death over time by Mr. Meghji. This CRO did not meet his fiduciary duty. If Mr. Meghi was working for a real company with performance accountabilities, he would have been terminated immediately when it became clear he was unfit for the job. The destruction of market value speaks for itself when "strategic" remedies were available that would have paid creditors and brought a swift end to the proceeding. Mr. Meghji should not be paid the millions in fees he is attempting to take from the Sorrento estate.

Caroline Reckler and Latham & Watkins Law Firm, Debtor's Counsel

Latham & Watkins in concert with Jackson Walker perpetrated potential fraud on the court by filing the Sorrento bankruptcy case illegally in the Southern District of Texas where Sorrento had no basis for proper venue. Claims of this fraud were laid out by the US Trustee and Mr. Tim Culberson with undisputed "smoking gun" evidence presented in court. This case was ultimately dismissed by Judge Christopher Lopez, however, due to timing of the claims which the judge felt were impractical given progress made in the Sorrento bankruptcy proceeding. Judge Lopez' ruling does not change the fact that fraud may have been committed by Latham & Watkins and Jackson Walker. The US Trustee vowed to continue the fight for justice and hold Latham & Watkins and Jackson Walker accountable for their potentially illegal actions. Judge Lopez should also take these illicit actions into consideration when determining whether to award final professional fees. Latham & Watkins perpetrated potential fraud at the commencement of the bankruptcy case (illegal venue) and should be held accountable for their acts of malfeasance.

Prior to this bankruptcy, Sorrento Therapeutics was embroiled in litigation with Mr. Patrick Soon-Schiong and the NANT companies. One case had been decided by arbitration in favor of NANT which prompted Sorrento to seek bankruptcy protection while a counter-suit by Sorrento had yet to play out and quickly became a focus of the bankruptcy. Latham's pre- and post-petition stance on the NANT litigation was that veil piercing would lead to a substantially positive outcome for Sorrento garnering hundreds of millions or even billions in a litigation award from Mr. Patrick Soon-Shiong and his companies. However, in mediation, Latham reversed its position stating that Sorrento faced a potentially insurmountable issue and advocated for a speedy settlement which ultimately brought no cash to the Sorrento Estate. Furthermore, as part of the settlement Sorrento surrendered a valuable royalty stream for a new cancer therapy, along with millions of shares of another company (IBRX) which was worth hundreds of millions of dollars. The counter-suit by Sorrento had the potential to claim damages measuring in the hundreds of millions (if not billions) of dollars. However, bad legal advice in combination with a cash crunch and mounting legal bills in bankruptcy put Sorrento into a no-win situation. Over $30 million in legal fees were spent, pitched by Latham up-front to Sorrento on the basis that the counter-suit had merit, only for Sorrento to end up paying massive legal fees.

Ms. Caroline Reckler sat on the Complex Case Committee in the Southern District of Texas for years with Elizabeth Freeman and Patricia Tomasco (both former Jackson Walker partners), among others, yet claims no knowledge of the Freeman-Jones relationship and continues to vehemently fight any discovery, defrauding Sorrento stakeholders of time & money in a fight that protects her and the other bankruptcy professionals with Sorrento creditors and shareholders footing the bill for her defense.

In August 2023, Ms. Reckler stood before the court and stated that a "well-known" buyer for Scilex had emerged and would soon be revealed. This encouraging news sent the Sorrento stock price soaring since it effectively signaled that Sorrento would emerge successfully from bankruptcy in a very strong position. As the truth would later surface, the buyer was not at all "well-known" and the offer for Scilex was far below market value, not the meaningful multiple that is typically seen in acquisitions by large pharmaceutical companies. In making her public comment, Ms. Reckler was absolutely reckless with her loose words which cost retail investors tens of millions of dollars in shareholder value. Had Ms. Reckler been working in the real corporate world, she would have been immediately terminated and the target of shareholder lawsuits for her irresponsible and misguided public comments.

"Caroline Reckler on behalf of the debtors" is how Ms. Reckler opened each hearing. In the end, she enriched only herself and her law firm, not the debtor. The Sorrento assets (with over $2 billion of shareholder investment paid-in over a decade) were ultimately sold to an insider, Dr. Henry Ji, for less than $10 million while Latham allowed Mr. Soon-Schiong to walk away unscathed from litigation. Latham & Watkins has charged the Sorrento Estate an estimated $30 million in legal fees which is far & away higher than legal fees billed in other complex bankruptcy cases (see JC Penny, Chesapeake Energy, etc.). The Latham & Watkins billing fees boggle the mind. Legal bills went unchecked by a negligent Chief Restructuring Officer and were signed off by a judge embroiled in a scandal of his own doing. Latham & Watkins in concert with Jackson Walker perpetrated fraud on the Court when they filed this case in the Southern District of Texas on the basis of a UPS Store mail box purported to be the principal place of business for the debtor. Ms. Reckler, through her words in court, single-handedly caused the Sorrento stock price to spike only to see tens of millions dollars in shareholder value evaporate when her words proved misleading. Latham & Watkins should not be paid from the Sorrento

Estate. Furthermore, punitive damages should be imposed in light of the firm's illegal and unethical conduct.

Moelis & Company, Debtor's Financial Advisor

Moelis was responsible for marketing and selling the Sorrento assets. M3 billed over $7 million in fees, adding to Sorrento's debt, while failing in the process to close a meaningful deal representative of the company's market valuation.

Moelis does not have expertise with biotech companies and poorly marketed Sorrento. Moelis required the help of Dr. Henry Ji (Sorrento's CEO) to solicit potential bidders and, ultimately, nearly every asset sold happened through Dr. Ji.

The only bidder that emerged through Moelis was a small company called Oramed which had a Moelis director on its board of directors. Moelis also had Sorrento pay for a due diligence study for the benefit of Oramed's scientific advisory board. Moelis was incapable of providing this due diligence itself despite the millions of fees it was charging Sorrento. What's worse, the firm that was paid to conduct the due diligence review was run by a member of Oramed's scientific advisory board. A company engaged in an acquisition should be conducting its own due diligence at its own expense. Paying an investment firm like Moelis millions of dollars in fees, then paying another firm linked to a potential buyer to complete due diligence work is unheard of.

As funding deadlines approached and payments were due to professionals who were running up their fees unchecked, Sorrento assets were sold by Moelis in desperation deals at deep discounts to their potential value. While these deals were presented in court as urgently necessary to "keep the lights on" at Sorrento, what became evident is that the professionals were bilking the estate out of tens of millions of dollars and prioritizing payment to themselves while they performed poorly and allowed the bankruptcy to drag on. In the end, Moelis proved it could not perform the job for which it was hired, yet was rewarded handsomely.

Mr. Andrew Glenn, counsel on behalf of equity, attempted to obtain financial projections from Moelis in order to seek outside investment. However, in a meeting with equity holders, Mr. Glenn explained that Moelis would not provide him with the needed financial projections. Moelis said that projections from Sorrento management were unreliable without further explanation. Sorrento management could have been brought into court to testify on their financial projections, but this did not happen. Moreover, Moelis as investment advisor to Sorrento was incapable of developing its own financial projections for the Sorrento assets.

At the outset of this bankruptcy, Sorrento publicly stated that this was to be a "strategic" bankruptcy implying it would be short-lived. The company indicated that it had multiple pathways for exiting bankruptcy early, but these options / plans / projections were apparently ignored by the bankruptcy professionals who prolonged the process so that they might collect their excessive fees.

Moelis was the wrong firm for the job; the poor results in relation to fees charged speaks for itself. The assets were not marketed properly, Moelis was incapable of preparing due diligence documents including financial projections, and Moelis consequently sold off Sorrento assets to contacts of Dr. Henry Ji at pennies on the dollar. Moelis dragged out the bankruptcy while charging millions in fees. Moelis destroyed Sorrento's market value and should not be rewarded.

Unsecured Creditors Committee Professionals: Norton Rose Fulbright, Berkley Research Group and Mark Shinderman of Milbank

In the Spring of 2023 as Sorrento entered bankruptcy, Scilex shares were trading at a strong valuation of over $1 billion. The sale of Scilex shares owned by Sorrento alone could have easily paid creditors in full and saved Sorrento. As a creditor, I was perplexed as to why Mr. Shinderman was not seeking to get creditors paid as quickly as possible. Instead, they opted to prolong the bankruptcy by putting the Sorrento assets up for sale (including Scilex), Mr. Shinderman continued to bill for his time, and the outcome proved disastrous for all stakeholders, save for the bankruptcy professionals.

Over the course of the first 6 months in a mired bankruptcy, Scilex shares came under attack erasing hundreds of millions of dollars in market value, and the bidding process failed to save Sorrento. This outcome only benefited Mr. Shinderman and the other professionals, not the creditors.

Mr. Shinderman's firm, Milbank LLP, has ties to Mr. Patrick Soon-Shiong who was Sorrento's adversary in litigation. Milbank disclosed its conflict to the Court on September 29, 2023, well after critical negotiations with Mr. Soon-Shiong had concluded and the damage to Sorrento Therapeutics was complete and irreversible. Mr. Soon-Shiong walked away from litigation unscathed when he was facing potential damages in the hundreds of millions of dollars. How was this blatant conflict of interest ever allowed? The settlement reached with Mr. Soon-Shiong did not benefit creditors. It only padded Mr. Shinderman's fees.

Mr. Patrick Soon-Shiong (NANT Company) is the only Sorrento creditor that walked away profitably having gained IBRX company stock from Sorrento (the final amount was undisclosed), 100% ownership of a Sorrento drug that was in development, and was granted immunity from further litigation by Sorento.

When the excessive professional fees were called into question by Mr. Tim Culberson, why didn't Mr. Shinderman join Mr. Culberson to fight on behalf of creditors? Why wasn't Mr. Shinderman seeking to disgorge the egregious professional fees from Latham & Watkins and Jackson Walker which would clearly benefit his client, the creditors? The reason Mr. Shinderman ignored the reckless billing by the debtor's professionals is because Milbank, Norton Rose, and their financial consultant BRG also were paid excessive fees – over $17 million which actually exceeded the outstanding pre-petition claims of creditors which was under $16 million! Mr. Schinderman prioritized his own self interests ahead of his client's -- the Sorrento creditors.

In providing the UCC's endorsement of the sale of Sorrento assets to Dr. Henry Ji, Mr. Schinderman first ensured funding of a legal retainer for the continuation of his services. He guaranteed himself an ongoing professional engagement while failing to recover one dime for creditors over 15 months (and counting). A professional who fails to serve his client's interests while simultaneously draining his client out of millions in fees, should have been terminated and replaced long ago. Unfortunately, I am a Sorrento creditor with seemingly no voice in stopping the great steal the professionals orchestrated against the Estate.

As a creditor, I occasionally received mail correspondence regarding status of the bankruptcy which arrived in the form of signed court orders. At no time did Mr. Schinderman correspond or otherwise communicate with his client, the creditors, to share his plan or thoughts on how creditors would recover the money they were owed. At no point did he entertain questions from creditors to address concerns.

BRG is a finance/analytic firm that is part of Milbank and was used by Mr. Shinderman in the Sorrento Bankruptcy. However, this only increased fees. BRG provided nothing of substance to enhance value to the Estate. As a Sorrento creditor with a background in finance / economics, I would have been very interested in seeing BRG's analysis. I am confident that whatever work that may have been conducted by BRG for Mr. Shinderman was not worth the millions they are now seeking as payment.

The UCC professionals billed the Sorrento Estate over $17 million in fees, but the outstanding pre-petition claim pool was less than $16 million. I haven't received a dime as a Sorrento creditor. Mr. Shinderman revealed a potential conflict of interest when the Court learned that Mr. Shinderman's firm was entrenched with Mr. Patrick Soon-Shiong, a long-time Sorrento adversary, only <u>after</u> a settlement had been reached which only benefitted Mr. Soon-Shiong. Then Judge David Jones, while overseeing the Sorrento Bankruptcy and hiding his own serious conflict of interest, let Mr. Shinderman escape further scrutiny. The UCC professionals have not served in the best interest of creditors and should not be paid from the Sorrento Estate. Consequently, the UCC professional fees should be awarded to creditors.

Tran Singh, Conflicts Counsel

Ms. Tran Singh served as conflicts counsel in the Sorrento Bankruptcy following Elizabeth Freeman and consulted with Ms. Freeman about this case. Ms. Tran Singh socialized with both Judge Jones and Elizabeth Freeman on a personal level. For example, we know that Judge Jones officiated Ms. Tran Singh's wedding. The Business Insider article in Exhibit B also states that Ms. Tran Singh "stopped by with coffee and empanadas" in Judge Jones' chambers with Ms. Freeman present. The article also suggests that lawyers in the inner circle must have known about the intimate relationship between Jones & Freeman and withheld this information from everyone. Instead, Ms. Tran Singh continued to submit her legal bills receiving the approval of Judge Jones and helped quash the discovery into the matter for Latham & Watkins, Jackson Walker and M3 Advisory Partners when the biggest conflicts in this case were uncovered related to Judge Jones and Ms. Freeman.

Tran Singh was obligated to disclose the nature of the Jones-Freeman relationship and failed to do so for her own financial gain and to the benefit of all the other professionals in this case. All fees paid to Tran Singh in the Sorrento Bankruptcy should be returned to the Sorrento Estate.

Andrew Glenn and other Equity Committee Professionals

Mr. Glenn and the other Equity Committee lawyers are attempting to extract $4 million in legal fees from the Sorrento Estate. However, his agreement as counsel for the equity committee was based on a contingency arrangement tied to preserving value held by Sorrento shareholders. Had Mr. Glenn done his job effectively, Sorrento creditors would have been paid and equity would have been restored to shareholders. Instead, shareholders have seen 99% of their company value destroyed. Mr. Glenn shirked his duties and didn't do his job or fulfill his proclamation "recreating the hashtag #hertz outcome for Sorrento shareholders." (Exhibit C)

In a Zoom call with 200 accredited shareholders on March 23. 2024. Mr. Glenn railed about the corruption in this court and the misconduct of the professionals, but told everyone to hire their own lawyers and sue everyone involved in the Sorrento bankruptcy. On other occasions, Mr. Glenn embarrassed himself in front of this court and stood by as assets were sold for pennies on the dollar, professionals continued to bill excessive hours, and shareholder value was destroyed for all practical purposes. He did not support Mr. Tim Culberson in objecting to the excessive professional fees and misconduct of certain bad actors which clearly could have benefitted Sorrento stakeholders.

Mr. Glenn was ineffective and failed to serve his client's interests. He stood by as company value was destroyed. His compensation was supposed to be based on achieving a successful outcome for Equity which did not happen. Mr. Glenn did not earn the professional fees he is now greedily trying to claim against the Sorrento Estate. Consequently, Mr. Glenn should not be paid from the Sorrento Estate.

Summary

What transpired in the Bankruptcy Court in the Southern District of Texas has already and will continue to make national headlines. The stakeholders in Sorrento are the sad victims of this travesty. This case has seen undeniable acts of fraud (illegal venue by Jackson Walker / Latham), confirmed conflicts of interest (Jones / Freeman, Shinderman / Soon-Shiong), incompetence, inexperience and complacency (CRO / Andrew Glenn), and egregious billing by the professionals with total fees that eclipse those charged in other large, complex bankruptcy cases (JC Penney, Chesapeake Energy). The bankruptcy professionals engaged in "at will" billing with no checks or balances by a judge now embroiled in a scandal of his own doing or a CRO who stands to profit handsomely alongside the other professionals. In this final review of professional fees assessed against the Sorrento Estate, I ask the court to please take these facts and arguments into consideration, deny the fees (and consider imposing damages), so that the professionals can answer for their acts of malfeasance while providing some financial relief to the stakeholders who truly matter in this case – the creditors and shareholders of Sorrento Therapeutics.

Signed,

Alexander Espalin 7/1/2024

Alexander Espalin
Former Management Consultant to Sorrento Therapeutics
Secured Creditor of Sorrento Therapeutics
Unsecured Creditor of Sorrento Therapeutics
Shareholder in Sorrento Therapeutics
Shareholder in Scilex Holdings

Exhibit A – Wall Street Journal, June 20, 2024

This Judge Made Houston the Top Bankruptcy Court. Then He Helped His Girlfriend Cash In.

Law firm Kirkland & Ellis brought multibillion-dollar cases to David R. Jones's court, aided by a local attorney who lived with the judge; 'Why did no one look into it?'

An unsigned, one-page bombshell of a letter made the rounds at Kirkland & Ellis, the world's largest law firm by revenue. It threatened havoc for the firm and others that did business before the most powerful bankruptcy judge in the U.S.

The letter alleged that U.S. Bankruptcy Judge David R. Jones, chief of the bankruptcy court in Houston, was in a romantic relationship with Elizabeth Freeman, a Texas attorney who as Kirkland's co-counsel helped the firm shepherd multibillion-dollar cases in Jones's courtroom. The intimate relationship was the reason Freeman and her law firm, Jackson Walker, were often brought in to represent large corporations, knowing they would likely have "the judge in their favor," according to the letter, which surfaced in March 2021.

Such a conflict of interest would sink Jones and upend his work elevating Houston's bankruptcy court to the nation's top tier. It also would taint judgments affecting hundreds of thousands of employees, investors, vendors and others.

Certain lawyers at Kirkland had already heard talk that Jones and Freeman were lovers, and some spoke about it with other lawyers, according to people familiar with the conversations. If the anonymous letter was true—and became public—Kirkland risked losing its favorite bankruptcy judge. Jones was known for ruling in favor of Kirkland and other firms representing corporate debtors, according to dozens of bankruptcy lawyers who worked on cases Jones oversaw.

J ones became the nation's busiest bankruptcy judge after Kirkland, the top U.S. firm for advising financially-troubled companies, steered most of its largest chapter 11 cases to his court.

The anonymous letter first went to Michael Van Deelen, a former high-school math teacher with a history of filing lawsuits against people he believed had wronged him. He was angry over a bankruptcy plan from Kirkland—approved by Jones—that wiped out Van Deelen's $146,541 investment in an oil-and-gas drilling company that had gone bust.

Van Deelen sent a copy of the letter to Jackson Walker, where Freeman was a partner, and the law firm questioned her. Freeman acknowledged a romantic relationship with Jones that she said had ended about a year earlier. Jackson Walker forwarded the letter to Jones and shared its allegations with Kirkland, according to court papers filed by both firms.

Van Deelen tried to submit the letter to court in his effort to disqualify Jones from the bankruptcy case involving his lost investment. In a court hearing, a Kirkland partner argued that the letter was unsubstantiated and moved to exclude it as evidence. U.S. Bankruptcy Judge Marvin Isgur, Jones's former law partner and a court colleague, sided with Kirkland. He denied Van Deelen's request. Jones later signed an order to permanently seal the letter from public view.

Jackson Walker didn't publicly disclose what it learned about the Jones-Freeman relationship at the time. Kirkland also kept quiet about the allegation. Jones remained Houston's chief bankruptcy judge, and Freeman continued to work on Kirkland cases involving Jones.
It might have stayed that way. But Van Deelen, a pugnacious 74-year-old graduate of Stanford University and Massachusetts Institute of Technology, refused to let it rest.

This account is based on interviews with lawyers and bankers who worked in the Houston bankruptcy court, people who knew Jones and Freeman, people familiar with Kirkland and Jackson Walker, court records, and data from Debtwire, a financial and legal information provider. Jones declined to comment. Freeman, Kirkland and Jackson Walker denied any wrongdoing in court filings.

Before Jones took the bench in 2011, most large corporate bankruptcies were filed either in New York or Delaware.

Jones set out to change that. After he became chief judge in 2015, Jones enacted rules that assigned the biggest chapter 11 cases to either himself or Isgur, who had been his mentor in private practice.

Jones contacted Kirkland's top bankruptcy partners at the time, Jamie Sprayregen and Paul Basta. In December 2015, Sprayregen and Basta stopped by Jones's chambers in Houston to meet with the judge, people familiar with the meeting said. A Kirkland representative described it as a brief meet-and-greet.

The following year, low oil prices pushed many Texas oil drillers to insolvency, and Kirkland began filing large energy-related bankruptcies in Houston. Later, when Covid-19 lockdowns triggered a rash of corporate defaults, Kirkland filed cases there for department-store chains JCPenney and Neiman Marcus.

Kirkland brought in Jackson Walker as co-counsel for most of its Houston cases, including clients from out of state.

Jones and Isgur forged social ties with Kirkland and its senior bankruptcy lawyers. Sprayregen shared food or drink with both judges, according to people familiar with the matter.

Other large law firms, including Latham & Watkins and Weil Gotshal, also brought their big cases to Houston. Jones and Isgur became the first- and second-most active bankruptcy judges in the U.S., respectively, for cases involving more than $1 billion in debt. Kirkland accounted for more than half of such cases that passed through their court after Jones became chief judge.
Kirkland and Jackson Walker handled the 2020 bankruptcy filing by fracking-pioneer Chesapeake Energy. A group of unsecured creditors argued in court that Chesapeake was worth enough to allow them to own a piece of it after the restructuring. The co-author of a valuation

guidebook for the American Bankruptcy Institute testified for those creditors, saying the company was likely worth $7 billion or so.

Jones decided Chesapeake was worth about $5.1 billion, a figure closer to the company's preferred estimate. A lawyer representing the unsecured creditors asked Jones during a January 2021 court hearing to share his calculation.

"Not a chance," Jones said. The ruling meant those creditors would be left with almost nothing. Chesapeake listed on the Nasdaq after emerging from bankruptcy the following month. The market valued the company at $7.7 billion.

Jones excoriated people in court for potential conflicts of interest. In the bankruptcy of coal producer Westmoreland, he criticized the company's adviser, McKinsey, for failing to disclose its connections to clients with a financial interest in the case.

"The only thing I want to tell you all is the bankruptcy process itself is extremely, extremely fragile," Jones said in court. "If I can't trust the professionals that appear before me, then the process won't work."

Jones and Freeman were partners at Texas law firm Porter Hedges, where their romantic relationship blossomed. After Jones became a judge in 2011, Freeman joined him as his court clerk, taking a significant pay cut.

Freeman left the clerk job in 2018 to work as a bankruptcy partner at Jackson Walker. As Jones's caseload swelled with Kirkland bankruptcy cases, the judge's signature routinely appeared on court orders granting Jackson Walker fees, including for Freeman's work. Over the years, Kirkland lawyers talked with each other and people outside the firm about romantic ties between Jones and Freeman, people familiar with the conversations said.

Jones first crossed paths with Van Deelen during the 2020 bankruptcy hearings for McDermott International, an offshore oil-and-gas engineering company. McDermott was represented by Kirkland, and Jackson Walker was co-counsel.

Van Deelen, an investor in the company, accused McDermott's management of fraud. His frequent outbursts in court irritated Jones. who later dismissed Van Deelen's claims.

After a hearing in March 2020, Jones said he overheard Van Deelen call him a "son of a bitch," which Van Deelen denied, according to court papers. Kirkland lawyers said they also heard the remark. After that, Jones banned Van Deelen from the courtroom unless he was accompanied by a security officer. Jones also referred him to federal prosecutors for possible investigation.

Van Deelen filed a motion in July 2020 seeking to remove Jones from the case, alleging the judge made a false accusation and was biased against him.

In March 2021, an envelope with no return address arrived in Van Deelen's mailbox. The unsigned letter inside had a title: Corruption Involving Judge David R. Jones.

Freeman told bosses at Jackson Walker in interviews that her relationship with Jones had ended by around March 2020. In August 2021, the firm prepared a memo saying so.

Jones never recused himself from overseeing cases that Freeman worked on, as required by federal law, court records show.

In February 2022, Jackson Walker was told by the friend of a firm partner that the Freeman-Jones relationship wasn't over. Freeman acknowledged to the firm that she and Jones had rekindled their romance but denied they lived together. Freeman hired her own attorney, who suggested Jackson Walker disclose "a close personal relationship" between Freeman and Jones, according to court papers.

Jackson Walker declined to make any disclosure. The firm said in court papers that it told Freeman around June 2022 that her exit from the firm was the only path forward.
Around October 2022, Jones asked Matthew Cavenaugh, a colleague of Freeman's at Jackson Walker, to come to his court chambers. Jones told Cavenaugh that his relationship with Freeman was casual "and no different from encounters with many other lawyers at many other firms," according to court papers filed by Jackson Walker.

Jones gave Cavenaugh a proposed disclosure for Jackson Walker to use in bankruptcy filings. It said Jones and Freeman had "a close personal relationship," according to court papers. Jones told Cavenaugh that Jackson Walker "needs to make this happen," the court papers said.
Freeman continued to work on mediations conducted by Jones on behalf of Kirkland clients. In December 2022, she left Jackson Walker to start her own law office.

A Kirkland representative later said Jackson Walker never revealed why Freeman left Jackson Walker or told Kirkland that Freeman and Jones had a romantic relationship.

In January 2023, U.S. District Judge Andrew Hanen refused Van Deelen's appeal to remove Jones from the McDermott case. Hanen ruled that Van Deelen's "general accusation of corruption," based on the letter, wasn't supported by facts.

That same month, Jones mediated talks among stakeholders in the bankruptcy case of GWG, an alternative asset-management firm. To one party, Jones suggested three candidates for the job of liquidating trustee. Freeman was on the list.

When other lawyers in the case also suggested Freeman, Jones said she would be a good choice, according to people familiar with the matter. GWG and its stakeholders went along. In April 2023, Jones signed an agreement for the company to hire Freeman at $700 an hour.

Even though Freeman had failed to tell Jackson Walker the truth about her relationship with Jones, she remained in good standing with the firm.

In March 2023, Jackson Walker told a prospective client, pharmaceutical developer Sorrento Therapeutics, that the firm "strongly recommends the engagement of the Law Office of Liz

Exhibit B – Business Insider, June 3, 2024

BUSINESS INSIDER

Dakin Campbell
Jun 3, 2024, 4:52 AM CDT

FINANCE

The incredible oblivion of Judge Marvin Isgur

Inside the tight-knit circle of attorneys and judges that fueled the meteoric rise of the Southern District of Texas bankruptcy court — and its spectacular fall.

On a mild Houston day in March 2021, Judge Marvin Isgur prepared to oversee the only case on his docket that morning. It was a motion to recuse his longtime colleague on the bench, David Jones, from a case involving a bankrupt engineering company.

Motions are the bread and butter of the US court system, and litigants use recusal motions to request a new judge if they have concerns about a conflict of interest or bias. An independent judge hears the arguments and decides if there is enough evidence to grant the motion, requiring the assigned judge to step aside.

On this day, the circumstances were anything but usual. The motion, filed months earlier, had just been updated with a shocking allegation: Jones was in a "romantic relationship" with attorney Elizabeth Freeman, his former clerk and then a lawyer at Jackson Walker, a Texas firm that often appeared before Jones and Isgur in the Southern District of Texas bankruptcy court, where the pair of judges handled the most high-profile cases.

Michael Van Deelen, the plaintiff in a shareholder case against executives of the engineering company McDermott International, wrote that he'd received a document in the mail alleging the relationship. The note went further, saying that Freeman was the "strategic link" between Jackson Walker attorneys, including Matthew Cavenaugh, and cases handled by Jones.

Freeman and Cavenaugh were both well known to Isgur. Freeman had clerked for Jones for six years, and later joined a special committee the two judges created as they centralized large bankruptcy cases under their control. Cavenaugh was a former Isgur clerk. And yet Isgur had chosen himself when Jones asked him to assign a judge to decide the recusal.

His choice wasn't all that surprising given their 30-year relationship. As law partners, Isgur and Jones had formed a lifelong bond, and as bankruptcy judges, they had created an ambitious, if controversial, machine for attracting cases to the Southern District.

"It's a very special and close relationship that came from being a mentor to a best friend to a colleague," a member of the Houston bar said at a December 2023 hearing, "and created something very big and special in this district."

Van Deelen's motion threatened to unravel it all, exposing grave conflicts of interest and a tight network of informal communications that allowed lawyers, including Freeman, to leverage their access to bring in more cases, building their firm's clout and revenue. "Judge Jones's secret relationship with Ms. Freeman," the US Trustee wrote in a November filing, "created an unlevel 'playing field' for every party in interest in every case Jackson Walker had before Judge Jones."

Several Houston attorneys said they considered Isgur a brilliant judge whose response to the recusal motion was out of character. Over nearly 20 years on the bench, during which he had overseen thousands of cases, he developed a history for being a stickler on questions of ethics.

In 2014, he issued an order removing an attorney who'd worked at his former firm, W. Steve Smith, from his duties overseeing a bankruptcy estate after Smith had sought reimbursement from the estate for around $3,500 for a three-day personal stay prior to an oral argument in New Orleans.

In 2015, Isgur joined another judge to initiate an investigation into another trustee for what they considered improprieties surrounding a creditor payment plan — even though a former chief judge had described the approach as a longstanding practice. In at least two other cases, Isgur has personally questioned witnesses he called himself — including, once, Jones, while he was appearing before Isgur as an attorney.

Bankruptcy judges have broad discretion, what the author Michael Lewis has called "sensational powers," to decide what evidence to allow in a case. And yet in the Jones recusal case, the aggressive Isgur was nowhere to be seen.

First, he ordered the motion and the anonymously authored document sealed. Then, over the course of the roughly 40-minute long hearing, he refused to admit the anonymous note into evidence. He did not call to the stand either Freeman or Cavenaugh, though he knew them both well. And when Van Deelen asked for time to depose witnesses about the allegations, Isgur shut that down, his tone giving off a sense of frustration.

"No, your motion for a continuance is denied," according to audio of the judge's remarks. "I'm not going to let you take a deposition about the contents of an anonymous letter. That would be totally outrageous." Minutes later, Isgur denied the motion for recusal. A US district court judge later denied Van Deelen's appeal, agreeing that the note had no evidentiary value.

The matter may have been largely forgotten, one of any number of denials handed down every day throughout the United States court system. But the anonymous note resurfaced two and a half years later when Van Deelen filed a lawsuit against Jones, alleging retaliation, this time relying on evidence that Jones and Freeman owned a home together, as Business Insider was the first to report. (Jones has filed a motion to dismiss in that case, which remains pending.)

Over the next 10 days, Jones admitted he and Freeman were in a romantic relationship, earned a rare public rebuke from the Fifth Circuit Court of Appeals, and resigned. It was as if a meteor had hit one of the country's most influential bankruptcy courts. His resignation led 3,500 cases to be reassigned and sparked the Department of Justice to demand Jackson Walker give back nearly $23 million in fees it had earned in cases that Jones had overseen. The Southern District juggernaut, which had pulled in scores of massive cases and enriched the Houston bankruptcy bar, was over.

But Isgur remained unscathed. In her written rebuke of Jones, the Fifth Circuit chief judge took care to note that "on information and belief, the judge who ruled on the motion to recuse was unaware" that Jones and Freeman were romantic partners. But an extensive document trail, social media posts, and nearly a dozen sources inside Houston's legal community suggest that narrative is implausible.

Freeman's attorney, Tom Kirkendall, declined to comment on her behalf. Isgur did not respond to requests for comment sent through his staff. Jones' attorney, Gary Cruciani, did not respond to requests for comment.

In October 2023, the Fifth Circuit Court rebuked Judge David Jones but said that his longtime colleague, Judge Marvin Isgur, had been "unaware" of Jones' inappropriate relationship. Fifth Circuit Court of Appeals "Typically, best friends know the identities of their friends' long-term romantic partners," Nancy Rapoport, an influential legal ethicist and professor at the University of Nevada Las Vegas William S. Boyd School of Law, wrote in a paper about the ethical questions surrounding Jones' relationship. "But only Judge Isgur knows what he knew or didn't know about the relationship."

In fact, the rise of the Southern District was inseparable from the close relationships between Jones and Isgur, Jones and Freeman, and the firm where Freeman was a partner, Jackson Walker. The Fifth Circuit found that "substantial" money was involved.

'I love him like a father'

Isgur and Jones first began working together in 1993, when Isgur and Kirkendall, then his law partner, hired Jones out of the University of Houston law school as an associate, Jones said in a February 2022 interview for an American Bankruptcy Institute podcast. Jones was being pursued by a much larger firm, he told someone at the time, when Isgur and Kirkendall persuaded him to join their small litigation boutique. Both men spoke at Jones' wedding reception at Brennan's, the venerable Houston restaurant, according to someone who attended.

It would prove to be his most influential professional relationship. "They took me in, taught me how to think, how to write, and how to be a lawyer," Jones said of Isgur and Kirkendall in March 2023 when he accepted a lifetime achievement award from Emory Law School. Isgur was chosen to introduce him.

For years, Isgur and Jones lived a short distance away from each other in a wealthy enclave on Houston's west side. Jones would go sailing on Galveston Bay with Isgur on his boat. The two men often ate together at hole-in-the-wall restaurants, according to two people familiar with their habits. One of the sources said they were frequently joined at these dinners by their wives.

By some measures, the two men made an odd pair. The elder judge was a Houston native, a member of the influential Winograd real estate family, and a nondrinker. He wore his receding hair cropped close and wire-rimmed glasses that gave him the authority of a man steeped in the law. Behind the bench, he was always in control.

Jones, on the other hand, was voluble and audacious. A North Carolina native estranged from his father, Jones liked sharing a drink with members of the Houston bar. As a judge, he would sometimes berate litigants and attorneys in his court, and he liked to boast about how, as an attorney, he had pushed the boundaries of the law.

Yet over the years, their relationship blossomed into something almost familial. "I love him like a father," Jones once said of Isgur. In introducing Jones at the Emory event, Isgur called him his "stubborn adopted son." "There is no better feeling than when a parent watches his child surpass him in capability and achievement," Isgur said. "I am so proud."

Isgur's only actual child, Sarah, is a conservative lawyer known for her close relationships with Supreme Court justices and her three years in the Trump administration. Most recently, she's made a name hosting a must-listen legal podcast, Advisory Opinions, in which she has repeatedly explored questions of judicial ethics. When Jones appeared on the podcast in 2020, their dynamic was warm. Sarah called him a "family friend," and Jones congratulated Isgur on her pregnancy.

Several years earlier, when Sarah got married in the federal courthouse, her father oficiated and Jones and his then wife were in attendance, according to one wedding guest.

After Isgur became a bankruptcy judge, appointed by the Fifth Circuit Court of Appeals in 2004, Jones joined Porter Hedges, a Houston law firm whose 1981 founding made it a relative newcomer to the city's legal scene. Porter Hedges' scrappy status gave Jones the freedom to further develop into an aggressive litigator, making his name representing trustees charged with selling off assets in Chapter 7 bankruptcies.

Legal records suggest that Jones may have first crossed paths with Freeman in 2002, when he was still in private practice with Isgur; that year, she represented a creditor and Jones a trustee in the same bankruptcy case. Over four days in March 2008, each attorney was assigned to a case the other had already been working on for months. By the following year, Freeman had joined Porter Hedges as a partner to work with Jones in the bankruptcy practice, according to a person who knew them at the time. Her husband had recently joined Porter Hedges, too.

At Porter Hedges, Jones and Freeman worked closely together. In several pleadings from that time, they appear on the same signature block, indicating that they were jointly handling a case.

It's unclear when Jones and Freeman first became romantically involved, but Porter Hedges appeared to take a more liberal stance on inter-office romance than many Big Law firms did at the time. John Higgins, a senior partner, started dating Whitney Ables when they worked together at Porter; they were later married in a ceremony Jones oficiated. Josh Wolfshohl also met his wife Amy Lucas while they were working together there; both remain at the firm. And Porter hired Freeman even though her husband was already a partner there.

Isgur, during his time on the bench, had encouraged Jones to consider becoming a bankruptcy judge. When Judge Wesley Steen retired from the Southern District of Texas bankruptcy court in 2011, Jones got his chance, and applied to the Fifth Circuit — whose judges appoint bankruptcy judges in the circuit — to fill Steen's seat. Jones would again become a close colleague of his mentor.

Isgur moved quickly to get Jones hearing cases, swearing him in at a private ceremony in advance of the official investiture, a small gathering he hosted in his courtroom on the fourth floor of Houston's federal courthouse. About two dozen people were there, according to two people who attended, including Freeman. She was tasked with taking pictures, and at one point, her emotions overcame her and she teared up, according to one of the attendees.

By then, Freeman had already decided to leave her job at Porter Hedges, where she was poised to earn handsomely by taking over casework from Jones. That year, partners at Houston's law firms earned on average nearly $800,000, according to one compensation survey. Instead, she took up a position as Jones' permanent clerk, likely making closer to $100,000 in a role she would hold for the next six years.

The following year, her husband moved to dissolve their marriage, according to Harris County records. "When I heard she went and became his law clerk, I thought that's a surprise. I would not have expected that to be a typical career path for Liz," said a former colleague of theirs at Porter Hedges. "When I heard that they were eventually found to be cohabitating, it didn't surprise me."

Just months after Freeman began her clerkship, Jones too got divorced. "I probably should have talked with, at that time, my wife —now my ex-wife — about that decision, because that's obviously a huge change," Jones told Reuters in 2020. "I just decided that it was something that I was going to do and if I was going to do it, I was going to devote the same energy into being a judge that I did into being a lawyer."

He suggested in another interview that the couple experienced tension over the decrease in his pay. Jones kept the house he had shared with his wife, and sometime later, Freeman moved in with him, according to one person aware of the arrangement. The real estate photos Jones used later to sell the home showed what looked like a boy's bedroom, even though Freeman was the only one in the couple with kids, and a closet that held women's clothing.

In 2017, Jones purchased a house in a gentrifying neighborhood in northwest Houston, not far from his previous home. He and Freeman toured the home together, and Jones ultimately paid $985,000 in cash, Bloomberg reported in April. Real estate records show that they came to jointly own it.

Whether Isgur visited Jones at the homes he shared with Freeman is unclear, but the elder judge would have witnessed the dynamic between the pair over the six years they all worked closely together at the Houston courthouse.

"They set up the special panel because they are great judges, and they are great arbiters of the law, and then to say they don't have the same sensibility with the people they have lunch with beggars disbelief," said Bruce Markell, a former federal bankruptcy judge in Nevada who now teaches law at Northwestern's Pritzker School of Law. "It's not like Isgur didn't know her. Whether he knew about the relationship or not I don't know, but it would be difficult for me to think that Isgur was taken completely by surprise by the allegations."

A plan to grow the Houston court

When Jones joined the bankruptcy court for the Southern District of Texas, Delaware and New York dominated as the venue of choice for major corporate bankruptcies. But Jones and Isgur came up with a plan to make Houston a magnet.

Corporate bankruptcies are big business. For decades, the process has been used by companies with too much debt and not enough cash to find fresh footing — and over time, it's become one of the most lucrative areas of law. Top attorneys can make up to $2,500 an hour in bankruptcy cases, the kind of money that can warp a system. In recent decades, bankruptcy forum shopping has become rampant, with firms filing in whatever federal district they like, just by showing a local address there. Sometimes a PO Box is enough. So lawyers tend to congregate where they find corporate-friendly judges who have a reputation for quickly moving companies through the process and signing off on lawyers' fees.

While Delaware and New York dominated as the venues of choice for major bankruptcies, millions of dollars flowed into the coffers of local law firms. The judges became their own power centers, with every decision affecting the paychecks of local lawyers and the fortunes of their firms: Decide against the debtor and their law firm might seek a different venue for their next client.

Houston judges had tried to break into the upper ranks before, without success. Judge William Greendyke promised attorneys in 2000 that the judges' "war on fees is over," according to Lynn LoPucki's book Courting Failure. A year later, Houston-based Enron still chose New York for its spectacular bankruptcy.

In 2016, Jones and Isgur began to hatch a more ambitious plan to make Houston welcoming. Success would mean more money for the men and women of the local bankruptcy bar, and more power and prestige for the Southern District of Texas.

They created a special panel for complex cases, changing Southern District rules so extremely large or complex Chapter 11 bankruptcies —including, now, those involving at least $200 million in debt – would get an unusual degree of predictability. Even though the Judicial Conference, which sets policy for the federal courts, had long supported the random assignment of federal judges in order to deter judge-shopping, the new Southern District scheme would assign every complex case to just one of two judges: Jones or Isgur.

"Overnight, bankruptcy lawyers that typically worked on large, complex cases before any one of 3 or 4 sitting bankruptcy judges," Jackson Walker wrote in a court filing last month, "now would be practicing almost exclusively (and routinely) before 1 of 2 bankruptcy judges." It was an effort, the firm said, to "make procedures more transparent and predictable."

In fact, the two men sought to achieve an extraordinary degree of consistency across their two dockets and would often discuss each other's cases, according to someone who heard it directly from Jones. The two men would walk back and forth to each other's chambers on the courthouse's fourth floor. "We talk every day, multiple times, whether he wants to or not," Jones said in his remarks last year at Emory. "I can't imagine him not being right down the hall."

The judges threw open the doors to the bankruptcy bar, creating a committee of bankruptcy attorneys to advise the judges on industry best practices. Among the founding members were Patricia Tomasco, then a partner at Jackson Walker; Christopher Lopez, an attorney at Weil Gotshal & Manges who would go on to become a Southern District judge; and Greendyke, who had by then retired as a judge.

Another reform was to promise attorneys for major corporations concierge access to court offcials to expedite scheduling and process matters. Jones assigned his case manager, Albert Alonzo, a government-issued cell phone and told him to answer it whenever it rang. Jones would call him in the middle of the night to test his resolve and Alonzo always answered, the judge told Reuters in 2020. "He is the public's way to talk with me," Jones told the Texas Lawbook in 2020. "He has tremendous scheduling authority. He's great at customer service."

As they worked together, the two men grew close. Jones said he spent time with Alonzo's family during the holidays and at least once he and Freeman attended Alonzo's annual tamale-making party together, according to a social media post.

A close circle of lawyers around Jones

Isgur was known to avoid spending time with Houston's bankruptcy bar outside of the courthouse or official conferences. But just down the hall, Jones routinely blurred the boundaries between his professional and personal lives, becoming friends with a group of attorneys who often appeared before him. Jones had issued an order in 2016 arguing against "unspoken practices, or disparate treatment" even as he was offering special access, in a variety of ways, for this small network of lawyers.

According to two attorneys close to Jones' circle, a small group of lawyers would often hang around Jones' chambers, which he decorated with framed news articles about him. One, a 2020 Houston Chronicle profile, was headlined: "Meet the judge who saved the Texas bankruptcy practice." (After that article came out, someone taped up a piece of paper outside the fourth floor elevators with the word "savior" and an arrow pointing to Jones' courtroom, a third attorney recalls.)

The locked entrance to his chambers became such a revolving door that when Van Deelen pressed the buzzer in October 2023, intending to hand his retaliation lawsuit to Jones, he was let in with no questions asked, he said. Alonzo once posted that a lawyer close to Jones, Susan Tran Adams, stopped by with coffee and empanadas.

On his frequent visits to Jones' chambers, Isgur likely saw the crowd, which often included Freeman. Two attorneys specifically recall Isgur entering Jones' chambers while other lawyers were present. Jones said he and some of the lawyers formed a cooking team that would enter local barbecue and chili competitions, and several in the group recently started a nonprofit together. Social media posts over the years of informal gatherings show Jones, Freeman, and Alonzo hamming it up with other lawyers.

The following year, a Houston bankruptcy attorney invited a group of lawyers, including Jackson Walker attorneys Matt Cavenaugh, Veronica Polnick, and Genevieve Graham, as well as Freeman, then running her own practice, to a party for Jones, according to someone who was told about the party.

An October 2022 cookout featured multiple members of the Houston bar, including Jones (back row, gray hair) and Jackson Walker attorneys Veronica Polnick (back row, sunglasses on forehead), Genevieve Graham (squatting center with red cup), and Freeman (sitting center with red sneakers). Facebook

At the root of many of these friendships was a drop-in evidence class Jones began to lead for Houston lawyers soon after he joined the bench. The free class started small and invite-only, but after several years grew to number 40 or 50 students, according to someone who attended. Regulars included attorneys who worked at, or would later join, Jackson Walker, according to emails, such as Polnick, Graham, and Cavenaugh. According to a recent Jackson Walker legal filing, "other bankruptcy judges and prominent local practitioners attended the classes" as well. "They were well attended," said another Houston bankruptcy attorney. "I attended a couple, and you could really see the young attorneys clicking."

Jones clicked with them, too. "There are several young lawyers that are present tonight that I first met in a weekly class that I teach in my courtroom on most Wednesdays," Jones said in his prepared remarks for the Emory event last year. "It also turned out that the class was as much of a learning session for me as it was a teaching session. Not only did we become better professionals together, we became friends."

Jones officiated the marriages of at least two lawyers who attended those classes: Tran and Graham. The class was effectively yet another Jones strategy for attracting bankruptcy filings to the Southern District — and a way for members of the Houston bar to explore tactics they might later deploy in Jones' court.

The classes were sometimes also a ticket to career advancement. At least one young law graduate, Christina Morrison, used the classes to successfully audition for a clerkship with Jones.

Isgur was well aware of the tight legal community around Jones' evidence class. He told the assembled crowd at Emory how "young lawyers show up weekly — dozens of them — to learn trial tactics and bankruptcy from David."

After I tried and failed to find an opportunity to introduce myself to Isgur at the courthouse, I visited Isgur's home in April, hoping to find out how the judge was currently feeling about his adopted son and to ask when he first became aware of Jones' relationship with Freeman.

A woman who appeared to be his wife answered, keeping the door closed and speaking through a side window of the stately brick home. "Get the hell away from us," she said, after I identified myself as a journalist. When I turned to leave, the woman noticed that my hair was pulled back in a ponytail. She commented on the style, and when I turned back to face her, she began to mock me, moving her hips in a side-to-side dance. "Do you want to wear a skirt or earrings? Are you trans?"

As her voice rose, she hurled an expletive and screamed, "Get off the property!"

Rumors of a romantic relationship

Jones and Isgur's efforts soon began to attract hundreds of filings to the district. Big names showed up: Neiman Marcus and J.C. Penney, then Chesapeake Energy.

Tomasco, the Jackson Walker partner who was a member of the complex cases committee, had already been doing her part to build up the court and drum up business for her firm by flying to New York in a campaign to convince the Big Law bankruptcy attorneys to bring their cases south. But the flow of cases only escalated after Freeman left her clerkship, in May 2018, and joined the firm. Freeman quickly became known as someone who bristled over complying with protocols and failed to loop her colleagues in on critical communications. She and Cavenaugh set up a business agreement that, according to two of their professional contacts, appeared to be premised on Freeman's tight relationship with Jones paying off.

Though Freeman hadn't worked at a law firm in six years, Cavenaugh and Freeman agreed to split the origination income they got for bringing in new cases, according to the two sources who were told about the arrangement. Like anyone exiting public service, Freeman hadn't done marketing in years. If she hadn't delivered, it could have meant a substantial compensation loss for Cavenaugh. Instead, according to a November Jackson Walker filing, Freeman enjoyed "quick and substantial success."

"Sharing origination fees is common in the industry, and it is well known that sharing is part of our culture at Jackson Walker," firm spokesperson Jim Wilkinson said by email. "We quite often share origination fees among attorneys irrespective of location and there is nothing out of the ordinary with our compensation practices."

Already, the rumors about Jones and Freeman's romantic relationship were frequent enough that at least one attorney confronted Jones about it; Jones responded by denying the relationship.

"I would see them going to lunch together," said the former colleague from Porter Hedges. "It's not unusual for judges and their clerks to go to lunch together but we typically think of a federal judge's law clerk in bankruptcy or district court as a substantially younger person relatively recently out of school. The optics were different."

Now, Jackson Walker had a partner with a direct line to the leading judge of the Southern District of Texas bankruptcy court. Business boomed. During Jones' career on the bench, two firms, Kirkland & Ellis and Jackson Walker, represented the most debtors with confirmed Chapter 11 plans, according to data provider Lex Machina. And Kirkland & Ellis — whose attorneys were invited to Jones' evidence class as special guests at least twice, according to emails – often relied on Jackson Walker as its local counsel.

Between 2012 and 2017, before Freeman left for Jackson Walker, just 27 companies with liabilities of $100 million or more filed their bankruptcy in the Southern District of Texas, according to BankruptcyData. From 2018 through 2023 that number more than quadrupled to 148.

During the three years ending in 2023, Jones and Isgur together handled nearly a third of all bankruptcy cases with liabilities over $1 billion. Jackson Walker was involved in a large number of them, with Freeman, as the US Trustee said, creating an "unlevel 'playing field.'"

The Trustee Program has filed several motions to force the law firm to disgorge a total of nearly $23 million in what it called "tainted" fees collected in cases involving Jackson Walker that were heard by Jones as far back as 2018. More than $2 million of those fees were personally collected by Freeman.

As a clerk, Freeman was present while Jones and Isgur were concocting the idea of the complex cases committee. As a Jackson Walker attorney, she became a formal member. But

Freeman continued to act as if she were an insider. When Tomasco, for example, asked the committee members in a December 27, 2021, email if the court's hybrid hearing schedule would change, Freeman responded, according to correspondence BI obtained through a public records request. "It will continue until further notice," she wrote from her Jackson Walker address.

By this point, Isgur had become one of the busiest bankruptcy judges in the country. Jackson Walker attorneys including Cavenaugh and Freeman were frequently appearing in front of him. And companies were now aggressively venue shopping in the Southern District of Texas.

Bankruptcy rules require a company to be based in the district for 180 days. But court filings in the 2023 bankruptcy of the biopharmaceutical company Sorrento show that Jackson Walker attorney Veronica Polnick — another former Jones clerk — visited a UPS Store on the outskirts of Houston to open a mailbox less than 10 hours before the company filed for bankruptcy.

That UPS store soon became the principal place of business for other Jackson Walker clients, according to legal filings: medical technology firm Surgalign Spine Technologies, sweet treat subscription company Candy Club LLC, and industrial food startup AppHarvest Products, all with mailboxes registered by Polnick — in one instance for a case filed by Cavenaugh.

So much bankruptcy business was coming into Houston that attorneys there were getting bold.

In April 2022, the bankruptcy bar met for a conference at the Omni Hotel in Corpus Christi, a chance for attorneys to get continuing education credits — and face time with judges. A panel titled "Judges Panel — Ask Anything You Want!" at the end of the three-day event gave attorneys an open forum to ask questions of Jones, Isgur, and the other bankruptcy judges of the Southern District of Texas.

As Cavenaugh roamed the room with the mic, one attorney spoke up, saying clients had reported that other attorneys were suggesting they had a special connection with the judges of the Southern District. The attorney asked the judges how lawyers should respond the next time they heard something about these attorneys' special status, according to someone in attendance.

Jones, in prefacing a noncommittal answer, suggested that the question was likely directed at him, the source recalled. By then, Cavenaugh and Jackson Walker were aware of the allegations of a Jones-Freeman relationship, according to documents the firm later filed in court. Van Deelen had received the explosive anonymous note 13 months before, and an email he sent to Cavenaugh right after receiving it had sparked an apparently cursory internal Jackson Walker investigation.

Freeman admitted that she and Jones had been in a relationship, but said it had ended, according to a draft letter the firm's then-general counsel wrote in August 2021 to an outside ethics consultant. "Elizabeth has confirmed that there is no current romantic relationship between herself and Judge Jones and that none is expected going forward. According to Elizabeth, there has been no romantic relationship since prior to the time in March 2020 when COVID caused so many of us to shift to remote work and virtual-only meetings. Judge Jones and Elizabeth each own their own homes; they do not and have not lived together."

The letter also described Freeman's critical role bringing in new business to the firm since she had joined in 2018. "Jackson Walker's debtor practice grew very substantially during this time, including cases in which we took an expansive local counsel role, with Kirkland Ellis acting as lead counsel, and cases in which we were lead debtor's counsel. Much of this work was in cases before either Judge Isgur or Judge Jones. This success was a team effort, involving other bankruptcy partners as well, but Elizabeth's leadership and contribution were recognized as integral."

The letter said Jackson Walker had requested that Freeman stop working on cases once they'd been filed with Jones for a two-year cooling off period from the date Freeman claimed their romance had ended. While the firm understood "that a close personal relationship remains" between Freeman and Jones, the letter said, "no further details were sought at that time."

Jackson Walker later learned Freeman hadn't been truthful.

The firm's counsel at Norton Rose Fulbright — Greendyke, the former bankruptcy judge — said in a November pleading that in 2022 Jackson Walker had "learned, quite by accident, that Ms. Freeman's denial was possibly false or at least no longer true. When confronted again she initially denied the relationship but later on admitted to a current romantic relationship."

When Freeman retained counsel, she chose someone with close ties to her romantic partner: Tom Kirkendall, Jones' first boss in the legal profession and someone who described Isgur to Business Insider as "a wonderful law partner of mine for over 10 years" and "a dear friend." (Kirkendall declined to comment on other aspects of this story.)

Later that year, Jones called Cavenaugh to his chambers after a hearing and "insinuated" that he was "unhappy" with the firm's push to disclose the relationship, the firm said in another filing. Instead, Jackson Walker said, Jones handed Cavenaugh a piece of paper with a proposed disclosure that listed a "close personal relationship" with Freeman sandwiched between references to a "social friendship" with Polnick and with Graham. Jackson Walker, Jones insisted, "needs to make this happen," instructing the firm to file the disclosure in all future cases before him, according to the filing.

Finding the language "potentially misleading or untruthful," Jackson Walker said it negotiated Freeman's departure instead; she left the firm in December 2022 to set up her own practice. But Jackson Walker appeared to keep knowledge of the relationship to itself. The firm's attorneys continued to recommend Freeman for legal work on cases before the Southern District.

"Jackson Walker has a strong and proven culture of ethics and integrity, and when we learned about this issue, we acted responsibly," Wilkinson, a spokesperson for the firm, said by email. "Our firm has been transparent, and our fulsome public filings speak for themselves."

Conflicts of interest appeared immediately. Within weeks, Freeman, serving as contract attorney to bond issuer GWG Holdings Inc., whose bankruptcy case was being handled by

Jackson Walker, told Judge Isgur she took "some comfort" knowing that Jones was serving as mediator in the case, according to a December 16, 2022, transcript.

During the mediation, in which Freeman participated, Jones suggested naming an independent trustee, according to public remarks by Mike Warner, a lawyer involved in the case. Freeman was ultimately chosen by the creditors to oversee the wind-down trust in that case, a role expected to earn her $100,000 a month. Neither Jones, nor Jackson Walker, nor Freeman disclosed the relationship.

Containing the fallout

After the romantic relationship became public last October and Jones resigned, Isgur found himself once again at the center of a recusal matter. The estate of a creditor in 4E Brands, a manufacturer of hand sanitizer, whose bankruptcy case was transferred from Jones to Isgur, argued in October that Isgur was too close to Jones to rule on the case independently. The US Trustee, which oversees federal bankruptcy cases, supported the motion, arguing the case should never have been heard by Jones in the first place.

Yet in an apparent attempt to contain the fallout from Jones' ethics implosion, the Southern District's chief bankruptcy judge, Eduardo Rodriguez, ruled against the creditor. Isgur can continue to hear the case, he ruled, writing in the December 2023 opinion that lawyers for the creditor "failed to demonstrate much other than that former Judge Jones and Judge Isgur are close friends." (The creditor has filed an appeal.)

Rodriguez wrote that the estate had provided no evidence Isgur had "extrajudicial knowledge" of Jones' relationship or showed a "high degree of antagonism" in denying Van Deelen's March 2021 recusal motion — despite the magnitude of Isgur's missed opportunity.

In the Sorrento case, a litigant filed in February to remove the case from the Southern District of Texas. Again, the US Trustee lent its support, calling Sorrento's PO Box maneuver "a case of forum shopping and venue manipulation taken to a new and unprecedented extreme." Again, a Southern District judge shut it down. This time, Judge Lopez — a member of the complex cases committee turned judge— denied the motion. (Lopez had replaced Isgur when Isgur stepped down from the complex cases panel at the end of 2022; Isgur returned to the panel as Lopez's partner after Jones resigned in disgrace.)

The Southern District has stuck to the model Jones created, of sending every complex case to a panel of two judges, flouting new guidance issued by the Judicial Conference of the US in March that further promotes random case assignment to limit "the ability of litigants to effectively choose judges in certain cases by where they file a lawsuit." Effectively choosing judges, and knowing with a high degree of clarity how those judges would rule, was the very essence of the Jones machine.

Meanwhile, the US Trustee's motions seeking to disgorge nearly $23 million in fees Jackson Walker collected in 33 cases in front of Jones has been bottled up. Those cases have been combined into a single proceeding, overseen at this stage by Rodriguez. That consolidation delays or even prevents what many would like: an impartial judge from outside the district hearing the cases and putting key players in the machine under oath.

The US Trustee began taking discovery on May 15, according to a scheduling order, but a settlement could halt that process and eliminate the risk that Cavenaugh, Freeman, Jones, or even Isgur would have to testify.

That might be fine with the Fifth Circuit. Earlier this year, the circuit judges chose Alfredo Perez, a retired Weil, Gotshal & Manges bankruptcy attorney, to replace Jones. The pick was widely interpreted as a sign that the Fifth Circuit had come to enjoy Houston's recent success and didn't want it to end with Jones' career.

Isgur told Bloomberg recently that he plans to give up handling complex cases, which would clear the way for Perez to take over. Former chief Southern District judge Richard Schmidt told Bloomberg that Perez's experience handling large cases would be a "godsend" for the district. "I can't imagine a better selection given the circumstances," he said.

Meanwhile, according to Debtwire, the Southern District of Texas' popularity has plunged. Through May 4, only 10% of the large Chapter 11 bankruptcy filings this year tracked by the data provider have been filed in the district, less than half what it was last year.

That's well short of Delaware's current share — 39%.

Additional reporting: Jack Newsham.

Exhibit C – GlennAgre.com, April 25, 2023

Glenn Agre advocates for shareholder value in Sorrento Therapeutics bankruptcy

By
Glenn Agre
Firm News
April 25, 2023

Glenn Agre's Bankruptcy, Restructuring & Distressed Debt practice—often called upon to find creative ways to protect shareholder value in Chapter 11 exit strategies—has been called in to do just that as Sorrento Therapeutics Inc. aims to successfully exit bankruptcy through proceedings now pending in the U.S. Bankruptcy Court for the Southern District of Texas.

In the Sorrento Therapeutics bankruptcy, Glenn Agre partners Andrew Glenn, Kurt Mayr, and Shai Schmidt are representing an official committee of shareholders that the court approved in late March. In that role, they will seek to maximize value returned to shareholders in the bankruptcy of a company with substantial assets—just as Glenn Agre did in orchestrating an unprecedented, billion-dollar payout to shareholders in the Hertz Global bankruptcy.