

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:

Sorrento Therapeutics, Inc., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 23-90085 (DRJ)

(Jointly Administered)

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS'  
SECOND EMERGENCY MOTION TO EXTEND THE APPLICATION OF THE  
AUTOMATIC STAY TO CONTINUE THE RESTRICTED TRADING PERIOD FOR  
SHARES OF SCILEX STOCK DISTRIBUTED TO THE DEBTORS' SHAREHOLDERS**

**Emergency relief has been requested. Relief is requested not later than August 28, 2023.**

**If you object to the relief requested, or you believe that emergency consideration is not warranted, you must appear at the hearing if one is set, or file a written response prior to the date that relief is requested in the preceding paragraph. Otherwise, the Court may treat the pleading as unopposed and grant the relief requested.**

The Official Committee of Unsecured Creditors (the "Creditors' Committee") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") respectfully state the following in support of this motion (the "Motion"):

**RELIEF REQUESTED**

1. This Motion seeks to further extend<sup>2</sup> the application of the automatic stay to effectively continue, until December 1, 2023 (or such earlier time as the Debtors and the Creditors' Committee may agree in writing or on the record in these chapter 11 cases in the

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<sup>1</sup> The Debtor entities in these chapter 11 cases, along with the last four digits of each Debtor entity's federal tax identification number, are: Sorrento Therapeutics, Inc. ("Sorrento") (4842) and Scintilla Pharmaceuticals, Inc. (7956). The Debtors' service address is: 4955 Directors Place, San Diego, CA 92121.

<sup>2</sup> On April 25, 2023, the Court entered the *Order Extending the Application of the Automatic Stay to Continue the Restricted Trading Period for Shares of Scilex Stock Distributed to the Debtors' Shareholders* [Docket No. 524] (the "Initial Extension Order").

future), the restricted trading period of those Scilex Holding Company (“Scilex”) common shares formerly owned by Sorrento and distributed by Sorrento to its shareholders shortly before the commencement of the bankruptcy cases (the “Distributed Stock”). Such relief would preserve the value of a significant cause of action while enabling the estates to marshal their limited resources towards maximizing the estates’ recovery. In contrast, the Sorrento equity holders who received the Distributed Stock would remain unharmed by the application of the stay to extend the restricted period inasmuch as they did not pay anything for such shares.

2. There is little time and money with which to pursue value-maximizing activities in these chapter 11 cases. As set forth in the order approving, among other things, a replacement senior secured postpetition financing facility (the “Replacement DIP Facility”) and stalking horse bid protections,<sup>3</sup> there are very tight milestones, including a requirement that the Debtors file a chapter 11 plan of reorganization by September 1, 2023, and close the Scilex Assets Sale (as defined in the Replacement DIP Facility credit agreement) by September 30, 2023. At the present time, it is crucial that the Debtors and the Creditors Committee cooperate on efforts to monetize the estates’ assets, including consummating the Scilex Assets Sale, and focus on a chapter 11 plan. The Creditors’ Committee agrees with the Debtors that their focus should be on maximizing recoveries for the Debtors’ estates and unsecured creditors through the chapter 11 process, prior to pivoting to seeking recovering through litigation.

3. To allow the Debtors’ management and key personnel to focus on such value maximizing effort, the Creditors’ Committee has continuously delayed efforts related to estate claims that may arise from the Distribution (as defined herein), including delaying discovery.

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<sup>3</sup> See Order (I) Authorizing the Debtors to (A) Obtain Replacement Senior Secured Superpriority Postpetition Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Claims With Superpriority Administrative Expense Status, (III) Modifying the Automatic Stay, (IV) Granting Stalking Horse Protections and (V) Granting Related Relief [Docket No. 1182] (the “Replacement DIP Order”).

However, as stated in the *Emergency Motion to Extend the Application of the Automatic Stay to Continue the Restricted Trading Period for Shares of Scilex Stock Distributed to the Debtors' Shareholders* [Docket No. 518] (the "Initial Extension Motion"),<sup>4</sup> the Creditors' Committee cannot permit an incredibly valuable estate asset—a potential claim to avoid and recover the January 2023 distribution (the "Distribution") of common stock in Scilex to Sorrento equity holders on the eve of bankruptcy as a fraudulent transfer (the "Claim")—to disappear merely because other activities require the parties' attention and resources.<sup>5</sup> The proceeds of such Claim remains a key potential source of recovery for unsecured creditors, and therefore, was excluded from the debtor-in-possession replacement collateral. *See* Replacement DIP Order ¶6(b). Without the relief requested herein, the estates may lose the ability to realize value from this Claim.

4. The Distributed Stock is currently restricted from trading publicly through September 1, 2023 (such restricted trading period, the "Restricted Period"). If the Distribution could be avoided before the Restricted Period ends, the Distributed Stock could potentially be recovered from the record holders of Sorrento that received the Distribution. If the Restricted Period were to expire before the estates are able to avoid the Distribution, however, the task of recovering the Distributed Stock becomes substantially more difficult: among other factors, once the Distributed Stock is publicly tradable, its ownership will become considerably more widely spread and difficult to trace and the value of the stock may not be recoverable.

5. Public trading of the Distributed Stock would impede the estates' control of the potential avoidance claim by irreparably diminishing its value. By contrast, the relief sought by

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<sup>4</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Initial Extension Motion.

<sup>5</sup> Other estate claims may also arise from the Distribution, including claims for unlawful dividend and breach of fiduciary duty.

this Motion merely will preserve the *status quo*, maintaining the current state of affairs until the estates determine whether the Claim should be pursued. Further, this relief will give effect to the “breathing spell” that is the very purpose of the automatic stay, allowing the estates to continue its pursuit of value-maximizing activities while ensuring that significant estate assets do not diminish as those time-sensitive endeavors continue.

6. The estates’ creditors should not be forced to choose between allowing a substantial estate asset to dissipate or jeopardizing the estates’ efforts to raise capital. Therefore, even if the Debtors were to emerge from these chapter 11 cases prior to December 1, the extended restriction on trading for the Distributed Stock would allow the Creditors’ Committee to continue the pursuit of its claim through a litigation trust, if applicable.

7. The Creditors’ Committee understands that the Debtors and the Official Committee of Equity Security Holders (the “Equity Committee”) do not oppose the relief requested herein.

8. Accordingly, by this Motion, the Creditors’ Committee seeks entry of an order substantially in the form attached hereto (the “Proposed Order”) continuing the Restricted Period for the Distributed Stock until the earlier of December 1, 2023, or the date on which the Debtors and the Creditors’ Committee agree in writing or on the record in these chapter 11 cases that the Claim to avoid the Distribution should not be pursued.<sup>6</sup>

### **JURISDICTION AND VENUE**

9. The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28

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<sup>6</sup> For the avoidance of doubt, the Creditors’ Committee does not seek relief that would affect the remaining Scilex common shares currently held by Sorrento.

U.S.C. § 157(b). The statutory predicates for the relief sought herein are 11 U.S.C. §§ 105(a) and 362.

### **BACKGROUND**

#### **A. Prior Motion Practice**

10. On April 24, 2023, the Creditors' Committee filed the Initial Extension Motion, seeking extension of the Restricted Period through September 1, 2023. The next day, the Court entered the Initial Extension Order, granting the relief requested.

11. A fulsome history of the Distribution is contained in the Initial Extension Motion.

#### **B. The Distributed Stock Is Held at Brokerages.**

12. As a result of the Initial Extension Order, the Restricted Period has not yet lapsed, the Distributed Stock presumably is currently held by the record holders of Sorrento shares as of the Record Date. As of the date of this Motion, the Distributed Stock continues to be held by the Sorrento shareholders of record as of the date of the Distribution, and trading in the Distributed Stock continues to be restricted through the end of the Restricted Period.

### **BASIS FOR RELIEF**

13. Section 362 imposes a broad injunction prohibiting, among other things, “any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate.” 11 U.S.C. § 362(a)(3). “The purposes of the bankruptcy stay under 11 U.S.C. § 362 ‘are to protect the debtor’s assets, provide temporary relief from creditors, and further equity of distribution among the creditors by forestalling a race to the courthouse.’”<sup>7</sup>

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<sup>7</sup> *Reliant Energy Servs., Inc. v. Enron Canada Corp.*, 349 F.3d 816, 825 (5th Cir. 2003) (quoting *GATX Aircraft Corp. v. M/V Courtney Leigh*, 768 F.2d 711, 716 (5th Cir. 1985)).

14. Courts frequently grant relief under section 362 that places certain restrictions on trading in equity securities of a debtor in order to preserve the value of that debtor’s tax attributes.<sup>8</sup> The relief sought here is of a similar nature. Like tax attributes, litigation claims are property of the estate under 11 U.S.C. § 541.<sup>9</sup> As do motions to preserve the value of tax attributes, the Creditors’ Committee seeks to extend the automatic stay’s protection to preserve estates’ ability to exercise control over, and to realize value from, estate assets—here, by preserving the *status quo* with respect to existing trading restrictions, rather than imposing new ones.

15. Sections 105 and 362 of the Bankruptcy Code grant courts the discretion to extend the automatic stay to non-debtors.<sup>10</sup> Courts have found cause to extend the automatic stay to protect against “an immediate adverse economic consequence for the debtor’s estate”<sup>11</sup> or upon a finding of “unusual circumstances,”<sup>12</sup> including matters that “impact the Debtors’ ability to engage

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<sup>8</sup> See e.g., *Order Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with respect to Common Stock* [Docket No. 110]; *In re Nielsen & Bainbridge, LLC*, Case No. 23-90071 (DRJ) (Bankr. S.D. Tex.), *Final Order (I) Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock and (II) Granting Related Relief* [Docket No. 59]; *In re Basic Energy Services, Inc.*, Case No. 21-90002 (DRJ) (Bankr. S.D. Tex.) *Order (I) Establishing Notification Procedures and Approving Restrictions on (A) Certain Transfers of Interests in Debtors and (B) Certain Worthless Stock Deduction Claims; and (II) Granting Related Relief* [Docket No. 82]; *In re Pharmor, Inc.*, 152 B.R. 924, 927 (Bankr. N.D. Ohio 1993).

<sup>9</sup> See, e.g., *In re MortgageAmerica Corp.*, 714 F.2d 1266, 1274 (5th Cir. 1983) (property of the estate under section 541 includes “rights of action” that may be “based on either federal or state law”); *Matter of S.I. Acquisition, Inc.*, 817 F.2d 1142, 1149 (5th Cir. 1987) (“the term ‘all legal and equitable interests of the debtor in property’ [from section 541] is all-encompassing and includes rights of action as bestowed by either federal or state law”).

<sup>10</sup> See, e.g., *A.H. Robins Co. v. Piccinin*, 788 F.2d 994, 999 (4th Cir. 1986); *In re QA3 Financial Corp.*, 2011 WL 2678591 (Bankr. D. Neb. July 7, 2011) at \*1 (recognizing the “application of 362(a)(3) to extend the automatic stay to a non-debtor is justified” when action against non-debtors “would inevitably have an adverse impact on property of the estate”); *In re Great Atlantic & Pacific Tea Company*, Case No. 15-23007 (RDD) (Bankr. S.D.N.Y. 2015), *Order Pursuant to 11 U.S.C. §§ 105(a) and 362(a) Extending the Automatic Stay to Certain Non-Debtor Parties and Approving Procedures for the Modification of the Automatic Stay Under Certain Circumstances* [Docket No. 1565] (extending automatic stay under sections 362 and 105 to certain non-debtor parties in connection with certain prepetition personal injury lawsuits and other actions).

<sup>11</sup> *Queenie, Ltd. v. Nygard Int’l*, 321 F.3d 282, 287 (2d Cir. 2003) (extending the automatic stay to the wholly-owned subsidiary of a debtor where the “adjudication of a claim against the [non-debtor] corporation will have an immediate adverse economic impact on” the debtor).

<sup>12</sup> *In re QA3 Financial Corp.*, 2011 WL 2678591 at \*1 (“unusual circumstances”—there, an identity between a debtor and a third-party defendant—justified extension of application of automatic stay to non-debtors).

in timely and effective reorganization.”<sup>13</sup> Temporarily extending the application of the automatic stay to continue the Restricted Period for the Distributed Stock to preserve the estates’ ability to exercise control over (and preserve the value of) the Claim is warranted in the unusual circumstances here, and is necessary to avoid adverse consequences that would impair the Debtors’ ability to reorganize. At the same time, those affected by the extension of the stay would not be harmed by such extension because they did not provide any consideration whatsoever for the Distributed Stock.

**A. The Claim is a Valuable Asset of the Estates.**

16. The Claim that the Creditors’ Committee seeks to preserve the estates’ ability to exercise control over, and to preserve the value of, is this: the January 2023 Distribution of 76 million shares of Scilex common stock to Sorrento shareholders, in addition to being subject to other claims, may be avoidable as a fraudulent transfer. As a dividend or return of capital, not given in exchange for any consideration, the transfer of the Distributed Stock to Sorrento’s shareholders was *per se* not made for reasonably equivalent value.<sup>14</sup> Further, Sorrento’s liquidity position at the time the Distribution was made raises questions regarding Sorrento’s solvency at the time.<sup>15</sup> While further investigation is warranted (which investigation would require further use of the estates’ limited resources), the Claim to avoid the Distribution as a fraudulent transfer

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<sup>13</sup> *In re Philadelphia Newspapers, LLC*, 407 B.R. 606, 616 (E.D. Pa. 2009) (“unusual circumstances” justified extending the automatic stay to actions against certain non-debtors where, among other things, “the diversion of resources caused by the state action against the Non-Debtors will impact the Debtors’ ability to engage in timely and effective reorganization”).

<sup>14</sup> *See, e.g., Michaelson v. Farmer (In re Appleseed’s Intermediate Holdings, LLC)*, 470 B.R. 289, 302 (Bankr. D. Del. 2012) (a dividend transaction is “not an exchange, but a one-way payment”); *Alexander v. Albright (In re Terry Mfg. Co., Inc.)*, 2007 WL 274319, at \*4 (Bankr. M.D. Ala. 2007) (“Strictly speaking, dividends are not paid in exchange for anything . . . . Where, as it is alleged here, an insolvent corporation nevertheless continues to pay dividends, those payments are made for no value to the corporation and such payments are necessarily fraudulent conveyances.”).

<sup>15</sup> *See* 11 U.S.C. § 548(a)(1)(B)(ii) (insolvency for purposes of constructive fraudulent transfer may be established, *inter alia*, if the debtor had unreasonably small capital with which to conduct its business).

and to recover the Distributed Stock must be considered as a valuable potential litigation asset of the estates.

17. The estates therefore have a substantial interest in preserving their ability to exercise control over the Claim by ensuring the estates are able to realize the Claim's true value: the ability to recover the Distributed Stock.

**B. Failing to Continue the Restricted Period for the Distributed Stock Would Result in Immediate, Adverse Economic Consequences and Impact the Estates' Prospects for Successful Reorganization.**

18. The estates will suffer immediate, adverse economic consequences in one of two ways absent a temporary continuation of the Restricted Period for the Distributed Stock. The expiration of the Restricted Period will harm the estates: this would impair the estates' control of the Claim by allowing its value to diminish, for after the Restricted Period ends, substantial obstacles to successful recovery on the Claim will arise. But requiring the estates to take action to pursue the Claim now will also cause harm: it would divert focus and resources from the ongoing efforts to monetize the Debtors' assets, thus jeopardizing those efforts.

19. The estates would not be faced with this Hobson's choice were it not for the decision to make the Distribution just prior to the commencement of these cases. And the estates' creditors—the constituency most directly affected by either the Claim's value dissipating or the failure of the monetization efforts—should not be saddled with unfortunate consequences of that prepetition decision. These unusual circumstances, and the risks to a successful reorganization that may result therefrom, justify extending the application of the automatic stay to temporarily continue the Restricted Period for the Distributed Stock.

1. Unless the Restricted Period Is Continued, the Distributed Stock Will Become Publicly Tradable, Diminishing the Estates' Control Over the Claim by Jeopardizing the Ability to Recover the Distributed Stock.

20. The estates' ability to recover the Distributed Stock—representing over half of the outstanding common shares of Scilex—may become critical to the Debtors' reorganization. But the ability to recover the Distributed Stock is at risk. The Distributed Stock is currently restricted from trading publicly through the end of the Restricted Period (September 1, 2023). Owing to this restriction, the Distributed Stock is still held by the record holders of Sorrento shares as of the Record Date. Avoiding the Distribution while the Restricted Period for the Distributed Stock remains in place, should the estates be permitted to do so, would likely require only clawing the Distributed Stock back from the record holders of Sorrento stock as of the Record Date.

21. If the Restricted Period for the Distributed Stock expires, however, recapturing such stock becomes significantly more difficult as a practical matter. The Distributed Stock would trade freely, making identification of the owners of the Distributed Stock that much more difficult. Furthermore, subsequent purchasers of the Distributed Stock may have various defenses to the Claim that could hinder successful recovery of such stock.<sup>16</sup>

22. Allowing public trading to occur would therefore diminish the estates' control over the Claim by allowing the value of that Claim to diminish.

2. The Estates' Focus and Resources Should Not Be Diverted from Ongoing Efforts to Accomplish a Sale or Other Capitalization.

23. The parties are on a tight timeline, and armed with limited resources to effectuate a restructuring of these estates. The parties' focus on a value-maximizing transactions should not be derailed by the need to attend to costly and intensive litigation regarding the

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<sup>16</sup> See, e.g., 11 U.S.C. § 550(b).

Claim—particularly as this litigation may be superfluous if the parties’ monetization efforts create value sufficient to pay creditor claims in full. But absent a temporary continuation of the Restricted Period for the Distributed Stock, the estates may need to shift focus to commencing adversary actions to avoid the Distribution and to recover the Distributed Stock in the near term. This diversion of focus and resources would jeopardize both the success of the monetization efforts currently underway and, as reorganization prospects likely depend on these efforts, the estates’ ability to reorganize.

3. Extending the Application of the Automatic Stay to Continue the Restricted Period Would Avoid these Harms and Preserve the Estates’ Ability to Reorganize.

24. Continuing the Restricted Period for the Distributed Stock would preserve maximum optionality for the estates’ reorganization prospects and avoid both the harm from (i) threatening the estates’ control of the Claim by allowing the Claim’s value to dissipate or (ii) placing the monetization efforts in jeopardy. If the estates’ current efforts to raise capital do not yield an amount sufficient to repay creditor claims and fund a successful reorganization, the ability to realize the value of the Claim will be of paramount importance.

25. In these unusual circumstances, to avoid these harms to the estates, the Court need only maintain the *status quo*. Ensuring the Distributed Stock remains with the record holders of Sorrento shares as of the Record Date will significantly increase the likelihood that the Distributed Stock could be recovered.<sup>17</sup> In turn, the recovery of that Distributed Stock would enhance the likelihood the estates will be able to fund a successful reorganization in the event the current monetization efforts prove insufficient.

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<sup>17</sup> [Certain information was already provided by Brokerages pursuant to the *Order Granting Debtors’ Rule 2004 Motion* [Docket No. 334.]

26. Accordingly, preservation of the *status quo*—keeping the current trading restrictions in place for the Distributed Stock while the Debtors marshal their resources towards identifying value-maximizing transactions for the estates—will preserve the estates’ control of the Claim by preserving its value and will prevent the adverse consequences to the estates that necessarily would result either from diverting resources and focus away from the monetization processes or allowing the Claim’s value to dissipate.

**C. The Relief Sought Will Not Unduly Prejudice Any Party.**

27. As a final point, the relief the Creditors’ Committee seeks herein will not cause undue prejudice to any party.

28. *The Distribution recipients.* The recipients of the Distribution received the Distributed Stock as a gratuity. Sorrento’s shareholders have no rights to receive dividends or distributions, as Sorrento made clear to its shareholders when first announcing it was exploring making such a dividend.<sup>18</sup>

29. Either the Distribution recipients received an avoidable transfer, in which case there is no harm in temporarily continuing the Restricted Period for these recipients and continuing to restrict the Distributed Stock from being traded in the market—or they did not, in which case all that the relief requested here would occasion is a delay before the recipients are able to trade the Distributed Stock.

30. Moreover, temporarily continuing the Restricted Period may, in fact, *reduce* the likelihood that the estates will seek to recover the Distributed Stock. If the estates raise sufficient capital to satisfy their unsecured creditors—which is made significantly more likely by the relief requested here, as it will enable all parties to focus solely on this effort—pursuit of the Claim

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<sup>18</sup> See Current Report (SEC Form 8-K), Sorrento Therapeutics, Inc. (Nov. 18, 2022) at 1.

will not be necessary. In that event, or if there is otherwise a final determination not to pursue the Claim, there will be no reason to continue the Restricted Period further, and the Court should at that time lift its extension of the automatic stay to the Restricted Period.

31. *The estates.* Nor will the estates be harmed. The Creditors' Committee is not seeking to continue the Restricted Period for the Scilex common stock currently held by Sorrento, as this relief is not necessary to preserve the value of the Claim or of the estates' interest in the Scilex common shares it currently holds. The Debtors, with the Creditors' Committee's support, is actively working towards the sale of the Scilex stock that Sorrento now holds.

32. Indeed, the Creditors' Committee believes that the relief sought in the instant Motion—preservation of an estate litigation claim in the event investigation and pursuit of that Claim becomes warranted—will enable the Debtors to move quickly to pursue value-enhancing transactions, and will provide the estates maximum capability to achieve the best result for all constituents given the limited resources at hand.

**EMERGENCY CONSIDERATION IS REQUESTED**

33. The Creditors' Committee respectfully submits that emergency consideration of the Motion on or before August 28, 2023, is warranted because the Distributed Stock is currently restricted from trading publicly through September 1, 2023. As set forth above, if the Restricted Period were to expire before the estates are able to avoid the Distribution, recovering the Distributed Stock becomes substantially more difficult. Emergency relief to continue the Restricted Period prior to its current expiration therefore preserves the estates' ability to determine whether to pursue the Claim.

**NOTICE**

34. The Creditors' Committee will provide notice of this Motion to the following parties or their respective counsel: (a) the U.S. Trustee; (b) the Equity Committee; (c) JMB Capital Partners Lending, LLC; (d) Oramed Pharmaceuticals, Inc.; (e) Scilex Holding Company; (f) the Securities and Exchange Commission; (f) FINRA; (g) NASDAQ; (h) Continental Stock Transfer & Trust Company; (i) the Brokerages and all known record holders; and (j) any party that has requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, no other or further notice need be given.

**CONCLUSION**

35. The Creditors' Committee requests that the Court enter the Proposed Order granting the relief requested in this Motion and such other and further relief as is appropriate under the circumstances.

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Dated: August 16, 2023

Respectfully submitted,

By: /s/ Ryan Manns

**NORTON ROSE FULBRIGHT US LLP**

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**CERTIFICATE OF SERVICE**

I, Julie Harrison, hereby certify that on the 16 day of August, 2023 a copy of the foregoing pleading was served via Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

By: /s/ Julie Harrison  
Julie Harrison

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:

Sorrento Therapeutics, Inc., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 23-90085 (DRJ)

(Jointly Administered)

**ORDER EXTENDING THE APPLICATION OF  
THE AUTOMATIC STAY TO CONTINUE THE  
RESTRICTED TRADING PERIOD FOR SHARES OF SCILEX  
STOCK DISTRIBUTED TO THE DEBTORS' SHAREHOLDERS**

[Relates to Dkt. No. \_\_]

Upon the motion (the "Motion")<sup>2</sup> of Official Committee of Unsecured Creditors (the "Creditors' Committee") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of an order (this "Order") further extending the application of the automatic stay to continue the restricted trading period for the common shares of Scilex Holding Company ("Scilex") previously held by Sorrento and distributed to the Debtors' shareholders (the "Distributed Stock") in a distribution on or about January 19, 2023 (the "Distribution"), all as more fully set forth in this Motion and the Initial Extension Motion; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate and

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<sup>1</sup> The Debtor entities in these chapter 11 cases, along with the last four digits of each Debtor entity's federal tax identification number, are: Sorrento Therapeutics, Inc. ("Sorrento") (4842) and Scintilla Pharmaceuticals, Inc. (7956). The Debtors' service address is: 4955 Directors Place, San Diego, CA 92121.

<sup>2</sup> Capitalized terms used but not otherwise defined have the meanings ascribed to them in the Motion.

no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court, if any; and this Court having determined that the legal and factual bases set forth in support of the Motion establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is ORDERED THAT:

1. Pursuant to section 362 of the Bankruptcy Code, the application of the automatic stay is extended to continue the Restricted Period for the Distributed Stock until the earlier of December 1, 2023, or the date on which the Debtors and the Creditors' Committee agree in writing or on the record in these chapter 11 cases that the Claim to avoid the Distribution should not be pursued, or on such date that this Court deems just and proper. The Court has made no determination on the merits of the Claim and this Order shall not be construed as such.

2. Pursuant to section 362 of the Bankruptcy Code, the automatic stay is hereby extended to continue to the Restricted Period solely with respect to the Distributed Stock.

3. Pursuant to section 105(a) of the Bankruptcy Code, absent relief from the automatic stay or an order of this Court confirming that the automatic stay does not apply, the Brokerages and any holders of the Distributed Stock are prohibited from selling, trading, or otherwise disposing of the Distributed Stock, or causing or encouraging any third party to do any of the foregoing.

4. Notice of the Motion shall be deemed good and sufficient notice. For the avoidance of doubt, notice of the Motion to the Brokerages and all known record holders shall be deemed good and sufficient notice and no other notice need be provided.

5. Other than to the extent that this Order expressly restricts trading in the Distributed Stock, nothing in this Order or in the Motion shall, or shall be deemed to, prejudice, impair, or

otherwise alter or affect the rights of any holders of the Distributed Stock or of common or preferred stock in Scilex, including in connection with the treatment of any such stock under any applicable bankruptcy court order.

6. The Debtors are authorized to take all actions necessary or appropriate to carry out the relief granted in this Order.

7. The terms and conditions of this Order are immediately effective and enforceable upon its entry.

8. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

Dated: \_\_\_\_\_, 2023

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DAVID R. JONES  
UNITED STATES BANKRUPTCY JUDGE