



Scilex Holding Company Provides Notice to All Record Holders and Beneficial Owners of Restricted Shares of Scilex Holding Company

October 3, 2023 1:00 PM EDT

PALO ALTO, Calif., Oct. 03, 2023 (GLOBE NEWSWIRE) -- Scilex Holding Company (Nasdaq: SCLX, "Scilex" or "Company"), an innovative revenue-generating company focused on acquiring, developing and commercializing non-opioid pain management products for the treatment of acute and chronic pain, provides notice to all record holders and beneficial owners of restricted shares of Scilex common stock that were part of the previously announced dividend of Scilex common stock then-held by Sorrento Therapeutics, Inc. (OTC: SRNEQ, "Sorrento") to Sorrento equity holders of record as of January 9, 2023.

NOTICE TO ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF RESTRICTED SHARES OF SCILEX HOLDING COMPANY

On December 30, 2022, Sorrento Therapeutics, Inc. ("Sorrento") announced that its board of directors authorized Sorrento to dividend to Sorrento equity holders of record as of January 9, 2023 an aggregate of 76,000,000 shares of common stock of Scilex Holding Company ("Scilex") that were then-held by Sorrento ("Scilex Dividend Stock"). The Scilex Dividend Stock was distributed on or about January 19, 2023 ("Payment Date") and since such date has been subject to restrictions on transfer which are currently in place through March 31, 2024 ("Lockup"). The Scilex Dividend Stock was primarily received by "record holders," or brokers, dealers, banks and other nominees acting as agents for shareholders who are the true "beneficial owners" of the Scilex Dividend Stock.

On February 13, 2023, Sorrento and certain of its related entities (collectively "Debtors"), which did not include Scilex, commenced voluntary proceedings under Chapter 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas ("Bankruptcy Court"). The Chapter 11 proceedings are jointly administered under the caption *In re Sorrento Therapeutics, Inc., et al.* ("Bankruptcy Proceedings").

According to Sorrento's estimates, approximately 8.4 million or more shares of Scilex common stock were deemed to have been sold "short" as of the Payment Date as a result of the "short" positions of the underlying Sorrento common stock. "Naked short" sales or "naked short" positions in any Scilex common stock may constitute a violation of SEC Regulation SHO.

On June 12, 2023, the Official Committee of Equity Securities Holders of the Debtors ("Equity Committee") commenced an adversary proceeding in the Bankruptcy Proceedings by filing a complaint against certain brokerage firms seeking entry of a temporary restraining order and preliminary injunction related to the defendants' allowance and facilitation of illegal naked short selling of Scilex common stock. On June 14, 2023, the Bankruptcy Court entered a temporary restraining order temporarily suspending all short sales of Scilex Dividend Stock and ordering the defendants to provide an accounting of all profits received from the naked short selling of Scilex Dividend Stock and Scilex common stock, including all interest charged to short sellers, no later than five business days after entry of the order. On July 18, 2023, the Bankruptcy Court then granted the joint emergency motion filed by the Debtors and the Equity Committee for an order (i) approving and authorizing the Debtors to consummate an offering of shares of Scilex common stock held by the Debtors, (ii) authorizing entry into settlement agreements with participating record holders of Scilex common stock who opt into a settlement, and (iii) granting related relief. This emergency motion was very successful, resulting in settlements reached with dozens of short sellers and approximately 800,000 Scilex common stock short positions closed or covered.

While certain parties with short positions in the Scilex Dividend Stock ("Short Sellers") settled with the Debtors in the Bankruptcy Proceedings as described in the paragraph immediately above, a number of Short Sellers who engaged in illegal naked short selling or violated the terms of the transfer restrictions imposed on the Scilex Dividend Stock have not yet elected to opt into a settlement. Before taking any further legal action against such Short Sellers, Scilex provides the following proposal to those Short Sellers who have not yet closed or covered their respective short positions in Scilex common stock ("Proposal"). Scilex believes that since the settlements reached with certain Short Sellers via the emergency motion described above were deemed successful, with no objections from the participating Short Sellers and with widespread support and assistance from such Short Sellers' brokers and/or agents, there should be no further excuses for continuing to hold the short positions in Scilex. Therefore, this Proposal allows those Short Sellers to cover their short positions and avoid any continuing fees, interest, and other expenses associated with any short positions, as well as one last opportunity to accept the terms provided in the Bankruptcy Proceedings in order to obtain a release from Scilex for any claims and causes of action related to naked short selling or other similar market manipulative behavior. Specifically, the Proposal is as follows:

- (i) Open Market Purchases. The Short Sellers can purchase shares in the open market, and use those to close out or cover their short positions.
- (ii) Procedures. Once the Short Sellers acquire shares of Scilex in the open market:
 - a. Short Sellers can contact Stephen Ma at Scilex (SMA@scilexholding.com) to obtain a copy of the agreement for execution which will be executed by Scilex and the buyer or record holder of the acquired shares. If a holder of a short-position already holds unrestricted shares of Scilex common stock, such holder may convert such shares into restricted shares subject to the Lockup via the same process outlined herein.
 - b. Scilex and the buyer will jointly instruct Continental Stock Transfer & Trust Company, Scilex's transfer agent ("Continental"), to impose the Lockup on the shares. The contact information for Continental is:

Continental Stock Transfer & Trust Company
Telephone Number: 800-509-5586
Email Address: cstmail@continentalstock.com
Erika Harris (eharris@continentalstock.com)
Michael Mullings (mmullings@continentalstock.com)
 - c. If the buyer is using the purchased shares to cover all or a portion of any outstanding short position in Scilex stock, the buyer will instruct Continental to transfer the shares to the lender of the short position.¹
 - i. Buyer, as holder of the shares, may make direct requests to Continental to transfer the shares; Continental will provide the buyer

with the necessary documentation.

ii. Because the shares will have a Lockup, Continental will separately contact Scilex for instructions to permit the transfer (such process will apply if the lender is also a borrower of the Scilex shares (*i.e.*, short)) and in turn is returning the lender's borrowed shares to a downstream lender.

iii. Scilex will instruct Continental to waive application of the Lockup solely for the purpose of the buyer conveying shares to the lender. The Lockup will continue to apply to the returned shares in the lender's name. This process will apply if the lender is also a borrower of Scilex shares (*i.e.*, short) and, in turn, is returning the lender's borrowed shares to a downstream lender.

(iii) Deadline to Participate. This Proposal shall commence on October 6, 2023 and continue to and end on October 27, 2023.

(iv) Releases. In exchange for accepting this Proposal and engaging in the transactions described herein, the Short Sellers shall receive releases from Scilex for any claims and causes of action that the Debtors or Scilex may have relating to naked short selling to the extent of the amount of the shares that are purchased by the Short Sellers (but only to the extent of such purchases).

THE DEADLINE TO ACCEPT THIS PROPOSAL IS OCTOBER 27, 2023.

V050E - THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, PLEDGED, HYPOTHECATED, LOANED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHOUT THE CONSENT OF SCILEX HOLDING COMPANY (THE "COMPANY") PRIOR TO MARCH 31, 2024. A TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE SHALL BE DEEMED TO INCLUDE, WITHOUT LIMITATION, THE (A) SALE OR ASSIGNMENT OF, OFFER TO SELL, CONTRACT OR AGREEMENT TO SELL, GRANT OF ANY OPTION TO PURCHASE OR OTHERWISE DISPOSE OF OR AGREEMENT TO DISPOSE OF, DIRECTLY OR INDIRECTLY, OR ESTABLISHMENT OR INCREASE OF A PUT EQUIVALENT POSITION OR LIQUIDATION WITH RESPECT TO OR DECREASE OF A CALL EQUIVALENT POSITION WITHIN THE MEANING OF SECTION 16 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), WITH RESPECT TO, ANY SECURITY OF THE COMPANY, (B) ENTRY INTO ANY SWAP OR OTHER ARRANGEMENT THAT TRANSFERS TO ANOTHER, IN WHOLE OR IN PART, ANY OF THE ECONOMIC CONSEQUENCES OF OWNERSHIP OF ANY SECURITY OF THE COMPANY, WHETHER ANY SUCH TRANSACTION IS TO BE SETTLED BY DELIVERY OF SUCH SECURITIES, IN CASH OR OTHERWISE, AND (C) ENGAGEMENT, WHETHER DIRECTLY OR INDIRECTLY, IN ANY (I) "SHORT SALE" (AS SUCH TERM IS DEFINED IN RULE 200 OF REGULATION SHO OF THE EXCHANGE ACT) OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE OR (II) HEDGING TRANSACTION, WHICH ESTABLISHES A NET SHORT POSITION WITH RESPECT TO ANY SECURITIES OF THE COMPANY (INCLUDING THE COMMON STOCK OF THE COMPANY), WITH RESPECT TO EACH OF CLAUSES (I) AND (II) HEREOF, EITHER FOR THE HOLDER'S OWN PRINCIPAL ACCOUNT OR FOR THE PRINCIPAL ACCOUNT OF ANY OTHER PERSON.

About Scilex Holding Company

Scilex Holding Company is an innovative revenue-generating company focused on acquiring, developing and commercializing non-opioid pain management products for the treatment of acute and chronic pain. Scilex is uncompromising in its focus to become the global pain management leader committed to social, environmental, economic, and ethical principles to responsibly develop pharmaceutical products to maximize quality of life. Results from the Phase III Pivotal Trial C.L.E.A.R. Program for SEMDEXA™, its novel, non-opioid product for the treatment of lumbosacral radicular pain (sciatica), were announced in March 2022. Scilex participated in the type C meeting for purposes of pre-NDA discussion with the FDA and is pending official minutes in writing from the FDA. Scilex targets indications with high unmet needs and large market opportunities with non-opioid therapies for the treatment of patients with moderate to severe pain. Scilex launched its first commercial product ZTlido® in October 2018, in-licensed a commercial product Gloperba® in June 2022, and launched its third FDA-approved product Elyxyb™ in April 2023. It is also developing its late-stage pipeline, which includes a pivotal Phase 3 candidate, and one Phase 2 and one Phase 1 candidate. Its commercial product, ZTlido® (lidocaine topical system) 1.8%, or ZTlido®, is a prescription lidocaine topical product approved by the U.S. Food and Drug Administration for the relief of pain associated with post-herpetic neuralgia, which is a form of post-shingles nerve pain. Scilex in-licensed the exclusive right to commercialize Gloperba® (colchicine USP) oral solution, an FDA-approved prophylactic treatment for painful gout flares in adults, in the U.S. Scilex in-licensed the exclusive rights to commercialize Elyxyb™ (celecoxib oral solution) in the U.S. and Canada, the only FDA-approved ready-to-use oral solution for the acute treatment of migraine, with or without aura, in adults. Scilex launched Elyxyb™ in April 2023, and is planning to commercialize Gloperba® by 2024, and is well-positioned to market and distribute those products. Scilex's three product candidates are SP-102 (injectable dexamethasone sodium phosphate viscous gel product containing 10 mg dexamethasone), or SEMDEXA™, a Phase 3, novel, viscous gel formulation of a widely used corticosteroid for epidural injections to treat lumbosacral radicular pain, or sciatica, with FDA Fast Track status; SP-103 (lidocaine topical system) 5.4%, a Phase 2 study, triple-strength formulation of ZTlido®, for the treatment of acute low back pain, with FDA Fast Track status; and SP-104, 4.5 mg Delayed Burst Release Low Dose Naltrexone Hydrochloride (DBR-LDN) Capsule, for the treatment of chronic pain, fibromyalgia that has completed multiple Phase 1 trial programs and is expected to initiate Phase 2 trials in 2024.

Scilex Holding Company is headquartered in Palo Alto, California.

Forward-Looking Statements

This press release and any statements made for and during any presentation or meeting concerning the matters discussed in this press release contain forward-looking statements related to Scilex and its subsidiaries under the safe harbor provisions of Section 21E of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements include statements regarding the anticipated timing for completion of the Proposal and procedures for participating in the Proposal and executing a settlement agreement, Scilex's belief that it is well positioned to continue its growth over the next several years, Scilex's long-term objectives and commercialization plans, Scilex's potential to attract new capital, future opportunities for Scilex, Scilex's future business strategies, the expected cash resources of Scilex and the expected uses thereof, Scilex's current and prospective product candidates, planned clinical trials and preclinical activities and potential product approvals, as well as the potential for market acceptance of any approved products and the related market opportunity; statements regarding ZTlido®, Gloperba®, ELYXYB®, SP-102 (SEMDEXA™), SP-103 or SP-104, if approved by the FDA; Scilex's development and commercialization plans; and Scilex's products, technologies and prospects.

Risks and uncertainties that could cause Scilex's actual results to differ materially and adversely from those expressed in our forward-looking statements, include, but are not limited to: risks associated with the unpredictability of trading markets and whether a market will be established for Scilex's common stock; general economic, political and business conditions; risks related to the ongoing COVID-19 pandemic; the risk that the potential product candidates that Scilex develops may not progress through clinical development or receive required regulatory approvals within expected timelines or at all; risks relating to uncertainty regarding the regulatory pathway for Scilex's product candidates; the risk that Scilex will be unable to successfully market or gain market acceptance of its product candidates; the risk that Scilex's product candidates may not be beneficial to patients or successfully commercialized; the risk that Scilex has overestimated the size of the target patient population, their willingness to try new

therapies and the willingness of physicians to prescribe these therapies; risks that the outcome of the trials for SP-103 or SP-104 may not be successful; risks that the prior results of the clinical trials of SP-102 (SEMDEXA™), SP-103 or SP-104 may not be replicated; regulatory and intellectual property risks; and other risks and uncertainties indicated from time to time and other risks set forth in Scilex's filings with the Securities and Exchange Commission. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release, and Scilex undertakes no obligation to update any forward-looking statement in this press release except as may be required by law.

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SEMDEXA™ (SP-102) is a trademark owned by Semnur Pharmaceuticals, Inc., a wholly-owned subsidiary of Scilex Holding Company. A proprietary name review by the FDA is planned.

ZTlido® is a registered trademark owned by Scilex Pharmaceuticals Inc., a wholly-owned subsidiary of Scilex Holding Company.

Gloperba® is the subject of an exclusive, transferable license to use the registered trademark by Scilex Holding Company.

ELYXYB® is the subject of an exclusive, transferable license to use the registered trademark by Scilex Holding Company.

All other trademarks are the property of their respective owners.

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¹ The Short Sellers can use their long positioned Scilex common stock (purchased from the market before this notice) and return to their lenders as borrowed Scilex Dividend Stock the same way as the above mentioned open market purchases of Scilex shares. Scilex encourages Short Sellers to contact their brokers/agents to contact Scilex and Continental, as many of them have done previously such and are familiar with facilitating the closeout of such Short Sellers' short positions.



Source: Scilex Holding Company