



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

YVONNE WILLIAMS, on behalf of
herself and similarly situated Sorrento
Therapeutics, Inc. stockholders and
derivatively on behalf of Sorrento
Therapeutics, Inc.,

Plaintiff,

v.

HENRY JI, WILLIAM S. MARTH, KIM
D. JANDA, JAISIM SHAH, DAVID H.
DEMING, DOUGLAS EBERSOLE,
GEORGE NG, AND ERAGON
VENTURES, LLC,

Defendants,

and

SORRENTO THERAPEUTICS, INC.,

Nominal Defendant.

C.A. No. 12729-VCMR

STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement, dated as of December 22, 2017 (the “Stipulation”) is entered into between (a) Plaintiff Yvonne Williams (“Plaintiff”), on behalf of herself and the Settlement Class (defined below), and derivatively on behalf of the Company (defined below); (b) defendants Henry Ji, William S. Marth, Kim D. Janda, Jaisim Shah, David H. Deming, Douglas Ebersole, and George Ng (collectively, the “Individual Defendants”); (c) defendant Eragon Ventures, LLC (“Eragon,” and together with the Individual Defendants, the

“Defendants”); and (d) nominal defendant Sorrento Therapeutics, Inc. (“Sorrento” or the “Company” or the “Nominal Defendant”), by and through their respective undersigned counsel, and embodies the terms and conditions of the settlement of the above-captioned stockholder class and derivative action (the “Action”). Subject to the approval of the Court of Chancery of the State of Delaware (the “Court”) and the terms and conditions expressly provided herein, this Stipulation is intended to fully, finally, and forever compromise, settle, release, resolve, and dismiss with prejudice the Action and all claims asserted therein against Defendants.

WHEREAS:

A. On September 8, 2016, Plaintiff filed her Verified Class Action and Derivative Complaint (the “Initial Complaint”), alleging that the Individual Defendants breached their fiduciary duties by granting to themselves a series of options and warrants in Sorrento’s subsidiaries, either shortly before or shortly after they had caused Sorrento to transfer valuable assets to the subsidiaries. The Complaint also alleged that the Individual Defendants breached their fiduciary duties by entering into an illegal and/or unfair voting agreement that provided the Sorrento board with the power to vote 2.75% of the Company’s stock.

B. On October 12, 2016, Individual Defendants filed a motion to dismiss or stay. After full briefing on the motion, the Court heard oral argument on January 26, 2017.

C. On June 28, 2017, the Court denied Individual Defendants' motion to dismiss or stay in its entirety. The Court held that "the options and warrant grants and the voting agreement are subject to entire fairness review, and Individual Defendants have not carried their burden of proving entire fairness at this stage." The Court further held that the motion to stay was moot.

D. From June 28, 2017 through November 16, 2017, the parties engaged in written and document discovery. Plaintiff separately pursued third-party discovery during this period, serving four non-parties with subpoenas *duces tecum* and *ad testificandum*.

E. On October 25, 2017, after receiving and analyzing documents produced by Defendants and the four non-parties, Plaintiff filed a Verified Supplemental and Amended Class Action and Derivative Complaint (the "Complaint"). The Complaint asserted an aiding and abetting claim against new Defendant Eragon, a company alleged to be controlled by Defendant Henry Ji and his wife, that had separately acquired shares in one subsidiary in return for promissory notes that Eragon has not repaid.

F. On November 16, 2017, Lead Counsel and Defendants' Counsel participated in a full-day mediation session before a nationally-recognized mediator, Jill R. Sperber, Esq. (the "Mediator"). In advance of that session, the Parties submitted and exchanged detailed mediation statements and exhibits. As a result of extensive, arm's-length negotiations at the mediation session, the Parties reached an agreement in principle to settle the Action that was memorialized in a Settlement Term Sheet executed on November 16, 2017 (the "Term Sheet").

G. Prior to executing the Term Sheet, the Parties did not discuss the amount of any potential application by Lead Counsel for attorneys' fees and expenses.

H. This Stipulation (together with the exhibits hereto) has been duly executed by the undersigned signatories on behalf of their respective clients, and reflects the final and binding agreement between the Parties.

I. Based upon their investigation, prosecution and mediation of the case, Plaintiff and Lead Counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate to Plaintiff, the Settlement Class, and the Company, and in their best interests. Based on Plaintiff's direct oversight of the prosecution of this matter and with the advice of her counsel, and with the informed consent and support of the independent business judgment of the current members of board of directors of Sorrento not named as Defendants, Plaintiff has

agreed to settle and release the claims raised in the Action pursuant to the terms and provisions of this Stipulation, after considering, among other things: (a) the substantial benefits and protections provided under the proposed Settlement; (b) the significant risks of continued litigation and trial; and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of this Stipulation.

J. This Stipulation constitutes a compromise of matters that are in dispute between the Parties. Defendants are entering into this Stipulation solely to eliminate the uncertainty, burden and expense of further protracted litigation. Each of the Defendants denies any wrongdoing, and this Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any of the Defendants with respect to any claim or allegation of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that the Defendants have, or could have, asserted. Defendants expressly deny that Plaintiff has asserted any valid claims as to any of them, and expressly deny any and all allegations of fault, liability, wrongdoing or damages whatsoever. Similarly, this Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of Plaintiff of any infirmity in any of the claims asserted in the Action, or an admission or concession that any of the Defendants' defenses to liability had any merit. Each of the Parties recognizes and

acknowledges, however, that the Action has been initiated, filed, and prosecuted by Plaintiff in good faith and defended by Defendants in good faith, that the Action is being voluntarily settled with the advice of counsel, and that the terms of the Settlement are fair, adequate and reasonable.

NOW THEREFORE, it is hereby STIPULATED AND AGREED, by and among Plaintiff (individually and on behalf of the Settlement Class and derivatively on behalf of the Company) and Defendants, by and through their respective undersigned attorneys and subject to the approval of the Court, that, in consideration of the benefits flowing to the Parties from the Settlement, all Released Plaintiff's Claims as against Defendants and all Released Defendants' Claims as against Plaintiff shall be settled and released, upon and subject to the terms and conditions set forth below.

DEFINITIONS

1. As used in this Stipulation and any exhibits attached hereto and made a part hereof, the following capitalized terms shall have the following meanings:

(a) "Action" means the stockholder class and derivative action in the matter styled *Williams. v. Ji, et al.*, C.A. No. 12729-VCMR.

(b) "Complaint" means the Verified Supplemental and Amended Class Action and Derivative Complaint filed with the Court on October 25, 2017.

(c) "Court" means the Court of Chancery of the State of Delaware.

(d) “Defendants” means the Individual Defendants and Eragon.

(e) “Defendants’ Counsel” means Paul Hastings LLP and Prickett, Jones & Elliott, P.A.

(f) “Defendants’ Released Persons” means Defendants and the Company and any of their heirs, predecessors, successors, representatives and assigns, and with respect to corporate entities each of their respective past or present directors, officers, employees, partnerships and partners, principals, agents, controlling stockholders, attorneys (including Defendants’ Counsel), accountants, auditors, investment banks and investment bankers, underwriters, advisors, financial advisors, personal or legal representatives, analysts, agents, associates, servants, insurers, co-insurers and reinsurers, predecessors, successors, parents, subsidiaries, divisions, assigns, trustees, beneficiaries, joint ventures and joint venturers, spouses, heirs, executors, administrators, related or affiliated entities, members of a Defendant’s family, any entity in which any Defendant and/or any member(s) of that Defendant’s family has or have a controlling interest (directly or indirectly), and any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of his family. The Defendants’ Released Persons do not include anyone, other than the Individual Defendants, who received Option and Warrant Grants and who have not or are not returning those Option and Warrant Grants.

(g) “Effective Date” with respect to the Settlement means the first date by which each of the events specified in ¶ 15 of this Stipulation have occurred.

(h) “Eragon” means defendant Eragon Ventures, LLC.

(i) “Eragon Retained Shares” means the Class A shares of LA Cell, Inc. (“LA Cell”) equal to the sum of (i) the 8,666,667 LA Cell Class B shares that Eragon agreed to purchase from LA Cell for \$.1923077 per share on September 21, 2015 (the “September 2015 Eragon Stock Purchase Agreement”) and (ii) the 5,200,000 LA Cell Class B shares that Eragon agreed to purchase from LA Cell for \$.1923077 per share on October 30, 2015 (the “October 2015 Eragon Stock Purchase Agreement”).

(j) “Eragon Stock Purchase Agreements” means the September 2015 Eragon Stock Purchase Agreement (as defined in ¶ 1(i) above), the October 2015 Eragon Stock Purchase Agreement (as defined in ¶ 1(i) above), and the stock purchase agreement between Eragon and LA Cell, dated November 1, 2016, whereby Eragon agreed to purchase 10,400,000 Class B supervoting shares of LA Cell for \$.1923077 per share (the “November 2016 Eragon Stock Purchase Agreement”).

(k) “Final,” with respect to the Judgment or any other court order means: (i) if no appeal is filed, the expiration date of the time provided for filing or

noticing of any appeal; or (ii) if there is an appeal from the judgment or order, (a) the date of final dismissal of all such appeals, or the final dismissal of any proceeding on certiorari or otherwise, or (b) the date the judgment or order is finally affirmed on an appeal, the expiration of the time to file a petition for a writ of certiorari or other form of review, or the denial of a writ of certiorari or other form of review, and, if certiorari or other form of review is granted, the date of final affirmance following review pursuant to that grant. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to attorneys' fees, costs or expenses shall not in any way delay or preclude a judgment from becoming Final.

(l) "Individual Defendants" means defendants Henry Ji, William S. Marth, Kim D. Janda, Jaisim Shah, David H. Deming, Douglas Ebersole, and George Ng.

(m) "Judgment" means the final judgment, substantially in the form attached hereto as Exhibit D, to be entered by the Court approving the Settlement.

(n) "Lead Counsel" means the law firms of Bernstein Litowitz Berger & Grossmann LLP and Friedlander & Gorris, P.A.

(o) "Litigation Expenses" means costs and expenses incurred in connection with commencing, prosecuting, and settling the Action.

(p) “Mailing Notice” means the Notice of Pendency and Proposed Settlement of Stockholder Action, Settlement Fairness Hearing, and Right to Appear, substantially in the form attached hereto as Exhibit B, which is to be mailed to Settlement Class Members.

(q) “Notice Costs” means the costs, fees and expenses related to provide notice of the Settlement to the Settlement Class.

(r) “Option and Warrant Grants” means all option and warrant grants made by the Subsidiaries to any Defendant.

(s) “Parties” means Plaintiff, Defendants and Sorrento.

(t) “Plaintiff” means plaintiff Yvonne Williams.

(u) “Plaintiff’s Counsel” means Lead Counsel and all other legal counsel who, at the direction and under the supervision of Lead Counsel, performed services on behalf of Plaintiff in the Action.

(v) “Plaintiff’s Released Persons” means Plaintiff, all other Settlement Class Members, and Plaintiff’s Counsel, and any of their heirs, predecessors, successors, representatives and assigns, and with respect to corporate entities each of their respective past or present directors, officers, employees, partnerships and partners, principals, agents, controlling stockholders, attorneys, accountants, auditors, investment banks and investment bankers, underwriters, advisors, financial advisors, personal or legal representatives, analysts, agents,

associates, servants, insurers, co-insurers and reinsurers, predecessors, successors, parents, subsidiaries, divisions, assigns, trustees, beneficiaries, joint ventures and joint venturers, spouses, heirs, executors, administrators, related or affiliated entities, members of a Plaintiff's family, any entity in which any Plaintiff and/or any member(s) of that Plaintiff's family has or have a controlling interest (directly or indirectly), and any trust of which any Plaintiff is the settlor or which is for the benefit of any Plaintiff and/or member(s) of his family. The Plaintiff's Released Persons do not include anyone who received Option and Warrant Grants and who have not or are not returning those Option and Warrant Grants.

(w) "Publication Notice" means the Summary Notice of Pendency and Proposed Settlement of Stockholder Action, Settlement Fairness Hearing, and Right to Appear, substantially in the form attached hereto as Exhibit C, which is to be published as set forth in the Scheduling Order.

(x) "Released Claims" means all Released Defendants' Claims and all Released Plaintiff's Claims.

(y) "Released Defendants' Claims" means all claims and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under state, local, foreign, federal, statutory, regulatory, common or other law or rule, that arise out of or relate in any way to the institution, prosecution, or settlement of the claims asserted in the Action against Defendants.

Released Defendants' Claims do not include any claims relating to the enforcement of the Settlement.

(z) "Released Plaintiff's Claims" means all claims and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under state, local, foreign, federal, statutory, regulatory, common or other law or rule, that Plaintiff asserted or could have asserted in the Complaint on her own behalf or on behalf of the Settlement Class that arise out of the ownership of Sorrento stock and that specifically relate to the Option and Warrant Grants, Eragon Stock Purchase Agreements, and the Yuhan Voting Agreement that are the subject of the Action; *provided, however*, that the Released Plaintiff's Claims shall not include: (i) any claims to enforce the Stipulation; or (ii) any claims that arise out of, are based upon, or relate to any conduct of the Defendants after November 16, 2017.

(aa) "Releases" means the releases set forth in ¶¶ 5-6 of this Stipulation.

(bb) "Scheduling Order" means the order, substantially in the form attached hereto as Exhibit A, to be entered by the Court scheduling the Settlement Fairness Hearing and directing notice be provided to Settlement Class.

(cc) "Settlement Class" or "Class" means all holders of Sorrento common as of the date of execution of this Stipulation.

(dd) “Settlement Class Member” or “Class Member” means each person and entity who or which is a member of the Class.

(ee) “Settlement” means the settlement between Plaintiff, Defendants, and Sorrento on the terms and conditions set forth in this Stipulation.

(ff) “Settlement Fairness Hearing” means the hearing set by the Court to consider final approval of the Settlement.

(gg) “Sorrento” or the “Company” or the “Nominal Defendant” means nominal defendant Sorrento Therapeutics, Inc.

(hh) “Term Sheet” means the Settlement Term Sheet executed by the Parties on November 16, 2017.

(ii) “Unknown Claims” means any Released Plaintiff’s Claims which Plaintiff or any other Class Member does not know or suspect to exist in his, her or its favor at the time of the release of such claims, and any Released Defendants’ Claims which Defendant or the Company does not know or suspect to exist in his, her, or its favor at the time of the release of such claims, which, if known by him, her or it, might have affected his, her or its decision(s) with respect to this Settlement. With respect to any and all Released Claims, the Parties stipulate and agree that, upon the Effective Date of the Settlement, Plaintiff, Defendants and the Company shall expressly waive, and each of the other Class Members shall be deemed to have waived, and by operation of the Judgment shall

have expressly waived, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Plaintiff, Defendants and the Company acknowledge, and each of the other Class Members shall be deemed by operation of law to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement.

(jj) “Yuhan Voting Agreement” or “Voting Agreement” means the voting agreement entered into between the Company and Yuhan Corporation (“Yuhan”) referred to in the Company’s May 2, 2016 Form 8-K, which obligates Yuhan to vote all of its shares, with respect to each matter presented to the Company’s stockholders, as instructed by the Company’s Board of Directors.

CLASS CERTIFICATION

2. Solely for purposes of the Settlement and for no other purpose, Plaintiff, Defendants and Sorrento stipulate and agree to: (a) certification of the Action as a non-opt out class action pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2) on behalf of the Settlement Class; (b) appointment of

Plaintiff as Class Representative for the Settlement Class; and (c) appointment of Lead Counsel as Class Counsel for the Settlement Class.

THE SETTLEMENT CONSIDERATION

3. In consideration of the settlement of the Released Plaintiff's Claims against Defendants, Defendants agree to the following:

(a) within five (5) days of entry of the Judgment, Defendants shall cancel all of their options, warrants, and any shares (except for any Retained Eragon Shares in LA Cell, Inc. ("LA Cell") that Eragon retains pursuant to and in accordance with subparagraph (c) below) held in Concoris Biosystems, Corp., TNK Therapeutics, Inc., LA Cell, Sorrento Biologics, Inc., and Scintilla Pharmaceuticals, Inc. (the "Subsidiaries"). Defendants will receive back from the Company any monies they paid to exercise their options and obtain shares which the Parties agree is a total of \$37,600.

(b) within five (5) days of entry of the Judgment, Defendants shall cancel the November 2016 Eragon Stock Purchase Agreement between LA Cell and Eragon.

(c) by no later than December 31, 2017, Eragon shall either (i) pay on the stated prices per share in the September 2015 Eragon Stock Purchase Agreement and the October 2015 Eragon Stock Purchase Agreement between LA Cell and Eragon for up to all of the Eragon Retained Shares (up to the purchase price

of \$3,655,800) in cash, plus interest, in accordance with such stock purchase agreements, or (ii) cancel the Eragon Retained Shares and return the stock.

(d) by no later than December 31, 2017, each of the Eragon Retained Shares that that Eragon pays for pursuant to subparagraph (c) above shall be cancelled and exchanged for one share of LA Cell Class A common stock, including so that Eragon no longer has any supervoting rights in LA Cell.

(e) Defendants agree that, if and when the Sorrento Board of Directors exercises any rights under the Yuhan Voting Agreement, the Board shall publicly disclose in any SEC filing reporting the results of a vote that the Sorrento Board of Directors has done so in the same proportion that all other unaffiliated Sorrento stockholders voted.

(f) Sorrento shall create a committee of disinterested and independent Directors, which shall, with the aid of expert advice and independent legal advice, approve all related-party transactions, including any transactions between any entity in which any Sorrento officer or directors owns, directly or indirectly, 5% or more of the equity, or serves as a consultant, employee, officer or director of that entity and Subsidiary equity grants.

(g) Defendants shall ensure that all future stock plans at the Subsidiaries will be submitted to a majority vote of all Sorrento stockholders.

RELEASE OF CLAIMS

4. The obligations incurred pursuant to this Stipulation are in consideration of the full and final disposition of the Action as against Defendants and the Releases provided for herein.

5. Pursuant to the Judgment, without further action by anyone, upon the Effective Date of the Settlement, Plaintiff and each of the other Class Members, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such, shall be deemed to have, and by operation of law and of the Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Plaintiff's Claim against the Defendants' Released Persons, and shall forever be enjoined from prosecuting any or all of the Released Plaintiff's Claims against the Defendants' Released Persons.

6. Pursuant to the Judgment, without further action by anyone, upon the Effective Date of the Settlement, Defendants and the Company, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such, shall be deemed to have, and by operation of law and of the Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Defendants' Claim against Plaintiff, Plaintiff's Counsel, and

all other Plaintiff's Released Persons and shall forever be enjoined from prosecuting any or all of the Released Defendants' Claims against Plaintiff, Plaintiff's Counsel, and all other Plaintiff's Released Persons.

7. Notwithstanding ¶¶ 5-6 above, nothing in the Judgment shall bar any action by any of the Parties to enforce or effectuate the terms of this Stipulation or the Judgment.

SCHEDULING ORDER AND NOTICE

8. Promptly upon execution of this Stipulation, the Parties shall submit this Stipulation to the Court and shall jointly apply for entry of the Scheduling Order, substantially in the form attached hereto as Exhibit A, providing for, among other things: (a) preliminary certification of the Settlement Class for purposes of the Settlement only; (b) approval of the form and content of notice of the Settlement; and (c) the scheduling of the Settlement Fairness Hearing.

9. In accordance with the terms of the Scheduling Order to be entered by the Court, Defendants or the Company shall (i) cause the Mailing Notice, substantially in the form attached hereto as Exhibit B, to be mailed all members of the Settlement Class identified in the Company's stockholder records, or who otherwise may be identified through further reasonable effort; (ii) cause the Mailing Notice, substantially in the form attached hereto as Exhibit B, and copies of this Stipulation and the Complaint, to be posted on the Company's website; and

(iii) cause the Publication Notice, substantially in the form attached hereto as Exhibit C, to be published once over the *PR Newswire*.

10. Defendants or the Company shall pay or cause to be paid any and all Notice Costs, regardless of whether the Court approves the Settlement or the Effective Date otherwise fails to occur, up to a maximum of \$75,000. In no event shall Plaintiff, any other Class Member, or their attorneys be responsible for any Notice Costs.

TERMS OF THE JUDGMENT

11. If the Settlement contemplated by this Stipulation is approved by the Court, Lead Counsel and Defendants' Counsel shall jointly request that the Court enter a Judgment, substantially in the form attached hereto as Exhibit D.

ATTORNEYS' FEES AND LITIGATION EXPENSES

12. Lead Counsel, on behalf of themselves and all other Plaintiff's Counsel, will apply to the Court for (i) a collective award of attorneys' fees and reimbursement of Litigation Expenses to Plaintiff's Counsel; and (ii) an incentive award to Plaintiff Yvonne Williams (the "Fee and Expense Application"). Defendants acknowledge Plaintiff's Counsel's right to an award of certain attorneys' fees and reimbursement of some or all of the Litigation Expenses, but the Parties disagree on the value of the benefits conferred upon the Company and the Settlement Class and the corresponding amount of fees and expenses to be

awarded. The Parties each reserve their right to advocate for and against the Fee and Expense Application.

13. Defendants or the Company shall pay or cause their insurer(s) to pay any attorneys' fees and expenses awarded by the Court to Plaintiff's Counsel and any incentive award to Plaintiff (the "Fee and Expense Award"). The Fee and Expense Award shall be paid to Lead Counsel within twenty (20) calendar days of entry of the order granting the Fee and Expense Award, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof, subject to Lead Counsel's obligation to make appropriate refunds or repayments to Defendants or the Company (or any applicable insurer) if the Settlement is terminated pursuant to terms of this Stipulation or if, as a result of any appeal or further proceedings on remand or successful collateral attack, the Fee and Expense Award is reduced or reversed and such order reducing or reversing the award has become Final. Lead Counsel shall make the appropriate refund or repayment in full no later than twenty (20) calendar days after (a) receiving from Defendants' Counsel notice of the termination of the Settlement; or (b) any order reducing or reversing the Fee and Expense Award has become Final. An award of attorneys' fees and/or Litigation Expenses is not a necessary term of this Stipulation and is not a condition of the Settlement embodied herein. Neither Plaintiff nor Lead Counsel may cancel or

terminate the Settlement based on this Court's or any appellate court's ruling with respect to attorneys' fees and/or Litigation Expenses.

14. Lead Counsel shall allocate the attorneys' fees awarded amongst Plaintiff's Counsel in a manner which they, in good faith, believe reflects the contributions of such counsel to the institution, prosecution and settlement of the Action. The Company, Defendants and Defendants' Counsel shall have no responsibility for or liability whatsoever with respect to the allocation or award of attorneys' fees or Litigation Expenses.

EFFECTIVE DATE; TERMINATION OF SETTLEMENT

15. The Effective Date of the Settlement shall be deemed to occur on the first date by which the following events have occurred: (i) the Court has approved the Settlement as described herein, following notice to the Settlement Class and a hearing, and entered the Judgment, and the Judgment has become Final, and (ii) Defendants' or the Company's performance of all obligations under ¶ 3(a)-(d) above.

16. Plaintiff and Defendants (provided Defendants unanimously agree amongst themselves), shall each have the right to terminate the Settlement and this Stipulation, by providing written notice of their election to do so ("Termination Notice") to the other Parties within thirty (30) days of: (a) the Court's declining to enter the Scheduling Order in any material respect; (b) the Court's refusal to

approve the Settlement or any material part thereof; (c) the Court's declining to enter the Judgment in any material respect as to the Settlement; or (d) the date upon which an order modifying or reversing the Judgment in any material respect becomes Final, and the provisions of ¶ 17 below shall apply. However, any decision or proceeding, whether in this Court or any appellate court, solely with respect to an application for attorneys' fees or reimbursement of Litigation Expenses shall not be considered material to the Settlement, shall not affect the finality of the Judgment, and shall not be grounds for termination of the Settlement.

17. If the Settlement is terminated by Plaintiff or Defendants pursuant to ¶ 16 above, then:

(a) The Settlement and the relevant portions of this Stipulation shall be canceled;

(b) The Parties shall revert to their respective positions in the Action as of immediately prior to the execution of the Term Sheet on November 16, 2017;

(c) The terms and provisions of the Term Sheet and this Stipulation, with the exception of this ¶ 17 and ¶¶ 10, 13, 18, 36, and 37 of this Stipulation, shall be null and void and have no further force and effect with respect to the Parties and shall not be used in the Action or in any other proceeding for any

purpose, and any Judgment or order entered by the Court in accordance with the terms of this Stipulation shall be treated as vacated, *nunc pro tunc*.

NO ADMISSION OF WRONGDOING

18. Neither the Term Sheet, this Stipulation (whether or not consummated), including the exhibits hereto, the negotiations leading to the execution of the Term Sheet and this Stipulation, nor any proceedings taken pursuant to or in connection with the Term Sheet, this Stipulation and/or approval of the Settlement (including any arguments proffered in connection therewith):

(a) shall be offered against Defendants or the Company as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by Defendants or the Company with respect to the truth of any fact alleged by Plaintiff or the validity of any claim that was or could have been asserted or the deficiency of any defense that has been or could have been asserted in this Action or in any other litigation, or of any liability, negligence, fault, or other wrongdoing of any kind of any of the Defendants or the Company or in any way referred to for any other reason as against any of the Defendants or the Company, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation;

(b) shall be offered against Plaintiff as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by Plaintiff that any of her claims are without merit, that Defendants had meritorious defenses, or with respect to any liability, negligence, fault or wrongdoing of any kind, or in any way referred to for any other reason as against Plaintiff, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; or

(c) shall be construed against any of the Parties as an admission, concession, or presumption that the consideration to be given hereunder represents the consideration which could be or would have been achieved after trial; *provided, however,* that if this Stipulation is approved by the Court, the Parties and their respective counsel may refer to it to effectuate the protections from liability granted hereunder or otherwise to enforce the terms of the Settlement.

MISCELLANEOUS PROVISIONS

19. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein. Notwithstanding the foregoing, in the event that there exists a conflict or inconsistency between the terms of this Stipulation and the terms of any exhibit attached hereto, the terms of the Stipulation shall prevail.

20. The Parties intend this Stipulation and the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by Plaintiff and any other Class Members against Defendants or the Company with respect to the Released Plaintiff's Claims. Accordingly, Plaintiff and her counsel and Defendants, the Company and their counsel agree not to assert in any forum that this Action was brought by Plaintiff or defended by Defendants or the Company in bad faith or without a reasonable basis. The Parties agree that the Settlement consideration and the other terms of the Settlement were negotiated at arm's-length and in good faith by the Parties, including through a mediation process conducted by the Mediator, and reflect the Settlement that was reached voluntarily after extensive negotiations and consultation with experienced legal counsel, who were fully competent to assess the strengths and weaknesses of their respective clients' claims or defenses.

21. While retaining their right to deny that the claims asserted in the Action were meritorious, Defendants and their counsel, in any statement made to any media representative (whether or not for attribution) will not assert that the Action was commenced or prosecuted in bad faith nor will they deny that the Action was commenced and prosecuted in good faith and is being settled voluntarily after consultation with competent legal counsel. In all events, Plaintiff and her counsel and Defendants and the Company and their counsel shall not make

any accusations of wrongful or actionable conduct by any Party concerning the prosecution, defense, and resolution of the Action, and shall not otherwise suggest that the Settlement constitutes an admission of any claim or defense alleged.

22. The terms of the Settlement, as reflected in this Stipulation, may not be modified or amended, nor may any of its provisions be waived except by a writing signed on behalf of all Parties (or their successors-in-interest).

23. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

24. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court, and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and Litigation Expenses to Plaintiff's Counsel and enforcing the terms of this Stipulation.

25. The waiver by one Party of any breach of this Stipulation by any other Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

26. This Stipulation and its exhibits constitute the entire agreement among the Parties concerning the Settlement and this Stipulation and its exhibits. All Parties acknowledge that no other agreements, representations, warranties, or

inducements have been made by any Party hereto concerning this Stipulation or its exhibits other than those contained and memorialized in such documents.

27. This Stipulation may be executed in one or more counterparts, including by signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via email. All executed counterparts and each of them shall be deemed to be one and the same instrument.

28. This Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Parties, including any corporation, partnership, or other entity into or with which any Party hereto may merge, consolidate or reorganize.

29. The construction, interpretation, operation, effect and validity of this Stipulation and all documents necessary to effectuate it shall be governed by the internal laws of the State of Delaware without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

30. Any action arising under or to enforce this Stipulation or any portion thereof, shall be commenced and maintained only in the Court.

31. This Stipulation shall not be construed more strictly against one Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of

arm's-length negotiations between the Parties and all Parties have contributed substantially and materially to the preparation of this Stipulation.

32. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related Settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

33. Lead Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Settlement, as embodied in this Stipulation, and to use best efforts to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval by the Court of the Settlement.

34. If any Party is required to give notice to another Party under this Stipulation, such notice shall be in writing and shall be deemed to have been duly given upon receipt of hand delivery or facsimile or email transmission, with confirmation of receipt. Notice shall be provided as follows:

If to Plaintiff or Lead Counsel: Bernstein Litowitz Berger & Grossmann LLP
Attn: David Wales, Esq.
1251 Avenue of the Americas
New York, NY 10020
Telephone: (212) 554-1400
Facsimile: (212) 554-1444
Email: davidw@blbglaw.com

If to the Company, Defendants
or Defendants' Counsel:

Paul Hastings LLP
Attn: Peter M. Stone, Esq.
1117 S. California Avenue
Palo Alto, CA 94304
Telephone: (650) 320-1843
Facsimile: (650) 320-1943
Email: peterstone@paulhastings.com

35. Except as otherwise provided herein, each Party shall bear its own costs.

36. Whether or not the Stipulation is approved by the Court and whether or not the Stipulation is consummated, or the Effective Date occurs, the Parties and their counsel shall use their best efforts to keep all negotiations, discussions, acts performed, agreements, drafts, documents signed and proceedings in connection with the Stipulation confidential.

37. All agreements made and orders entered during the course of this Action relating to the confidentiality of information shall survive this Settlement.

IN WITNESS WHEREOF, the Parties hereto have caused this Stipulation to be executed, by their duly authorized attorneys, as of December 22, 2017.

FRIEDLANDER & GORRIS, P.A.

/s/ Christopher M. Foulds

Joel Friedlander (Bar No. 3163)
Christopher Foulds (Bar No. 5169)
Wilmington, DE 19801
1201 N. Market St., Suite 2200
(302) 573-3500

OF COUNSEL:

Mark Lebovitch
David Wales
Christopher J. Orrico
Alla Zayenchik
BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP
1251 Avenue of the Americas
New York, NY 10020
(212) 554-1400

PRICKETT, JONES & ELLIOTT, P.A.

/s/ J. Clayton Athey

J. Clayton Athey (Bar No. 4378)
John G. Day (Bar No. 6023)
1310 N. King Street
Wilmington, DE 19899
(302) 888-6500

OF COUNSEL:

Peter M. Stone
PAUL HASTINGS LLP
1117 S. California Avenue
Palo Alto, CA 94304
(650) 320-1843

Dated: December 22, 2017



Exhibit

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

YVONNE WILLIAMS, on behalf of
herself and similarly situated Sorrento
Therapeutics, Inc. stockholders and
derivatively on behalf of Sorrento
Therapeutics, Inc.,

Plaintiff,

v.

C.A. No. 12729-VCMR

HENRY JI, WILLIAM S. MARTH, KIM
D. JANDA, JAISIM SHAH, DAVID H.
DEMING, DOUGLAS EBERSOLE,
GEORGE NG, AND ERAGON
VENTURES, LLC,

Defendants,

and

SORRENTO THERAPEUTICS, INC.,

Nominal Defendant.

SCHEDULING ORDER

WHEREAS, a stockholder class and derivative action is pending in this Court entitled *Williams. v. Ji, et al.*, C.A. No. 12729-VCMR (the “Action”);

WHEREAS, Plaintiff Yvonne Williams (“Plaintiff”), on behalf of herself and the Settlement Class (defined below), and derivatively on behalf of the Company (defined below); (b) defendants Henry Ji, William S. Marth, Kim D.

Janda, Jaisim Shah, David H. Deming, Douglas Ebersole, and George Ng (collectively, the “Individual Defendants”); (c) defendant Eragon Ventures, LLC (“Eragon,” and together with the Individual Defendants, the “Defendants”); and (d) nominal defendant Sorrento Therapeutics, Inc. (“Sorrento” or the “Company” or the “Nominal Defendant”) have determined to settle claims asserted against Defendants in the Action with prejudice on the terms and conditions set forth in the Stipulation and Agreement of Settlement entered into by the Parties dated December 22, 2017 (the “Stipulation”);

WHEREAS, in accordance with the Stipulation, the Parties have made an application, pursuant to Rules 23 and 23.1 of the Rules of the Court of Chancery, for entry of a scheduling order in accordance with the Stipulation, preliminarily certifying the Settlement Class for purpose of the Settlement only, approving the form and content of the notice of the Settlement to the Settlement Class, and scheduling the date and time for the Settlement Fairness Hearing; and

WHEREAS, the Court having read and considered the Stipulation and the exhibits attached thereto; the Stipulation being sufficient to warrant notice to the Settlement Class; and all Parties having consented to the entry of this Order.

NOW THEREFORE, IT IS HEREBY ORDERED, this ____ day of _____, 201__, as follows:

1. **Definitions:** Unless otherwise defined herein, the capitalized terms used herein shall have the same meanings as they have in the Stipulation.

2. **Jurisdiction:** The Court has jurisdiction over the subject matter of the Action, and all matters relating to the Settlement, as well as personal jurisdiction over Plaintiff, Defendants, Sorrento, and each of the Settlement Class Members.

3. **Preliminary Class Certification for Settlement Purposes:** The Court hereby preliminarily certifies, solely for purposes of the Settlement, the Action as a non-opt out class action pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2), on behalf of a Settlement Class consisting of all holders of Sorrento common stock as of December 22, 2017.

4. Solely for purposes of the Settlement, Plaintiff is preliminarily appointed as Class Representative for the Settlement Class and Lead Counsel are preliminarily appointed as Class Counsel.

5. **Settlement Fairness Hearing:** The Court will hold a hearing (the “Settlement Fairness Hearing”) on _____, 201__, at __:__ .m., at the Court of Chancery of the State of Delaware, Leonard L. Williams Justice Center, 500 North King St., Wilmington, DE 19801, for the following purposes: (a) to determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to the Settlement Class and

the Company, and should be approved by the Court; (b) to determine whether a Judgment substantially in the form attached as Exhibit D to the Stipulation should be entered dismissing the Action with prejudice against Defendants; (c) to determine whether to approve the application by Lead Counsel for (i) an award of attorneys' fees and reimbursement of Litigation Expenses to Plaintiff's Counsel and (ii) an incentive award to Plaintiff (the "Fee and Expense Application"); (d) to hear and determine any objections to the Settlement and/or opposition or objections to the Fee and Expense Application; and (e) to consider any other matters that may properly be brought before the Court in connection with the Settlement. Notice of the Settlement and the Settlement Fairness Hearing shall be given to Settlement Class Members as set forth in ¶ 7 of this Order.

6. The Court may adjourn the Settlement Fairness Hearing without further notice to the Settlement Class, and may approve the proposed Settlement with such modifications as the Parties may agree to, if appropriate, without further notice to the Settlement Class.

7. **Retention of Settlement Administrator and Manner of Notice:** Defendants and the Company are hereby authorized to retain the firm of Kurtzman Carson Consultants LLC (the "Settlement Administrator") to provide notice to the Settlement Class under the supervision of Defendants and the Company. Notice of the Settlement and the Settlement Fairness Hearing shall be given as follows:

(a) not later than ten (10) business days after the date of entry of this Order (the “Notice Date”), the Settlement Administrator shall cause a copy of the Mailing Notice, substantially in the form attached to the Stipulation as Exhibit B, to be mailed by first-class mail to potential Settlement Class Members at the addresses set forth in the Company’s stockholder records, or who otherwise may be identified through further reasonable effort

(b) not later than the Notice Date, the Settlement Administrator shall post a copy of the Mailing Notice, substantially in the form attached to the Stipulation as Exhibit B, and copies of the Stipulation and the Complaint, on the Company’s website;

(c) not later ten (10) business days after the Notice Date, the Settlement Administrator shall cause the Publication Notice, substantially in the form attached to the Stipulation as Exhibit C, to be published once over the *PR Newswire*; and

(d) not later than fifty (50) calendar days prior to the Settlement Fairness Hearing, Defendants shall serve on Lead Counsel and file with the Court proof, by affidavit or declaration, of compliance with ¶¶ 7(a)-(c) above.

8. **Approval of Form and Content of Notice:** The Court (a) approves, as to form and content, the Mailing Notice, attached to the Stipulation as Exhibit B, and the Publication Notice, attached to the Stipulation as Exhibit C, and (b) finds that the mailing of the Mailing Notice and publication of the Publication Notice in the manner and form set forth in ¶ 7 of this Order: (i) are the best notice practicable under the circumstances; (ii) constitute notice that is reasonably calculated, under the circumstances, to apprise Settlement Class Members of the pendency of the Action, of the effect of the proposed Settlement (including the Releases to be provided thereunder), of Lead Counsel's Fee and Expense Application, of their right to object to the Settlement and/or Lead Counsel's Fee and Expense Application, and of their right to appear at the Settlement Fairness Hearing; (iii) constitute due, adequate and sufficient notice to all persons and entities entitled to receive notice of the proposed Settlement; and (iv) satisfy the requirements of Court of Chancery Rules 23 and 23.1, the United States Constitution (including the Due Process Clause), and all other applicable law and rules. The date and time of the Settlement Fairness Hearing shall be included in the Mailing Notice and Publication Notice before they are mailed and published, respectively.

9. **Nominees Procedures:** Brokers and other nominees that held shares of Sorrento common stock as record holders for the benefit of another person or

entity shall either (a) within seven (7) calendar days of receipt of the Mailing Notice, request from the Settlement Administrator sufficient copies of the Mailing Notice to forward to all such beneficial owners and within seven (7) calendar days of receipt of those Mailing Notices forward them to all such beneficial owners; or (b) within seven (7) calendar days of receipt of the Mailing Notice, send a list of the names and addresses of all such beneficial owners to the Settlement Administrator, in which event the Settlement Administrator shall promptly mail the Mailing Notice to such beneficial owners. Upon full compliance with this Order, such nominees may seek reimbursement of their reasonable expenses actually incurred in complying with this Order by providing the Settlement Administrator with proper documentation supporting the expenses for which reimbursement is sought. Defendants or the Company shall pay or cause to be paid such properly documented expenses incurred by nominees in compliance with the terms of this Order, with any disputes as to the reasonableness or documentation of expenses incurred subject to review by the Court.

10. **Appearance at Settlement Fairness Hearing and Objections:**

Unless the Court orders otherwise, any Settlement Class Member may enter an appearance in the Action, at his, her or its own expense, individually or through counsel of his, her or its own choice, by filing with the Register in Chancery and delivering a notice of appearance to Lead Counsel and Defendants' Counsel, at the

addresses set forth in ¶ 11 below, such that it is received no later than thirty (30) calendar days prior to the Settlement Fairness Hearing, or as the Court may otherwise direct. Any Settlement Class Member who does not enter an appearance will be represented by Lead Counsel, and shall be deemed to have waived and forfeited any and all rights he, she or it may otherwise have to appear separately at the Settlement Fairness Hearing.

11. Any Settlement Class Member may file a written objection to the proposed Settlement and/or Lead Counsel's application for an award of attorneys' fees and Litigation Expenses and appear and show cause, if he, she, or it has any cause, why the proposed Settlement and/or Lead Counsel's Fee and Expense Application should not be approved; *provided, however*, that, unless otherwise directed by the Court for good cause shown, no Settlement Class Member shall be heard or entitled to contest the approval of the terms and conditions of the proposed Settlement and/or Lead Counsel's Fee and Expense Application unless that person or entity has filed a written objection with the Register in Chancery and served copies of such objection on Lead Counsel and Defendants' Counsel at the addresses set forth below such that they are received no later than thirty (30) calendar days prior to the Settlement Fairness Hearing.

Lead Counsel:

Christopher Foulds, Esq.
Friedlander & Gorris, P.A.
1201 N. Market St., Ste. 2200
Wilmington, DE 19801

David Wales, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1251 Avenue of the Americas
New York, NY 10020

Defendants' Counsel:

J. Clayton Athey, Esq.
Prickett, Jones & Elliott, P.A.
1310 N. King Street
Wilmington, DE 19899

Peter M. Stone, Esq.
Paul Hastings LLP
1117 S. California Avenue
Palo Alto, CA 94304

12. Any objections, filings, and other submissions by the objecting Settlement Class Member: (a) must state the name, address, and telephone number of the person or entity objecting and, if represented by counsel, the name, address, and telephone number of his, her, or its counsel; (b) must be signed by the objector; (c) must contain a written, specific statement of the Settlement Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Settlement Class Member wishes to bring to the Court's attention; (d) must state the objection is being filed with respect to "*Williams. v. Ji, et al.*, C.A. No. 12729-VCMR"; and (e) must include documentation sufficient to prove that the objector is a member of the Settlement Class.

13. Unless the Court orders otherwise, any Settlement Class Member who or which does not make his, her, or its objection in the manner provided herein shall (a) be deemed to have waived and forfeited his, her, or its right to object to

any aspect of the proposed Settlement or Lead Counsel's Fee and Expense Application; (b) be forever barred and foreclosed from objecting to the fairness, reasonableness, or adequacy of the Settlement, the Judgment to be entered approving the Settlement, or Lead Counsel's Fee and Expense Application requested or awarded; and (c) be deemed to have waived and forever barred and foreclosed from being heard, in this or any other proceeding, with respect to any matters concerning the Settlement, the requested or awarded attorneys' fees and Litigation Expenses to Plaintiff's Counsel, or the requested or awarded incentive award to Plaintiff.

14. **Stay and Temporary Injunction:** Until otherwise ordered by the Court, the Court stays all proceedings in the Action other than proceedings necessary to carry out or enforce the terms and conditions of the Stipulation. Pending final determination by the Court of whether the Settlement should be approved, the Court bars and enjoins Plaintiff, and all other members of the Settlement Class, from instituting, commencing, or prosecuting any and all of the Released Plaintiff's Claims against any and all of the Defendants' Released Persons.

15. **Notice Costs:** Defendants or the Company shall pay or cause to be paid all Notice Costs as set forth in the Stipulation.

16. **Termination of Settlement:** If the Settlement is terminated as provided in the Stipulation or the Effective Date of the Settlement otherwise fails to occur, this Order shall be vacated, rendered null and void, and be of no further force and effect, except as otherwise provided by the Stipulation, and this Order shall be without prejudice to the rights of Plaintiff, the other Settlement Class Members, Defendants, and the Company, and the Parties shall revert to their respective positions in the Action as of immediately prior to the execution of the Term Sheet on November 16, 2017, as provided in the Stipulation.

17. **Use of this Order:** Neither this Order, the Term Sheet, the Stipulation (whether or not consummated), including the exhibits hereto, the negotiations leading to the execution of the Term Sheet and the Stipulation, nor any proceedings taken pursuant to or in connection with the Term Sheet, the Stipulation and/or approval of the Settlement (including any arguments proffered in connection therewith): (a) shall be offered against Defendants or the Company as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by Defendants or the Company with respect to the truth of any fact alleged by Plaintiff or the validity of any claim that was or could have been asserted or the deficiency of any defense that has been or could have been asserted in this Action or in any other litigation, or of any liability, negligence, fault, or other wrongdoing of any kind of any of the Defendants or the Company or

in any way referred to for any other reason as against any of the Defendants or the Company, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Stipulation; (b) shall be offered against Plaintiff, as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by Plaintiff that any of her claims are without merit, that Defendants had meritorious defenses, or with respect to any liability, negligence, fault or wrongdoing of any kind, or in any way referred to for any other reason as against Plaintiff, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Stipulation; or (c) shall be construed against any of the Parties as an admission, concession, or presumption that the consideration to be given under the Stipulation represents the consideration which could be or would have been achieved after trial; *provided, however*, that if the Stipulation is approved by the Court, the Parties and their respective counsel may refer to the Stipulation to effectuate the protections from liability granted under the Stipulation or otherwise to enforce the terms of the Settlement.

18. **Supporting Papers:** Lead Counsel shall file and serve the opening papers in support of the proposed Settlement and Lead Counsel's application for an award of attorneys' fees and Litigation Expenses no later than sixty (60) calendar days prior to the Settlement Fairness Hearing. Any objections to the Settlement

and/or Lead Counsel's Fee and Expense Application shall be filed and served no later than thirty (30) calendar days prior to the Settlement Fairness Hearing. If reply papers are necessary, they are to be filed and served no later than seven (7) calendar days prior to the Settlement Fairness Hearing.

19. **Retention of Jurisdiction:** The Court retains jurisdiction to consider all further applications arising out of or connected with the proposed Settlement.

Vice Chancellor Montgomery-Reeves



Exhibit

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

YVONNE WILLIAMS, on behalf of
herself and similarly situated Sorrento
Therapeutics, Inc. stockholders and
derivatively on behalf of Sorrento
Therapeutics, Inc.,

Plaintiff,

v.

HENRY JI, WILLIAM S. MARTH, KIM
D. JANDA, JAISIM SHAH, DAVID H.
DEMING, DOUGLAS EBERSOLE,
GEORGE NG, AND ERAGON
VENTURES, LLC,

Defendants,

and

SORRENTO THERAPEUTICS, INC.,

Nominal Defendants.

C.A. No. 12729-VCMR

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF
STOCKHOLDER ACTION, SETTLEMENT FAIRNESS HEARING,
AND RIGHT TO APPEAR**

***The Delaware Court of Chancery authorized this Notice. This is not a
solicitation from a lawyer.***

TO: All holders of Sorrento Therapeutics, Inc. (“Sorrento” or the “Company”) common stock as of December 22, 2017.

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.
YOUR RIGHTS WILL BE AFFECTED BY THIS LITIGATION.**

This Notice relates to the proposed settlement (the “Settlement”) of the above-captioned stockholder class and derivative action (the “Action”) pending in the Court of Chancery of the State of Delaware (the “Court”).¹

Plaintiff alleged in the Action that the Individual Defendants breached their fiduciary duties by, among other things, (i) granting to themselves options and warrants in five of Sorrento’s subsidiaries (the “Subsidiaries”), either shortly before or shortly after they had caused Sorrento to transfer valuable assets to the Subsidiaries (the “Option and Warrant Grants”), and (ii) entering into an unfair voting agreement that provided the Individual Defendants with the power to vote 2.75% of the Company’s stock (the “Voting Agreement”).

Plaintiff also asserted an aiding and abetting claim against Defendant Eragon Ventures LLC (“Eragon”), a company alleged to be controlled by the CEO of Sorrento, Defendant Henry Ji, and his wife that had separately acquired tens of millions of supervoting shares in one Sorrento subsidiary in return for promissory notes that Eragon had not yet repaid as of the date of the Stipulation (the “Eragon Share Purchases,” and with the Option and Warrant Grants and the Voting Agreements, the “Challenged Transactions”). Plaintiffs alleged that Defendants did not deploy any procedural safeguards to protect Sorrento stockholders

Defendants denied the allegations of wrongdoing in the Complaint. As consideration for the Settlement, Defendants have agreed to cancel all remaining options, warrants and shares issued in the Subsidiaries to the Individual Defendants; cancel the 2016 sales of stock in a Sorrento subsidiary to Eragon; for two other stock sales to Eragon in 2015, Eragon will either pay for the stock by December 31, 2017, with interest, or return the stock to the subsidiary; for any shares in that subsidiary retained by Eragon, Eragon will no longer have super-

¹ All capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings provided in the Stipulation and Agreement of Settlement dated December 22, 2017 (the “Stipulation”), entered into by and among: (a) Plaintiff Yvonne Williams (“Plaintiff”), on behalf of herself and the Settlement Class, and derivatively on behalf of the Company; (b) Defendants Henry Ji, William S. Marth, Kim D. Janda, Jaisim Shah, David H. Deming, Douglas Ebersole, and George Ng (collectively, the “Individual Defendants”); (c) Defendants Eragon Ventures, LLC (“Eragon,” and together with the Individual Defendants, the “Defendants”); and (d) nominal Defendants Sorrento (together with Plaintiff and Defendants, the “Parties”). The Stipulation is available for review at www._____.com.

voting rights; a committee of disinterested and independent directors with expert advice and independent legal counsel must approve all future related-party transactions and subsidiary equity grants; all future stock plans at the subsidiaries will be submitted to a vote of the Sorrento stockholders; and the Board will vote the shares subject to the Voting Agreement in the same proportion that all other unaffiliated stockholders vote. The specific terms of the Settlement consideration are set forth in ¶ 12 below.

If you are a nominee that held Sorrento common stock for the benefit of another person or entity, please read the section below entitled “NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS.”

PLEASE NOTE: THERE IS NO PROOF OF CLAIM FORM FOR CLASS MEMBERS TO SUBMIT IN CONNECTION WITH THIS SETTLEMENT, AND CLASS MEMBERS ARE NOT REQUIRED TO TAKE ANY ACTION IN RESPONSE TO THIS NOTICE.

WHAT IS THE PURPOSE OF THIS NOTICE?

1. The purpose of this Notice is to inform Class Members about: (i) the pendency of the Action; (ii) the terms and conditions of the proposed Settlement of the Action; (iii) Class Members’ rights with respect to the proposed Settlement and Lead Counsel’s application for an award of attorneys’ fees and Litigation Expenses to Plaintiff’s Counsel and an incentive award to Plaintiff; and (iv) the hearing that the Court will hold on _____, 2018, at __:___.m., at the Court of Chancery of the State of Delaware, Leonard L. Williams Justice Center, 500 North King St., Wilmington, DE 19801, at which the Court will, among things: (a) determine whether the Settlement should be approved as fair, reasonable and adequate to the Settlement Class and the Company, and should be approved by the Court; (b) determine whether to enter the Judgment (defined in ¶ ___ below) dismissing the Action with prejudice against Defendants pursuant to the Stipulation; (c) determine whether to approve Lead Counsel’s application for an award of attorneys’ fees and Litigation Expenses, including the request for an incentive award for Plaintiff; (d) hear and consider any objections to the Settlement or Lead Counsel’s application for an award of attorneys’ fees and Litigation Expenses, and the request for an incentive award for Plaintiff; and (e) consider any such other matters as the Court deems appropriate.

2. Please note: the Court may approve the proposed Settlement with such modifications as the Parties may agree to, if appropriate, without further notice to the Settlement Class.

WHAT IS THIS CASE ABOUT?

THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT. THE COURT HAS MADE NO FINDINGS WITH RESPECT TO THE FOLLOWING MATTERS AND THESE RECITATIONS SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES RAISED BY ANY OF THE PARTIES.

3. On September 8, 2016, Plaintiff filed her Verified Class Action and Derivative Complaint (the “Initial Complaint”), alleging that the Individual Defendants breached their fiduciary duties by granting to themselves a series of options and warrants in Sorrento’s subsidiaries, either shortly before or shortly after they had caused Sorrento to transfer valuable assets to the subsidiaries. The Complaint also alleged that the Individual Defendants breached their fiduciary duties by entering into an illegal and/or unfair voting agreement that provided the Sorrento board with the power to vote 2.75% of the Company’s stock.

4. On October 12, 2016, Individual Defendants filed a motion to dismiss or stay. After full briefing on the motion, the Court heard oral argument on January 26, 2017.

5. On June 28, 2017, the Court denied Individual Defendants’ motion to dismiss or stay in its entirety. The Court held that “the options and warrant grants and the voting agreement are subject to entire fairness review, and Individual Defendants have not carried their burden of proving entire fairness at this stage.” The Court further held that the motion to stay was moot.

6. From June 28, 2017 through November 16, 2017, the parties engaged in written and document discovery. Plaintiff separately pursued third-party discovery during this period, serving four non-parties with subpoenas *duces tecum* and *ad testificandum*.

7. On October 25, 2017, after receiving and analyzing documents produced by Defendants and the four non-parties, Plaintiff filed a Verified Supplemental and Amended Class Action and Derivative Complaint (the “Complaint”). The Complaint asserted an aiding and abetting claim against new Defendant Eragon, a company alleged to be controlled by Defendants Henry Ji and his wife, that had separately acquired shares in one subsidiary in return for promissory notes that Eragon has not yet repaid.

8. On November 16, 2017, Lead Counsel and Defendants’ Counsel participated in a full-day mediation session before a nationally-recognized mediator, Jill R. Sperber, Esq. (the “Mediator”). In advance of that session, the

Parties submitted and exchanged detailed mediation statements and exhibits. As a result of extensive, arm's-length negotiations at the mediation session, the Parties reached an agreement in principle to settle the Action that was memorialized in a Settlement Term Sheet executed on November 16, 2017 (the "Term Sheet").

9. Prior to executing the Term Sheet, the Parties did not discuss the amount of any potential application by Lead Counsel for attorneys' fees and expenses.

10. On December 22, 2017, the Parties entered into the Stipulation setting forth the final terms and conditions of the Settlement, and on _____, 201__, the Court entered a Scheduling Order directing that notice of the Settlement be provided to potential Class Members, and scheduling the Settlement Fairness Hearing to consider whether to grant final approval to the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

11. If you are a member of the Settlement Class, you are subject to the Settlement. The Settlement Class preliminary certified by the Court for Settlement purposes consists of all holders of Sorrento common stock as of December 22, 2017.

PLEASE NOTE: The Settlement Class was preliminarily certified as a non-"opt-out" class pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2). Accordingly, if the Settlement is approved by the Court, Class Members will not have the right to exclude themselves from the Settlement Class.

WHAT ARE THE TERMS OF THE SETTLEMENT?

12. In consideration of the settlement of the Released Plaintiff's Claims (defined in ¶ 15 below) against Defendants, Defendants agree to the following:

(i) within five (5) days of entry of the Judgment, Defendants shall cancel all of their options, warrants, and any shares (except for any Retained Eragon Shares in LA Cell, Inc. ("LA Cell") that Eragon retains pursuant to and in accordance with subparagraph (c) below) held in Concoris Biosystems, Corp., TNK Therapeutics, Inc., LA Cell, Sorrento Biologics, Inc., and Scintilla Pharmaceuticals, Inc. (the "Subsidiaries"). Defendants will receive back from the Company any monies they paid to exercise their options and obtain shares which the Parties agree is a total of \$37,600.

(ii) within five (5) days of entry of the Judgment, Defendants shall cancel the November 2016 Eragon Stock Purchase Agreement between LA Cell and Eragon.

(iii) by no later than December 31, 2017, Eragon shall either (i) pay on the stated prices per share in the September 2015 Eragon Stock Purchase Agreement and the October 2015 Eragon Stock Purchase Agreement between LA Cell and Eragon for up to all of the Eragon Retained Shares (up to the purchase price of \$3,655,800) in cash, plus interest, in accordance with such stock purchase agreements, or (ii) cancel the Eragon Retained Shares and return the stock (the “2015 Eragon Payment or Cancellation”).

(iv) by no later than December 31, 2017, each of the Eragon Retained Shares that that Eragon pays for pursuant to subparagraph (c) above shall be cancelled and exchanged for one share of LA Cell Class A common stock, including so that Eragon no longer has any supervoting rights in LA Cell.

(v) Defendants agree that, if and when the Sorrento Board of Directors exercises any rights under the Voting Agreement, the Board shall publicly disclose in any SEC filing reporting the results of a vote that the Sorrento Board of Directors has done so in the same proportion that all other unaffiliated Sorrento stockholders voted.

(vi) Sorrento shall create a committee of disinterested and independent Directors, which shall, with the aid of expert advice and independent legal advice, approve all related-party transactions, including any transactions between any entity in which any Sorrento officer or directors owns, directly or indirectly, 5% or more of the equity, or serves as a consultant, employee, officer or director of that entity and Subsidiary equity grants.

(vii) Defendants shall ensure that all future stock plans at the Subsidiaries will be submitted to a majority vote of all Sorrento stockholders.

WHAT ARE PLAINTIFF’S REASONS FOR THE SETTLEMENT?

13. Plaintiff, through Lead Counsel, have conducted an investigation relating to the claims and the underlying events and transactions alleged in the Action. Lead Counsel obtained substantially all of the relief Plaintiff requested without the inherent risks attendant to further litigation and trial. Lead Counsel have analyzed the evidence adduced during their investigation and through discovery, and have also researched the applicable law with respect to the claims asserted in the Action and the potential defenses thereto. Although Plaintiff and Lead Counsel believe that the claims asserted have merit, the Court could have entered judgment for the Defendants, either dismissing Plaintiff’s claims prior to

trial or after trial. Plaintiff and Lead Counsel also considered the expense and length of continued proceedings necessary to pursue the claims asserted through trial, as well as the uncertainty of appeals, and the fact that the relief provided for in the Settlement may not have been able to be achieved through judicial resolution.

14. As a result of the Settlement reached herein, Plaintiffs have been successful in obtaining the cancellation of Option and Warrant Grants, the cancellation of the shares obtained in the November 2016 Eragon Stock Purchase Agreement between LA Cell and Eragon, the payment of the promissory notes Eragon signed for the shares Eragon obtained in 2015, the termination of all of Eragon’s supervoting rights, the binding modification of the Voting Agreement to require the Board to vote all shares subject to the Voting Agreement in the same proportion as all unaffiliated stockholders, the formation of a committee of disinterested and independent directors with expert advice and independent legal counsel that must approve all future related-party transactions and subsidiary equity grants, and a commitment that all future stock plans at the subsidiaries will be submitted to a vote of the Sorrento stockholders.

WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED? WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

15. If the Settlement is approved, the Court will enter a judgment (the “Judgment”). Pursuant to the Judgment, upon the Effective Date of the Settlement (as defined in the Stipulation), the Action will be dismissed with prejudice and the following releases will occur:

(i) **Release of Claims by Plaintiff and the Settlement Class:** Plaintiff and each of the other Class Members, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such, shall be deemed to have, and by operation of law and of the Judgment will have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Plaintiff’s Claim (as defined below) against the Defendants’ Released Persons (as defined below), and will forever be barred and enjoined from prosecuting any or all of the Released Plaintiff’s Claims against any of the Defendants’ Releases Persons.

“Released Plaintiff’s Claims” means all claims and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under

state, local, foreign, federal, statutory, regulatory, common or other law or rule, that Plaintiff asserted or could have asserted in the Complaint on her own behalf or on behalf of the Settlement Class that arise out of the ownership of Sorrento stock and that specifically relate to the Option and Warrant Grants, Eragon Stock Purchase Agreements, and the Voting Agreement that are the subject of the Action; *provided, however*, that the Released Plaintiff's Claims shall not include: (i) any claims to enforce the Stipulation; or (ii) any claims that arise out of, are based upon, or relate to any conduct of the Defendants after November 16, 2017.

"Defendants' Released Persons" means Defendants and the Company and any of their heirs, predecessors, successors, representatives and assigns, and with respect to corporate entities each of their respective past or present directors, officers, employees, partnerships and partners, principals, agents, controlling stockholders, attorneys (including Defendants' Counsel), accountants, auditors, investment banks and investment bankers, underwriters, advisors, financial advisors, personal or legal representatives, analysts, agents, associates, servants, insurers, co-insurers and reinsurers, predecessors, successors, parents, subsidiaries, divisions, assigns, trustees, beneficiaries, joint ventures and joint venturers, spouses, heirs, executors, administrators, related or affiliated entities, members of a Defendant's family, any entity in which any Defendant and/or any member(s) of that Defendant's family has or have a controlling interest (directly or indirectly), and any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of his family. The Defendants' Released Persons do not include anyone, other than the Individual Defendants, who received Option and Warrant Grants and who have not or are not returning those Option and Warrant Grants.

(ii) **Release of Claims by Defendants and the Company:** Defendants and the Company, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such, will be deemed to have, and by operation of law and of the Judgment will have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Defendants' Claim against Plaintiff, Plaintiff's Counsel, and all other Plaintiff's Released Persons and will forever be enjoined from prosecuting any or all of the Released Defendants' Claims against Plaintiff, Plaintiff's Counsel, and all other Plaintiff's Released Persons.

"Released Defendants' Claims" means all claims and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under state, local, foreign, federal, statutory, regulatory, common or other law or rule, that arise out of or relate in any way to the institution, prosecution, or

settlement of the claims asserted in the Action against Defendants. Released Defendants' Claims do not include any claims relating to the enforcement of the Settlement.

"Plaintiff's Released Persons" means Plaintiff, all other Settlement Class Members, and Plaintiff's Counsel, and any of their heirs, predecessors, successors, representatives and assigns, and with respect to corporate entities each of their respective past or present directors, officers, employees, partnerships and partners, principals, agents, controlling stockholders, attorneys, accountants, auditors, investment banks and investment bankers, underwriters, advisors, financial advisors, personal or legal representatives, analysts, agents, associates, servants, insurers, co-insurers and reinsurers, predecessors, successors, parents, subsidiaries, divisions, assigns, trustees, beneficiaries, joint ventures and joint venturers, spouses, heirs, executors, administrators, related or affiliated entities, members of a Plaintiff's family, any entity in which any Plaintiff and/or any member(s) of that Plaintiff's family has or have a controlling interest (directly or indirectly), and any trust of which any Plaintiff is the settlor or which is for the benefit of any Plaintiff and/or member(s) of his family. The Plaintiff's' Released Persons do not include anyone who received Option and Warrant Grants and who have not or are not returning those Option and Warrant Grants.

"Unknown Claims" means any Released Plaintiff's Claims which Plaintiff or any other Class Member does not know or suspect to exist in his, her or its favor at the time of the release of such claims, and any Released Defendants' Claims which Defendant or the Company does not know or suspect to exist in his, her, or its favor at the time of the release of such claims, which, if known by him, her or it, might have affected his, her or its decision(s) with respect to this Settlement. With respect to any and all Released Claims, the Parties stipulate and agree that, upon the Effective Date of the Settlement, Plaintiff, Defendants and the Company shall expressly waive, and each of the other Class Members shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Plaintiff, Defendants and the Company acknowledge, and each of the other Class

Members shall be deemed by operation of law to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement.

16. By Order of the Court, (i) all proceedings in the Action, other than proceedings necessary to carry out or enforce the terms and conditions of the Stipulation, have been stayed; and (ii) pending final determination by the Court of whether the Settlement should be approved, Plaintiff and all other Class Members are barred and enjoined from instituting, commencing or prosecuting any and all of the Released Plaintiff's Claims against any and all of the Defendants' Released Persons.

HOW WILL PLAINTIFF'S COUNSEL BE PAID?
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17. Plaintiff's Counsel have not received any payment for their services in pursuing claims against the Defendants on behalf of the Company and the Settlement Class, nor have Plaintiff's Counsel been reimbursed for their out-of-pocket expenses. Plaintiffs' Counsel invested their own resources for pursuing the Action on a contingency basis, meaning they would only recover their expenses and be compensated for their time if they created benefits through the Action. In light of the risks undertaken in pursuing the Action on a contingency basis and the benefits created for the Company and the Settlement Class through the Settlement and the prosecution of the claims asserted in the Action against Defendants, Lead Counsel intend to petition the Court for a collective award of attorneys' fees and reimbursement of Litigation Expenses up to \$5 million. Lead Counsel also intend to apply for an incentive award for Plaintiff Yvonne Williams in the amount of \$5,000. The applications for an award of attorneys' fees and expenses to Plaintiffs' Counsel and for an incentive award to Plaintiff are collectively referred to herein as the "Fee and Expense Application."

18. Defendants acknowledge Plaintiff's Counsel's right to an award of certain attorneys' fees and reimbursement of some or all of the Litigation Expenses, but the Parties disagree on the value of the benefits conferred upon the Company and the Settlement Class and the corresponding amount of fees and expenses to be awarded. The Parties each reserve their right to advocate for and against the Fee and Expense Application.

19. The Court will determine the amount of any fee and expense award to Plaintiffs' Counsel (the "Fee and Expense Award") and any incentive award to Plaintiffs ("Incentive Award"). The full amount of any Fee and Expense Award and any Incentive Award shall be paid by Defendants, the Company, or their insurers. Class Members are not personally liable for any such fees or expenses.

WHEN AND WHERE WILL THE SETTLEMENT FAIRNESS HEARING BE HELD? DO I HAVE RIGHT TO APPEAR AT THE SETTLEMENT FAIRNESS HEARING?

20. Class Members do not need to attend the Settlement Fairness Hearing. The Court will consider any submission made in accordance with the provisions below even if a Class Member does not attend the hearing. Please Note: The date and time of the Settlement Fairness Hearing may change without further written notice to the Settlement Class. You should monitor the Court's docket and the website www._____.com, before making plans to attend the Settlement Fairness Hearing. You may also confirm the date and time of the Settlement Fairness Hearing by contacting Lead Counsel as indicated in paragraph 22 below.

21. The Court will consider the Settlement and all matters related to the Settlement at the Settlement Fairness Hearing. The Settlement Fairness Hearing will be held before The Honorable Montgomery-Reeves, Vice Chancellor, at the Court of Chancery of the State of Delaware, Leonard L. Williams Justice Center, 500 North King St., Wilmington, DE 19801. At the Settlement Fairness Hearing, the Court will, among other things: (a) determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to the Settlement Class and the Company, and should be approved by the Court; (b) determine whether the Judgment (as defined above), should be entered dismissing the Action with prejudice against Defendants pursuant to the Stipulation; (c) determine whether the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses, including the request for an incentive award for Plaintiff, should be approved; (d) hear and consider any objections to the Settlement and/or Lead Counsel's Fee and Expense Application; and (e) consider any other matters that may properly be brought before the Court in connection with the Settlement.

22. Any Class Member may object to the Settlement or Lead Counsel’s Fee and Expense Application. Objections must be in writing. Class Members must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Register in Chancery at the address set forth below on or before _____, 2018. Class Members must also serve the papers on Lead Counsel and Defendants’ Counsel by hand or overnight delivery) at the addresses set forth below so that the papers are *received* on or before _____, 2018.

<u>Register in Chancery</u>	<u>Lead Counsel</u>	<u>Defendants’ Counsel</u>
Court of Chancery New Castle County Courthouse 500 N. King St. Suite 1551 Wilmington, DE 19801	Christopher Foulds, Esq. Friedlander & Gorris, P.A. 1201 N. Market St., Ste. 2200 Wilmington, DE 19801	J. Clayton Athey, Esq. Prickett, Jones & Elliott, P.A. 1310 N. King Street Wilmington, DE 19899
	David Wales, Esq. Bernstein Litowitz Berger & Grossmann LLP 1251 Avenue of the Americas New York, NY 10020	Peter M. Stone, Esq. Paul Hastings LLP 1117 S. California Avenue Palo Alto, CA 94304

23. Any objection: (a) must state the name, address and telephone number of the person or entity objecting and, if represented by counsel, the name, address and telephone number of his, her or its counsel; (b) must be signed by the objector; (c) must contain a written, specific statement of the Class Member’s objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court’s attention; (d) must state the objection is being filed with respect to “*Williams. v. Ji, et al.*, C.A. No. 12729-VCMR”; and (d) must demonstrate that the objector is a Class Member by including documents sufficient to prove that the objector held shares of Sorrento common stock as of December 22, 2017.

24. You may file a written objection without having to appear at the Settlement Fairness Hearing. You may not, however, appear at the Settlement Fairness Hearing to present your objection unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

25. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement or Lead Counsel’s application for an award of

attorneys' fees and Litigation Expenses, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Register in Chancery and serve it on Lead Counsel and Defendants' Counsel at the addresses set forth above so that it is *received* on or before _____, 2018. Persons who intend to object and desire to present evidence at the Settlement Fairness Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Such persons may be heard orally at the discretion of the Court.

26. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Fairness Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court and serve it on Lead Counsel and Defendants' Counsel at the addresses set forth in ¶ 22 above so that the notice is *received* on or before _____, 2018.

27. The Settlement Fairness Hearing may be adjourned by the Court without further written notice to the Settlement Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Lead Counsel.

28. Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, Lead Counsel's application for an award of attorneys' fees and Litigation Expenses to Plaintiff's Counsel, the application for an incentive award to Plaintiff, or any other matter related to the Settlement, in the Action or in any other action or proceeding. Class Members do not need to appear at the Settlement Fairness Hearing or take any other action to indicate their approval.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

29. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in the Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Register in Chancery in the Court of Chancery of the State of Delaware, New Castle County Courthouse, 500 N. King St., Suite 1551, Wilmington, DE 19801.

Additionally, copies of the Stipulation and the Complaint will be posted on the following website: www._____.com. If you have questions regarding the Settlement, you may write or call the following Lead Counsel: David Wales, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1251 Avenue of the Americas, New York, NY 10020, 1-800-380-8496, or Christopher Foulds, Esq., Friedlander & Gorris, P.A., 1201 N. Market St., Ste. 2200, Wilmington, DE 19801, 1-302-573-3500.

**NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP
ON BEHALF OF OTHERS.**

30. Brokerage firms, banks, and other persons or entities holding shares of Sorrento common stock as of December 22, 2017 as record holders for the beneficial interest of persons or entities other than themselves are directed to send this Notice to all such beneficial owners. If additional copies of the Notice are required to forward to such beneficial owners, record holders shall (a) within seven (7) calendar days of receipt of this Notice, request from the Settlement Administrator sufficient copies of this Notice and within seven (7) calendar days of receipt of those Notices forward them to all such beneficial owners; or (b) within seven (7) calendar days of receipt of this Notice, provide a list of the names and addresses of all such beneficial owners to Sorrento Stockholder Litigation c/o _____, P.O. Box _____, _____, _____. If you choose the second option, the Settlement Administrator will send a copy of the Notice to the beneficial owners. Upon full compliance with these directions, such record holders may seek reimbursement of their reasonable expenses actually incurred, by providing the Settlement Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained from the website www._____.com, or by calling the Settlement Administrator toll-free at 1-____-____-_____.

31. banks, and other persons or entities holding shares of Sorrento common stock as of December 22, 2017 as record holders for the beneficial interest of persons or entities other than themselves are directed to immediately send this Notice to all such beneficial owners. If additional copies of the Notice are required to forward to such beneficial owners, record holders may (a) request from the Settlement Administrator sufficient copies of this Notice to forward to all such beneficial owners; or (b) provide a list of the names and addresses of all such beneficial owners to Sorrento Stockholder Litigation c/o _____, P.O. Box _____, _____, _____. If you choose the second option, the Settlement Administrator will send a copy of the Notice to the beneficial owners. Upon full compliance with these directions, such record holders may seek reimbursement of their reasonable expenses actually incurred, by providing the Settlement Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained from the website www._____.com, or by calling the Settlement Administrator toll-free at 1-____-____-_____.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF
THE REGISTER IN CHANCERY REGARDING THIS NOTICE.**

Dated: _____, 2018

BY ORDER OF THE COURT OF
CHANCERY OF THE STATE OF
DELAWARE



Exhibit

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

YVONNE WILLIAMS, on behalf of
herself and similarly situated Sorrento
Therapeutics, Inc. stockholders and
derivatively on behalf of Sorrento
Therapeutics, Inc.,

Plaintiff,

v.

C.A. No. 12729-VCMR

HENRY JI, WILLIAM S. MARTH, KIM
D. JANDA, JAISIM SHAH, DAVID H.
DEMING, DOUGLAS EBERSOLE,
GEORGE NG, AND ERAGON
VENTURES, LLC,

Defendants,

and

SORRENTO THERAPEUTICS, INC.,

Nominal Defendant.

**SUMMARY NOTICE OF PENDENCY AND PROPOSED SETTLEMENT
OF STOCKHOLDER ACTION, SETTLEMENT FAIRNESS HEARING,
AND RIGHT TO APPEAR**

TO: All holders of Sorrento Therapeutics, Inc. (“Sorrento” or the “Company”) common stock as of December 22, 2017 (the “Settlement Class”).

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS WILL BE AFFECTED BY A STOCKHOLDER CLASS AND DERIVATIVE LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED that the above-captioned stockholder class and derivative action (the “Action”) is pending in the Court of Chancery of the

State of Delaware (the “Court”), and that, pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2), the Court has preliminarily certified the Action as a non-“opt-out” class action on behalf of the Settlement Class.

YOU ARE ALSO NOTIFIED that plaintiff Yvonne Williams (“Plaintiff”), on behalf of herself and the Settlement Class, and derivatively on behalf of the Company, has reached a proposed settlement of the Action (the “Settlement”) with defendants Henry Ji, William S. Marth, Kim D. Janda, Jaisim Shah, David H. Deming, Douglas Ebersole, and George Ng (collectively, the “Individual Defendants”); defendant Eragon Ventures, LLC (“Eragon,” and together with the Individual Defendants, the “Defendants”); and nominal defendant Sorrento.

As consideration for the Settlement, Defendants have agreed to cancel all remaining options, warrants and shares issued in five subsidiaries of Sorrento issued to the Individual Defendants and certain executives of Sorrento; cancel a sale of stock in a Sorrento subsidiary to Eragon; for two other stock sales to Eragon, Eragon will either pay for the stock by December 31, 2017 or return the stock to the subsidiary; for any shares in that subsidiary retained by Eragon, Eragon will no longer have super-voting rights; a committee of disinterested and independent directors with expert advice and independent legal counsel must approve all future related party transactions and subsidiary equity grants; all future stock plans at the subsidiaries will be submitted to a vote of the Sorrento stockholders; and a voting agreement that provided the Board with the power to vote 2.75% of Sorrento’s stock in its direction will be voted in the same proportion that all other unaffiliated stockholders vote. If approved by the Court, the Settlement will resolve all claims asserted against Defendants in the Action.

If you are a Class Member, your rights will be affected by the pending Action and the Settlement. A full-printed Notice of Pendency and Proposed Settlement of Stockholder Action, Settlement Fairness Hearing, and Right to Appear (the “Notice”) is currently being mailed to potential Class Members. If you have not yet received the Notice, you may obtain a copy by contacting the Settlement Administrator at Sorrento Stockholder Litigation c/o _____, P.O. Box _____, _____, _____, 1-____-____-____. Copies of the Notice can also be downloaded from www._____.com.

Inquiries, other than requests for the Notice, may be made to Plaintiff’s Lead Counsel:

Christopher Foulds, Esq.
Friedlander & Gorris, P.A.

David Wales, Esq.
Bernstein Litowitz Berger &

1201 N. Market St., Ste. 2200
Wilmington, DE 19801
1-302-573-3500

Grossmann LLP
1251 Avenue of the Americas
New York, NY 10020
1-800-380-8496

A hearing will be held on _____, 2018, at __: __ .m., before Vice Chancellor Montgomery-Reeves at the Court of Chancery of the State of Delaware, Leonard L. Williams Justice Center, 500 North King St., Wilmington, DE 19801 (the “Settlement Fairness Hearing”). At the Settlement Fairness Hearing, the Court will, among other things: (a) determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to the Settlement Class and the Company, and should be approved by the Court; (b) determine whether the Judgment should be entered dismissing the Action with prejudice against Defendants; (c) determine whether to approve the application by Lead Counsel for an award of attorneys’ fees and reimbursement of Litigation Expenses to Plaintiffs’ Counsel and an incentive award to Plaintiff; and (d) consider any other matters that may properly be brought before the Court in connection with the Settlement.

Any objections to the proposed Settlement and/or Lead Counsel’s application for an award of attorneys’ fees and reimbursement of Litigation Expenses, must be filed with the Register in Chancery and delivered to Lead Counsel and Defendants’ Counsel such that they are *received* no later than _____, 2018, in accordance with the instructions set forth in the Long-Form Notice.

Please note that there is no proof of claim form for Class Members to submit in connection with the Settlement. Also, because the Settlement Class was certified as a non-“opt-out” class, Class Members do not have the right to exclude themselves from the Class.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF
THE REGISTER IN CHANCERY REGARDING THIS NOTICE.**

Dated: _____, 2018

BY ORDER OF THE COURT OF
CHANCERY OF THE STATE OF
DELAWARE



Exhibit

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

YVONNE WILLIAMS, on behalf of
herself and similarly situated Sorrento
Therapeutics, Inc. stockholders and
derivatively on behalf of Sorrento
Therapeutics, Inc.,

Plaintiff,

v.

C.A. No. 12729-VCMR

HENRY JI, WILLIAM S. MARTH, KIM
D. JANDA, JAISIM SHAH, DAVID H.
DEMING, DOUGLAS EBERSOLE,
GEORGE NG, AND ERAGON
VENTURES, LLC,

Defendants,

and

SORRENTO THERAPEUTICS, INC.,

Nominal Defendant.

FINAL ORDER AND JUDGMENT

WHEREAS, a stockholder class and derivative action is pending in this Court entitled *Williams v. Ji, et al.*, C.A. No. 12729-VCMR (the “Action”);

WHEREAS, Plaintiff Yvonne Williams (“Plaintiff”), on behalf of herself and the Settlement Class (defined below), and derivatively on behalf of the Company (defined below); (b) defendants Henry Ji, William S. Marth, Kim D. Janda, Jaisim Shah, David H. Deming, Douglas Ebersole, and George Ng

(collectively, the “Individual Defendants”); (c) defendant Eragon Ventures, LLC (“Eragon,” and together with the Individual Defendants, the “Defendants”); and (d) nominal defendant Sorrento Therapeutics, Inc. (“Sorrento” or the “Company” or the “Nominal Defendant”) have entered into a Stipulation and Agreement of Settlement dated December 22, 2017 (the “Stipulation”), that provides for a complete dismissal with prejudice of the claims asserted against Defendants in the Action on the terms and conditions set forth in the Stipulation, subject to the approval of this Court (the “Settlement”);

WHEREAS, by Order dated _____, 201__ (the “Scheduling Order”), this Court: (a) preliminarily certified the Settlement Class solely for purposes of effectuating the Settlement; (b) ordered that notice of the proposed Settlement be provided to potential Settlement Class Members; (c) provided Settlement Class Members with the opportunity to object to the proposed Settlement; and (d) scheduled a hearing regarding final approval of the Settlement;

WHEREAS, the Court conducted a hearing on _____, 2018 (the “Settlement Fairness Hearing”) to consider, among other things, (a) whether the terms and conditions of the Settlement are fair, reasonable, and adequate to the Settlement Class and the Company, and should therefore be approved; (b) whether a Judgment should be entered dismissing the Action with prejudice as against Defendants; and (c) whether to approve the application by Lead Counsel for (i) an

award of attorneys' fees and reimbursement of Litigation Expenses to Plaintiff's Counsel and (ii) an incentive award to Plaintiff (the "Fee and Expense Application"); and

WHEREAS, it appearing that due notice of the hearing has been given in accordance with the Scheduling Order; the Parties having appeared by their respective attorneys of record; the Court having heard and considered evidence in support of the proposed Settlement; the attorneys for the respective Parties having been heard; an opportunity to be heard having been given to all other persons or entities requesting to be heard in accordance with the Scheduling Order; the Court having determined that notice to members of the Settlement Class was adequate and sufficient; and the entire matter of the proposed Settlement having been heard and considered by the Court;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, this ___ day of _____, 2018, as follows:

1. **Definitions:** Unless otherwise defined in this Judgment, the capitalized terms used herein shall have the same meaning as they have in the Stipulation.

2. **Jurisdiction:** The Court has jurisdiction over the subject matter of the Action, and all matters relating to the Settlement, as well as personal

jurisdiction over Plaintiff, Defendants, Sorrento, and each of the Settlement Class Members.

3. **Incorporation of Settlement Documents:** This Judgment incorporates and makes a part hereof: (a) the Stipulation filed with the Court on December ____, 2017; and (b) the Mailing Notice and Publication Notice, which were filed with the Court on _____, 2018.

4. **Final Class Certification for Settlement Purposes:** The Court hereby finally certifies, for the purposes of the Settlement only, the Action as a non-opt out class action pursuant to Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2), on behalf of a Settlement Class consisting of all holders of Sorrento common stock as of December 22, 2017.

5. For the purposes of the Settlement only, the Court hereby finally appoints Plaintiff as Class Representative for the Settlement Class and Lead Counsel as Class Counsel for the Settlement Class. Plaintiff and Lead Counsel have fairly and adequately represented the Settlement Class and the Company both in terms of prosecuting the Action and for purposes of entering into and implementing the Settlement.

6. **Settlement Class Findings:** Solely for purposes of the Settlement of this Action, the Court finds that each element required for certification of the Settlement Class pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1)

and 23(b)(2) has been met in that: (a) the Settlement Class Members are so numerous that their joinder in the Action would be impracticable; (b) there are questions of law and fact common to the Settlement Class; (c) the claims of Plaintiff are typical of the claims of the Settlement Class; (d) in connection with both the prosecution of the Action as well as the Settlement, Plaintiff and Lead Counsel have and will fairly and adequately represent and protect the interests of the Settlement Class and the Company; (e) the prosecution of separate actions by individual Settlement Class Members would create a risk of inconsistent adjudications that would establish incompatible standards of conduct for Defendants; (f) as a practical matter, the disposition of the Action would influence the disposition of any pending or future identical cases brought by other Settlement Class Members; and (g) Defendants have allegedly acted or refused to act on grounds generally applicable to the Settlement Class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the Settlement Class as a whole.

7. **Notice:** The Court finds that the mailing of the Mailing Notice and publication of the Publication Notice: (a) were implemented in accordance with the Scheduling Order; (b) constituted the best notice practicable under the circumstances; (c) constituted notice that was reasonably calculated, under the circumstances, to apprise Settlement Class Members of: (i) the pendency of the

Action; (ii) the effect of the proposed Settlement (including the Releases to be provided thereunder); (iii) Lead Counsel's Fee and Expense Application; (iv) their right to object to any aspect of the Settlement and/or Lead Counsel's Fee and Expense Application; and (v) their right to appear at the Settlement Fairness Hearing; (d) constituted due, adequate, and sufficient notice to all persons and entities entitled to receive notice of the proposed Settlement; and (e) satisfied the requirements of Court of Chancery Rules 23 and 23.1, the United States Constitution (including the Due Process Clause), and all other applicable law and rules.

8. **Final Settlement Approval and Dismissal of Claims:** Pursuant to, and in accordance with, Court of Chancery Rules 23 and 23.1, this Court hereby fully and finally approves the Settlement set forth in the Stipulation in all respects (including, without limitation: the Settlement consideration; the Releases, including the release of the Released Plaintiff's Claims as against the Defendants' Released Persons; and the dismissal with prejudice of the claims asserted against Defendants in the Action), and finds that the Settlement is, in all respects, fair, reasonable, and adequate to the Settlement Class and the Company. The Parties are directed to implement, perform, and consummate the Settlement in accordance with the terms and provisions contained in the Stipulation.

9. The Action and all of the claims asserted against Defendants in the Action by Plaintiff and the other Settlement Class Members are hereby dismissed with prejudice. The Parties shall bear their own costs and expenses, except as otherwise expressly provided in the Stipulation.

10. **Binding Effect:** The terms of the Stipulation and of this Judgment shall be forever binding on Defendants, Sorrento, Plaintiff, and all other Settlement Class Members, as well as their respective successors and assigns.

11. **Releases:** The Releases set forth in ¶¶ 5 and 6 of the Stipulation, together with the definitions contained in ¶ 1 of the Stipulation relating thereto, are expressly incorporated herein in all respects. The Releases are effective as of the Effective Date. Accordingly, this Court orders that:

(a) Without further action by anyone, and subject to ¶ 12 below, upon the Effective Date of the Settlement, Plaintiff and each of the other Class Members, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such, shall be deemed to have, and by operation of law and of this Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Plaintiff's Claim against the Defendants' Released Persons, and

shall forever be enjoined from prosecuting any or all of the Released Plaintiff's Claims against the Defendants' Released Persons.

(b) Without further action by anyone, and subject to ¶ 12 below, upon the Effective Date of the Settlement, Defendants and the Company, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such, shall be deemed to have, and by operation of law and of this Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Defendants' Claim against Plaintiff, Plaintiff's Counsel, and all other Plaintiff's Released Persons and shall forever be enjoined from prosecuting any or all of the Released Defendants' Claims against Plaintiff, Plaintiff's Counsel, and all other Plaintiff's Released Persons.

12. Notwithstanding ¶¶ 11(a)-(b) above, nothing in the Stipulation or in this Judgment shall bar any action by any of the Parties to enforce or effectuate the terms of the Stipulation or this Judgment.

13. **No Admissions:** Neither this Judgment, the Term Sheet, the Stipulation (whether or not consummated), including the exhibits hereto, the negotiations leading to the execution of the Term Sheet and the Stipulation, nor any proceedings taken pursuant to or in connection with the Term Sheet, the

Stipulation and/or approval of the Settlement (including any arguments proffered in connection therewith):

(a) shall be offered against Defendants or the Company as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by Defendants or the Company with respect to the truth of any fact alleged by Plaintiff or the validity of any claim that was or could have been asserted or the deficiency of any defense that has been or could have been asserted in this Action or in any other litigation, or of any liability, negligence, fault, or other wrongdoing of any kind of any of the Defendants or the Company or in any way referred to for any other reason as against any of the Defendants or the Company, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Stipulation;

(b) shall be offered against Plaintiff, as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by Plaintiff that any of her claims are without merit, that Defendants had meritorious defenses, or with respect to any liability, negligence, fault or wrongdoing of any kind, or in any way referred to for any other reason as against Plaintiff, in any civil, criminal or administrative action or

proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Stipulation; or

(c) shall be construed against any of the Parties as an admission, concession, or presumption that the consideration to be given under the Stipulation represents the consideration which could be or would have been achieved after trial;

provided, however, that the Parties and their respective counsel may refer to the Stipulation to effectuate the protections from liability granted under the Stipulation or otherwise to enforce the terms of the Settlement.

14. **Award of Attorneys' Fees and Litigation Expenses:** Plaintiff's Counsel are hereby awarded attorneys' fees and Litigation Expenses in the total amount of \$_____, which sum the Court finds to be fair and reasonable. Plaintiff Yvonne Williams is awarded \$_____ as an incentive fee, which shall be paid out of the award of attorneys' fees and expenses described in the immediately preceding sentence. Defendants or the Company shall pay or cause their insurer(s) to pay the Court-awarded attorneys' fees and expenses (including the incentive award to Plaintiff) in accordance with the terms of the Stipulation.

15. No proceedings or court order with respect to the award of attorneys' fees and expenses to Plaintiffs' Counsel or the incentive award to Plaintiff shall in any way disturb or affect this Judgment (including precluding this Judgment from

being Final or otherwise being entitled to preclusive effect), and any such proceedings or court order shall be considered separate from this Judgment.

16. **Retention of Jurisdiction:** Without affecting the finality of this Judgment in any way, this Court retains continuing and exclusive jurisdiction over the Parties and all Settlement Class Members for purposes of the administration, interpretation, implementation, and enforcement of the Settlement.

17. **Modification of the Stipulation:** Without further approval from the Court, the Parties are hereby authorized to agree to and adopt such amendments or modifications of the Stipulation or any exhibits attached thereto to effectuate the Settlement that: (a) are not materially inconsistent with this Judgment; and (b) do not materially limit the rights of Settlement Class Members or the Company in connection with the Settlement. Without further order of the Court, Plaintiffs and Defendants may agree to reasonable extensions of time to carry out any provisions of the Settlement.

18. **Termination of Settlement:** If the Settlement is terminated as provided in the Stipulation or the Effective Date of the Settlement otherwise fails to occur, this Judgment shall be vacated, rendered null and void, and be of no further force and effect, except as otherwise provided by the Stipulation, and this Judgment shall be without prejudice to the rights of Plaintiff, the other Settlement Class Members, Defendants, and the Company, and the Parties shall revert to their

respective positions in the Action as of immediately prior to the execution of the Term Sheet on November 16, 2017, as provided in the Stipulation.

19. **Entry of Final Judgment:** There is no just reason to delay the entry of this Judgment as a final judgment in the Action. Accordingly, the Register in Chancery is expressly directed to immediately enter this final judgment in the Action.

Vice Chancellor Montgomery-Reeves