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 **PUBLIC VERSION-** **Filed on November 1, 2017**

VERIFIED SUPPLEMENTAL AND AMENDED CLASS ACTION AND DERIVATIVE COMPLAINT

Plaintiff Yvonne Williams ("Plaintiff"), on behalf of herself and all other similarly situated public stockholders of Sorrento Therapeutics, Inc. ("Sorrento" or the "Company"), brings the following Verified Supplemental and Amended Class Action and Derivative Complaint (the "Complaint") against (i) current and former members of the Company's board of directors (the "Board"), (ii) certain executive officers for breach of fiduciary duty, and (iii) Eragon Ventures, LLC ("Eragon")

for breach of fiduciary duty and/or aiding and abetting breaches of fiduciary duty. The allegations in this Complaint are based on Plaintiff's knowledge with regard to herself and on information and belief, including the investigation of counsel, the review of publicly available information, and discovery that has taken place in this action, as to all other matters.

NATURE OF THE ACTION

1. This action arises out of a disloyal scheme by members of the Sorrento Board to strip value out of the Company for their own personal benefit. The Board expropriated value from Sorrento by transferring Company assets and opportunities to subsidiaries in which Board members have personal financial interests not shared with Sorrento's public stockholders.

2. All of the then-current Board members participated in this two-part, *quid pro quo* self-compensation scheme. The Board caused each of five subsidiaries to grant options and warrants for virtually no consideration to the then-current Board in May 2015, October 2015, or January 2016 (the "Option and Warrant Grants"), and allowed Sorrento's CEO, President, and Board Chairman, Henry Ji ("Ji"), to enter into sham purchases of stock with one subsidiary. The Board then caused asset transfers from Sorrento to the subsidiaries either shortly before or shortly after the equity grants.

3. The option grants to Sorrento executives and directors have an exercise price of $0.01, $0.20, or $0.25, which the Company assumed was the "fair value of the shares," even though some estimate that the subsidiaries are worth more than $1 billion.

4. Defendants argued to this Court that the Option and Warrant Grants "were compensation for the Defendants' board service to Sorrento's Subsidiaries." Discovery has conclusively disproved this theory. Defendants Marth, Janda and Ebersole neither provided services to, nor were directors of, Sorrento's subsidiaries. The Company's filings make clear that the subsidiaries' option and warrant grants were not "compensation" for services rendered by the non-employee directors. Indeed, the Option and Warrant grants to these Defendants were nothing more than side payments.

5. The Board's breaches of duty are especially pronounced, given that Defendants Ji and George Ng's Sorrento employment contracts provide that Ji and Ng each "consent to serve as an officer and/or director of the Company or any subsidiary or affiliate thereof ***without any additional salary or compensation***, if so requested by the Board." As such, the Option and Warrant grants to these Defendants were nothing more than side payments.

6. In one of the most egregious instances of the Board's misconduct, the then-current Board gave Ji the option to acquire options and warrants for $105,000 approximately 20% of a subsidiary, LA Cell, Inc. ("LA Cell"), according to publicly available information, which shortly thereafter entered into a deal that Sorrento described as having a "value in excess of $170 million."

7. The Board then allowed Ji, through Eragon Ventures, LLC ("Eragon"), an undercapitalized entity that he and his wife own, to make sham purchases of massive amounts of LA Cell super-voting shares at a price of $0.1923077 per share.

8. Defendants caused LA Cell to transfer millions of Class B shares, which have 10 to 1 voting rights, to Eragon in return for nominal cash payments and promissory notes. The promissory notes were issued at 2% interest rate, while Sorrento itself paid an annual interest rate of 7.95% on its loan obligations.

9. Even at these below-market rates, there is no evidence that Ji, acting through Eragon, ever paid anything. Ji gave LA Cell promissory notes that he failed to pay back by the maturity dates. Defendant Shah then unilaterally extended the maturity dates for no consideration. Currently, the maturity date for Ji to repay approximately $5,000,000 under the notes is December 31, 2017.

10. Sorrento has never disclosed to its public stockholders the underlying facts of these sham transfers to Eragon.

11. The Board engaged in yet another self-interested transaction when it decided to sell 45% of the Company to obscure foreign entities in private placements (the "Private Placements"). The Board declined to disclose the transaction documents for many months, but one of those documents is a voting agreement that purports to give the power to vote some of the shares newly issued in the Private Placements ***to the Board***.

12. Corporate fiduciaries are not permitted to loot a public company in this manner. The profits from a company's operations, and any eventual sale of assets, should inure to the benefit of all stockholders. Instead, the Defendants have engaged a series of transactions designed to siphon value away from Sorrento's public stockholders and into the pockets of company insiders. The Option and Warrant Grants, the LA Cell/Eragon transactions and the valuable assets and opportunities Sorrento provided to the subsidiaries, severely misalign the incentives and interests of the Company's fiduciaries. While Sorrento's public stockholders only benefit if Sorrento performs well as a whole, the insiders who received the Option and Warrants Grants will profit when any of the subsidiaries

succeed, even if the others fail. That self-dealing and self-interested arrangement is disloyal and not entirely fair.

PARTIES

I. Plaintiff

13. Plaintiff is a current stockholder of the Company, and has owned shares continuously since July 7, 2015.

II. Nominal Defendant

14. Nominal Defendant Sorrento is a Delaware Corporation, with its principal offices located in San Diego, California. The Company's shares trade on the Nasdaq Capital Market ("NASDAQ") under the ticker symbol "SRNE." Sorrento is a biopharmaceutical company engaged in the discovery, acquisition, development, and commercialization of proprietary drug therapies for addressing significant unmet medical needs worldwide.

15. The Company controls five subsidiaries that issued the challenged option and warrant grants: Concortis Biosystems, Corp. ("Concortis"), TNK Therapeutics, Inc. ("TNK"), LA Cell, Sorrento Biologics, Inc. ("Biologics"), and Scintilla Pharmaceuticals, Inc. ("Scintilla" and collectively with Concortis, TNK, LA Cell, and Biologics, the "Subsidiaries"). According to a Form 10-K filed with the SEC on March 15, 2016, Sorrento has voting control over each of the Subsidiaries.

III. Individual Defendants

16. Defendant Ji co-founded Sorrento and has served as a director of the Company since January 2006. Ji has served as Sorrento's President and CEO since September 2012. Ji has also served as Sorrento's Chief Scientific Officer from November 2008 to September 2012, as its Interim CEO from April 2011 to September 2012, and as its Secretary from September 2009 to June 2011. Ji signed the certificates of incorporation that the then-current Board caused each of TNK, LA Cell, Biologics, and Scintilla to file with the Delaware Secretary of State to authorize the issuance of equity implementing the scheme, as well as signing the amended and restated certificate of incorporation for Concortis. Ji signed as President and CEO of each subsidiary. Ji has been a director of Concortis since December 19, 2013, TNK since April 15, 2015, LA Cell since May 1, 2015, Sorrento Biologics since October 30, 2015 and Scintilla since October 30, 2015. Ji has also been: (i) the Chairman of the Board, CEO, President, and Treasurer of Concortis since October 27, 2015; (ii) Chairman of the Board, CEO, President, and Treasurer of TNK since April 15, 2015; (iii) Secretary of TNK from April 15, 2015, until December 31, 2015; (iv) Chairman of the Board, CEO and Treasurer of LA Cell since May 1, 2015; (v) Secretary of LA Cell from May 1, 2015, until December 31, 2015; (vi) President of LA Cell from May 1, 2015, until October 10, 2016; (vii) Chairman of the Board, CEO, President and Treasurer of Sorrento

Biologics since October 30, 2015; (viii) Secretary of Sorrento Biologics from October 30, 2015, until December 31, 2015; (ix) Chairman of the Board, CEO, President and Treasurer of Scintilla since October 30, 2015; (x) Secretary of Scintilla from October 30, 2015, until December 31, 2015; and (xi) Assistant Secretary of Concortis, TNK, LA Cell, Sorrento Biologics and Scintilla since January 1, 2016.

17. Defendant William S. Marth ("Marth") served as a director of Sorrento from January 2014 through July 2017. Marth has also served as a director of Albany Molecular Research, Inc. ("Albany") since June 2012 and as Albany's CEO since January 2014. Based on his actions as the CEO of Albany, Marth is currently a defendant in a securities fraud class action in which the Honorable Frederic Block of the United States District Court for the Eastern District of New York on July 26, 2016 found the allegations supported a strong inference of fraud.

18. Defendant Kim D. Janda ("Janda") has served as a director of Sorrento since April 2012.

19. Defendant Jaisim Shah ("Shah") has served as a director of Sorrento since September 2013. Shah has also previously served as a consultant to Sorrento. The Company does not consider Shah independent. Shah has been a

director of Concortis since October 27, 2015, TNK since April 15, 2015, LA Cell since May 1, 2015, and Sorrento Biologics since October 30, 2015.

20. Defendant David H. Deming ("Deming") has served as a director of Sorrento since May 2015. Deming is also a director of Albany. Deming has been a director of TNK since January 17, 2016, LA Cell since January 17, 2016, Sorrento Biologics since October 30, 2015 and Scintilla since October 30, 2015.

21. Defendant Douglas Ebersole ("Ebersole") served as a director of Sorrento from August 2014 until August 1, 2016, when Sorrento issued a press release stating that Ebersole "resigned as a member of the Board for personal reasons." Despite resigning, the Board then paid $90,000 to "Ebersole in connection with the termination of his service as a member of [the] Board." In other words, Ebersole was paid $90,000 in "hush money."

22. Defendant George Ng ("Ng") served as Sorrento's Executive Vice President, Chief Administrative Officer and Chief Legal Officer since March 2015. Ng has been Secretary of Concortis, TNK, LA Cell, Sorrento Biologics and Scintilla since January 1, 2016. Ng owes heightened duties as general counsel, and 8 *Del. C.* § 102(b)(7) does not apply to officers.

23. Defendants listed in ¶¶16-22 above are collectively referred to herein as the "Individual Defendants." The Defendants listed in ¶¶16-21 above are collectively referenced herein as the "then-current Board."

IV. Defendant Eragon Ventures LLC

24. Eragon Ventures, LLC ("Eragon") is an inadequately capitalized entity owned by Ji and his wife, Vivian Q. Zhang, who are the sole members and managing directors. Ji used Eragon to facilitate part of his scheme to improperly transfer to himself ownership interests and voting rights in LA Cell. Ji signed Stock Purchase Agreements and Promissory Notes on behalf of Eragon with LA Cell. There is no evidence that Eragon observes any corporate formalities, and Eragon has been unable to repay the promissory notes it provided to LA Cell.

V. Relevant Non-Parties

25. Jeffrey Su ("Su") served as Sorrento's Executive Vice President & Chief Operating Officer from October 2015 until June 30, 2017.

26. ABG SRNE Limited and Ally Bridge LB Healthcare Master Fund Limited (collectively, "Ally Bridge"), Beijing Shijilongxin Investment Co., Ltd. ("Beijing"), FREJOY Investment Co., Ltd. ("FREJOY"), and Yuhan Corporation ("Yuhan" and collectively with Ally Bridge, Beijing, and FREJOY, the "Private Placement Investors") each entered into private placement agreements with

Sorrento. Yuhan entered into the voting agreement that provides the Board with the power to control the voting of Yuhan's stock.

27. Yue Alexander Wu ("Wu") has served as a director of Sorrento since August 1, 2016 and immediately began to approve related party transactions for the benefit of the Individual Defendants.

DEVELOPMENTS SINCE THE FILING OF THE ORIGINAL COMPLAINT

28. On September 8, 2016, Plaintiff initiated this action by filing the Verified Class Action and Derivative Complaint (the "Original Complaint"). (Trans. ID 59534713). On June 28, 2017, the Court denied the Motion to Dismiss because "the options and warrant grants and the voting agreement are subject to entire fairness review, and Defendants have not carried their burden of proving entire fairness at this stage." *Williams v. Ji*, 2017 WL 2799156, at *1 (Del. Ch. June 28, 2017).

29. This Supplemental and Amended Complaint alleges the same scheme as in the Original Complaint, but expands its scope based both on discovery obtained to date and public disclosures made after the filing of the Original Complaint.

SUBSTANTIVE ALLEGATIONS

I. Background of Sorrento

30. Sorrento is a clinical biopharmaceutical company that develops and commercializes new treatments for cancer and associated pain and inflammation and autoimmune diseases. Sorrento has amassed a valuable portfolio of intellectual property, including certain non-commercialized patents and licensing agreements.

II. The Board Expropriates From Sorrento

31. Sorrento has been transferring valuable intellectual property assets and joint venture opportunities from the parent level to the five operating Subsidiaries. As Sorrento stockholders recently discovered, the true function of these asset transfers was to enrich the insiders at the public stockholders' expense. The then-current Board's scheme follows a pattern where the Company contributes assets, resources, and opportunities to the Subsidiaries either shortly before or shortly after the Subsidiaries issue enormous amounts of options, warrants, and stock to Sorrento's directors for virtually nothing.

32. Ji's, Ng's and Su's employment agreements with Sorrento provide that Ji, Ng and Su "shall devote substantially all of [their] working time and efforts to the business and the affairs of the Company (which shall include service to its affiliates, if applicable) . . . [and] consents to serve as an officer and/or director of

the Company or any subsidiary or affiliate thereof without any additional salary or compensation, if so requested by the Board." Despite already having been paid for working at the subsidiaries, the Defendants engaged in an elaborate scheme to siphon Sorrento assets and opportunities for their own benefit, and have been trying to cover it up ever since.

33. Moreover, the non-management Individual Defendants were vastly over-paid for 2015, the same year in which the Option and Warrant Grants were issued to them. According to the 2016 Proxy Statement, Jaisim Shah received total compensation of $946,233, and the average compensation for 2015 for being a board member of Sorrento was over $576,000 – an incredibly high amount for a small public company, and multiples higher than industry average and the comparable companies in Sorrento's proxy statement.[1]

[1] Examples of the non-manager director compensation for some of the comparable companies listed in the Sorrento 2016 Proxy statement include, AcelRx Pharmaceuticals, Inc. (non-management directors average compensation $92,309); BioTime, Inc. (non-management directors average compensation $99,356); MacroGenics, Inc. (non-management directors average compensation $247,400); Mirati Therapeutics, Inc. (non-management directors average compensation $356,054); Oncomed Pharmaceuticals, Inc. (non-management directors average compensation $277,069); Rigel Pharmaceuticals, Inc. (non-management directors average compensation $236,750); and Tetraphase Pharmaceuticals, Inc. (non-management directors average compensation $265,613).

A. Scintilla

34. The then-current Board improperly caused Scintilla to grant options and warrants to themselves, and then diverted Sorrento assets to Scintilla.

35. According to documents produced in discovery thus far and the Company's 2016 10-K/A, "[i]n October 2015," Scintilla granted the following options and warrants to the then-current Board:

A. Options to purchase 1,000,000 and 150,000 shares of common stock to Defendants Ji and Ng, respectively, at an exercise price of $0.01 per share;

B. A warrant to Defendant Ji to purchase 9,500,000 Class B shares, which have 10 to 1 voting rights, at an exercise price of $0.01 per share; and

C. Options to purchase an aggregate of over 600,000 shares of common stock to non-employee directors of Sorrento, *i.e.*, Defendants Marth, Janda, Ebersole, Shah, and Deming, at an exercise price of $0.01 per share.

36. In the Company's 2016 proxy statement, the Company disclosed that Defendants Ji and Ng, and Su together had already exercised 550,000 Scintilla options for a little over $5,000. The Company assumed that the "fair value" of each share equaled $.01. The Company's 2016 proxy statement does not include

these options in the non-executive directors' compensation and Defendants Marth, Janda, and Ebersole neither provide services to nor are directors of Sorrento's Subsidiaries. The Option and Warrant grants to these Defendants are admittedly side payments for no consideration.

37. On October 30, 2015, Ji exercised his option to buy 500,000 shares of Class A common stock of Scintilla; Marth exercised his option to buy 40,000 shares of Class A common stock Scintilla; Janda exercised his option to buy 25,000 shares of Class A common stock of Scintilla; Shah exercised his option to buy 25,000 shares of Class A common stock of Scintilla; Deming exercised his option to buy 200,000 shares of Class A common stock of Scintilla; and Ebersole exercised his option to buy 25,000 shares of Class A common stock of Scintilla. After the grants, Sorrento moved valuable assets to Scintilla, and allowed Scintilla to misappropriate corporate opportunities that properly belonged to the Company as a whole.

38. On November 9, 2016, Ji and Deming executed a written consent on behalf of Scintilla to purchase Semnur Pharmaceuticals, Inc. Ji alone signed the stockholder consent on behalf of Sorrento. Pursuant to the binding term sheet, Sorrento was to acquire Semnur for an initial payment of $60 million consisting of $40 million in cash and $20 million of Sorrento common stock. Upon

achievement of certain milestones, Scintilla may be required to pay up $140 million in additional consideration.

39. The Semnur transaction is laced with conflict. Defendant Shah, a Sorrento Board member, is a director and CEO of Semnur. Shah owns 5.5% of Semnur outstanding stock, entitling him to receive up to $11 million in connection with the Semnur acquisition. Sorrento has stated that the key members of Semnur's management will join Scintilla's management team, including Shah. Ji also ensured that Sorrento would pay at least $20 million for Scintilla to purchase Semnur.

40. [redacted]

41. On August 2, 2016, Sorrento, Scintilla and Scilex Pharmaceuticals, Inc. ("Scilex") entered into a binding term sheet whereby Scintilla was slated to

purchase all of the outstanding equity of Scilex. Defendant Ji and Ng are equity holders in Scilex, owning 8.6% and 6.5% of Scilex's common stock, respectively. As such, Ng and Ji directly benefit from any transaction with Scilex.

42. On November 8, 2016 (months after the Original Complaint was filed challenging the transaction as part of the disloyal scheme) the binding term sheet between Scintilla and Scilex was terminated. However, also on November 8, 2016, Sorrento acquired 72% of the outstanding capital stock of Scilex, demonstrating that the Scilex acquisition was a corporate opportunity that belonged to Sorrento.

43. Subsequently, on June 15, 2017, Sorrento announced that Scilex's lead investigational product, ZTlido, is making substantial progress[2] in its path to approval for sale in both the United States and European Union, and Sorrento believes ZTlido to be a "significant player" in the $750 million prescription lidocaine patch market.

44. The Semnur and Scilex transactions are emblematic of Defendants' self-dealing. Defendants Ji and Shah, along with Ng, have caused Sorrento to pay them millions of dollars for their equity interests in the companies. Ji, Ng and Shah then double-dipped, by issuing themselves along with the remaining

[2] The same day, June 15, 2017, Ji purchased 29,001 shares, and Shah purchased 10,002 shares of Sorrento stock.

Defendants the Option and Warrant Grants not available to Sorrento's public stockholders. With respect to Scilex, Sorrento tacitly admitted that it had misappropriated a corporate opportunity to Scintilla by stepping in to complete the acquisition of Scilex at the parent level. Sorrento's public stockholders will still be robbed of the opportunity to benefit from direct equity interest in Semnur.

45. After Plaintiff initiated this action and the Court denied Defendants' motion to dismiss the Original Complaint, Defendants purportedly cancelled certain, but not all, of the Option and Warrant Grants. Despite the Option and Warrant Grants being improperly issued, unjustified, and without stockholder authorization or approval, Defendants are now wrongfully seeking to get paid at the parent level for the cancelled options and warrants.

B. Biologics

46. The then-current Board also received options and warrants from the Company's Biologics subsidiary, after diverting Sorrento assets to Biologics.

47. In August 2015, Sorrento entered into an exclusive license with Mabtech Limited ("Mabtech") to develop and commercialize four late-stage antibodies for the North American, European, and Japanese markets. Sorrento paid Mabtech $10 million upfront, and is obligated to make additional milestone payments of up to $190 million over the next five years.

48. In October 2015, Sorrento formed Biologics, and transferred the rights it acquired from Mabtech.

49. According to documents produced in discovery thus far and the Company's 2016 10-K/A, "[i]n October 2015," Biologics granted the following securities to the then-current Board:

A. Options to purchase 1,000,000, 100,000, and 400,000, shares of common stock to Defendants Ji and Ng, and Su, respectively, at an exercise price of $0.01 per share;

B. A warrant to Defendant Ji to purchase 9,500,000 Class B shares, which have 10 to 1 voting rights, at an exercise price of $0.01 per share; and

C. Options to purchase an aggregate of over 1,000,000 shares of common stock to non-employee directors of Sorrento, *i.e.*, Defendants Marth, Janda, Ebersole, Shah, and Deming, at an exercise price of $0.01 per share.

50. All four antibodies underlying the Mabtech licensing agreement have completed phase 3 clinical trials in China. On January 11, 2016, Defendant Ji commented on that announcement, and stated Biologics was "expediting [the Company's] efforts for the development and commercialization of these products

in Sorrento territory." The resulting commercialization of these antibodies will result in significant revenues being paid directly to Biologics.

51. In the Company's 2016 proxy statement, the Company disclosed that Defendants Ji and Ng, and Su together have already exercised 625,000 Biologics options. The Company assumed that the "fair value" of each share equaled $.01. The Company's 2016 proxy statement does not include these options in the non-executive directors' compensation, and Defendants Marth, Janda, Ebersole and Su neither provide services to nor are directors of Sorrento's Subsidiaries. The Option and Warrant grants to these Defendants are admittedly side payments for no consideration.

52. On October 30, 2015, Ji exercised his option to buy 500,000 shares of Class A common stock of Biologics; Marth exercised his option to buy 40,000 shares of Class A common stock of Biologics; Janda exercised his option to buy 25,000 shares of Class A common stock of Biologics; Shah exercised his option to buy 200,000 shares of Class A common stock of Biologics; Deming exercised his option to buy 200,000 shares of Class A common stock of Biologics; and Ebersole exercised his option to buy 25,000 shares of Class A common stock of Biologics.

53. After Plaintiff initiated this action and the Court denied Defendants' motion to dismiss the Original Complaint, Defendants purportedly cancelled

certain, but not all, of the Option and Warrant Grants. Despite the Option and Warrant Grants being improperly issued, unjustified, and without stockholder authorization or approval, Defendants are now wrongfully seeking to get paid at the parent level for the cancelled options and warrants.

C. LA Cell

54. The then-current Board also took steps to increase the value of Sorrento's subsidiary, LA Cell, after LA Cell granted options and warrants to the then-sitting members of Sorrento's Board.

55. According to documents produced in discovery thus far and the Company's 2016 10-K/A, "[i]n May 2015," LA Cell granted the following securities to the then-current Board:

A. Options to purchase 1,000,000, 300,000, and 100,000, shares of common stock to Defendants Ji and Ng, and Su, respectively, at an exercise price of $0.01 per share;

B. A warrant to Defendant Ji to purchase 9,500,000 Class B shares, which have 10 to 1 voting rights, at an exercise price of $0.01 per share; and

C. Options to purchase an aggregate of approximately 700,000 shares of common stock to non-employee directors of Sorrento,

i.e., Defendants Ji, Marth, Janda, Ebersole, Shah, and Deming, at an exercise price of $0.01 per share.

D. Further, LA Cell issued an option to purchase 200,000 shares of common stock to Deming on January 17, 2016.

56. Shortly after the grants in 2015, Sorrento moved valuable assets to and allowed LA Cell to misappropriate valuable corporate opportunities that properly belonged to the Company as a whole.

57. On September 25, 2015, LA Cell and City of Hope, a well-known medical and research center, entered into an exclusive license agreement whereby LA Cell licensed certain technology that enables antibodies to penetrate into cells and target so-called "undruggable" disease causing molecules, thus turning LA Cell into a joint venture with City of Hope.

58. In return, LA Cell made an upfront $2 million payment, issued City of Hope 2,648,948 shares of Class C common stock,[3] was required to make an additional $3 million payment by March 25, 2016, and is required to make additional license maintenance fees over the next six years. As of September 30, 2016, LA Cell has paid City of Hope $5 million in additional license payments and

[3] The capitalization table that Defendants produced to Plaintiff reflects a $0.00 purchase price for City of Hope's shares.

LA Cell has recognized $5 million in acquired in-process research and development expense for the nine months ended September 30, 2016.

59. In commenting on this licensing deal, Defendant Ji described the City of Hope's technology as "truly groundbreaking and potentially represents one of the last frontiers for the development of antibody therapies." Defendant Ji also called LA Cell "the last missing piece in our antibody technology portfolio" and stated that Sorrento "anticipate[s] multiple strategic alliances and licensing opportunities with biopharmaceutical partners for major disease indications."

60. To put this in perspective, the then-current Board (in a *quid pro quo* for their own options) gave Defendant Ji, according to publicly available information, the right to purchase over 18% of the economic interest (and over 25% of the voting interest of LA Cell) for only $105,000.[4] Four months later, Sorrento announced that the "total deal value [with City of Hope] is in excess of $170 million."[5]

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[4] Ji had the right to buy 9.5 million B shares and 1 million A shares for $.01 apiece, and at the time, according to publicly available information, LA Cell had approximately 50 million shares outstanding.

[5] The Company disclosed that as of September 30, 2015, the Company only owned 43% of the aggregate equity interest in LA Cell, but retained a majority of the voting rights. In a subsequent filing, Sorrento disclosed that as of March 31, 2016,

61. In Sorrento's Form 10-K for the 2015 fiscal year, Sorrento said that it aims to combine LA Cell's technology with Sorrento's fully human antibody library and immunotherapy expertise. And in its Form 10-K for the 2016 fiscal year, Sorrento cited the ability of "LA Cell's proprietary technology" to be combined with "modified antibodies derived from our G-MGAB library." In other words, the Defendants will continue to divert value from Sorrento for purposes of maximizing the value of LA Cell.

62. Moreover, the licensing agreement contains a change of control provision that allows City of Hope to terminate the agreement if "holders of Licensee's [LA Cell] capital stock immediately prior to such transaction or series of transactions do not retain voting securities representing at least 50% of the outstanding voting power of the Licensee, or a sale of all or substantially all of the Licensees assets taken as a whole; provided, however, an initial public offering of the stock of the Licensee shall not be considered a change of control." This will deter potential acquirers of LA Call as they would need City of Hope's consent to any acquisition and thus Sorrento may not be able to maximize the value of this asset.

Sorrento's ownership in LA Cell had increased to 48%. Sorrento has not disclosed anything that accounts for this increase.

63. The Company's 2016 proxy statement disclosed that Defendants Ji, Ng, and Su have together already exercised options to purchase 533,333 shares of LA Cell for .01 per share.

64. Further, Plaintiff learned in discovery that, on May 15, 2015, Ji exercised his option to buy 500,000 shares of Class A common stock of LA Cell; Marth exercised his option to buy 40,000 shares of Class A common stock of LA Cell; Janda exercised his option to buy 25,000 shares of Class A common stock of LA Cell; Shah exercised his option to buy 225,000 shares of Class A common stock of LA Cell; Deming exercised his option to buy 25,000 shares of Class A common stock of LA Cell; and Ebersole exercised his option to buy 25,000 shares of Class A common stock of LA Cell.

65. Defendants took further steps to ensure that Ji and Ji's Wife expropriated the value of LA Cell that properly belongs to Sorrento as a whole.

66. Defendants Ji and Shah caused LA Cell to transfer Class B shares, fully vested immediately upon issuance, which have 10 to 1 voting rights, to Eragon, of which Ji and Ji's Wife are the sole members and managing directors. Ji and Shah signed the LA Cell board resolutions authorizing the transfer of stock to Eragon.

67. On September 21, 2015, LA Cell transferred to Eragon 8,666,667 shares of Class B common stock in return for a promissory note with an interest rate below Sorrento's own cost of debt.

68. On October 30, 2015, LA Cell transferred 5,200,000 shares of Class B common stock to Eragon in return for a promissory note with an interest rate below Sorrento's own cost of debt.

69. The Board did not disclose these transfers in its 2016 proxy statement, despite seeking stockholder approval to increase the number of shares in the stock plan.

70. On November 1, 2016, LA Cell transferred 10,400,000 shares of Class B common stock to Eragon in return for a promissory note with an interest rate below Sorrento's own cost of debt.

71. Despite the fact that over a year elapsed between the first and last Eragon transfer, Eragon "paid" the exact same amount, $0.1923077 per share, in every transfer.

72. As part of each sale of Class B shares by LA Cell to Eragon, LA Cell and Eragon entered into promissory note agreements. The promissory note associated with the September 21, 2015 sale of Class B shares was issued at a below-market 2% interest rate initially due on June 30, 2016. The promissory note

associated with the October 30, 2015 sale of Class B shares had both the same below-market 2% annual interest rate and the same nominal due date, June 30, 2016. To put this discount in perspective, according to the Company's Form 10-K/A for the fiscal year ended December 31, 2016, Sorrento itself secured an annual interest rate of 7.95% for a loan and security agreement with two banks.

73. On June 30, 2016, in return for no consideration and with Eragon having not repaid its debt under either promissory note, Defendants Ji and Shah caused LA Cell to extend the due date for the September 21, 2015 and October 30, 2015 promissory notes to December 31, 2016.

74. On November 1, 2016, even though Eragon had not repaid its debt owed under these two outstanding promissory notes, Defendants Ji and Shah further caused LA Cell to sell another 10,400,000 shares of Class B stock to be "financed" by a third promissory note, at the same below-market 2% annual interest rate and nominally due on June 30, 2017.

75. On December 31, 2016, again in return for no consideration and without Eragon repaying any of its debt under any of the three outstanding promissory notes, Defendants Ji and Shah caused LA Cell to extend all three of these notes so that they fall due on December 31, 2017. Ji signed the promissory note agreements, including the extensions thereof, on behalf of Eragon while

Defendant Shah did so on behalf of LA Cell. To date, Eragon has not repaid the promissory notes. Indeed, Defendants entered into the sham sales and no-payment loans at the very same time that they claim Sorrento needs cash to the point of conducting dilutive stock sales and offerings.

76. In effect, combining Eragon and Ji's Class B stock and his Class B warrants, Ji gave himself control of LA Cell by siphoning 43% of the vote.

77. After Plaintiff initiated this action and the Court denied Defendants' motion to dismiss the Original Complaint, Defendants purportedly cancelled certain, but not all, of the Option and Warrant Grants. Despite the Option and Warrant Grants being improperly issued, unjustified, and without stockholder authorization or approval, Defendants are now wrongfully seeking to get paid at the parent level for the cancelled options and warrants.

D. Concortis

78. The then-current Board also received options and grants from Concortis.

79. Sorrento acquired its Concortis subsidiary in 2013 in exchange for 1,331,978 shares of Sorrento common stock, which at the time were worth over $11 million. Concortis had $1.6 million in revenue in 2012 and $2.4 million in 2013. Defendant Ji remarked that the acquisition was a "transformational event for Sorrento."

80. On June 25, 2014, Concortis announced a collaboration agreement with Morphotek to generate novel antibody drug conjugates, with an estimated potential cash flow of $50 million upon successful attainment of key milestones. Concortis's growth continued as it generated $3.3 million in sales and service revenue. According to Sorrento, this revenue is what drove the Company's overall revenue growth of $3.4 million in 2014. In 2013 and 2014, the Company filed five patent application families related to Concortis.

81. At a March 29, 2016 meeting of the Company's Board [redacted]

82. According to documents produced in discovery thus far and the Company's 2016 10-K/A, "[i]n October 2015," Concortis granted the following securities to the then-current Board:

A. Options to purchase 1,000,000 and 100,000 shares of common stock to Defendants Ji and Ng, respectively, at an exercise price of $0.25 per share;

B. A warrant to Defendant Ji to purchase 9,500,000 Class B shares, which have 10 to 1 voting rights, at an exercise price of $0.25 per share; and

C. Options to purchase an aggregate of over 600,000 shares of common stock to non-employee directors of Sorrento, *i.e.*, Defendants Marth, Janda, Ebersole, Shah, and Deming, at an exercise price of $0.25 per share.

83. The Company's 2016 proxy statement does not include these options in the non-executive directors' compensation, demonstrating that these option grants are side payments for no consideration.

84. After Plaintiff initiated this action and the Court denied Defendants' motion to dismiss the Original Complaint, Defendants purportedly cancelled certain, but not all, of the Option and Warrant Grants. Despite the Option and Warrant Grants being improperly issued, unjustified, and without stockholder authorization or approval, Defendants are now wrongfully seeking to get paid at the parent level for the cancelled options and warrants.

E. TNK Therapeutics

85. The then-current Board also received options and grants from TNK.

86. On May 18, 2015, the Company formed TNK, a wholly-owned subsidiary, in order to focus on developing CAR.TNK immunotherapies for the treatment of cancer and infectious diseases.

87. According to documents produced in discovery thus far and the Company's 2016 10-K/A and documents produced thus far in this litigation, "[i]n May 2015," TNK issued the following securities to the then-current Board:

A. Options to purchase 1,000,000, 300,000, and 200,000 shares of common stock to Defendants Ji and Ng, and Su, respectively, at an exercise price of $0.01 per share.

B. A warrant to Defendant Ji to purchase 9,500,000 Class B shares, which have 10 to 1 voting rights, at an exercise price of $0.01 per share; and

C. Options to purchase an aggregate of approximately 700,000 shares of common stock to non-employee directors of Sorrento, *i.e.*, Defendants Marth, Janda, Ebersole, Shah, and Deming, at an exercise price of $0.01 per share.

D. Further, on January 17, 2016, the then-current Board issued an option to purchase 200,000 shares of TNK common stock to Deming.

88. After the 2015 grants, Sorrento then used its assets to increase the value of TNK. On August 7, 2015, Sorrento, TNK, and CARgenix Holdings LLC ("CARgenix") entered into a Membership Interest Purchase Agreement pursuant to

which TNK acquired all of the membership interests of CARgenix for $6 million worth of TNK Class A common stock. The common stock is to be issued to the former owners of CARgenix upon a capital-raising financing resulting in gross proceeds to TNK of at least $50 million. Under the original terms of this deal, if that financing or an IPO of TNK did not occur by March 15, 2016 or March 31, 2016, respectively, then the former owners will receive 309,917 shares of Sorrento stock. Subsequently, the parties agreed to extend these deadlines to September 15, 2016 and October 15, 2016, respectively.

89. The same day, Sorrento, TNK, and BDL Products, Inc. ("BDL") entered into a Stock Purchase Agreement pursuant to which TNK acquired all of the outstanding stock of BDL in exchange for $6 million in TNK Class A common stock, subject to the same terms as the CARgenix Membership Purchase Agreement. The deadlines for TNK to complete a financing or an IPO before BDL's former owners receive Sorrento common stock are September 15, 2016 and September 30, 2016, respectively. The CARgenix and BDL transactions make clear that Sorrento intends to conduct a full financing, and potentially a sale or IPO, involving TNK.

90. Sorrento and TNK entered into a binding term sheet with Cytolumina Technologies Corp. ("CTC") and Fetolumnia Technologies Corp. ("FTC"),

whereby TNK acquired an exclusive and perpetual license to certain technology owned by CTC and FTC and a 4.166% equity interest in each company in exchange for $5 million. The term sheet also included certain mutual royalty and profit sharing arrangements.

91. In announcing the CARGenix and BDL transactions, Defendant Ji expressed great excitement about the future of TNK and described the targeted treatment area as one with great unmet medical need. According to Ji, these deals "truly position[] [TNK] to be a leader in the field of adoptive immunotherapies." Ji stated that the CTC and FTC licensing deal will put Sorrento and TNK "into a unique position" to take advantage of an unoccupied market.

92. An analyst report issued by Brean Capital, LLC on November 25, 2015 pegged the value of TNK at $1.3 billion. That value stems from the corporate opportunities that Sorrento provided to TNK, which the Board has now siphoned from Sorrento (and derivatively its stockholders).

93. On January 11, 2016, Sorrento announced that it formed an exclusive partnership with the "world-renowned" Karolinska Institutet in Sweden to perform cutting-edge immune-oncology research. Although TNK was not announced as a party to this partnership, Ji stated that through the partnership, TNK is "further establish[ed] . . . as one of the premier companies in the cellular therapy space."

There was no mention that TNK is in fact not wholly owned by Sorrento and that the benefits of any such partnership will not be enjoyed fully by Sorrento's public stockholders.

94. At a March 29, 2016 meeting of the Company's Board,

95. At a May 9, 2016 meeting of the Company's Board,

96. The Company's 2016 proxy statement disclosed that Defendants Ji and Ng, and Su together have already exercised 666,666 options for the unfair price of $.01 apiece.

97. Further, Plaintiff learned in discovery that, on May 15, 2015, Ji exercised his option to buy 500,000 shares of Class A common stock of TNK; Marth exercised his option to buy 40,000 shares of Class A common stock of TNK; Janda exercised his option to buy 25,000 shares of Class A common stock of

TNK; Shah exercised his option to buy 225,000 shares of Class A common stock of TNK; Deming exercised his option to buy 25,000 shares of Class A common stock TNK; and Ebersole exercised his option to buy 25,000 shares of Class A common stock of TNK.

98. The Company's 2016 proxy statement does not include these options in the non-executive directors' compensation, and Defendants Marth, Janda, and Ebersole, and Su neither provide services to nor are directors of Sorrento's Subsidiaries. The Option and Warrant grants to these Defendants and Su are admittedly side payments for no consideration.

99. On June 7, 2016, Sorrento continued to divert corporate opportunities to TNK and announced that TNK had entered into a joint venture agreement with Shenyang Sunshine Pharmaceutical Company Ltd. ("Shenyang") to develop and commercialize proprietary immunotherapies. Under the terms of the joint venture agreement, Shenyang agreed to contribute $10 million to the joint venture and TNK granted an exclusive license to use its CAR-T technology in the Greater China market. In return, Shenyang will own 51% of the joint venture while TNK will initially hold the remaining 49%. Furthermore, according to the Company's Form 10-Q for the quarter ended June 30, 2016, Shenyang acquired $10 million in Sorrento common stock in warrants as part of the private placement offerings

described below. However, Shenyang is not listed as a party to any of those agreements.

100. Sorrento further announced on November 16, 2016 that TNK and Virttu Biologics Limited ("Virttu") entered into a binding term sheet setting forth the terms and conditions by which TNK would purchase all of the issued and outstanding equity of Virttu. This Virttu acquisition by TNK is another diversion of Sorrento corporate opportunity that is being funded by Sorrento and its public stockholders.

101. Virttu is a privately-held biopharmaceutical company focused on the development of oncolytic virus therapy for the treatment of cancer. Virttu's lead product candidate is Seprehvier. Seprehvir has been designed with the ability to specifically target and destroy tumor cells while also stimulating an anti-tumor T-cell mediated immune response.

102. In consideration for the acquisition, Virttu equity holders received an aggregate of 797,081 shares of common stock of Sorrento based on a $5.55 price per share and reimbursement of certain legal fees and will be eligible to receive an additional approximately $20 million in stock of TNK shares should TNK close a third party equity financing of at least $50 million in proceeds within 12 months of the closing of this transaction. If a financing in TNK has not occurred within 12

months of the closing of this transaction, the equity holders of Virttu will be issued an aggregate of approximately 3,600,000 of Sorrento common stock based on a $5.55 price of Sorrento common stock.

103. Additionally, Virttu will be eligible to receive two additional milestone payments of up to $10 million based on the two first marketing authorizations of Seprehvir to occur in the US, EU or Japan. Each of the two marketing authorization milestone payments will be for $5 million payable in cash, Sorrento common stock, the common stock of another publicly traded company, or a combination thereof to be determined by TNK at the time that a regulatory milestone is triggered.

104. On April 28, 2017, Sorrento announced the closing of the TNK acquisition of Virttu. At closing, Ji announced: "With the acquisition of Virttu, we are adding another clinical-stage asset to our pipeline of immunotherapies. Due to its unique characteristics, we believe Seprehvir® has the potential for broad therapeutic application across various cancer indications and will be synergistic with TNK and Sorrento clinical candidates, including our checkpoint inhibitors and cellular therapies. We are currently evaluating both monotherapy and antibody combination studies utilizing Seprehvir® in both adult and pediatric patients as

well as seeking regulatory guidance for this program. We expect to initiate a Phase II clinical study of Seprehvir® after these discussions."

105. After Plaintiff initiated this action and the Court denied Defendants' motion to dismiss the Original Complaint, Defendants purportedly cancelled certain, but not all, of the Option and Warrant Grants. Despite the Option and Warrant Grants being improperly issued, unjustified, and without stockholder authorization or approval, Defendants are now wrongfully seeking to get paid at the parent level for the cancelled options and warrants.

III. The Board's Unfair Dealing

106. Under Delaware law, the timing of disclosures and lack of stockholder approval bear directly on the question of fairness.

107. Many months after the scheme was put into place, on March 15, 2016 – a mere five days before the Company's bylaws required nominations for board members to be submitted to the Board – the Company issued its Form 10-K for fiscal year 2015. For the first time, in that Form 10-K, Sorrento stockholders learned that the Company had previously caused the Subsidiaries to issue the Options and Warrant Grants. Even then, those disclosures were obscured by a lack of specificity and detail. These disclosures did not state that all of the Company's directors at the time participated in the Option and Warrant Grants, presumably to avoid public outcry before the Company's annual stockholder meeting.

108. The Company did not disclose any specifics of the Option and Warrant Grants until April 29, 2016, when the company filed an amendment to the Form 10-K (the "10-K Amendment"). Sorrento still has not disclosed the rationale for and details about the Option and Warrant Grants. The disclosures in the 10-K Amendment and subsequent 10-Q filings indicate that these Subsidiaries have continued to grant further options "to certain Company personnel, directors and consultants" without disclosing the identity of the recipients. According to the Company's Form 10-Q for the quarter ended June 30, 2016, as of June 30, 2016: (i) TNK had 2.9 million options and 9.5 million warrants outstanding; (ii) LA Cell had 1.9 million options and 9.5 million warrants outstanding; (iii) Biologics had 1.4 million options and 9.5 million warrants outstanding; (iv) Scintilla had 1 million options and 9.5 million warrants outstanding; and (v) Concortis had 1.8 million options and 9.5 million warrants outstanding.

109. The Option and Warrant Grants were made without a vote of Sorrento's stockholders. Previously, stockholders had approved an equity compensation plan with respect to shares of Sorrento common stock—not stock in Sorrento's subsidiaries. Thus, the Option and Warrant Grants were not issued pursuant to any stockholder-approved equity compensation plan. Instead, they were issued only with the approval of self-dealing insiders.

110. The public stockholders were also not given an opportunity to vote on the ten to one voting rights in the B shares issued to Defendant Ji, and Sorrento's certificate of incorporation (and revised certificate of incorporation) do not provide for B shares or B shares with ten to one voting rights. Instead, they were issued with the approval of the self-dealing insiders.

111. Further, Defendants never disclosed to Sorrento public stockholders the LA Cell/Eragon transactions – other than the November 2016 sales - in which Ji and Ji's wife received millions in LA Cell Class B shares for virtually no consideration.

112. Sorrento has never disclosed the Eragon promissory notes or the terms thereof.

113. Nor has Sorrento disclosed that Ji failed to pay back the promissory notes or that Shah extended the maturity dates of the notes for no consideration.

114. Moreover, the then-current Board caused each of the subsidiaries to adopt either original or amended and restated certificates of incorporation that set forth the capital structure necessary to implement the self-interested Option and Warrant Grants.

115. As mentioned above, Defendants have not wasted any time taking advantage of these free equity grants. For example, in 2015 alone, Defendant Ji

exercised a total of 2,000,000 options – 500,000 in each of Scintilla, Biologics, LA Cell, and TNK. Defendant Ng and Su also exercised a total of 475,000 options across the same four Subsidiaries.

116. By causing the Subsidiaries to undertake the Option and Warrant Grants, and placing valuable assets in the Subsidiaries, the then-current Board ensured that their own members, along with other members of Sorrento's management, received valuable equity interests in each of these distinct subsidiaries for no consideration whatsoever. This represents an improper transfer of value and opportunities from the Company's public stockholders to corporate insiders. In return for absolutely nothing, they have given to themselves personal equity interests in valuable Subsidiaries which should have been retained by Sorrento.

117. Sorrento did not use independent advisors. The Board did not use a compensation consultant at all in 2015. Sorrento's 2016 Proxy states that the Board used a 2014 report by Barney & Barney, which the Board represented included an analysis of "compensation and benefits of our independent board members": "Barney & Barney prepared a report dated October 2014 (the 'October 2014 Report') that surveyed the compensation policies of our peer group, including compensation and benefits of our independent board members and key employees,

and comparing the results of the survey with our existing compensation practices." The report that Barney & Barney produced in response to Plaintiff's subpoena, however, is titled "Senior Management Compensation Assessment," and does not address the "compensation and benefits of [] independent board members."

118. Jeffrey Fessler, an attorney that advised the Board, was granted shares in a subsidiary.

119. Sorrento did not have independent counsel advising it on the Option and Warrant Grants, nor on the stock sales to Ji/Eragon.

120. The Board never disclosed to Sorrento stockholders that it intended to reissue, at the Sorrento level, equity grants in the Subsidiaries, even though the Board sought a stockholder vote to increase the shares available under the Sorrento stock plan.

IV. The Board Secures A Voting Agreement That Entrenches Management

121. On April 5, 2016, Sorrento disclosed that, two days prior, it had agreed to enter into four private placements (the "Private Placements"), a series of massively dilutive equity issuances that appear to disenfranchise the Company's public stockholders without ensuring the Company, or the stockholders, received commensurate fair value. The Private Placements consist of a series of four

transactions where the Board's handpicked investors paid $150 million in separate private placements in return for approximately 45% of Sorrento's common stock. At the time, the Company's common stock was trading near its 52-week low of $4.25 and well below the Company's 52 week high of $26.80.

122. The Board did not provide Sorrento's stockholders with full and complete disclosures regarding the Private Placements in a timely manner. At the time of the announcement, the Board stated that it expected the Private Placements to close by the end of May 2016, but it declared that it would not disclose the underlying transaction documents until it filed its Form 10-Q for the quarter ending June 30, 2016. Nevertheless, the Private Placements closed precisely on the Company's record date for the upcoming annual meeting so that the new stockholders could vote for the incumbent directors.

123. Defendant Ji and the rest of the Defendants then in office usurped control over Sorrento's corporate machinery to entrench and insulate themselves from the public outcry relating to the Board's self-dealing transactions. On May 2, 2016, in a Form 8-K, the Company disclosed for the first time that one of the private placement participants, Yuhan, signed a voting agreement (the "Voting Agreement") that obligates it to vote all of its shares, with respect to each matter presented to the stockholders, as instructed by the Board.

124. The Private Placements were also not brought to a stockholder vote, which appears to be in violation of NASDAQ Listing Rule 5636(d). That rule requires companies to obtain prior stockholder approval for private placements where over 20% of a company's common equity will be issued.

125. On April 14, 2016, *BioWatch News* speculated that the Company entered into the Private Placements in order to raise money to fund development of the drugs and technologies held in the Subsidiaries – particularly TNK, LA Cell, and Biologics.

126. Shortly thereafter, on May 9, 2016, Sorrento announced, in a Form 8-K, that the Company had engaged Guggenheim Securities and PJT Partners to assist the company in exploring and evaluating strategic alternatives, which is likely to include selling the Subsidiaries. Thus, the Defendants have set the wheels in motion to fund the development of the Subsidiaries, and then sell them with an immediate and direct benefit to the Board that is not shared with the rest of Sorrento's stockholders.

V. Defendants' Breaches Continue

127. After Defendants' motion to dismiss was denied, the boards of each subsidiary executed written consents cancelling certain Option and Warrant Grants. But the Board's deception continued in at least three ways. *First*, the Board allowed Defendants and Su to keep all Subsidiary shares obtained through

option exercise or, in the case of Ji, sham share transfers. *Second*, despite the Option and Warrant Grants having been improperly issued, the Board also made clear that it was going to pay themselves at the parent-company level for the Option and Warrant Grants that were cancelled, again without even disclosing this to the public stockholders. *Third*, the subsidiary written consents each state that "it is understood by the Board that the board of directors of Sorrento anticipates granting to Dr. Ji one or more equity awards with respect to the Common Stock of Sorrento as a result of the termination of the Warrant[s]."

CLASS ALLEGATIONS

128. Plaintiff brings this action, in part, as a class action, pursuant to Court of Chancery Rule 23, on behalf of herself and all other Sorrento public stockholders that have been harmed by the conduct described herein. Excluded from the Class are Defendants, and any person, firm, trust, corporation, or other entity related to or affiliated with any Defendant, and their successors in interest.

129. This action is properly maintainable as a class action.

130. The Class is so numerous that joinder of all members is impracticable. As of March 9, 2017, there were 50,887,102 shares of Sorrento common stock outstanding, held by hundreds, if not thousands, of individuals and entities scattered throughout the country.

131. Questions of law and fact are common to the Class, including, among others:

- Whether the Defendants in office at the time of the Private Placements breached their fiduciary duties by entering into the Voting Agreement;
- Whether Plaintiff and the other members of the Class have been harmed by such wrongful conduct; and
- Whether Plaintiff and the other members of the Class are entitled to damages or injunctive relief as a result of such wrongful conduct.

132. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of other members of the Class and Plaintiff has the same interests as the other members of the Class. Accordingly, Plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

133. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for Defendants, or adjudications that

would, as a practical matter, be dispositive of the interests of individual members of the Class who are not parties to such adjudications or would substantially impair or impede their ability to protect their interests.

134. The Defendants have acted or refused to act on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

135. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. The expense and burden of individual litigation make it impracticable for Class members individually to seek redress for the wrongful conduct alleged herein. Plaintiff anticipates that there will be no difficulty in the management of this litigation as a class action.

DERIVATIVE ALLEGATIONS

136. Plaintiff brings this action, in part, derivatively to redress injuries suffered by the Company as a result of Defendants' breaches of fiduciary duty.

137. Plaintiff has owned Sorrento common stock since July 7, 2015, and continues to own Sorrento common stock.

138. Plaintiff will adequately and fairly represent the interests of Sorrento and its stockholders in enforcing and prosecuting its rights and has retained counsel competent and experienced in stockholder derivative litigation.

139. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

DEMAND FUTILITY ALLEGATIONS

140. Plaintiff has not made a demand on the Board to assert the claims contained herein against the Individual Defendants. Such a demand would be futile and useless, and is thereby excused because the allegations herein, at a minimum, permit the inference that the directors lack the requisite disinterest to determine fairly whether these claims should be pursued.

141. Currently, the Board consists of seven directors.

142. Both at the time of the Original Complaint and now, a majority of the directors (Defendants Ji, Marth, Janda, Shah, and Deming) have direct interests in the Option and Warrant Grants, and are further benefited and entrenched by the Private Placements. They stood on both sides of the grants, and are interested.

143. These grants give the recipients unique interests in five of the Company's subsidiaries that are not shared with the rest of the stockholders. The Option and Warrant Grants and subsequent transactions involving the Subsidiaries represent a skimming of value away from Sorrento as a whole and into the specific Subsidiaries. The grants allow the recipients to profit personally from successful

individual investments and operations, whereas the rest of the stockholders may only profit derivatively through Sorrento as a whole.

144. Stockholders were not given the opportunity to vote on the Option and Warrant Grants to Board members and executives, nor were they given the opportunity to vote on the ten to one voting rights in the options and warrants for the class B shares issued to Ji, nor were they given the opportunity to vote on the LA Cell/Eragon transactions. In fact, Sorrento's stockholders had previously approved an equity compensation plan for the Company's directors, officers, and employees. However, that plan only pertained to shares of Sorrento common stock; it did not authorize the issuance of equity in Sorrento's subsidiaries. Thus, the Option and Warrant Grants were not issued pursuant to any stockholder approved compensation plan and were unauthorized self-dealing transactions, excusing demand.

145. Moreover, the Option and Warrant Grants further entrench the Board by deterring any potential acquirer from buying Sorrento, which no longer owns 100% of many of its subsidiaries. Additionally, the super-voting rights in the B shares, combined with the change of control provisions in the Licensing agreement between LA Cell and City of Hope, further improperly entrenches and enriches the Individual Defendants.

146. Additionally, the Private Placements resulted in the issuance of approximately 45% of the Company's outstanding stock to the Defendants' preferred investors. A vote was required under NASDAQ listing rules, but was not obtained.

147. The Company plans to use the proceeds from the Private Placements to further develop and fund the Subsidiaries in which five of the six members of the Current Board have personal equity interests not shared with other Sorrento stockholders.

148. The Company has used one of the Subsidiaries, Scintilla, to acquire companies in which directors Ji and Shah own equity. Ji will receive approximately $4.6 million in connection with Scintilla's acquisition of Scilex. Shah will receive up to $11 million and become an employee of Scintilla in connection with its acquisition of Semnur. Thus, Ji and Shah are directly interested in these transactions and cannot independently consider a demand regarding the matters described herein.

149. The Private Placements and the Option and Warrant Grants directly benefit a majority of the current Board. Additionally, the Private Placements and the Option and Warrant Grants, combined with the use of the Subsidiaries to strip value from Sorrento and the public stockholders, do not represent the valid

exercise of business judgment and each of the members of the current Board faces a substantial likelihood of liability for approving such transactions. The current Board cannot be expected to impartially evaluate a demand to bring claims challenging such transactions. Therefore, demand is excused as futile.

COUNT I

Derivative Claim for Breach of Fiduciary Duty Against All Defendants

150. Plaintiff incorporates and realleges each and every allegation contained above, as though fully set forth herein.

151. This claim is brought directly on behalf of the Class and derivatively on behalf of the Company.

152. The Individual Defendants, as current or former officers and/or directors of Sorrento, owe or owed the Company and its stockholders the highest duties of care, loyalty, good faith, and candor. These fiduciary duties preclude them from taking actions that favor their own interests of those of the Company and its stockholders.

153. The Individual Defendants breached their fiduciary duties by causing the Subsidiaries to make the Option and Warrant Grants and/or then causing the Subsidiaries to undertake the subsequent transactions described above including, but not limited to, the LA Cell/Eragon transactions.

154. The Option and Warrant Grants, and subsequent Subsidiary transactions that stripped valuable assets from Sorrento, enrich the Individual Defendants by stripping value and corporate opportunities from Sorrento and transferring such value and opportunities to subsidiaries in which they were granted equity interests for nominal consideration. These are personal benefits that accrue at the expense of the Company and its stockholders. The Individual Defendants stand on both sides of the transactions, which are unfair to Sorrento and its public stockholders.

155. Defendants Ji and Shah, as current or former officers and/or directors of Sorrento, owe or owed the Company and its stockholders the highest duties of care, loyalty, good faith, and candor. These fiduciary duties preclude them from taking actions that favor their own interests of those of the Company and its stockholders.

156. Defendants Ji and Shah breached their fiduciary duties by causing LA Cell to enter into the stock purchase agreements, promissory note agreements and extensions of the promissory notes agreements with Eragon.

157. The LA Cell and Eragon stock purchase agreements, promissory note agreements and extensions of the promissory notes agreements stripped valuable assets from Sorrento, enrich Defendants Ji and Eragon by stripping value and

corporate opportunities from Sorrento and transferring the value LA Cell and Sorrento's value and opportunities in LA Cell to Defendants Ji and Eragon.

158. Defendant Ji stands on both sides of the transactions, which are unfair to Sorrento and its public stockholders.

159. As a result, the Company has been harmed.

160. Plaintiff and the Company are entitled to an order rescinding the Option and Warrant Grants, the LA Cell and Eragon stock purchase agreements, promissory note agreements and extensions of the promissory notes agreements, or, alternatively, damages at the highest interim value.

COUNT II

Derivative Claim for Aiding and Abetting Breaches of Fiduciary Duty Against Eragon

161. Plaintiff incorporates and realleges each and every allegation contained above, as though fully set forth herein.

162. Through its member and managing director, Ji, Eragon knowingly participated in the breaches of the fiduciary duties of care, loyalty, and good faith owed by Ji and Shah. Eragon knowingly participated in Ji's self-dealing by engaging in the LA Cell and Eragon stock purchase agreements, promissory note agreements and extensions of the promissory notes agreements.

163. The LA Cell and Eragon stock purchase agreements, promissory note agreements and extensions of the promissory notes agreements stripped valuable assets from Sorrento, enrich Defendants Ji and Eragon by stripping value and corporate opportunities from Sorrento and transferring the value LA Cell and Sorrento's value and opportunities in LA Cell to Defendants Ji and Eragon.

164. Defendant Ji stands on both sides of the transactions, which are unfair to Sorrento and its public stockholders.

165. All of Ji's knowledge and acts are imputed to Eragon, as its managing director. Eragon and Ji conspired together to enter into sham transactions to take control of LA Cell, and in furtherance of the conspiracy and for personal motives, filed LA Cell's certificate of incorporation and amendments thereto with the Delaware Secretary of State. Ji is Eragon's alter ego and agent, and acted on its behalf.

166. As a result, the Company has been harmed.

167. Plaintiff and the Company are entitled to an order rescinding the Option and Warrant Grants, the LA Cell and Eragon stock purchase agreements, promissory note agreements and extensions of the promissory notes agreements, or, alternatively, damages at the highest interim value.

COUNT III

Direct Claim for Breach of Fiduciary Duty Against Defendants Ji, Marth, Janda, Ebersole, Shah, and Deming

168. Plaintiff incorporates and realleges each and every allegation contained above, as though fully set forth herein.

169. This claim is brought directly on behalf of the Class.

170. Defendants Ji, Marth, Janda, Ebersole, Shah, and Deming, as current or former directors of Sorrento, owe or owed the Company and its stockholders the highest duties of care, loyalty, good faith, and candor. These fiduciary duties preclude them from taking actions that favor their own interests of those of the Company and its stockholders.

171. As explained above, through the Voting Agreement, the directors then in office ensured that they would not suffer the same dilution of voting power as the public stockholders. Instead, the Company's directors and officers retain approximately the same voting power they had before the Private Placements.

172. As a result, Plaintiff and the Class have been and will continue to be harmed.

173. Plaintiff and the Class are entitled to an injunction preventing the enforcement of the Voting Agreement.

COUNT IV

Direct and/or Derivative Claim for Violation of 8 *Del. C.* § 144

174. Plaintiff incorporates and realleges each and every allegation contained above, as though fully set forth herein.

175. This claim is brought directly on behalf of the Class and derivatively on behalf of the Company.

176. The Individual Defendants, as current or former officers and/or directors of Sorrento, entered into interested transactions, and cannot satisfy 8 *Del. C.* § 144.

177. As a result, the interested transactions are void.

178. Plaintiff and the Company are entitled to an order rescinding the Option and Warrant Grants, LA Cell and Eragon stock purchase agreements, promissory note agreements, and extensions of the promissory notes agreements.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

a) Declaring that this action is properly maintainable as both a Class Action and a Derivative Action;

b) Declaring that the Individual Defendants breached their fiduciary duties and have been unjustly enriched;

c) Enjoining the enforcement of the Voting Agreement;

d) Enjoining Defendants from paying the Individual Defendants any of the cancelled Option and Warrant Grants;

e) Invalidating the sales of LA Cell stock to Eragon and the promissory note agreements between LA Cell and Eragon;

f) Rescinding the Option and Warrant Grants, returning the stock received by the Individual Defendants from any exercising of the Option and Warrant Grants, or imposing a constructive trust;

g) Awarding to the Company and to the Class damages in an amount to be determined at trial;

h) Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants', consultants', and experts' fees, and expenses; and

i) Granting such other and further relief as the Court deems just and proper.

FRIEDLANDER & GORRIS, P.A.

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Dated: October 25, 2017

EFiled: Nov 01 2017 12:28PM EDT
Transaction ID 61305217
Case No. 12729-VCMR

CERTIFICATE OF OF SERVICE

I, J. Clayton Athey, do hereby certify that on this 1st day of November, 2017, I caused a copy of the foregoing to be served upon the following counsel of record via File and Serve*Xpress*:

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/s/ J. Clayton Athey
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