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Case No. 12729-

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 JEFFERY SU, Defendants, and SORRENTO THERAPEUTICS, INC., Nominal Defendant.	C.A. No. _____

VERIFIED 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 Class Action and Derivative Complaint (the "Complaint") against current and former members of the Company's board of directors (the "Board") and certain executive officers for breach 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 and the review of publicly available information, 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 either May or October 2015 (the "Option and Warrant Grants"). 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 either $0.01 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. In one instance, the then-current Board gave Sorrento's CEO, who also serves as a director, the option to acquire for $105,000 approximately 20% of a subsidiary, which shortly thereafter entered into a deal that

Sorrento described as having a "value in excess of $170 million." The Company's filings make clear that the subsidiaries' option and warrant grants are not "compensation" for services rendered by the non-employee directors. They were side payments.

4. 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 newly issued shares issued in the Private Placements ***to the Board***.

5. 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, 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

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

II. Nominal Defendant

7. 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.

8. The Company controls five subsidiaries that issued the challenged option and warrant grants: Concortis Biosystems, Corp. ("Concortis"), TNK Therapeutics, Inc. ("TNK"), LA Cell, Inc. ("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

9. Defendant Henry Ji ("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. Ji signed as President and CEO of each subsidiary.

10. Defendant William S. Marth ("Marth") has served as a director of Sorrento since January 2014. 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.

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

12. 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.

13. Defendant David H. Deming ("Deming") has served as a director of Sorrento since May 2015. Deming is also a director of Albany.

14. Defendant Douglas Ebersole ("Ebersole") served as a director of Sorrento from August 2014 until August 1, 2016.

15. Defendant George Ng ("Ng") has served as Sorrento's Executive Vice President, Chief Administrative Officer and Chief Legal Officer since March 2015.

16. Defendant Jeffery Su ("Su") has served as Sorrento's Executive Vice President & Chief Operating Officer since October 2015.

17. Defendants listed in ¶¶ 9-16 above are collectively referred to herein as the "Individual Defendants." The Defendants listed in ¶¶ 9-14 above are collectively referenced herein as the "Then-Current Board."

IV. Relevant Non-Parties

18. 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.

19. 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.

SUBSTANTIVE ALLEGATIONS

I. Background of Sorrento

20. 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

21. 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 and warrants to Sorrento's directors for virtually nothing.

A. Scintilla

22. The Then-Current Board improperly caused Scintilla to grant options and warrants to themselves, and then diverted Sorrento assets to Scintilla.

23. According to 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 approximately 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.

24. In the Company's 2016 proxy statement, the Company disclosed that Defendants Ji, Ng, and Su together have 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, which demonstrates that these option grants are side payments for no consideration.

25. 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. On August 2, 2016, Sorrento, Scintilla, and Scilex Pharmaceuticals, Inc. ("Scilex"), a pharmaceutical development company, entered into a binding term sheet by which Scintilla will purchase all of the outstanding equity of Scilex. Two insiders, Defendants Ji and Ng, are current equity holders in Scilex, owning 6.5% and 8.6% of Scilex's outstanding stock respectively. Ji and Ng will directly benefit from the Scilex transaction by receiving over $10 million combined in Scintilla stock. Upon the closing of this transaction, Sorrento will contribute $10 million to Scintilla to fund working capital expenses.[1]

26. On August 15, 2016, Sorrento, Scintilla, and Semnur Pharmaceuticals, Inc. ("Semnur") entered into a binding term sheet by which Scintilla will acquire all of the outstanding equity of Semnur for an initial payment of $60 million by

[1] Upon the execution of the term sheet, Sorrento paid $500,000 to Scilex, which will be credited against the value of the Scintilla stock Scilex equity holders will receive. However, if the closing of this transaction does not occur by a specified deadline, then the $500,000 will be considered an investment by Sorrento in Scilex's next third-party financing.

Sorrento. This initial payment will consist of $40 million in cash and $20 million in Sorrento common stock. Defendant Shah is a director and the CEO of Semnur, and owns 5.5% of Semnur's outstanding stock, which entitles him to receive up to $11 million in connection with the Semnur acquisition. Upon the completion of certain clinical studies and trials, receipt of certain regulatory approvals, and the achievement of certain sales targets following the closing, Scintilla may be required to pay additional consideration of up to $140 million to Semnur's equity holders.

27. According to Sorrento, following the closing of the Scilex and Semnur acquisitions, Scintilla will operate as a standalone company that, according to Defendant Ji, will be "a truly unique pain management company with a multiple product pipeline[.]" Sorrento has also stated that key members of Semnur's management will join Scintilla's management team, including Shah.

28. The Scilex and Semnur transactions are the ultimate example of self-dealing. Defendants Ji, Ng, and Shah caused Sorrento to pay them millions of dollars for their equity interest in the companies. Then, once those transactions close, Ji, Ng, Shah, and other insiders, but not Sorrento's public stockholders, will have obtained a direct equity interests through the option and warrant grants.

B. Biologics

29. The Then-Current Board also received options and warrants from the Company's Biologics subsidiary, after diverting Sorrento assets to Biologics.

30. 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.

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

32. According to 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, 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 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.

33. Two of the 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.

34. In the Company's 2016 proxy statement, the Company disclosed that Defendants Ji, Ng, and Su together have already exercised 625,000 Scintilla 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, demonstrating that these option grants are side payments for no consideration.

C. LA Cell

35. 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.

36. According to 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, 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.

37. Shortly thereafter, Sorrento moved valuable assets to and allowed LA Cell to misappropriate valuable corporate opportunities that properly belonged to the Company as a whole.

38. 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.

39. In return, LA Cell made an upfront $2 million payment, issued City of Hope 2,648,948 shares of Class C common stock, 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 June 30, 2016, LA Cell has paid City of Hope $5 million in additional license payments.

40. 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."

41. To put this in perspective, the Then-Current Board (in a *quid pro quo* for their own options) gave Defendant Ji the right to purchase over 18% of the economic interest (and over 25% of the voting interest of LA Cell) for only $105,000.[2] Four months later, Sorrento announced that the "total deal value [with City of Hope] is in excess of $170 million."[3]

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

[3] 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

42. In Sorrento's Form 10-K for the 2015 fiscal year, Sorrento says that it aims to combine LA Cell's technology with Sorrento's fully human antibody library and immunotherapy expertise. In other words, the Defendants will continue to divert value from Sorrento for purposes of maximizing the value of LA Cell.

43. 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.

44. 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.

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voting rights. In a subsequent filing, Sorrento disclosed that as of March 31, 2016, Sorrento's ownership in LA Cell had increased to 48%. Sorrento has not disclosed anything that accounts for this increase.

D. Concortis

45. The Then-Current Board also received options and grants from Concortis.

46. 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."

47. On June 25, 2014, Concortis announced a collaboration agreement with Morphotek to generate novel antibody drug conjugates. 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.

48. According to 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 approximately 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.

49. 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.

E. TNK Therapeutics

50. The Then-Current Board also received options and grants from TNK.

51. 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.

52. According to the Company's 2016 10-K/A, "[i]n May 2015," TNK issued the following securities to the Then-Current Board:

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

E. 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

F. 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.

53. 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.

54. 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.

55. 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.

56. 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.

57. 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).

58. 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.

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

60. 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.

61. 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.

III. The Board's Unfair Dealing

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

63. 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.

64. 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.

65. 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.

66. 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.

67. 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.

68. As mentioned above, Defendants Ji, Ng, and Su have not wasted any time taking advantage of these free equity grants. In 2015 alone, Defendant Ji exercised a total of 2,000,000 options – 500,000 in each of Scintilla, Biologics, LA

Cell, and TNK. Defendants Ng and Su also exercised a total of 475,000 options across the same four Subsidiaries.

69. 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.

IV. The Board Secures A Voting Agreement That Entrenches Management

70. 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.

71. 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.

72. 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.

73. 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.

74. 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.

75. 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.

CLASS ALLEGATIONS

76. 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.

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

78. The Class is so numerous that joinder of all members is impracticable. As of August 2, 2016, there were 57,570,468 shares of Sorrento common stock outstanding, held by hundreds, if not thousands, of individuals and entities scattered throughout the country.

79. 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.

80. 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.

81. 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.

82. 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.

83. 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

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

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

86. 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.

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

DEMAND FUTILITY ALLEGATIONS

88. 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.

89. Currently, the Board consists of Defendants Ji, Marth, Janda, Wu, Shah, and Deming.

90. Five of the six current 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.

91. 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.

92. 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. 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.

93. 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.

94. 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.

95. 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.

96. 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.

97. 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

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

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

100. 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.

101. 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.

102. 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.

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

104. Plaintiff and the Company are entitled to an order rescinding the Option and Warrant Grants, or, alternatively, damages.

COUNT II

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

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

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

107. 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.

108. 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.

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

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

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) Rescinding the Option and Warrant Grants or imposing a constructive trust;

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

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

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

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