

## *Williams v. Ji, et al.*

**COURT:** Delaware Court of Chancery  
**CASE NUMBER:** 12729-VCMR

On September 8, 2016, BLB&G filed a complaint in the Delaware Court of Chancery on behalf of Yvonne Williams (“Plaintiff”), brought derivatively on behalf of Nominal Defendant Sorrento Therapeutics, Inc. (“Sorrento” or the “Company”), and directly as a class action on behalf of Plaintiff and the other stockholders of Sorrento, against current and/or former directors and officers of the Company (the “Defendants”).

The Complaint alleges a disloyal scheme by Company insiders to strip value out of the Company for their own personal benefit. In May and October 2015, the members of the Sorrento board of directors at the time (the “Then-Current Board”) caused five subsidiaries of Sorrento (the “Subsidiaries”) to grant options and warrants to themselves and certain Company executives. These options and warrants were issued without any authorization or approval by Sorrento’s public stockholders. In addition, the warrants granted to the Company’s CEO are for class B shares that have ten to one voting rights, even though the Sorrento charter and by-laws do not provide for class B shares or 10 to one voting power. The Defendants also caused Sorrento to transfer valuable assets and corporate opportunities from the Company to the Subsidiaries. As a result of these transfers, these assets are no longer wholly owned by Sorrento and its stockholders. Rather, they are owned by Subsidiaries in which the Defendants have personal financial interests not shared by Sorrento’s stockholders as a whole.

The Complaint further alleges that on April 5, 2016, the Then-Current Board caused Sorrento to enter into four private placements (the “Private Placements”), with one of the Private Placement investors entered into a voting agreement (“Voting Agreement”) that obligates it to vote all of its shares in future stockholder votes as directed by the Company’s Board of Directors. Through the Voting Agreement, the Defendants are able to maintain approximately the same voting power in Sorrento as they had before the Private Placements, despite the fact that all other public stockholders were diluted.

The Defendants moved to dismiss the Complaint. After briefing and oral argument, on June 28, 2017, the Court issued a decision denying the Defendants’ motion in all respects. A copy of the decision can be found in the **Case Documents** section of this page. On October 25, 2017, Plaintiff filed an amended complaint, which added allegations, including related to the improper sale of large amounts of stock in one subsidiary to an entity controlled by Sorrento’s CEO and his wife. A copy of the Amended Complaint can be found in the **Case Documents** section of this page.

On November 28, 2017, after a lengthy mediation and subsequent negotiations facilitated by the mediator, the Parties notified the Court that they had reached a proposed settlement. As a result of this Action and the Settlement, all of the options and warrants in the subsidiaries issued to the Defendants are being cancelled, all stock from the exercise of the options and warrants are being returned to Sorrento, governance procedures are being established to prevent future issuance of options and warrants without appropriate safe guards, the stock in the subsidiary purportedly sold to an entity controlled by the CEO and his wife are being cancelled, and the voting agreement is being neutralized, so that investors shares will not be voted as directed by the Board of Directors.

On December 22, 2017, the Parties entered into a Stipulation of Settlement setting forth all of the terms and conditions of the settlement. A copy of the Stipulation can be found in the **Case Documents** section of this page.

Notice was given to stockholders in accordance with the Court's Scheduling Order.

The Court granted final approval of the settlement on May 15, 2018.

### **Case Documents**

- December 22, 2017 - Stipulation and Agreement of Settlement
- November 1, 2017 - Verified Supplemental and Amended Class Action and Derivative Complaint
- June 28, 2017 - Memorandum Opinion