



Sorrento's Predatory Propaganda

May 20, 2020 – Sorrento Therapeutics' announcement of Covid-19 "cure" follows management's long history of unsuccessfully tailgating fads while squandering hundreds of millions in fresh investment capital.

Viceroy Research are short Sorrento Therapeutics (**NASDAQ:SRNE**) – a biotech company with wild claims it has basically found the cure for SARS-Cov-2 (Covid-19) amid a history of apparent stock pumping by its management team and transaction advisors. We believe Sorrento deliberately rides the pandemic wave for the sole purpose of pumping its stock price, with a propaganda machine to match.

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The Pump

Sorrento announced on May 15, 2020, that its STI-1499 antibody was effective in its lab experiments. This puts **Sorrento far behind dozens of competitors who are already in IND Preparation with the FDA and others who have already commenced animal trials or human trials.** Here are a just a few developing neutralizing antibodies:

- CanSino (HKEX:6185) Bio's Ad5-nCoV has completed a phase 1 study¹ and announced it planned to initiate phase 2 studies soon in a release dated April 9, 2020².
- BioNTech (NASDAQ:BNTX) and Pfizer (NYSE:PFE) announced receipt of approval to commence their first clinical trial of vaccine candidates on April 22, 2020³.
- Sinovac's (NASDAQ:SNO) PiCoVacc trial with 144 volunteers began on April 16, 2020 after promising results in animal testing⁴.
- Inovio (NASDAQ:INO) started 40-person human trials in the US in April with a phase 1/2⁵ trial of its vaccine candidate in Korea to run parallel. The company is expecting results in late June, with a phase 2/3 trial set to start in summer⁶. The company has also published its work on a neutralizing antibody and T-cell immune responses in a peer-reviewed journal⁷.
- The Shenzhen Geno-Immune Medical Institute has two vaccines in the clinical trial phase: LV-SMENP-DC⁸ and Pathogen Specific aAPC⁹.
- Oxford University's Phase 1 trial of ChAdx1 nCov-19 began on April 23, with up to 1102 participants¹⁰.
- Fujifilm Toyama Chemical (OTC:FUJIY) announced the start of its phase 3 trials for antiviral Avigan in for COVID-19 on March 31, 2020¹¹.
- Although no hard figures we released when announced, Moderna Inc.'s (NASDAQ:MRNA) experimental mRNA-1273 vaccine shows promise and was found to be generally safe and well tolerated in an early study¹². The FDA has fast tracked approval¹³.

¹ <https://clinicaltrials.gov/ct2/show/NCT04313127>

² <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0409/2020040900342.pdf>

³ <https://investors.biontech.de/news-releases/news-release-details/biontech-and-pfizer-announce-regulatory-approval-german>

⁴ <https://economictimes.indiatimes.com/news/international/business/dont-waste-a-minute-chinese-firm-readies-mass-vaccine-production/articleshow/75465334.cms>

⁵ <https://clinicaltrials.gov/ct2/show/record/NCT04336410>

⁶ <http://ir.inovio.com/news-releases/news-releases-details/2020/INOVIO-Completes-Enrollment-in-the-Phase-1-US-Trial-of-INO-4800-for-COVID-19-DNA-Vaccine-Interim-Results-Expected-in-June/default.aspx>

⁷ <http://ir.inovio.com/news-releases/news-releases-details/2020/INOVIOS-COVID-19-DNA-Vaccine-INO-4800-Demonstrates-Robust-Neutralizing-Antibody-and-T-Cell-Immune-Responses-in-Preclinical-Models/default.aspx>

⁸ <https://clinicaltrials.gov/ct2/show/NCT04276896>

⁹ <https://clinicaltrials.gov/ct2/show/NCT04299724>

¹⁰ <http://www.ox.ac.uk/news/2020-04-23-oxford-covid-19-vaccine-begins-human-trial-stage>

¹¹ <https://www.fujifilm.com/jp/en/news/hq/3211>

¹² <https://clinicaltrials.gov/ct2/show/NCT04283461>

¹³ <https://uk.reuters.com/article/uk-health-coronavirus-moderna/modernas-experimental-covid-19-vaccine-shows-promise-in-early-stage-study-idUKKBN22U106?il=0>



This breakthrough antibody announcement **follows a slew of COVID-19 related announcements and alleged innovations, the efficacy and materiality of which cannot be verified.** Sorrento's announcements are not consistent with a focused effort on a solution. Collaborations and "promising compounds" appear and disappear without warning in a short time.

- January 29: Collaboration with Celularity focusing on CYNK-001, which Sorrento will manufacture in San Diego facility. Sorrento owns a stake in Celularity and shares 2 directors.
- February 27: Dimeric Antigen Receptor-T cell therapy (DAR-T) proprietary construct for coronavirus targeting successfully generated. Cells to be produced in San Diego facility
- March 9: A link to a CBS New York video segment about Celularity's NK therapy is posted on Sorrento Therapeutics' website.
- March 20: Announced production of preclinical batch of STI-4398, a ACE2-fc protein named COVIDTRAP designed to block SARS-CoV-2 virus from binding and infecting cells.
- March 23: Collaboration with SmartPharm to develop gene-encoded antibody vaccine for COVID-19.
- March 24: Collaboration with Mabpharm (HK:2181) to develop and commercialise STI-4920 (CMAB020) for potential treatment of COVID-19.
- March 25: Launch of STI-6991 vaccine program using decoy cell strategy originally used in cancer treatment to target SARS-CoV-2 S1 domain. This came with an endorsement quote from former Novartis Pharmaceuticals CEO David Epstein who was advising Sorrento. No other mention of this advisory relationship has been found prior or since. Epstein currently serves as Chairman of Axcella health, which has no relationship to Sorrento
- April 2: Celularity's IND announces FDA cleared IND for CYNK-001 in adults with COVID-19. SRNE is "prepared to launch" CYNK-001 manufacturing at San Diego facility, and upcoming New Jersey facility.
- May 8: Announces access to plasma-containing antibodies against COVID-19 for production of antibodies against SARS-CoV-2. First mention of COVI-SHIELD treatment, with no mention of contained proteins.
- May 15: Announcement of STI-1499 demonstrating 100% inhibition of SARS-CoV-2 in an invitro virus at very low antibody concentration.

We believe Sorrento is consciously preying on the destruction of the COVID-19 pandemic to raise capital and escape its current state of financial ruin.

Management pointlessly announced unsolicited acquisition offers^{14,15} at 3.1X trading prices in November 2019 and January 2020 from unnamed PE parties which never eventuated, leaving investors questioning whether the offers existed at all.

Sorrento has a history of trying and failing to capitalize and commercialize numerous biotech fads – such as cannabis oil and non-opioid pain relief – which have never led to any commercial success. Their resiniferatoxin (RTX) trials are still in Phase 1b, far from commercial potential, and no information has been released about the RTX trials conducted in the 2000's which was referred to as "near-term" in 2014¹⁶.

¹⁴ <https://investors.sorrentotherapeutics.com/news-releases/news-release-details/sorrento-board-rejects-latest-acquisition-proposal>

¹⁵ <https://investors.sorrentotherapeutics.com/news-releases/news-release-details/sorrento-therapeutics-inc-received-and-rejected-unsolicited-all>

¹⁶ <https://www.newsfilecorp.com/release/10689/San-Diego-Sleeper-FastTracked-for-FDA-Approval>



The Raise

Amid these COVID-19-related announcements, Sorrento have executed a new share sale prospectus for \$250m of shares at VWAP to capitalize on the destruction of the pandemic. This will be the single largest value deal for sale agent **Alliance Global Partners (AGP)**. **AGP has uncanny propensity to flood capital markets with garbage.** Excluding Sorrento, **here are 10 of AGP's top 11¹⁷ publicly listed clients by cumulative deal value size:**

- **Yangtze River Port and Logistics Limited (YRIV)** – Yangtze capitulated after reports by Hindenburg Research showed its assets did not exist, and its sole trading entity was insolvent¹⁸. The company has subsequently been delisted.
- **KushCo Holdings (KSHB)** – Had to restate financial accounts for FY 17 and FY 18. The company then followed up with a massively dilutive capital raise, cratering its stock price by ~90% since mid-2019.
- **Stemline Therapeutics (STML)** – Management of Stemline decided to withhold the death of a patient from its clinical trials related to serious adverse effects for 2 days in order to push through a share offering. After the cash hit escrow, Stemline notified the market, and shares collapsed 40%¹⁹
- **Tonix Pharmaceuticals (TNXP)** – Yet another company riding the COVID-wave, allegedly in a research collaboration to test a SARS-Cov-2 prevention vaccine. Not 12 months ago, Tonix were in the midst of clinical trials for a now-failed PTSD medication in a completely different field of study²⁰.
- **Advaxis (ADXS)** – Embattled biotech, accused by MoxReports in 2015 of promotional activities and unpromising clinical data²¹. The stock has since collapsed.
- **Hexo Corp (HEXO)** – In litigation with investors, who have accused the company of channel stuffing, inflating revenues, misstating inventory, and growing cannabis in unlicensed facilities, leading to an 80% drop in the company's share price²².
- **New Age Beverages Corp (NBEV)** – An embattled beverage company, receiving wide criticisms for its unsuccessful-yet-highly-marketed CBD beverage rollout. The stock was also a subject of a Grizzly Research report relating to acquisition of Chinese MLM's, failed revenue share programs²³.
- **Verb Technology (VERB)** – Promoted a venture with Oracle to investors for months, boosting share prices by 2,000% and giving no details as to the benefits. Eventually Oracle deal terms were made public and disclosed that there was no benefit to Verb or any of its products, only access from Oracle for what was effectively an open API. Verb shares collapsed²⁴.
- **McEwen Mining (MUX)** – A perpetually loss-making operating mining company which has lost 80% of its market value since 2016 without payment of dividends.
- **Ring Energy (REI)** – An embattled Oil & Gas company who allegedly refused to provide its drilling reports to a venture partner, and whose stock price has since fallen by 95% since its peak last in 2018²⁵.

These are not names we picked out from a list of thousands: these are 10 of the top 11 clients represented by Alliance Global Partners.

The prospectus issued by Sorrento for the \$250m VWAP share offering does not in fact appear open to the public: it effectively got another underwriting from a mysterious BVI company called Arnaki Ltd, who can be called upon to buy 650,000 shares per day of SRNE stock. We believe this is consistent with management's pump

¹⁷ For completeness: the only top-11 AGP client whose stock price has not collapsed with their interference is Perficient (PRFT), a digital consulting roll-up.

¹⁸ <https://hindenburgresearch.com/yangtze-river-port-logistics-total-zero-on-the-ground-research-shows-assets-appear-to-be-largely-fabricated/>

¹⁹ <https://www.fiercebiotech.com/biotech/stemline-admits-it-learned-but-did-not-disclose-patient-death-cancer-trial-before-45m-stock>

²⁰ <https://www.tonixpharma.com/pipeline/tnx-1800-coronavirus-vaccine>

²¹ <https://moxreports.com/advaxis-heavily-promoted-and-misleading-investors/>

²² <https://business.financialpost.com/cannabis/cannabis-business/hexo-admits-cannabis-was-grown-in-unlicensed-part-of-niagara-facility>

²³ <https://grizzlyreports.com/nbev-shareholders-got-duped-in-the-morinda-acquisition/>

²⁴ <https://www.businesswire.com/news/home/20190712005451/en/Robbins-Arroyo-LLP-Verb-Technology-Company-VERB>

²⁵ <https://law.iustia.com/cases/federal/district-courts/oklahoma/okndce/4:2015cv00109/38514/50/>



strategy, masqueraded by an unauditable BVI company who may not even have the funds to complete these purchases.

- Arnaki's only other activity was the purchase of \$5m shares of Globus Maritime Limited in March 2019²⁶. The Agreement for this purchase shows Arnaki's sole director to be Moses Elias Benaim advised by Kelley Drye & Warren LLP. Anarki's contact details show an address in the BVI, however the contact number is in Gibraltar. As far as we can tell, Moses Elias Benaim may be one of two Gibraltar-born men, both dead, one a doctor²⁷ and the other the Israeli consul to Gibraltar²⁸.

This prolonged \$250m offering is the largest capital raise in its history, and it has combined its timing with a \$1b shelf offering registered in March, which we also believe to be purely promotional. **There is no substantial upfront capital, which we believe points to lack of any interest from institutional buyers who would not hold off given this purportedly game-changing news.**

The Company

Sorrento has virtually no revenue and has burnt through over \$420m of cash over the last 3 years at an increasing rate. Sorrento has failed to significantly monetise any of its assets and seems to exist solely to raise billions in capital from equity and debt markets. Their development catalogue is extremely varied with several product stalled in clinical testing or R&D.

Part of this cash burn and asset stripping has been called into question in the past from major shareholder Wildcat Capital Management²⁹, who outlined in 2016 that:

- Sorrento continually transferred commercial assets to new subsidiaries, then issued stock warrants and options at nominal prices to CEO Henry Ji, Sorrento Directors and Sorrento Senior Management at the detriment of other shareholders;
- The company wasted time and money on transactions that destroyed shareholder value;
- The company repeatedly demonstrated an utter lack of fiscal and operational discipline, including a dilutive share sale for 45% of the company at a price near 52-week lows.

Wildcat commenced litigation to inspect records of Sorrento, who did not agree to open the books to their major shareholder. Sorrento announced a resolution with Wildcat without any noticeable Wildcat input after the suit was dropped and Wildcat began selling its entire stake in the business³⁰.

Sorrento's "comprehensive technology" platforms are mostly obtained from license-in or collaborations with outside parties. Sorrento also outlines in its 10-K that it has no sales and marketing capabilities. As it stands, the company will license-out findings using licensed-in data for slim revenues, and the licenses are subject to confidentiality treatments making them virtually un-assessable from a commercial perspective.

The SEC has on numerous occasions requested documents or clarifying information to approve new share issuances.

Sorrento is currently embroiled in a lawsuit against billionaire Patrick Soon-Shiong, claiming his company NantWorks bought Sorrento's Cynviloq as a catch-and-kill scheme, depriving competition against Patrick's competing drug Abraxane and depriving Sorrento of all milestone payments.

²⁶ https://www.sec.gov/Archives/edgar/data/1499780/000114420419013710/tv515993_ex10-1.htm

²⁷ <https://history.rcplondon.ac.uk/inspiring-physicians/moses-elias-benaim>

²⁸ <https://www.thegazette.co.uk/London/issue/44707/page/11737/data.pdf>

²⁹ <https://www.prnewswire.com/news-releases/wildcat-capital-issues-letter-to-board-of-sorrento-therapeutics-300264326.html>

³⁰ <https://www.prnewswire.com/news-releases/sorrento-and-wildcat-announce-resolution-300425877.html>



The Management

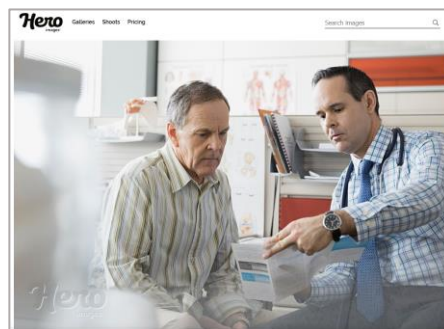
CEO Henry Ji was a director of NantKwest at IPO, and quit 6 months later as the company shares fell 53% (over \$1bn market cap) as a scheme of accounting, warrant and share-based payment trickery came to light. These included insider profiteering by Ji and NantKwest CEO Soon-Shiong by purchasing unprofitable companies and reselling them to NantKwest at a >600% profit a month later, vesting condition changes and back-dating of warrants³¹.

CFO, Jiong Shao, is also Director of Kaixin Auto Group, majority owned by Chinese Company RenRen, a NYSE-listed Chinese company plagued by fraud accusations since 2011. This is not Shao's first run in with activist short sellers, previously standing against Muddy Waters on Focus Media Holdings and NQ Mobile while at Macquarie's research division. Muddy Waters state on Twitter: "if you've done a decent amount of China shorting, [Shao] probably had a buy [rating] on 75% of your book."³²

VP of Regulatory Affairs and Quality Mark R Brunswick's bio includes head of regulatory affairs at Arena Pharmaceuticals (Oct 2007 to April 2011) and Senior Director of Regulatory Affairs at Elan Pharmaceuticals (2002 – 2007):

- Arena Pharmaceuticals concealed the results of a 2009 rat study into lorcaserin, which caused cancer in rats until the FDA published the details in 2010, causing a collapse in the share price. Investors were kept in the dark about the negative results while the company cut expenses and staff, and raised capital until the FDA's announcement, which caused a 40% one-day decline³³.
- Elan Pharmaceuticals illegally promoted the drug Zonegran for uses outside its approved indication: partial seizures in epilepsy for adults. This resulted in a whistleblower lawsuit settlement and a settlement with the FBI³⁴.

The company's website uses stock photos from Hero Images³⁵ and Getty Images³⁶ on its website, apparently unwilling to get photos of its own laboratories. Having placed a call to Getty Images, we suspect this classifies as unauthorized use of Getty Images data.



³¹ http://securities.stanford.edu/filings-documents/1057/NI00_03/2017920_r01x_16CV01947.pdf

³² <https://twitter.com/muddywatersre/status/575031103456575489>

³³ <http://stris.com/wp-content/uploads/2016/08/14-55633-Brief-of-Appellant.pdf>

³⁴ <https://archives.fbi.gov/archives/boston/press-releases/2011/bs022811a.htm>

³⁵ <https://heroimages.com/product/18941>

³⁶ <https://www.gettyimages.fr/detail/photo/chinese-scientist-working-in-lab-image-libre-de-droits/470620907>



We have submitted a request to the SEC for an investigation of the company regarding the issues raised above and believe the trading of its shares should be immediately halted pending its completion.

Optimistically, Sorrento's shares might revert to early November pricing at ~\$1.60 a share in the short term. These prices represent a market uncluttered by doubtful buyouts and outrageous propaganda.

Given Sorrento's lengthy history of false promises and bad company, Viceroy doubts management can coerce investors into burning cash once more, and the company will fizzle out of existence.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Sorrento Therapeutics , its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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