Sorrento Therapeutics, Inc.
Form 424B5
April 12, 2017

**Filed pursuant to Rule 424(b)(5)**

**Registration No. 333-199849**

**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, Dated April 12, 2017**

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated December 3, 2014)

**Shares**

**Common Stock**

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We are offering shares of our common stock in this offering.

Our common stock is listed on the NASDAQ Capital Market under the symbol “SNRE.” On April 11, 2017, the last reported sale price of our common stock on the NASDAQ Capital Market was $2.95 per share.

**Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page S-8 of this prospectus supplement and under similar headings in the documents incorporated by reference into this prospectus supplement for a discussion of certain risks you should consider before investing in shares of our common stock.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discounts and commissions[(1)] | $ | $ |
| Proceeds to us before expenses | $ | $ |

(1) We have agreed to reimburse the representative of the underwriters for certain of its expenses. See "Underwriting" for a description of the compensation to be received by the underwriters.

We have granted the underwriters a 30-day option to purchase up to additional shares of common stock from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the common stock to the investors in book-entry form through the facilities of The Depository Trust Company on or about April , 2017.

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*Lead Book-Running Manager Joint Book-Running Manager*

Cantor Fitzgerald & Co. FBR & Co.

The date of this prospectus supplement is April , 2017

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement and the accompanying prospectus are part of a "shelf" registration statement on Form S-3 that we filed with the U.S. Securities and Exchange Commission (the "SEC") using a "shelf" registration process. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus, including the documents incorporated by reference therein, provides general information about us, some of which, such as the section therein entitled "Plan of Distribution," may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both this prospectus supplement and the accompanying prospectus, combined.

We urge you to carefully read this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and therein and the additional information under the heading "Incorporation by Reference; Where You Can Find More Information" before buying any of the securities being offered under this prospectus supplement. These documents contain information you should consider when making your investment decision.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent any information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the information in this prospectus supplement. The information in this prospectus supplement will be deemed to modify or supersede the information in the accompanying prospectus and the documents incorporated by reference therein, except for those documents incorporated by reference therein which we file with the SEC after the date of this prospectus supplement.

You should not assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front cover of this prospectus supplement and the accompanying prospectus or on any date subsequent to the date of the document incorporated by reference, as applicable. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are offering to sell, and seeking offers to buy, the securities described in this prospectus supplement only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the offering of the securities in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about, and observe any restrictions relating to, the offering of the securities and the distribution of this prospectus supplement outside the United States. This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for

such person to make such an offer or solicitation.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference into this prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

In this prospectus supplement, unless otherwise indicated or required by the context, the terms “Sorrento,” “we,” “our,” “us” and the “Company” refer to Sorrento Therapeutics, Inc. and its consolidated subsidiaries.

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary contains basic information about us and this offering. This summary highlights selected information contained elsewhere in, or incorporated by reference into, this prospectus supplement. This summary is not complete and may not contain all of the information that is important to you and that you should consider before deciding whether or not to invest in our securities. For a more complete understanding of Sorrento and this offering, you should carefully read this prospectus supplement, including any information incorporated by reference into this prospectus supplement, in its entirety. Investing in our securities involves risks that are described in prospectus supplement under the heading "Risk Factors," under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, as amended, and in our other filings with the SEC.*

**Our Company**

**Overview**

Sorrento is a clinical stage biotechnology company focused on delivering clinically meaningful therapies to patients and their families, globally. Our primary focus is to transform cancer into a treatable or chronically manageable disease. We also have programs assessing the use of our technologies and products in auto-immune, inflammatory, neurodegenerative, infectious diseases and pain indications with high unmet medical needs.

At our core, we are an antibody-centric company and leverage our proprietary G-MAB™ library to identify, screen and validate fully human antibodies against high impact oncogenic targets and mutations, immune modulators and intracellular targets. To date, we have screened over 100 validated targets and generated a number of fully human antibodies against these targets which are at various stages of preclinical development. These include PD-1, PD-L1, CD38, CD123, CD47, c-MET, VEGFR2, CCR2, OX40, TIGIT and CD137 among others.

Our vision is to leverage these antibodies in conjunction with proprietary targeted delivery modalities to generate the next generation of cancer therapeutics. These modalities include proprietary antibody drug conjugates ("ADCs"), bispecific approaches, as well as T-Cell Receptor ("TCR")-like antibodies. With LA Cell, Inc. ("LA Cell"), our joint venture with City of Hope, our objective is to become the global leader in the development of antibodies against intracellular targets such as STAT3, mutant KRAS, MYC, p53 and TAU. Additionally, we have acquired and are assessing the regulatory and strategic path forward for our portfolio of late stage biosimilar/biobetter antibodies based on Erbitux®, Remicade®, Xolair®, and Simulect® as these may represent nearer term commercial opportunities.

With each of our programs, we aim to tailor our therapies to treat specific stages in the evolution of cancer, from elimination, to equilibrium and escape. In addition, our objective is to focus on tumors that are resistant to current treatments and where we can design trials based on a genetic signature or biomarker to ensure patients have the best chance of a durable and significant response.

We have several immuno-oncology programs that are in or near entering the clinic. These include cellular therapies, an oncolytic virus, monoclonal antibodies and a palliative care program targeted to treat intractable cancer pain.

Our cellular therapy programs focus on Chimeric Antigen Receptor-T Cell ("CAR-T") for adoptive cellular immunotherapy to treat both solid and liquid tumors. We have reported early data from Phase I trials of our carcinoembryonic antigen ("CEA") and PSMA directed CAR-T programs. Our CD38 CAR-T is being evaluated in the context of highly resistant multiple myeloma ("MM"), amyloidosis and graft-versus-host disease ("GvHD"). We are assessing our CD123 CAR-T in the context of highly resistant acute myeloid leukemia ("AML"). Both of the latter programs have successfully demonstrated strong preclinical anti-tumor activity in animal models. Our plan is to submit Investigational New Drug ("IND") applications with the U.S. Food and Drug Administration (the "FDA") for at least one of these CAR-T programs in 2017.

Finally, as part of our global aim to provide a wide range of therapeutic products to meet underserved therapeutic markets, we have made investments and developed a separate pain focused franchise which we believe will serve to provide short term upside to our core thesis. Within this franchise, resiniferatoxin ("RTX") is a non-opioid-based TRPV1 agonist neurotoxin used as an injectable pain treatment. The compound RTX has been granted orphan drug status for the treatment of intractable pain at end-stage disease. We have conducted a Phase I trial with the National Institutes of Health ("NIH") and are exploring a path to accelerated approval with a Phase II, multicenter trial to be initiated in late 2017.

**Overview**

Our primary goal is to deliver clinically meaningful therapies to patients and their families, globally. In immuno-oncology, we aim to deliver next generation therapeutics to transform cancer into a treatable or chronically manageable disease. Across all our programs, we are focused on addressing severe unmet medical needs where our therapies can change the natural course of disease or significantly improve a patient's quality of life.

Our core strategic objectives and resources are focused on:

1. Advancing our lead product candidates through the clinic. These include the initiation of Phase I, Phase II and potentially accelerated approval trials for our cellular therapies, oncolytic virus immunotherapy and RTX in oncology and/or hematology indications.

2. Continuing the development of our preclinical programs with the aim of filing several new INDs over the next 5 years. These include moving our checkpoint inhibitors from our core antibody portfolio into the clinic with several of our strategic partners, while internally focusing on advancing our transformational intracellular targeting antibodies ("iTAbs"), with LA Cell.

3. Collaborating with key opinion leaders and leading clinical and research institutes to enhance our preclinical and clinical development plans. We currently have such agreements in place with the Karolinska Institute, The Scripps Research Institute ("TRSI"), the NIH, City of Hope, Tufts Medical School and Roger Williams Medical Center, among others.

4. Manufacturing our preclinical and clinical materials in-house. We have established a quality control and quality assurance program, which includes a set of standard operating procedures and specifications designed to ensure that our products are manufactured in accordance with current good manufacturing practices ("cGMPs"), and other applicable domestic and foreign regulations.

5. Exploring strategic relationships to share in the risk reward of our core franchises and to derive near term value from our non-core franchise, such as our pain franchise. Our partnering objectives include generating revenue through license fees, milestone-related development fees and royalties as well as profit shares or joint ventures to generate potential returns from our product candidates and technologies.

**Pipeline and Product Candidates**

An overview of our core programs is provided in the table below:

**Recent Developments**

***Yuhan Agreement***

In March 2016, we and Yuhan Corporation, a South Korea company ("Yuhan"), entered into an agreement to form a joint venture company called ImmuneOncia Therapeutics, LLC ("ImmuneOncia") to develop and commercialize a number of immune checkpoint antibodies against undisclosed targets for both hematological malignancies and solid tumors. In April 2016, Yuhan purchased $10.0 million of shares of our common stock, $0.0001 par value per share ("Common Stock"), and warrants as part of our private placement offering. Separately, under the terms of the joint venture agreement, Yuhan contributed an initial investment of $10.0 million to ImmuneOncia, and we granted ImmuneOncia an exclusive license to one of our immune checkpoint antibodies for specified countries while retaining the rights for the U.S., European and Japanese markets, as well as global rights for ImmuneOncia to two additional antibodies that will be selected by ImmuneOncia from a group of pre-specified antibodies from our immuno-oncology antibody portfolio. Yuhan owns 51% of ImmuneOncia, while we own 49%.

***3SBio Agreement***

In June 2016, we and TNK (as defined below) entered into a binding term sheet with Shenyang Sunshine Pharmaceutical Company Ltd ("3SBio"), a China based company, to form a joint venture to develop and commercialize proprietary immunotherapies, including those developed from, including or using TNK's CAR-T technology targeting CEA positive cancers. Due diligence and negotiations between 3SBio and us for the definitive agreement(s) are currently ongoing. In June 2016, 3SBio purchased $10.0 million of Common Stock and warrants as part of our private placement offering.

***Servier License and Collaboration Agreement***

In July 2016, we announced a license and collaboration agreement with Les Laboratoires Servier, SAS, a corporation incorporated under the laws of France, and Institut de Recherches Internationales Servier, a company duly organized and existing under the laws of France (individually and collectively, “Servier”) for the development, manufacture and commercialization of products using our fully human immuno-oncology anti-PD-1 mAb STI-A1110. The financial terms of the agreement include, among other things, a non-refundable upfront payment to us of €25 million, or $27.4 million, which we received in July 2016. We may also receive development milestone payments for the initial product and each additional product. We may receive up to €710 million in various payments based on commercial sales milestones related to annual net sales levels for the initial product and then also for each additional product. In addition to the commercial sales milestones, we will be entitled to receive variable royalties on the sales of all commercialized products ranging from high single-digit to double-digit percentages.

***CHA Biotech Agreement***

In August 2016, we announced a binding term sheet to create a joint venture (the "JV") with CHA Biotech Co., LTD. ("CBT") of South Korea to develop and commercialize proprietary CAR modified cellular therapies based on CBT's Activated Killer Cell ("AKC") technology in combination with five of our CARs for all disease conditions, including oncology and infectious diseases. The JV will cover products on a global basis with the exception of the greater Chinese market, which includes Mainland China, Hong Kong, Macau and Taiwan. In addition, we will obtain an exclusive license to develop and commercialize CBT's novel investigator-initiated trial stage AKC technology in major territories, including the United States and Europe, and with a co-exclusive license in China. Under the terms of the Term Sheet, we and CBT will make contributions of $2 million to the JV, and we will grant the JV an exclusive license to five CARs solely for combination with the AKC technology, while CBT will contribute its AKC technology. CBT will initially own 51% of the JV while we will initially hold the remaining 49%. We, under a royalty bearing license, will also gain access to the AKC technology for the use outside the JV alone or with any other of our product candidates. Due diligence and negotiations between CBT and us for the definitive agreement(s) are currently ongoing. However, the binding term sheet is currently terminable by either party at will and no assurances can be made that the transaction will be completed.

***Scilex Acquisition***

On November 8, 2016, we entered into a Stock Purchase Agreement with Scilex Pharmaceuticals Inc. ("Scilex") and a majority of the stockholders of Scilex (the "Scilex Stockholders") pursuant to which we acquired from the Scilex Stockholders approximately 72% of the outstanding capital stock of Scilex. Scilex's lead product candidate, ZTlido™, is a next-generation lidocaine patch currently in development for the treatment of PHN, a severe neuropathic pain condition. ZTlido™ is manufactured by our collaboration partner in their state of the art manufacturing facility.

***Celularity Transaction***

In November 2016, we entered into a non-binding term sheet between us, our subsidiary, TNK, and Celularity, Inc. ("Celularity"), a research and development company, setting forth the terms and conditions by which we or TNK with one or more third parties would contribute certain assets to Celularity (the "Celularity Transaction"). In addition, at this time, we loaned $5.0 million to Celularity pursuant to a promissory note issued to us (the "Celularity Note"). Pursuant to the terms of the Celularity Note, the loan will be due and payable in full on the earlier of November 1, 2017 and the occurrence of an event of default under the Celularity Note (the "Maturity Date"). The Celularity Note also provides that, in certain circumstances, we will loan Celularity up to an additional $5.0 million over the next 12 months. In the event that Celularity meets certain minimum financing conditions prior to the Maturity Date, all outstanding amounts under the Celularity Note will be forgiven.

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***Hercules Agreement***

On March 23, 2017, we entered into a fourth amendment to our Hercules Agreement (as defined below) with Hercules Capital, Inc. ("Hercules"). Pursuant to the terms of the fourth amendment, we repaid Hercules, without repayment penalty, $20.0 million of the outstanding principal and unpaid interest accrued thereon (the "Repayment Amount") on March 23, 2017. After the payment of the Repayment Amount, our cash position on April 7, 2017 was approximately $33 million, of which approximately $24 million qualifies as unrestricted U.S. cash that satisfies our $20 million U.S. unrestricted cash minimum balance covenant with Hercules. Additionally, under the terms of the Hercules Agreement, we must meet our initial fundraising requirement of $43.25 million by April 14, 2017. Proceeds from this offering would qualify towards the fundraising requirement. If we do not meet our initial fundraising requirement, an event of default will occur under the Hercules Agreement and the Lenders (as defined below) may accelerate all of our repayment obligations and take control of our pledged assets, potentially requiring us to renegotiate our agreement on terms less favorable to us or to immediately cease operations.

See the section entitled "Risk Factors" in this prospectus supplement for a discussion of some of the risks relating to the execution of our business strategy.

**Corporate Information**

On September 21, 2009, QuikByte Software, Inc., a Colorado corporation and shell company ("QuikByte"), consummated its acquisition of Sorrento Therapeutics, Inc., a Delaware corporation and private concern ("STI"), in a reverse merger (the "Merger"). Pursuant to the Merger, all of the issued and outstanding shares of STI common stock were converted into an aggregate of 6,775,032 shares of QuikByte common stock and STI became a wholly owned subsidiary of QuikByte. The holders of QuikByte's common stock immediately prior to the Merger held an aggregate of 2,228,333 shares of QuikByte's common stock immediately following the Merger.

We were originally incorporated as San Diego Antibody Company in California in 2006 and were renamed "Sorrento Therapeutics, Inc." and reincorporated in Delaware in 2009, prior to the Merger. QuikByte was originally incorporated in Colorado in 1989. Following the Merger, on December 4, 2009, QuikByte reincorporated under the laws of the State of Delaware (the "Reincorporation"). Immediately following the Reincorporation, on December 4, 2009, we merged with and into QuikByte, the separate corporate existence of STI ceased and QuikByte continued as the surviving corporation (the "Roll-Up Merger"). Pursuant to the certificate of merger filed in connection with the Roll-Up Merger, QuikByte's name was changed from "QuikByte Software, Inc." to "Sorrento Therapeutics, Inc."

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The Offering

| | |
|---|---|
| Common stock offered by us | shares |
| Common stock to be outstanding immediately after this offering | shares |
| Option to purchase additional shares | We have granted the underwriters a 30-day option to purchase up to additional shares of common stock from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any. |
| Use of proceeds | We estimate the net proceeds from this offering will be approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for continued investment in our programs, including the resubmission with the FDA of a new drug application for ZTlido®, IND-enabling studies and a Phase I clinical trial for CD38 CAR-T, IND-enabling studies and a Phase I clinical trial for c-MET ADC, preclinical studies for our iTAb product candidates, as well as for general research, development and corporate purposes, to fund potential acquisitions and for working capital. See "Use of Proceeds" beginning on page S-12 of this prospectus supplement for additional detail. |
| Trading market | Our common stock is listed on the NASDAQ Capital Market under the symbol "SRNE." |
| Risk factors | Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page S-8 of this prospectus supplement. |

The number of shares of our common stock that will be outstanding immediately after this offering is based on 50,882,856 shares of common stock outstanding as of December 31, 2016, and excludes:

- 4,332,876 shares of our common stock issuable upon the exercise of stock options outstanding under our Amended and Restated 2009 Stock Incentive Plan (the "2009 Plan") as of December 31, 2016, at a weighted-average exercise price of $7.86 per share;
- 3,200 shares of our common stock issuable upon the exercise of stock options outstanding under our Non-Employee Director Plan, as of December 31, 2016, at a weighted-average exercise price of $7.86 per share;
- 1,414,220 shares of our common stock reserved for issuance under our 2009 Plan as of December 31, 2016; and

- 5,932,998 shares of our common stock issuable upon the exercise of outstanding warrants as of December 31, 2016, at a weighted-average exercise price of $7.80 per share.

Except as otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase additional shares to cover over-allotments, if any.

RISK FACTORS

*Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as amended, which is incorporated by reference into this prospectus supplement, as well as our other filings with the SEC, include material risk factors relating to our business. Those risks and uncertainties and the risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial or that are not specific to us, such as general economic conditions, may also materially and adversely affect our business and operations. If any of those risks and uncertainties or the risks and uncertainties described below actually occurs, our business, financial condition or results of operations could be harmed substantially. In such a case, you may lose all or part of your investment. You should carefully consider the risks and uncertainties described below and those risks and uncertainties incorporated by reference into this prospectus supplement, as well as the other information included in this prospectus supplement, before making an investment decision with respect to our common stock.*

**Risks Related to this Offering**

***Purchasers of common stock in this offering will experience immediate and substantial dilution in the book value of their investment. You may experience further dilution upon exercise of our outstanding options and warrants.***

The public offering price per share of common stock in this offering is substantially higher than the net tangible book value per share of our common stock before giving effect to this offering. Accordingly, if you purchase common stock in this offering, you will incur immediate substantial dilution of approximately $ per share, representing the difference between the public offering price per share of common stock and our as adjusted net tangible book value as of December 31, 2016. In addition, if outstanding options or warrants are exercised, you could experience further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section in this prospectus supplement entitled “Dilution.”

***Future sales of our common stock, or the perception that such future sales may occur, may cause our stock price to decline.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, following this offering could cause the market price of our common stock to decline. A substantial majority of the outstanding shares of our common stock are, and the shares of common stock sold in this offering upon issuance will be, freely tradable without restriction or further registration under the Securities Act of 1933, as amended.

***We have broad discretion to determine how to use the funds raised in this offering, and may use them in ways that may not enhance our operating results or the price of our common stock.***

Our management will have broad discretion over the use of proceeds from this offering, and we could spend the proceeds from this offering in ways our stockholders may not agree with or that do not yield a favorable return, if at all. We intend to use the net proceeds from this offering for continued investment in our programs, including the resubmission with the FDA of a new drug application for ZTlido®, IND-enabling studies and a Phase I clinical trial for CD38 CAR-T, IND-enabling studies and a Phase I clinical trial for c-MET ADC, preclinical studies for our iTAb product candidates, as well as for general research, development and corporate purposes, to fund potential acquisitions and for working capital. See "Use of Proceeds" beginning on page S-12 of this prospectus supplement for additional detail. However, our use of these proceeds may differ substantially from our current plans. If we do not invest or apply the proceeds from this offering in ways that improve our operating results, we may fail to achieve expected financial results, which could cause our stock price to decline.

**Risks Related to our Business and Industry**

***The terms of our secured debt facility require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.***

On November 23, 2016, we and certain of our domestic subsidiaries (together with us, the "Borrowers") entered into entered into the Hercules Agreement for a term loan of up to $75.0 million, subject to funding in multiple tranches.

The Hercules Agreement contains customary affirmative and restrictive covenants and representations and warranties, including financial reporting obligations and significant limitations on dividends, indebtedness, liens (including a negative pledge on intellectual property and other assets), collateral, investments, distributions, transfers, mergers or acquisitions, taxes, corporate changes, deposit accounts and subsidiaries. Additionally, the Hercules Agreement contains covenants requiring the Borrowers (i) to achieve their initial fundraising requirement of $43.25 million by April 14, 2017, and (ii) to maintain a minimum amount of unrestricted cash prior to achieving their corporate and fundraising milestones. The breach of such covenants, in addition to certain other covenants, would result in the occurrence of an event of default. Upon the occurrence of an event of default and following any applicable cure periods, a default interest rate of an additional 5.00% may be applied to the outstanding loan balances, and the Lenders may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Hercules Agreement.

The affirmative covenants include, among others, covenants requiring us to maintain our legal existence and governmental approvals, deliver certain financial reports and maintain insurance coverage. The negative covenants include, among others, restrictions on transferring collateral, changing our business, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments and creating other liens on our assets, in each case subject to customary exceptions. If we default under the Hercules Agreement, the Lenders may accelerate all of our repayment obligations and take control of our pledged assets, potentially requiring us to renegotiate our agreement on terms less favorable to us or to immediately cease operations. Further, if we are liquidated, the Lenders' right to repayment would be senior to the rights of the holders of our common stock to receive any proceeds from the liquidation. The Lenders could declare a default upon the occurrence of any event that they interpret as a material adverse change as defined under the Hercules Agreement, thereby requiring us to repay the loan immediately or to attempt to reverse the declaration of default through negotiation or litigation. Any declaration by the Lenders of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline. If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

**Risks Related to our Intellectual Property**

***Our position as a relatively small company may cause us to be at a significant disadvantage in defending our intellectual property rights and in defending against infringement claims by third parties.***

Litigation relating to the ownership and use of intellectual property is expensive, and our position as a relatively small company in an industry dominated by very large companies may cause us to be at a significant disadvantage in defending our intellectual property rights and in defending against claims that our technology infringes or misappropriates third party intellectual property rights. However, we may seek to use various post-grant administrative proceedings, including new procedures created under the America Invents Act, to invalidate potentially overly-broad third party rights. Even if we are able to defend our position, the cost of doing so may adversely affect our ability to grow, generate revenue or become profitable. We were recently named as a defendant in the U.S.

District Court for the District of New Jersey in a suit brought by Immunomedics, Inc. (“Immunomedics”) alleging, among other things, patent infringement, improper use and sharing of research material, and breach of contract for failure to provide Immunomedics with the right of first refusal to an exclusive license to certain technologies. This case was dismissed against us for lack of personal jurisdiction but may still pose a risk to our intellectual property and/or licensing rights in certain technologies. In the course of the ongoing litigation or any future additional litigation to which we may subject, we may not be able to protect our intellectual property at a reasonable cost, or at all. The outcome of litigation is always uncertain, and in some cases could include judgments against us that require us to pay damages, enjoin us from certain activities or otherwise affect our legal, contractual or intellectual property rights, which could have a significant adverse effect on our business.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the documents incorporated herein by reference contain "forward- looking statements" by us within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, statements as to expectations, beliefs and strategies regarding the future. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- risks and uncertainties associated with our research and development activities, including our clinical trials and preclinical studies;
- the timing or likelihood of regulatory filing and approvals or of alternative regulatory pathways for our drug candidates;
- the potential market opportunities for commercializing our product candidates;
- our expectations regarding the potential market size and the size of the patient populations for our product candidates, if approved for commercial use, and our ability to serve such markets;
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing;
- our ability to develop, acquire and advance our product candidates into, and successfully complete, clinical trials and preclinical studies and obtain regulatory approvals;
- the implementation of our business model and strategic plans for our business and product candidates;
- the initiation, cost, timing, progress and results of future preclinical studies and clinical trials, and our research and development programs;
- the terms of future licensing arrangements, and whether we can enter into such arrangements at all;

- timing and receipt or payments of licensing and milestone revenues, if any;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and our ability to operate our business without infringing the intellectual property rights of others;
- regulatory developments in the United States and foreign countries;
- the performance of our third party suppliers and manufacturers;
- our ability to maintain and establish collaborations or obtain additional funding;
- the success of competing therapies that are currently or may become available;
- our use of proceeds from this offering;
- our ability to integrate acquired businesses and assets with our operations, technologies, services, and personnel;
- our planned acquisitions, the terms of any such acquisitions and the expected timing for completing such acquisitions;
- our financial performance; and
- developments and projections relating to our competitors and our industry.

Any forward-looking statements should be considered in light of these factors. Words such as “anticipates,” “believes,” “forecasts,” “potential,” “goal,” “contemplates,” “expects,” “intends,” “plans,” “projects,” “hopes,” “seeks,” “estimates,” “strat “ongoing,” “opportunity,” “could,” “would,” “should,” “likely,” “will,” “may,” “can,” “designed to,” “future,” “foreseeable fut expressions and variations, and negatives of these words, identify forward-looking statements. These forward-looking statements are based on the expectations, estimates, projections, beliefs and assumptions of our management based on information currently available to management, all of which are subject to change. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

In evaluating an investment in shares of our common stock, you should carefully consider the discussion of risks and uncertainties described under the heading “Risk Factors” contained in this prospectus supplement, and under similar headings in other documents, including in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as amended, and in other filings with the SEC, that are incorporated by reference in this prospectus supplement. You should carefully read this prospectus supplement together with the information incorporated by reference in this prospectus supplement as described under the heading “Incorporation by Reference; Where You Can Find More Information”, completely and with the understanding that our actual future results may be materially different from what we expect.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. The forward-looking statements included or incorporated by reference herein are made only as of the date of this prospectus supplement (or as of the date of any such document incorporated by reference). We do not intend, and undertake no obligation, to update these forward-looking statements, except as required by law.

**MARKET AND INDUSTRY DATA**

Unless otherwise indicated, we have based the information concerning our industry contained in this prospectus supplement and incorporated by reference herein on our general knowledge of and expectations concerning the industry, which involve risks and uncertainties and are subject to change based on various factors, including those discussed in the “Risk Factors” section of this prospectus supplement and in the other information contained or incorporated by reference in this prospectus supplement. These and other factors could cause the information concerning our industry to differ materially from those expressed in this prospectus supplement and incorporated by reference herein.

**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the common stock in this offering will be approximately $ million, or approximately $ million if the underwriters exercise their option to purchase additional shares to cover over-allotments, if any, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering as follows:

- approximately $3 million for the resubmission with the FDA of a new drug application for ZTlido®;
- approximately $8 million for IND-enabling studies and a Phase I clinical trial for CD38 CAR-T;
- approximately $8 million for IND-enabling studies and a Phase I clinical trial for c-MET ADC;
- approximately $5 million for preclinical studies for our iTAb product candidates; and
- the remainder for general research, development and corporate purposes, to fund potential acquisitions and for working capital.

Our expected use of the net proceeds from this offering represents our current intentions based upon our present plans and business condition. As of the date of this prospectus supplement, we cannot predict with complete certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the actual amounts that we will spend on the uses set forth above. The amount and timing of our actual expenditures will depend upon numerous factors, including the results of our research and development efforts, the timing and success of preclinical studies, our ongoing clinical trials or clinical trials we may commence in the future, the timing of regulatory submissions and the feedback from regulatory authorities. In addition, we might decide to postpone or not pursue clinical trials or preclinical activities if the net proceeds from this offering and the other sources of cash are less than expected, although we currently expect that the net proceeds from this offering will be used in the order set forth above or pro rata across the uses set forth above. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds of this offering. Additionally, our management will have discretion to allocate the net proceeds from this offering for acquisitions of, or investments in, complementary businesses and products or repayment or repurchase of a portion of our indebtedness, in-licensing opportunities and pipeline development. We have no current agreements or commitments to use these proceeds to make any such acquisitions or investments or to repay or repurchase any indebtedness.

Although it is difficult to predict our liquidity requirements, based upon our current operating plan, and assuming successful completion of this offering, we believe we have sufficient cash to meet our projected operating requirements for at least the next 12 months.

Pending use of the proceeds from this offering as described above, we intend to deposit the net proceeds of this offering in our operating cash accounts, including short-term money market accounts.

**PRICE RANGE OF OUR COMMON STOCK**

Our common stock is listed on the NASDAQ Capital Market under the symbol “SRNE.” On April 11, 2017, the closing price of our common stock on the NASDAQ Capital Market was $2.95 per share. The following table sets forth, for our fiscal periods indicated, the high and low sale prices of our common stock as reported on the NASDAQ Capital Market.

| | High | Low |
|---|---|---|
| Fiscal Year ending December 31, 2017 | | |
| Second Quarter (through April 11, 2017) | $3.95 | 2.85 |
| First Quarter | 6.07 | 3.90 |
| Fiscal Year ended December 31, 2016 | | |
| Fourth Quarter | 8.35 | 4.68 |
| Third Quarter | 8.00 | 5.55 |
| Second Quarter | 7.80 | 5.26 |
| First Quarter | 8.52 | 4.25 |
| Fiscal Year ended December 31, 2015 | | |
| Fourth Quarter | 10.71 | 7.18 |
| Third Quarter | 26.80 | 7.64 |
| Second Quarter | 17.83 | 8.15 |
| First Quarter | 14.30 | 8.27 |

**DIVIDEND POLICY**

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our capital stock will depend on our earnings, financial condition and other business and economic factors affecting us at such time as the board of directors may consider relevant. Pursuant to the Hercules Agreement, we are prohibited from paying any dividends without the prior written consent of the Lenders. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if the common stock price appreciates.

**CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents, debt, equity and total capitalization as of December 31, 2016: