UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS

LINH TRAN, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS SIMILARLY SITUATED, Plaintiff, vs. XBIOTECH INC., JOHN SIMARD, AND QUEENA HAN, Defendants.	**Civil Action No.: 1:15-CV-1083** **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

Plaintiff Linh Tran ("Plaintiff"), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, inter alia, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding XBiotech Inc. ("XBiotech" or the "Company"), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired XBiotech securities between April 15, 2015 and November 23, 2015, (the "Class Period"), inclusive, seeking to recover compensable damages caused by Defendants' violations of federal

securities laws and pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

4. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). XBiotech's principal executive offices are located within this Judicial District, and a significant portion of Defendants' actions, and the subsequent damages, took place in this Judicial District.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased XBiotech securities, at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant XBiotech is incorporated in Canada and headquartered at 8201 E. Riverside Drive, Bldg. 4, Suite 100, Austin, Texas 78744. Defendant is a clinical-stage biopharmaceutical company, which engages in the discovering and development of True Human

monoclonal antibodies for treating various diseases. XBiotech's lead product is Xilonix, a novel anti-cancer agent. XBiotech's shares trade on NASDAQ under the ticker "XBIT."

8. Defendant John Simard ("Simard") is the Company's Chief Executive Officer ("CEO"), President, and Chairman. Defendant Simard signed the IPO Registration Statement.

9. Defendant Quenna Han ("Han") is the Company's Vice President of Finance and Human Resources as well as the Principal Financial Officer and Principal Accounting Officer. Defendant Han signed the IPO Registration Statement.

10. Defendants Simard and Han are collectively referred to herein as the "Individual Defendants."

11. Each of the Individual Defendants:

(a) directly participated in the management of the Company;

(b) was directly involved in the day-to-day operations of the Company at the highest levels;

(c) was privy to confidential proprietary information concerning the Company and its business and operations;

(d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

(e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

(f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

(g) approved or ratified these statements in violation of the federal securities laws.

12. XBiotech is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

13. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to XBiotech under *respondeat superior* and agency principles.

14. Defendants XBiotech and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Background

15. XBiotech is a pharmaceutical company attempting to discover and develop antibody therapies derived from natural immunity to disease. XBiotech's lead product is Xilonix which is currently the subject of two clinical studies for treating patients with advanced colorectal cancer. A pivotal study of Xilonix to assess its treatment of colorectal cancer with patients in Europe is currently underway in Phase III (the "Phase III Study").

16. On February 2, 2015, XBiotech filed a Registration Statement on Form S-1 with the SEC.

17. On April 10, 2015, XBiotech filed its third amendment to the Registration Statement on Form S-1/A with the SEC, which was signed by Defendants Simard and Han.

Materially False and Misleading Statements Issued During the Class Period

18. On April 15, 2015, XBiotech had its initial public offering ("IPO" or the "Offering"). On the same day, the SEC declared XBiotech's Registration Statement effective.

19. On April 16, 2015, XBiotech filed the Prospectus with the SEC.

20. XBiotech's Registration Statement and Prospectus are collectively referred to as the "Offering Documents."

21. In the IPO, 4,000,000 shares of XBiotech were sold at $19.00 per share. Total proceeds from the IPO were $76,000,000.

22. With regards to the Phase III Study, the Offering Documents state in relevant part:

> We are currently conducting two Phase III studies for Xilonix™ — one in the United States for advanced refractory colorectal cancer and another in Europe for symptomatic colorectal cancer. We are currently projecting the following milestones for Xilonix™ in colorectal cancer:
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> Europe
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> • ***Complete Phase III enrollment in the second-half of 2015***
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> • Submit our European Marketing Authorization Application to the European Medicines Agency (EMA) in the fourth quarter of 2015
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> • Subject to approval from the EMA, enter the European market in the fourth quarter of 2016 or the first quarter of 2017
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> * * *
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> **Current Clinical Activity**
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> ***European Registration Study Oncology***
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> Currently, we have a double-blinded, placebo-controlled Phase III registration study underway in Europe. Clinical sites are located in a number of different European Union member states, and the addition of sites in Russia is expected soon. The study aims to evaluate MABp1, or Xilonix™, as an anticancer therapy in patients with symptomatic colorectal cancer.
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> The primary objective of this study is to assess the efficacy of Xilonix™ in reversing symptoms in patients with symptomatic colorectal cancer. By blocking a substance that helps tumors grow and spread, Xilonix™ therapy may not only slow tumor growth, but also may improve symptoms of muscle loss, fatigue, appetite loss, and pain in patients with colorectal cancer.
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> The efficacy of the therapy will be measured by assessing the change in these symptoms for patients treated with Xilonix™ versus those treated with placebo. Reversal of muscle loss will be assessed with a type of X-ray called a DEXA scanner. Improvement in pain, appetite loss, and fatigue will be

> measured with a questionnaire that is completed by patients enrolled in the trial.
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> ***The study, which started in July 2014, will enroll at least 276 patients and is expected to be completed by mid-2015. As of March 3, 2015 about 122 patients had been enrolled. If the study endpoints are satisfactorily achieved, we expect to submit a registration package to the EMA and possible other foreign regulatory agencies.***
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> (Emphasis added).

23. On July 1, 2015, the Company issued a press release entitled, "XBiotech Conducts Investigators Meeting to Update the Status of Its Phase III Registration Study Underway in Europe." The press release discusses the current data regarding the use of Xilonix to treat colorectal cancer and the Phase III registration, stating in relevant part:

> AUSTIN, Texas, July 1, 2015 (GLOBE NEWSWIRE) -- XBiotech (NASDAQ:XBIT), the developer of True Human™ therapeutic antibodies, announced today that it held an investigators meeting to update clinicians and support staff on the overall status of the Company's Phase III study in colorectal cancer. The Company is conducting a double-blinded, placebo-controlled registration study of its anticancer agent for the treatment of advanced colorectal cancer. The novel anti-cancer agent, Xilonix™, is being developed with a regulatory path that the Company established in collaboration with the scientific advisory committee of the EMA.
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> The potential breakthrough cancer drug is being evaluated under the EMA's "Guideline on Evaluation of Anticancer Medicinal Products in Man," which offers the possibility to establish novel approval endpoints for anti-cancer agents. In advanced cancer, historically only modest tumor responses are seen in a small percentage of the population. The EMA is thus seeking new endpoints and novel agents that will enable the evaluation of anti-tumor therapy based on patient recovery. Thus the EMA has proposed in its guidelines that, "In patients with tumour-related symptoms at baseline, symptom control, if related to anti-tumour effects, is a valid measure of therapeutic activity and may serve as primary endpoints in late line therapy studies."

The Company's Xilonix therapeutic monoclonal antibody targets the molecular signalling that leads to neoangiogenesis and other processes that support tumor vascularization and growth. However, the same molecular target is known to signal the brain to cause pain, fatigue, anxiety, appetite suppression and hypermetabolic syndrome seen in advanced cancer. Earlier observations of physical recovery that strongly correlated with improved overall survival were unprecedented findings with Xilonix therapy in advanced cancer patients. The results were published in April 2014 in *Lancet Oncology*. These findings positioned Xilonix to be able to take advantage of the EMA's unique regulatory pathway for anti-cancer drug development.

The data presented today to investigators summarized the major findings to date. Although the study was not unblinded and only aggregate data were presented, physicians and support staff involved in the study were given an opportunity to gain a better sense of the overall patient performance. The Company explained that the unprecedented nature of the study design means that physicians have little or no idea of what the overall expectations should be for study participants. The Company is providing the blinded data as requested so that physicians and other care givers may be better able to provide patients with expectations for overall outcomes, so that patients may be better informed when deciding whether to participate in this study.

The following data were presented:

A total of 220 patients were reported to be currently enrolled in the study. Data were provided relating to patient performance in the study. As of June 15, 2015, the company stated that 183 patients had completed at least one cycle of therapy and 98 patients had baseline and follow-up DEXA and EORTC-QLQc30 data available. It was also reported that 35 patients had dropped out before completing the 8-week treatment regimen, while there were a further 50 patients at various stages of the 8 week treatment regimen. The Company reported that 61 patients (62% of evaluable patients) were considered to have a positive DEXA outcome as defined for the responder endpoint, with an average LBM change of 2.1 ± 2.8 kg (median 1.2 [IQR 0.5 to 2.0] kg). At the time of analysis, there were also 59 patient responders (60% of evaluable patients) according to the EORTC responder definition. There were 93 patients evaluable for RECIST, which included 2 partial responses (PR) and 23 patients with stable disease (SD). The study was also said to be on schedule for completion as planned this year.

DEXA, or dual-energy X-ray absorptiometry, is a type of X-ray machine that can measure body compartments, and distinguish between bone, fat and lean tissue (i.e. muscle). The DEXA can thus be used to measure non-fat weight gain in patients. EORTC-QLQ30 is a validated questionnaire developed in Europe that is used to accurately record patient reported health status, such as levels of fatigue, pain and appetite. A DEXA and EORTC performance composite was used to identify patient response to therapy. To be a responder individual patients must meet both DEXA and EORTC response criteria. The study has been designed to compare responders in the treatment arm versus the placebo.

John Simard, XBiotech's CEO, stated, "The observation of recovery in advanced cancer patients treated with Xilonix made it an ideal therapy for us to work with the EMA to pioneer new endpoints for evaluating cancer therapy in advanced disease. It is widely recognized that in the presence of uncontrolled disease, symptom recovery cannot be anticipated. So the EMA's concept to develop cancer therapies around symptom recovery guides us towards developing anticancer agents that are better for the patient. I think this is tremendously insightful and a definite positive force for creating new and better therapies that keep the well being of cancer patients in mind. To date, however, due to toxicities of most agents, few anti-cancer therapies have been demonstrated to facilitate symptom recovery in a controlled study. Xilonix is thus at the crossroads of being a truly breakthrough anti-cancer agent that helps cancer patients feel better while treating their tumors, while Xilonix also sets a historic precedence for the way cancer therapies are conceived and evaluated in the clinic."

24. On August 7, 2015, the Company issued a press release entitled, "XBiotech Announces Expansion of Global Phase 3 Registration Study in Europe using Xilonix(TM) for Treatment of Metastatic Colorectal Cancer." The press release discusses the registration for Phase III of the European study of using Xilonix for the treatment of colorectal cancer, stating in relevant part:

AUSTIN, Texas, Aug. 7, 2015 (GLOBE NEWSWIRE) -- XBiotech (NASDAQ:XBIT), the world's leading developer of next-generation True Human™ therapeutic antibodies, announced today it has expanded its "XCITE" cancer study into Europe. XCITE is an FDA Fast Tracked, Pivotal Phase 3 study of its cancer drug Xilonix™ for treatment of metastatic colorectal cancer. Screening has now begun at

the Marii Skłodowskiej-Curie Oncology Center in Warsaw, Poland, marking the first patient recruitment site outside the U.S. and the commencement in earnest of the global phase of the FDA study.

Xilonix™ Colorectal cancer Immunotherapy Treatment Evaluation ("XCITE"), is designed to assess improvement in overall survival of patients in response to monotherapy with XBiotech's True Human™ monoclonal antibody. The double-blinded, placebo controlled study currently has about 98 sites in the United States and with this launch in Poland, will bring on line more than 80 sites across Eastern and Western Europe. The XCITE trial will continue to expand to include nearly 200 clinical sites across 20 countries worldwide including Australia, Canada and South America. As previously disclosed, XBiotech expects to complete enrollment of this study by the end of 2016.

Dr. Michael Stecher, XBiotech's Medical Director, stated, "Our on-time launch of XCITE into Europe marks an important milestone in our oncology program and signifies we are moving as planned toward completing enrollment by the end of 2016. Since we have been operating another Phase III oncology program in colorectal cancer in Europe, it was important to time the launch of the U.S. FDA study into Europe so as not to compete for patient enrollment. Our clinical operations team has managed to dovetail this important study with impeccable timing to coincide almost precisely with the completion of the European Phase III program. We expect the rapidly escalating engagement we have seen with our European study will now spill over to this new program, which gives us good confidence that we will achieve our enrollment objectives in 2016 as well as report interim survival data around the time of enrollment completion."

Total enrollment in the XCITE study will consist of 600 patients. The primary objective of the trial is to assess the ability of Xilonix to improve overall survival in patients with metastatic colorectal cancer who have failed standard therapies. The study will also assess progression free survival, tumor response, change in muscle mass and improvements in quality of life. Earlier observations of Xilonix therapy in advanced cancer patients revealed physical recovery that strongly correlated with significant improvements in survival. The results were published in April 2014 in *Lancet Oncology*. Based on these results, XBiotech received Fast Track designation from the FDA in October 2012 to develop Xilonix as a treatment in the setting of metastatic colorectal cancer.

25. On August 17, 2015, the Company issued a press release entitled, "XBiotech Completes Enrollment for Xilonix(TM) Phase III Registration Study in Europe." The press release states in relevant part:

> AUSTIN, Texas, Aug. 17, 2015 (GLOBE NEWSWIRE) -- XBiotech (NASDAQ:XBIT), the world's leading developer of next-generation True Human™ therapeutic antibodies, announced today it has completed enrollment of the Company's pivotal, randomized double-blinded placebo controlled Phase III study in Europe of Xilonix™ for the treatment of advanced colorectal cancer. Xilonix, a novel anti-cancer agent, is being developed via a ground-breaking regulatory path that XBiotech established in collaboration with the scientific advisory committee of the European Medicines Agency (EMA). ***The Phase III program has now met the enrollment objective for study completion and the Company remains on track to announce results by year end.***
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> Dr. Tamas Hickish, lead investigator of the European program, said, "I believe this study of a completely novel drug will give new insight into how to treat advanced bowel cancer. The innovative approach to target IL-1a is a fascinating concept in the treatment of advanced cancer. ***The strong enrollment is a reflection of the need for anti-cancer therapies that maintain patient health while treating the disease.***"
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> John Simard, President and CEO, stated, "To get to this point, we brought together a novel manufacturing program, distributed drug across Western and Eastern Europe, and executed a first-of-its-kind multinational clinical study—***so I am especially pleased to say that we have completed enrollment of the Phase III study on schedule for a 2015 readout.***"
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> Mr. Simard further stated, "***Robust enrollment speaks to the support Xilonix gained among caregivers and patients.*** Keep in mind that XBiotech has spent less than $9 million for execution of this study."
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> The Company's Xilonix therapeutic monoclonal antibody targets the molecular signaling known to stimulate growth of blood vessels and breakdown of connective tissue. The same signals may be involved in metastasis and messaging to the brain to cause pain, fatigue, anxiety, appetite suppression and hypermetabolic syndrome seen in advanced cancer. Earlier observations of Xilonix therapy in advanced cancer

> patients suggested physical recovery that strongly correlated with significant improvement in survival in colorectal cancer (Hong et al. *Lancet Oncology* 2014). These findings formed the basis for developing this unique regulatory pathway in Europe in collaboration with the EMA.
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> The Phase III trial is evaluating the efficacy of Xilonix in patients with metastatic colorectal cancer that is refractory to standard therapy. The trial design is double-blind, placebo-controlled and randomizes patients (2:1) to Xilonix plus best supportive care (BSC), or to placebo plus BSC. Eligible patients have metastatic colorectal cancer, have progressed on an oxaliplatin- and irinotecan-based regimen and are experiencing symptoms due to their underlying malignancy. The co-primary endpoint of improvement in lean body mass and improvement in quality of life is assessed after eight weeks of therapy, using whole body DEXA scanning for body composition assessment and the validated EORTC QLQ-C30 questionnaire for life quality assessment. The co-primary endpoints were designed to capture important surrogates for anti-cancer treatment effect, especially those that have been found in the past to correlate independently with improved overall survival. After completing assessment of the primary endpoint at eight weeks, patients are eligible to cross over into an open label extension of Xilonix.
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> (Emphasis added).

26. The statements contained in ¶¶18-25 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) a fewer number of per protocol patients were available for primary endpoint evaluation in the Phase III Study; (2) the data from 72 patients of the Phase III Study was compromised ; (3) XBiotech did not adequately sample patients to accommodate data loss; (4) as a result of not properly sampling patients for the Phase III Study, the Phase III Study would have reduced statistical power to demonstrate the proposed outcome; (5) as a result of the foregoing, Defendants' statements about its business, operations, and prospects, including statements about the Phase III Study and

clinical development of Xilonix, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

THE TRUTH EMERGES

26. After market closed on November 23, 2015, the Company issued a press release entitled, "XBiotech Provides Update on Phase III Oncology Study in Europe." The press release details problems with the number of patients in the study, stating in relevant part:

> AUSTIN, Texas, Nov. 23, 2015 (GLOBE NEWSWIRE) -- XBiotech (NASDAQ:XBIT), developer of True Human™ therapeutic antibodies, announced today findings related to enrollment in the study. ***The Company is reporting that data cleaning has revealed a fewer number of per protocol patients available for primary endpoint evaluation. The Company found 25 patients dropped off study prior to receiving any dosing with drug or placebo. Analysis of patient blood samples also revealed that 14 patients erroneously received either placebo or study drug. In addition, 33 patients completed the study but failed to receive scheduled DEXA scans, properly complete EORTC evaluation, or both. The Company reports that these combined irregularities compromises data from 72 patients in the study.***
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> While the study was oversampled to accommodate loss of patients due to disease progression prior to 8 week evaluation, ***oversampling was not performed to accommodate data loss as described above. With the loss of an additional patients, the study will have reduced statistical power to demonstrate the proposed effect***. All patient samples and data has not yet been received and analyzed by XBiotech. The final number of patients affected is expected to increase or decrease only slightly by the final analysis.
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> John Simard, President and CEO of XBiotech, stated, "These findings relating to the execution of the study is disappointing. We anticipate approximately another 10 days to complete ongoing analysis of patient samples and data. At such time, we will provide an update on our findings. These findings will not necessarily delay the scheduled unblinding or final analysis of the data."
>
> XBiotech has been conducting two separate Phase III studies in colorectal cancer with different study designs under the Food and Drug Administration (FDA) and

European Medicines Agency (EMA) regulatory paths, respectively. This update pertains to the European study, which was developed in collaboration with the EMA. The novel study design is a double-blind, placebo-controlled study that randomizes patients (2:1) to receive Xilonix plus best supportive care, or placebo plus best supportive care. The co-primary endpoints being assessed are change in lean body mass and change in patient reported symptoms from baseline to the 8 week follow up. Improvements in lean body mass are measured using a form of X-ray imaging called DEXA, combined with an assessment of patient well-being with respect to pain, fatigue and/or appetite loss. Specifically, stabilization or a gain in lean body mass at the 8-week follow up combined with improvement or no worsening in two of the latter measures of patient well-being, as measured by the validated EORTC QLQ-C30 questionnaire, enable a patient to be considered a responder for the purposes of the primary endpoint. The co-primary endpoints were designed to capture important surrogates for anti-cancer treatment effect, especially those that have been found in the past to correlate independently with improved overall survival. After completing assessment of the primary endpoint at eight weeks, patients are eligible to cross over into an open label extension of Xilonix.

The Company's second colorectal cancer study is a global Phase 3 study being conducted under a Fast Track designation from the FDA. This study is randomized 2:1 with patients receiving Xilonix or placebo plus best supportive care. Patients are required to have metastatic colorectal cancer, and have failed regimens including flouropyrimidines, oxaliplatin, and irinotecan. Unlike the EMA trial, symptoms at baseline are not required for entry. Patients continue on study until there is evidence of radiographic progression. The primary endpoint of this study is overall survival, with secondary endpoints of objective response rate, progression free survival, change in lean body mass as measured by DEXA, and improvement in patient reported quality of life using the validated EORTC QLQ C30 questionnaire.

(Emphasis added).

27. On this news, shares of XBiotech declined $4.50 per share, or approximately 34%, to close at $8.75 per share on November 24, 2015 on unusually heavy volume.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

28. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired XBiotech securities during the Class Period and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of XBiotech, members of the Individual Defendants' and Director Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which Officer or Director Defendants have or had a controlling interest.

29. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, XBiotech securities was actively traded on NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

30. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

31. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

32. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act was violated by Defendants' acts as alleged herein;

- whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the financial condition and business XBiotech;

- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

- whether the defendants caused XBiotech to issue false and misleading SEC filings during the Class Period;

- whether defendants acted knowingly or recklessly in issuing false and SEC filing

- whether the prices of XBiotech's securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and

- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

33. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

34. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- XBiotech shares met the requirements for listing, and were listed and actively traded on NASDAQ, a highly efficient and automated market;

- As a public issuer, XBiotech filed periodic public reports with the SEC and NASDAQ;

- XBiotech regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through

other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

- XBiotech was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

35. Based on the foregoing, the market for XBiotech securities promptly digested current information regarding XBiotech from all publicly available sources and reflected such information in the prices of the shares, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

36. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder
(Against All Defendants)

37. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

38. This Count is asserted against XBiotech and the Individual Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

39. During the Class Period, XBiotech and the Individual Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

40. XBiotech and the Individual Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of XBiotech securities during the Class Period.

41. XBiotech and the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of XBiotech were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of XBiotech, their control over, and/or receipt and/or modification of XBiotech's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning XBiotech, participated in the fraudulent scheme alleged herein.

42. Individual Defendants, who are the senior officers and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other XBiotech personnel to members of the investing public, including Plaintiff and the Class.

43. As a result of the foregoing, the market price of XBiotech securities was artificially inflated during the Class Period. In ignorance of the falsity of XBiotech's and the Individual Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of XBiotech securities during the Class Period in purchasing XBiotech securities at prices that were artificially inflated as a result of XBiotech's and the Individual Defendants' false and misleading statements.

44. Had Plaintiff and the other members of the Class been aware that the market price of XBiotech securities had been artificially and falsely inflated by XBiotech's and the Individual Defendants' misleading statements and by the material adverse information which XBiotech's and the Individual Defendants did not disclose, they would not have purchased XBiotech securities at the artificially inflated prices that they did, or at all.

45. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

46. By reason of the foregoing, XBiotech and the Individual Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of XBiotech securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
(Against the Individual Defendants)

47. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

48. During the Class Period, the Individual Defendants participated in the operation and management of XBiotech, and conducted and participated, directly and indirectly, in the conduct of

XBiotech's business affairs. Because of their senior positions, they knew the adverse non-public information about XBiotech's misstatement of revenue and profit and false financial statements.

49. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to XBiotech's financial condition and results of operations, and to correct promptly any public statements issued by XBiotech which had become materially false or misleading.

50. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which XBiotech disseminated in the marketplace during the Class Period concerning XBiotech's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause XBiotech to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of XBiotech within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of XBiotech securities.

51. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by XBiotech.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

(c) awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: December 2, 2015

Respectfully submitted,

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