

1 evidentiary support will exist for the allegations set forth herein after a reasonable
2 opportunity for discovery.

3 **NATURE OF THE ACTION**

4 1. This is a federal securities class action on behalf of a class consisting of all
5 persons other than Defendants who purchased the securities of Intrexon between May
6 12, 2015 and April 20, 2016, inclusive, (the “Class Period”) seeking to recover
7 compensable damages caused by Defendants’ violations of federal securities laws and
8 pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

9 **JURISDICTION AND VENUE**

10 2. The claims asserted herein arise under and pursuant to Sections 10(b) and
11 20(a) of the Exchange Act, (15 U.S.C. §78j (b) and 78t (a)), and Rule 10b-5 promulgated
12 thereunder (17 C.F.R. §240.10b-5).

13 3. This Court has jurisdiction over the subject matter of this action pursuant to
14 §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

15 4. Venue is proper in this District pursuant to §27 of the Exchange Act and 28
16 U.S.C. §1391(b) as Defendants conducts business in this district and a significant portion
17 of the Defendants’ actions and the subsequent damages took place within this District.

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

22 **PARTIES**

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

26 7. Defendant Intrexon is a company incorporated under the laws of Virginia
27 and headquartered in Germantown, Maryland. Defendant Intrexon is purportedly a
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1 leader in the field of synthetic biology. It maintains offices in South San Francisco,
2 California. Its securities trade on NYSE under the ticker symbol “XON.”

3 8. Defendant Randal J. Kirk (“Kirk”) has served as the Company’s Chairman
4 and Chief Executive Officer and Director throughout the Class Period.

5 9. Defendant Rick. L. Sterling (“Sterling”) has served as the Company’s Chief
6 Financial Officer throughout the Class Period.

7 10. The defendants referenced above in ¶¶ 8 – 9 are sometimes referred to
8 herein as the “Individual Defendants.”

9 11. Defendant Intrexon and the Individual Defendants are referred to herein,
10 collectively, as the “Defendants.”

11 12. Each of the Individual Defendants:

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

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

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

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

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

21 (f) approved or ratified these statements in violation of the federal
22 securities laws.

23 13. As officers, directors, and controlling persons of a publicly-held company
24 whose securities are and were registered with the SEC pursuant to the Exchange Act, and
25 was traded on NYSE and governed by the provisions of the federal securities laws, the
26 Individual Defendants each had a duty to disseminate accurate and truthful information
27 promptly with respect to the Company’s business prospects and operations, and to
28 correct any previously-issued statements that had become materially misleading or

1 untrue to allow the market price of the Company's publicly-traded stock to reflect
2 truthful and accurate information.

3 14. Intrexon is liable for the acts of the Individual Defendants and its
4 employees under the doctrine of respondeat superior and common law principles of
5 agency as all of the wrongful acts complained of herein were carried out within the scope
6 of their employment with authorization.

7 15. The scienter of the Individual Defendants and other employees and agents
8 of the Company is similarly imputed to Intrexon under respondeat superior and agency
9 principles.

10 **SUBSTANTIVE ALLEGATIONS**

11 **Background**

12 16. Intrexon operates in the synthetic biology field in the United States. The
13 Company, through a suite of proprietary and complementary technologies, designs,
14 builds, and regulates gene programs, which are DNA sequences that consist of key
15 genetic components.

16 **Materially False And Misleading Statements**

17 17. On May 11, 2015, the Company filed its quarterly report on Form 10-Q for
18 the quarterly period ended March 31, 2015 (the "1Q 2015 10-Q") with the SEC, which
19 contained the Company's financial results for the quarter ending March 31, 2015. The
20 1Q 2015 10-Q was signed by Defendant Sterling. The 1Q 2015 10-Q contained signed
21 certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Kirk
22 and Sterling attesting to the accuracy of the 1Q 2015 10-Q.

23 18. On August 10, 2015, the Company filed its quarterly report on Form 10-Q
24 for the quarterly period ended June 30, 2015 (the "2Q 2015 10-Q") with the SEC, which
25 contained the Company's financial results for the quarter ending June 30, 2015. The 2Q
26 2015 10-Q was signed by Defendant Sterling. The 2Q 2015 10-Q contained signed SOX
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1 certifications by Defendants Kirk and Sterling attesting to the accuracy of the 2Q 2015
2 10-Q.

3 19. On November 9, 2015, the Company filed its quarterly report on Form 10-Q
4 for the quarterly period ended September 30, 2015 (the “3Q 2015 10-Q”) with the SEC,
5 which contained the Company’s financial results for the quarter ending September 30,
6 2015. The 3Q 2015 10-Q was signed by Defendant Sterling. The 3Q 2015 10-Q
7 contained signed SOX certifications by Defendants Kirk and Sterling attesting to the
8 accuracy of the 3Q 2015 10-Q.

9 20. On February 29, 2016, the Company filed its annual report on Form 10-K
10 for the year ending December 31, 2015 (the “2015 10-K”) with the SEC, which
11 contained the Company’s financial results for the year ending December 31, 2015. The
12 2015 10-K was signed by Kirk and Sterling. The 2015 10-K contained signed SOX
13 certifications by Defendant Kirk and Sterling attesting to the accuracy of the 2015 10-K
14 and effectiveness of the Company’s internal controls over financial reporting.

15 21. The statements referenced in ¶¶17 – 20 above were materially false and/or
16 misleading because they misrepresented and failed to disclose the following adverse
17 facts pertaining to the Company’s business, operational and financial results, which were
18 known to Defendants or recklessly disregarded by them. Specifically, Defendants made
19 false and/or misleading statements and/or failed to disclose that: (1) Intrexon was
20 overstating its revenue; and (2) as a result, Defendants’ statements about Intrexon’s
21 business, operations and prospects were materially false and misleading and/or lacked a
22 reasonable basis at all relevant times.

23 **The Truth Emerges**

24 22. On April 21, 2016, analyst firm Spotlight Research issued a report about
25 Intrexon asserting, among other things, that the Company’s revenues are overstated by
26 50% through transactions with related parties.

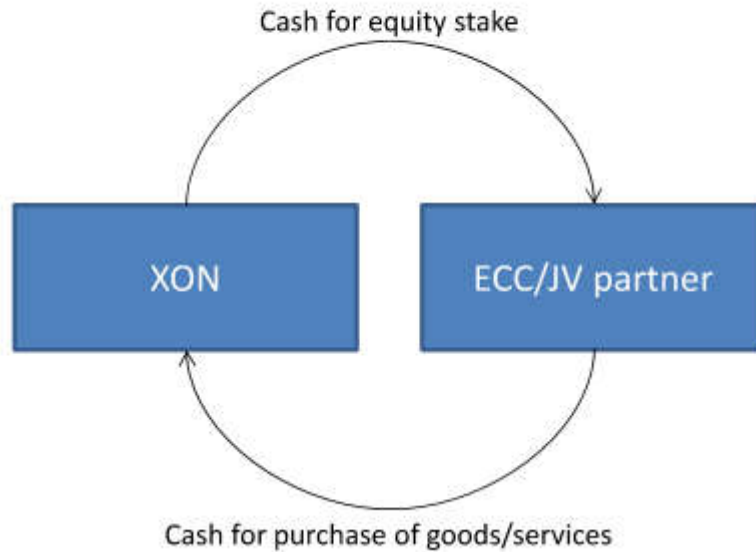
1 23. On this news, share of Intrexon fell \$9.73 per share or approximately 26%
2 from its previous closing price to close at \$27.10 per share on April 21, 2016, damaging
3 investors.

4 24. On April 27, 2016, Spotlight Research issued a report about Intrexon, which
5 elaborated on the Company's transactions with related parties, stating in part:

6 XON thinks of themselves as a royalty company. The idea is that they find
7 an interesting application for their technology, create a JV or Exclusive
8 Channel Collaboration ("ECC") with an independent third party interested
9 in pursuing that application, and take a royalty from the sales in that area
10 if/when the technology is commercialized. While that idea is noble enough,
in practice, XON does not do this in our view.

11 In reality, we believe that XON is creating revenues through round-tripping
12 their own cash via related parties.

13 These transactions represent almost half of XON's total revenues. The
14 transactions are simple to understand. First, XON (together with CEO RJ
15 Kirk's private investment vehicle Third Security) gives cash to the JV/ECC
16 partner. Then, the JV/ECC partner gives that cash right back to XON in
17 exchange for "services" rendered. We see no meaningful products being
18 commercialized or material advancements being made. Yet XON is able to
19 recognize substantial revenue growth through moving their own cash via
20 these transactions.

Anatomy of the XON round-tripping

Collaboration revenues used to represent effectively all of XON's revenues until late 2014 when M&A changed the mix. Still, collaboration revenues have represented — 50% of XON 2015 revenue. Thus, we believe that XON's revenue is overstated by a factor of two by turning financing cash flow into revenues.

Furthermore, according to XON's 2015 10-K, the company recognized \$77.4MM of collaboration revenues from related parties in 2015 out of a total of \$87.8MM of collaboration revenues. Thus, related party revenues represent 88% of 2015 collaboration revenue. The company also generated \$84.8MM of products and services revenue related primarily to the company's 2014 Trans Ova acquisition (Trans Ova to be addressed in upcoming Part 4 of our report). Since total 2015 revenue was \$173.6MM, this means that related party revenues represent 45% of total revenues, and that related party revenues plus Trans Ova revenues represent over 93% of total 2015 revenue for XON.

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MISMATCH BETWEEN XON REPORTED REVENUE FROM PARTNERS AND AMOUNTS PARTNERS CLAIM TO HAVE PAID TO XON

1 Even the related party deals that create XON's revenue may be overstated.
 2 We compared XON financial statements with customer financial statements
 3 and found large discrepancies between the revenue that XON reports and
 4 the payments that customers claim to have made to XON.

5 For example, in their 2015 10-K filing, XON claims that Ziopharm was
 6 their largest customer and paid them \$14.6 million and \$19.3 million in
 7 2014 and 2015, respectively.

| | Year Ended December 31, | |
|-------------------------|----------------------------|-----------|
| | 2015 | 2014 |
| | (in thousands) | |
| Intrex, Trexco S.A. | \$ 4,758 | \$ 14,621 |
| ZIOPHARM Oncology, Inc. | 19,306 | 14,621 |

8 <https://www.sec.gov/Archives/edgar/data/1356090/000135609016000092/xon-20151231x10k.htm>

9
 10 Strangely, in Ziopharm's 2015 10-K filing, they claim that they only paid
 11 XON \$12.0 million and \$16.3 million in 2014 and 2015, respectively, or
 12 16% less than the amount claimed by XON.

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 15 During the years ended December 31, 2015, 2014 and 2013, the Company expense \$16.3 million, \$12.0 million, and \$7.8 million, respectively, for services performed by Intrexon.

16 <https://www.sec.gov/Archives/edgar/data/1107421/000119312516475875/d113701d10k.htm>

17
 18 The pattern holds true across the companies where we were able to
 19 crosscheck XON's claims. In aggregate, XON claimed to have received 7%
 20 more revenue from the below ECC partners in 2015 than the ECC partners
 21 claimed to have paid to XON.

| | XON Reported | | Partner Reported | | Difference Reported | |
|--------------|--------------|-------------|------------------|-------------|---------------------|--------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Ziopharm | 14.6 | 19.3 | 12.0 | 16.3 | -17.9% | -15.6% |
| Orogenics | 1.6 | 6.5 | 0.9 | 5.6 | -44.4% | -14.9% |
| Fibrocell | 6.2 | 12.2 | 9.4 | 15.9 | 51.8% | 30.6% |
| OvaXon | 2.8 | 2.5 | 2.5 | 0.0 | -10.7% | -100.0% |
| Total | 25.3 | 40.6 | 24.8 | 37.8 | -1.8% | -6.9% |

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 Source: SEC filings

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

- 4 • whether the federal securities laws were violated by Defendants' acts as
5 alleged herein;
- 6 • whether statements made by Defendants to the investing public during the
7 Class Period misrepresented material facts about the business, operations
8 and management of Intrexon;
- 9 • whether the Individual Defendants caused Intrexon to issue false and
10 misleading financial statements during the Class Period;
- 11 • whether Defendants acted knowingly or recklessly in issuing false and
12 misleading financial statements;
- 13 • whether the prices of Intrexon securities during the Class Period were
14 artificially inflated because of the Defendants' conduct complained of
15 herein; and
- 16 • whether the members of the Class have sustained damages and, if so, what
17 is the proper measure of damages.

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

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

- 26 • Defendants made public misrepresentations or failed to disclose material
27 facts during the Class Period;
- 28 • the omissions and misrepresentations were material;

- 1 • Intrexon securities are traded in an efficient market;
- 2 • the Company's shares were liquid and traded with moderate to heavy
- 3 volume during the Class Period;
- 4 • the Company traded on NYSE and was covered by multiple analysts;
- 5 • the misrepresentations and omissions alleged would tend to induce a
- 6 reasonable investor to misjudge the value of the Company's securities; and
- 7 • Plaintiff and members of the Class purchased, acquired and/or sold Intrexon
- 8 securities between the time the Defendants failed to disclose or
- 9 misrepresented material facts and the time the true facts were disclosed,
- 10 without knowledge of the omitted or misrepresented facts.

11 33. Based upon the foregoing, Plaintiff and the members of the Class are
12 entitled to a presumption of reliance upon the integrity of the market.

13 34. Alternatively, Plaintiff and the members of the Class are entitled to the
14 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*
15 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants
16 omitted material information in their Class Period statements in violation of a duty to
17 disclose such information, as detailed above.

18 COUNT I

19 **Violations of Section 10(b) of The Exchange Act and Rule 10b-5** 20 **Against All Defendants**

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

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

26 37. During the Class Period, Defendants engaged in a plan, scheme, conspiracy
27 and course of conduct, pursuant to which they knowingly or recklessly engaged in acts,
28 transactions, practices and courses of business which operated as a fraud and deceit upon

1 Plaintiff and the other members of the Class; made various untrue statements of material
2 facts and omitted to state material facts necessary in order to make the statements made,
3 in light of the circumstances under which they were made, not misleading; and employed
4 devices, schemes and artifices to defraud in connection with the purchase and sale of
5 securities. Such scheme was intended to, and, throughout the Class Period, did: (i)
6 deceive the investing public, including Plaintiff and other Class members, as alleged
7 herein; (ii) artificially inflate and maintain the market price of Intrexon securities; and
8 (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire
9 Intrexon securities at artificially inflated prices. In furtherance of this unlawful scheme,
10 plan and course of conduct, Defendants, and each of them, took the actions set forth
11 herein.

12 38. Pursuant to the above plan, scheme, conspiracy and course of conduct, each
13 of the Defendants participated directly or indirectly in the preparation and/or issuance of
14 the annual reports, SEC filings, press releases and other statements and documents
15 described above, including statements made to securities analysts and the media that
16 were designed to influence the market for Intrexon securities. Such reports, filings,
17 releases and statements were materially false and misleading in that they failed to
18 disclose material adverse information and misrepresented the truth about Intrexon's
19 disclosure controls and procedures.

20 39. By virtue of their positions at Intrexon, Defendants had actual knowledge of
21 the materially false and misleading statements and material omissions alleged herein and
22 intended thereby to deceive Plaintiff and the other members of the Class, or, in the
23 alternative, Defendants acted with reckless disregard for the truth in that they failed or
24 refused to ascertain and disclose such facts as would reveal the materially false and
25 misleading nature of the statements made, although such facts were readily available to
26 Defendants. Said acts and omissions of Defendants were committed willfully or with
27 reckless disregard for the truth. In addition, each defendant knew or recklessly
28 disregarded that material facts were being misrepresented or omitted as described above.

1 40. Information showing that Defendants acted knowingly or with reckless
2 disregard for the truth is peculiarly within Defendants' knowledge and control. As the
3 senior managers and/or directors of Intrexon, the Individual Defendants had knowledge
4 of the details of Intrexon's internal affairs.

5 41. The Individual Defendants are liable both directly and indirectly for the
6 wrongs complained of herein. Because of their positions of control and authority, the
7 Individual Defendants were able to and did, directly or indirectly, control the content of
8 the statements of Intrexon. As officers and/or directors of a publicly-held company, the
9 Individual Defendants had a duty to disseminate timely, accurate, and truthful
10 information with respect to Intrexon's businesses, operations, future financial condition
11 and future prospects. As a result of the dissemination of the aforementioned false and
12 misleading reports, releases and public statements, the market price of Intrexon securities
13 was artificially inflated throughout the Class Period. In ignorance of the adverse facts
14 concerning Intrexon's business and financial condition which were concealed by
15 Defendants, Plaintiff and the other members of the Class purchased or otherwise
16 acquired Intrexon securities at artificially inflated prices and relied upon the price of the
17 securities, the integrity of the market for the securities and/or upon statements
18 disseminated by Defendants, and were damaged thereby.

19 42. During the Class Period, Intrexon securities were traded on an active and
20 efficient market. Plaintiff and the other members of the Class, relying on the materially
21 false and misleading statements described herein, which the Defendants made, issued or
22 caused to be disseminated, or relying upon the integrity of the market, purchased or
23 otherwise acquired shares of Intrexon securities at prices artificially inflated by
24 Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known
25 the truth, they would not have purchased or otherwise acquired said securities, or would
26 not have purchased or otherwise acquired them at the inflated prices that were paid. At
27 the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of
28 Intrexon securities was substantially lower than the prices paid by Plaintiff and the other

1 members of the Class. The market price of Intrexon securities declined sharply upon
2 public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

3 43. By reason of the conduct alleged herein, Defendants knowingly or
4 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and
5 Rule 10b-5 promulgated thereunder.

6 44. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff
7 and the other members of the Class suffered damages in connection with their respective
8 purchases, acquisitions and sales of the Company's securities during the Class Period,
9 upon the disclosure that the Company had been disseminating misrepresented financial
10 statements to the investing public.

11 **COUNT II**

12 **Violations of Section 20(a) of The Exchange Act**
13 **Against The Individual Defendants**

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

16 46. During the Class Period, the Individual Defendants participated in the
17 operation and management of Intrexon, and conducted and participated, directly and
18 indirectly, in the conduct of Intrexon's business affairs. Because of their senior positions,
19 they knew the adverse non-public information about Intrexon's operations, current
20 financial position and future business prospects.

21 47. As officers and/or directors of a publicly owned company, the Individual
22 Defendants had a duty to disseminate accurate and truthful information with respect to
23 Intrexon's business practices, and to correct promptly any public statements issued by
24 Intrexon which had become materially false or misleading.

25 48. Because of their positions of control and authority as senior officers, the
26 Individual Defendants were able to, and did, control the contents of the various reports,
27 press releases and public filings which Intrexon disseminated in the marketplace during
28 the Class Period concerning the Company's disclosure controls and procedures.

1 Throughout the Class Period, the Individual Defendants exercised their power and
2 authority to cause Intrexon to engage in the wrongful acts complained of herein. The
3 Individual Defendants therefore, were “controlling persons” of Intrexon within the
4 meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the
5 unlawful conduct alleged which artificially inflated the market price of Intrexon
6 securities.

7 49. Each of the Individual Defendants, therefore, acted as a controlling person
8 of Intrexon. By reason of their senior management positions and/or being directors of
9 Intrexon each of the Individual Defendants had the power to direct the actions of, and
10 exercised the same to cause, Intrexon to engage in the unlawful acts and conduct
11 complained of herein. Each of the Individual Defendants exercised control over the
12 general operations of Intrexon and possessed the power to control the specific activities
13 which comprise the primary violations about which Plaintiff and the other members of
14 the Class complain.

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

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18 **PRAYER FOR RELIEF**

19 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

20 A. Determining that the instant action may be maintained as a class action
21 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
22 Class representative;

23 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
24 by reason of the acts and transactions alleged herein;

25 C. Awarding Plaintiff and the other members of the Class prejudgment and
26 post-judgment interest, as well as her reasonable attorneys’ fees, expert fees and other
27 costs; and

1 D. Awarding such other and further relief as this Court may deem just and
2 proper.

3 **DEMAND FOR TRIAL BY JURY**

4 Plaintiff hereby demands a trial by jury.

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6 Dated: May 3, 2016

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