IMMUNOMEDICS INC
Form 10-Q
February 02, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2009

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-12104

Immunomedics, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**61-1009366**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

300 American Road, Morris Plains, New Jersey 07950

(Address of principal executive offices) (Zip Code)

(973) 605-8200

(Registrant s Telephone Number, Including Area Code)

Former Name, Former Address and Former Fiscal Year,

If Changed Since Last Report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer , large accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ¨	Accelerated Filer x
Non-Accelerated Filer ¨	Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares of the registrant s common stock outstanding as of February 1, 2010 was 75,261,579.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2009 (unaudited)	June 30, 2009 (audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 18,611,045**	$ 27,390,778
Auction rate securities current	**5,320,000**	
Accounts receivable, net of allowance for doubtful accounts of $139,000 and $133,000, at December 31, 2009 and June 30, 2009, respectively	**712,878**	702,021
Inventory	**725,760**	232,920
Other receivables	**1,350,383**	1,128,835
Prepaid expenses	**594,070**	375,934
Other current assets	**207,837**	396,293
Total current assets	**27,521,973**	30,226,781
Property and equipment, net of accumulated depreciation of $22,249,095 and $21,364,585, at December 31, 2009 and June 30, 2009, respectively	**4,896,453**	5,079,354
Auction rate securities non-current	**12,484,317**	17,458,349
Value of life insurance policies	**518,428**	486,428
Other long-term assets	**30,000**	30,000
	$ 45,451,171	$ 53,280,912
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 4,750,409**	$ 4,746,286
Deferred revenues current portion	**3,913,800**	45,685,385
Total current liabilities	**8,664,209**	50,431,671
Deferred rent	**925,989**	872,700
Commitments and Contingencies		
Stockholders equity:		
Preferred stock, $0.01 par value; authorized 10,000,000 shares; no shares issued and outstanding at December 31, 2009 and June 30, 2009		
Common stock, $0.01 par value; authorized 110,000,000 shares; issued and outstanding, 75,254,815 shares at December 31, 2009 and 75,137,831 shares at June 30, 2009	**752,547**	751,378
Capital contributed in excess of par	**242,022,765**	241,077,890
Treasury stock, at cost, 34,725 shares at December 31, 2009 and at June 30, 2009	**(458,370)**	(458,370)
Accumulated deficit	**(207,042,245)**	(239,824,199)
Accumulated other comprehensive income	**586,276**	429,842
Total stockholders equity	**35,860,973**	1,976,541
	$ 45,451,171	$ 53,280,912

See accompanying notes to unaudited condensed consolidated financial statements.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE INCOME

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
	(unaudited)			
Revenues:				
Product sales	**$ 910,745**	$ 745,516	**$ 1,678,199**	$ 1,807,351
License fee and other revenues	**3,913,800**	7,321,000	**41,771,585**	10,965,000
Research and development	**271,542**	446,253	**671,601**	642,351
Total revenues	**5,096,087**	8,512,769	**44,121,385**	13,414,702
Costs and Expenses:				
Costs of goods sold	**79,020**	50,333	**152,318**	170,438
Research and development	**2,908,282**	5,581,438	**8,441,778**	11,189,317
Sales and marketing	**208,975**	199,539	**419,449**	395,848
General and administrative	**1,278,667**	1,200,636	**2,718,662**	2,570,137
Total costs and expenses	**4,474,944**	7,031,946	**11,732,207**	14,325,740
Operating income (loss)	**621,143**	1,480,823	**32,389,178**	(911,038)
Impairment charge on auction rate securities		(327,378)		(327,378)
Interest and other income	**262,521**	448,547	**498,209**	829,316
Interest expense				(6,500)
Foreign currency transaction gain (loss)	**12,371**	(39,860)	**61,223**	(57,063)
Income (loss) before income tax benefit	**896,035**	1,562,132	**32,948,610**	(472,663)
Income tax (expense) benefit	**(125,672)**	1,329,529	**(166,656)**	1,133,698
Net income	**$ 770,363**	$ 2,891,661	**$ 32,781,954**	$ 661,035
Earnings per common share:				
Basic	**$ 0.01**	$ 0.04	**$ 0.44**	$ 0.01
Diluted	**$ 0.01**	$ 0.04	**$ 0.43**	$ 0.01
Weighted average shares used to calculate earnings per common share:				
Basic	**75,201,777**	75,117,251	**75,170,736**	75,112,512
Diluted	**76,902,912**	75,363,251	**76,871,871**	75,358,512
Comprehensive income:				
Net income	**$ 770,363**	$ 2,891,661	**$ 32,781,954**	$ 661,035
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**(44,143)**	(29,940)	**21,883**	(166,068)

Unrealized gain (loss) on securities available for sale - net	**69,747**	(1,006,824)	**134,551**	
Other comprehensive (loss) income	**25,604**	(1,036,764)	**156,434**	(166,068)
Comprehensive income	**$ 795,967**	$ 1,854,897	**$ 32,938,388**	$ 494,967

See accompanying notes to unaudited condensed consolidated financial statements

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31, (unaudited)	
	2009	**2008**
Cash flows from operating activities:		
Net income	**$ 32,781,954**	$ 661,035
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	**751,395**	731,723
Increase in deferred revenue from Nycomed Agreement		40,000,000
Amortization of deferred revenue	**(41,771,585)**	(10,916,000)
Increase (decrease) in allowance for doubtful accounts	**5,899**	(74,807)
Impairment charge on auction rate securities		327,378
Amortization of discounts of auction rate securities	**(288,677)**	(171,828)
Gain on redemption of auction rate securities	**(22,740)**	(59,292)
Non-cash expense relating to issuance of stock options	**931,444**	677,358
Non-cash increase in value of life insurance policy	**(32,000)**	(15,245)
Amortization of deferred rent	**53,289**	53,289
Changes in other operating assets and liabilities	**(756,701)**	(760,355)
Other	**21,883**	(166,068)
Net cash (used in) provided by operating activities	**(8,325,839)**	30,287,188
Cash flows from investing activities:		
Purchases of property and equipment	**(568,494)**	(453,313)
Proceeds from sales of auction rate securities	**100,000**	600,000
Net cash (used in) provided by investing activities	**(468,494)**	146,687
Cash flows from financing activities:		
Exercise/settlement of stock options, net	**14,600**	7,000
Net cash provided by financing activities	**14,600**	7,000
Net (decrease) increase in cash and cash equivalents	**(8,779,733)**	30,440,875
Cash and cash equivalents, beginning of period	**27,390,778**	6,132,470
Cash and cash equivalents, end of period	**$ 18,611,045**	$ 36,573,345

See accompanying notes to unaudited condensed consolidated financial statements.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

Reference is made to the Annual Report on Form 10-K of Immunomedics, Inc., a Delaware corporation (Immunomedics, the Company, we, our or us) for the fiscal year ended June 30, 2009, which contains our audited consolidated financial statements and the notes thereto.

1. Business Overview and Basis of Presentation

Immunomedics, Inc. is a biopharmaceutical company focused on the development of monoclonal antibody-based products for the targeted treatment of cancer, autoimmune and other serious diseases. The Company has transitioned its focus away from the development and commercialization of diagnostic imaging products in order to accelerate the development of its therapeutic product candidates, although the Company manufactures and commercializes its LeukoScan® product in territories where regulatory approvals have previously been granted. LeukoScan is indicated for diagnostic imaging for determining the location and extent of infection/inflammation in bone in patients with suspected osteomyelitis, including patients with diabetic foot ulcers. The Company has two foreign subsidiaries, Immunomedics B.V. in the Netherlands and Immunomedics GmbH in Darmstadt, Germany, to assist the Company in managing sales efforts and coordinating clinical trials in Europe. In addition, included in the accompanying financial statements is the majority-owned subsidiary, IBC Pharmaceuticals, Inc. (IBC), which has been working since 1999 on the development of novel cancer radiotherapeutics using patented pre-targeting technologies with proprietary, bispecific antibodies.

The accompanying unaudited condensed consolidated financial statements of Immunomedics, which incorporate our majority-owned subsidiaries, have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the statements do not include all of the information and footnotes required by GAAP for complete annual financial statements. With respect to the financial information for the interim periods included in this Quarterly Report on Form 10-Q, which is unaudited, management believes that all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation of the results for such interim periods have been included. The balance sheet at June 30, 2009 has been derived from the Company s audited fiscal 2009 consolidated financial statements. Operating results for the three and six-month periods ended December 31, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2010, or any other period.

Immunomedics is subject to significant risks and uncertainties, including, without limitation, our inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that the Company may be unable to successfully finance and secure regulatory approval of and market our drug candidates; the Company s dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under our collaborative agreements, if any; uncertainties about the Company s ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development or regulatory approval of competing products; the Company s ability to protect its proprietary technologies; patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the United States and internationally. For more details regarding such risks and uncertainties please refer to the section entitled Item 1A Risk Factors included in this Quarterly Report on Form 10-Q.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

With the $18.6 million of unrestricted cash and cash equivalents at December 31, 2009, and considering the $11.3 million of cash proceeds received in January 2010, (see Note 10), the Company believes it has sufficient funds to continue its operations and research and development programs for at least the next twelve months. During fiscal 2010, the Company is also advancing plans to initiate a Phase III registration trial of veltuzumab in non-Hodgkin s lymphoma. The Company does not plan to initiate such trial unless it obtains additional funding, for which it is considering a number of funding alternatives. The Company intends to continue expending substantial capital on its research and development programs. Immunomedics will need to raise additional capital in order to obtain the necessary regulatory approvals and then commercialize its therapeutic product candidates.

Since its inception in 1982, Immunomedics principal sources of funds have been the private and public sale of debt and equity securities and revenues from licensing agreements. There can be no assurance that Immunomedics will be able to raise the additional capital it will need on commercially acceptable terms, if at all. If the Company is unable to raise capital on acceptable terms or enter into new licensing agreements, its ability to continue its business will be materially and adversely affected.

2. Summary of Significant Accounting Policies

These unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended June 30, 2009. The Company adheres to the same accounting policies in preparation of its interim condensed consolidated financial statements.

Concentration of Credit Risk

As of December 31, 2009, the Company has $22.2 million in par value invested in auction rate securities (ARS), which are AAA rated securities collateralized by student loans, guaranteed by the U.S. Government under the Federal Family Education Loan Program and backed by insurance companies. These securities have long-term nominal maturities for which interest rates are reset through a dutch-auction each month and these auctions had historically provided a liquid market for these securities. As a result of the continuing liquidity issues experienced in the global credit and capital markets, there have been no successful auctions subsequent to February 2008 for any of the ARS held by the Company. The estimated fair market value of these ARS at December 31, 2009, is approximately $17.8 million, of which $5.3 million has been classified as current assets and $12.5 million as non-current assets on the condensed consolidated balance sheet. See the discussion below on Estimated Fair Value of Financial Instruments for a discussion of valuation assumptions utilized by the Company to estimate the fair value of its ARS.

Financial Instruments

The carrying amounts of cash and cash equivalents, other current assets and current liabilities approximate fair value due to the short-term maturity of these instruments. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

Estimated Fair Value of Financial Instruments

The Company has categorized its financial assets, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. The Company does not have any financial liabilities that are required to be measured at fair value on a recurring basis. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the condensed consolidated balance sheet as of December 31, 2009 are categorized based on the inputs to the valuation techniques as follows (in thousands):

Level 1 Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market which the company has the ability to access at the measurement date (examples include active exchange-traded equity securities and most U.S. Government and agency securities).

Level 2 Financial assets whose value are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.

Level 3 Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset.

As of December 31, 2009

($ in thousands)

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 13,240	$	$	$ 13,240
Auction Rate Securities		5,320	12,484	17,804
Total	$ 13,240	$ 5,320	$ 12,484	$ 31,044

The money market funds noted above are included in cash and cash equivalents. The Company sold two holdings of its ARS to a third party in January 2010 (see Note 10). Although the market is not active, these securities were valued based on the January 2010 transactions. All other auction rate securities were estimated using a discounted cash flow model as of December 31, 2009. See Note 3 for a description of the assumptions and methods used to estimate the fair value of the ARS.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of the beginning and ending balances of the financial assets categorized as Level 3 in the table above (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Auction Rate Securities
Beginning balance at June 30, 2009	$ 17,458
Total gains (realized or unrealized):	
Included in earnings	312
Included in other comprehensive income	134
Settlements	(100)
Transfers out of Level 3	(5,320)
Ending balance at December 31, 2009	$ 12,484
Change in unrealized gain relating to assets still held at December 31, 2009	$ 134
The amount of total gains or losses for the six-month period ended December 31, 2009 included in earnings attributable to other than temporary losses relating to assets still held at December 31, 2009	$

Reimbursement of Expenses

Research and development costs that are reimbursable under collaboration agreements are included as a reduction of research and development expenses. The Company records these reimbursements as a reduction of research and development expenses as the Company s partner in the collaboration agreement has the financial risks and responsibility for conducting these research and development activities.

Inventory

Inventory, which consists of the work-in-process and finished product for sales of LeukoScan, is stated at the lower of average cost (which approximates first-in, first-out) or market, and includes materials, labor and manufacturing overhead. An inventory reserve is recorded for finished product that is not deemed to be saleable, if necessary. At December 31, 2009 and June 30, 2009, the Company did not record an inventory reserve as all inventory was deemed saleable. As of December 31, 2009, the inventory balance consisted of finished goods ($125,760) and work in process ($600,000). As of June 30, 2009, the inventory balance consisted of finished goods only.

Income Taxes

The Company uses the asset and liability method to account for income taxes, including the recognition of deferred tax assets and deferred tax liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes that it is

more likely than not that its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company s tax provision in the period of change.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

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FINANCIAL STATEMENTS (Continued)

Benefits received resulting from the sale of certain of our State of New Jersey Net Operating Losses (NOL) are recognized as a tax benefit when the NOL is approved for sale by the State of New Jersey. During the three months ended December 31, 2008, the Company sold and received benefits of approximately $1,386,000, as a result of the State of New Jersey NOLs. No benefits were sold during the three months ended December 31, 2009. No benefits were sold for the first three months of either the 2010 or 2009 fiscal years. For the three and six-month periods ended December 31, 2009, U.S. taxes of $50,000 were provided for, net of the utilization of deferred tax assets and the valuation allowance recorded upon it. For the three and six month periods ended December 31, 2008, U.S. income taxes were not provided for because the Company utilized deferred tax assets which had a full valuation allowance recorded upon it.

Income taxes were provided for profitable foreign jurisdictions at the applicable effective tax rate during the six-month periods ended December 31, 2009 and 2008. The income taxes for foreign jurisdictions for the three and six-month periods ended December 31, 2009 includes $76,000 and $117,000 respectively, for liabilities resulting from taxable foreign entities, as compared to $71,000 and $236,000 for the three and six month periods ended December 31, 2008, respectively.

Net Income Per Share Allocable to Common Stockholders

Basic net income per share is based upon the weighted average number of shares of common stock and vested shares outstanding. Diluted net income per share is based upon the weighted average number of shares of common stock and dilutive potential shares of common stock outstanding. Potential shares of common stock result from the assumed exercise of outstanding stock options, with exercise prices less than the average market price of the Company s common stock during the three and six month periods ended December 31, 2009 and 2008, are calculated under the treasury stock method.

Comprehensive Income

Comprehensive income consists of net income, net unrealized gains on securities available for sale and foreign exchange translation adjustments and is presented in the Condensed Consolidated Statements of Operations and Comprehensive Income.

3. Auction Rate Securities

Immunomedics securities for which there is not the positive intent and ability to hold to maturity are classified as available-for-sale and are carried at fair value. Unrealized holding gains and losses, which are deemed to be temporary, on securities classified as available-for-sale are classified as a separate component of accumulated other comprehensive loss. Immunomedics considers all of its investments to be available-for-sale. Auction rate securities at December 31, 2009 and June 30, 2009 consist of the following ($ in thousands):

	Adjusted Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
December 31, 2009				
Auction Rate Securities	$ 17,670	$ 134	$	$ 17,804
	$ 17,670	$ 134	$	$ 17,804
June 30, 2009				
Auction Rate Securities	$ 17,458	$	$	$ 17,458

$ 17,458	$	$	$ 17,458

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

ARS are debt instruments that represent investments in pools of assets. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests at par. The Company s ARS have long-term scheduled maturities, ranging from 2032 to 2046, but have interest rates that are typically reset at pre-determined intervals (every 28 days for the securities purchased by the Company), at which time the securities can typically be purchased or sold, creating a liquid market. When there is an active market for such investments, the reset rate for each instrument is an opportunity to accept the rates that reset or sell the instrument at its face value in order to seek an alternative investment. In the past, the auction process has allowed investors to roll over their holdings or obtain immediate liquidity by selling the securities at par. As discussed below the auctions failed during fiscal 2008 and have not settled in an active market since that time.

The ARS held are primarily AAA rated collateralized by student loans guaranteed by the U.S. Government under the Federal Family Education Loan Program and backed by insurance companies. To date, the Company has collected all interest payable on all of the ARS when due and expects to continue to do so in the future.

As of December 31, 2009, the Company held six ARS with a par value of $22.2 million. During the week of February 11, 2008, a substantial number of auctions failed, meaning that there was not enough demand to sell the entire issue at auction. The continued uncertainties in the credit markets have affected the Company s holdings in ARS investments as the auctions for these securities have failed to settle on their respective settlement dates. Subsequent to December 31, 2009, the Company sold two of the ARS with a par value of $6.0 million in the secondary market at a discounted value of $5.3 million, (see Note 10). The other four ARS are not currently liquid and the Company will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process, of which there is no assurance.

As a result of the Company s assessment of a number of factors, including without limitation, market conditions and the credit quality of these securities, the Company determined that the estimated fair value of the remaining ARS is less than par value, although the Company continues to earn interest on the current auction rate security investments at the maximum contractual rate. The Company used a discounted cash flow model to determine the estimated fair value of its remaining non-current investment in ARS of $12.5 million as of December 31, 2009. Utilizing this discounted cash flow model and the value of the ARS sold subsequent to December 31, 2009, the Company determined that the change in the estimated fair value of its investments in ARS for the three and six-month periods ended December 31, 2009 resulted in unrealized gains of $65,000 and $134,000, respectively. Utilizing the same discounted cash flow model, the Company determined that the change in the estimated fair value of its investments in ARS for the three period ended December 31, 2008 resulted in a loss of $1,007,000 and an other than temporary impairment charge of $327,000 during the six-month period ended December 31, 2008.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

The significant assumptions used in preparing the discounted cash flow model as of December 31, 2009 include (i) estimates for the investment s contractual bond coupon rates (ranging from 1.23% - 1.73%), (ii) the market yield interest rates (estimated at the U.S. Treasury Seven-Year Bond Rate of 3.39% plus a premium factor of 2.0%) and (iii) the effective maturity period of seven years (which is the period the auctions are expected to resume their normal function). If the Company s estimates regarding the fair value of these securities are inaccurate, a future other-than-temporary impairment charge may be required. Additionally, these estimated fair values could change significantly based on future market conditions and, as such, the Company may be required to record additional losses for impairment if the Company determines there are further declines in fair value. During the three and six-month periods ended December 31, 2009, the Company reported $145,000 and $289,000, respectively, as interest income for the recognition of a portion of the market value discount of the ARS, as compared to $86,000 and $172,000, for the three and six-month periods ended December 31, 2008.

4. Stock Incentive Plan

A summary of the 2006 Stock Incentive Plan, as amended (the Plan), is provided in Note 7 to the audited financial statements contained in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company s common stock at the date of grant; those option awards generally vest based on four years of continuous service and have 7-year contractual terms. Option awards that are granted to non-employee Board members under the annual option grant program are granted with an exercise price equal to the market price of the Company s common stock at the date of grant, are vested immediately and have 7-year contractual terms.

The fair value of each option granted during the six-month periods ended December 31, 2009 and 2008 is estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions in the following table:

	Six-month periods ended December 31,	
	2009	**2008**
Expected dividend yield	0%	0%
Expected option term (years)	5.78	5.31
Expected stock price volatility	92%	93%
Risk-free interest rate	2.80% - 3.12%	1.92 - 3.71%

The weighted average fair value at the date of grant for options granted during the six-month periods ended December 31, 2009 and 2008 were $2.68 and $1.92 per share, respectively. The Company uses historical data to estimate employee forfeitures for employees, executive officers and outside directors. The expected term of options granted represents the period of time that options granted are expected to be outstanding. Expected stock price volatility was calculated based on ten-year daily stock trading history. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

Information concerning options for the six-month period ended December 31, 2009 is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, July 1, 2009	6,416,433	$ 6.77		
Granted	68,500	$ 3.56		
Exercised	(108,500)	$ 2.35		
Cancelled or forfeited	(12,094)	$ 6.72		
Outstanding, December 31, 2009	6,364,339	$ 6.81	4.14	$ 2,068,000
Exercisable, December 31, 2009	4,767,823	$ 8.14	3.55	$ 1,186,000

The Company has 1,596,516 non-vested options outstanding as of December 31, 2009. As of December 31, 2009, there was $3,519,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is being recognized over a weighted-average period of 2.1 years. The Company recorded $542,000 and $907,000 for stock-based compensation for the three and six-month periods ended December 31, 2009 as compared to $365,000 and $644,000 for the three and six-month periods ended December 31, 2008, respectively.

As part of the Plan, on the date of each annual stockholder meeting, each non-employee Board member who continues to serve as a non-employee Board member shall automatically be granted restricted stock units covering not more than an additional 5,000 shares of common stock provided such individual has served as a non-employee Board member for a period of at least three months. The Company recorded stock-based compensation expense for these non-employee Board members restricted stock units of $14,000 and $24,000 for the three and six-month periods ended December 31, 2009 as compared to $15,000 and $33,000 for the three and six-month periods ended December 31, 2008.

A summary of the Company s non-vested restricted stock units at July 1, 2009, and changes during the six-month period ended December 31, 2009 is presented below:

Outstanding Non-Vested Restricted Stock Units	Number of Awards
Non-vested at July 1, 2009	335,000
Granted	25,000
Vested	(71,875)
Forfeited	
Non-vested at December 31, 2009	288,125

5. Earnings Per Share

Per share data is based on the weighted average outstanding number of shares of the Company s common stock during the relevant period. Basic earnings per share is calculated using the weighted average number of outstanding shares of common stock. Diluted earnings per share computations, as calculated under the treasury stock method, include the weighted average number of shares of additional outstanding common stock issuable for stock options and restricted stock whether or not currently exercisable. Diluted earnings per share for all the periods presented does not include securities if their effect was antidilutive (in thousands, except per share amounts).

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Net income	$ 770	$ 2,892	$ 32,782	$ 661
Basic earnings per share:				
Weighted average basic common shares outstanding	75,202	75,117	75,171	75,113
Basic earnings per share	$ 0.01	$ 0.04	$ 0.44	$ 0.01
Diluted earnings per share:				
Weighted average basic common shares outstanding	75,202	75,117	75,171	75,113
Dilutive effect of stock options outstanding	1,413	13	1,413	13
Dilutive effect of restricted stock	288	233	288	233
Weighted average diluted common shares outstanding	76,903	75,363	76,872	75,359
Diluted earnings per share	$ 0.01	$ 0.04	$ 0.43	$ 0.01
Stock options excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	4,951	5,949	4,951	5,949
Restricted stock excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive				

6. Geographic Segments

Immunomedics manages its operations as one line of business of researching, developing, manufacturing and marketing biopharmaceutical products, particularly antibody-based products for cancer, autoimmune and other serious diseases, and it currently reports as a single industry segment. Immunomedics conducts its research and development activities primarily in the United States. Immunomedics markets and sells LeukoScan throughout Europe, Canada and in certain other markets outside the United States.

The following table presents financial information based on the geographic location of the facilities of Immunomedics as of and for the three and six-month periods ended December 31, 2009 and 2008 ($ in thousands):

	Three-Months Ended December 31, 2009		
	United States	Europe	Total
Total assets	$ 42,976	$ 2,165	$ 45,451
Property and equipment, net	4,893	3	4,896
Revenues	4,190	906	5,096

Income before taxes	610	286	896

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

	Three-Months Ended December 31, 2008		
	United States	Europe	Total
Total assets	$ 61,760	$ 3,162	$ 64,922
Property and equipment, net	5,643	2	5,645
Revenues	7,774	739	8,513
Income before taxes	1,445	117	1,562

	Six-Months Ended December 31, 2009		
	United States	Europe	Total
Revenues	$ 42,458	$ 1,663	$ 44,121
Income before taxes	32,492	457	32,949

	Six-Months Ended December 31, 2008		
	United States	Europe	Total
Revenues	$ 11,629	$ 1,786	$ 13,415
Income (loss) before taxes	(885)	412	(473)

7. Related Party Transactions

Certain of the Company s affiliates, including members of senior management and its Board of Directors, as well as their respective family members and other affiliates, have relationships and agreements among themselves as well as with the Company and its affiliates, that create the potential for both real, as well as perceived, conflicts of interest. These include Dr. David M. Goldenberg, the Chairman of the Board of Directors and Chief Medical Officer and Chief Scientific Officer, Ms. Cynthia L. Sullivan, the President and Chief Executive Officer, and certain companies with which the Company does business, including the Center for Molecular Medicine and Immunology, or CMMI, and the Company s majority-owned subsidiary, IBC. Dr. Goldenberg and Ms. Sullivan are husband and wife. For a description of these relationships and transactions, see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 and the notes to the audited financial statements contained therein.

The Company reimbursed CMMI for expenses incurred on behalf of Immunomedics, including amounts incurred pursuant to research contracts, in the amount of approximately $75,000 and $247,000 for the three and six-month periods ended December 31, 2009, respectively, as compared to $35,000 and $85,000 for the three and six-month periods ended December 31, 2008. The Company also provides to CMMI, at no cost, laboratory materials and supplies. The Company incurred legal expenses on behalf of CMMI for patent related matters for the six-month period ended December 31, 2009 of $29,000 as compared to $6,000 for the six-month period ended December 31, 2008. The Company has first rights to license those patents and may decide whether or not to support them. However, any inventions made independently of the Company at CMMI are the property of CMMI.

For each of the six-month periods ended December 31, 2009 and 2008, Dr. Goldenberg received $27,500 in compensation for his services to IBC.

The Company has a Second Amended and Restated Employment Agreement with Dr. Goldenberg for his service to the Company as the Chief Scientific Officer and Chief Medical Officer (the Goldenberg Agreement), which terminates June 30, 2011. This

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

agreement covers aspects of his compensation as well as duties and responsibilities of his employment at Immunomedics. For a description of the Goldenberg Agreement see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 and the notes to the audited financial statements contained therein.

As part of the Goldenberg Agreement, Dr. Goldenberg is eligible to receive certain additional incentive compensation during the agreement term as described in the notes to the audited financial statements, including being eligible to receive royalty payments from royalties received by the Company. For each fiscal year, the Company shall pay Dr. Goldenberg a sum equal to a percentage of the annual royalties the Company receives on each of the products for which Dr. Goldenberg is an inventor, and all products using, related to or derived from products for which Dr. Goldenberg is an inventor. The percentage of royalties that the Company will pay to Dr. Goldenberg on each patented product will be determined based on the percentage of royalties that the Company must pay to external third parties.

Under the terms of the agreement, the Company made a minimum payment of $150,000 to Dr. Goldenberg during each of the fiscal years during the Goldenberg Agreement, payable in equal quarterly payments, as an advance against the amounts due as additional incentive compensation, royalty payments and dispositions of undeveloped assets. For the six-month period ended December 31, 2009 no additional incentive compensation payments were made to Dr. Goldenberg other than the $37,500 minimum quarterly payments. During the six-month-period ended December 31, 2009, in accordance with the terms of the Goldenberg Agreement, the Company accrued an additional $577,000 for additional incentive compensation for Dr. Goldenberg to be paid upon the completion of the 2010 fiscal year due to the expectation of the Company s profitability for the 2010 fiscal year. Such expectation is primarily the result of the prior and anticipated recognition of deferred revenues resulting from the UCB and Nycomed agreements. However, there can be no assurance that the Company will be profitable for the 2010 fiscal year. During the six-month period ended December 31, 2008, in accordance with the terms of the Goldenberg Agreement for additional incentive compensation for transactional payments, a payment of $300,000 was made to Dr. Goldenberg in recognition of the execution of the Nycomed Agreement.

8. License Agreements

Nycomed GmbH

On July 11, 2008, the Company entered into a License and Collaboration Agreement (the Nycomed Agreement) with Nycomed GmbH (Nycomed) providing Nycomed a worldwide license to develop, manufacture and commercialize veltuzumab, the Company s humanized anti-CD20 antibody, veltuzumab in the subcutaneous formulation, for the treatment of all non-cancer indications. The Company retains the rights to develop, manufacture and commercialize veltuzumab in the field of oncology.

Under the terms of the Nycomed Agreement, Immunomedics received a non-refundable initial cash payment of $40 million on August 21, 2008. Immunomedics could also receive potential cash milestone payments of up to $580 million. The Company will also receive an escalating double digit royalty based on annual net sales, if any, by Nycomed, its affiliates or sublicenses under the Nycomed Agreement during the royalty term. No clinical milestones or royalty payments were earned or received through December 31, 2009. In January 2010 a $5.0 million milestone payment was received by the Company upon the completion of the first clinical milestone event related to the Immune Thrombocytopenic Purpura, or ITP, clinical trial. There can be no assurance that the other clinical, regulatory or sales milestones will be met and therefore there can be no assurance that the Company will receive any future payments.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

As the Company had continuing obligations under the Nycomed Agreement, the Company recorded the $40 million non-refundable payment as deferred revenue and the Company was recognizing this amount through December 2009, which was the Company s best estimate of the period of time required for the Company to fulfill its obligations under the Nycomed Agreement. By September 15, 2009, it was estimated that the Company s obligations would not be completed until the third quarter of fiscal 2010. This change in estimate resulted in approximately $3,914,000 of lower license fee revenues for the six-month period ended December 31, 2009, or approximately $0.05 earning per share. Accordingly, the Company recognized $3,914,000 and $10,626,000 as License Fee Revenues for the three and six-month periods ended December 31, 2009 as compared to $7,272,000 and $10,916,000 for the three and six-month periods ended December 31, 2008. The remaining balance of $3,914,000 as of December 31, 2009 is recorded as deferred revenue in the accompanying condensed consolidated balance sheet and is expected to be amortized to license fee revenue during the third quarter of fiscal 2010.

Nycomed is solely responsible for the development, manufacturing and commercialization of veltuzumab, for the subcutaneous formulation, for all non-cancer indications. The Company s major obligations were to complete the research and development activities as specified in the Nycomed Agreement and to manufacture and supply veltuzumab to Nycomed for the quantity of materials for the period of time specified in the Nycomed Agreement. The Company completed its manufacturing and supply obligations by December 31, 2009 and expects to complete its responsibilities in the Phase I/II study in ITP during the third quarter of fiscal 2010.

For the three and six-month periods ended December 31, 2009, the Company manufactured materials for Nycomed aggregating $2,889,000 and $4,476,000, respectively, as outlined in the Nycomed Agreement. For the same periods in the previous fiscal year, the Company manufactured materials for Nycomed aggregating $759,000 and $1,079,000, respectively, for the three and six-month periods ended December 31, 2008. In addition, Immunomedics is to complete the research and development activities indicated in the Nycomed Agreement, for which the Company will be reimbursed by Nycomed for all direct costs, of which $164,000 and $297,000 has been incurred for the three and six-months ended December 31, 2009, respectively. For the same periods in the previous fiscal year, the Company was reimbursed $119,000. As of December 31, 2009, $1,147,000 was outstanding from Nycomed for reimbursable expenses.

UCB, S.A.

On May 9, 2006, the Company entered into an agreement with UCB, S.A., the UCB Agreement, providing UCB an exclusive worldwide license to develop, manufacture, market and sell epratuzumab for the treatment of all autoimmune disease indications. Under the terms of the UCB Agreement, the Company received from UCB a non-refundable cash payment totaling $38 million. The Company recorded the $38 million non-refundable payment as deferred revenue and was to amortize the $38 million payment received over the expected obligation period, originally estimated to end in November 2009. For a description of this agreement and related transactions, see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 and the notes to the audited financial statements contained therein.

During the 2007 fiscal year, UCB decided to stop further new patient enrollment into the Systemic Lupus Erythematosus, or SLE, clinical trials designed and initiated by the Company.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

During the 2008 fiscal year, UCB established new protocols under which new clinical trials for the treatment of SLE would be conducted and subsequently terminated the then existing SLE clinical trials. As a result of the UCB decision to terminate the two previous Phase III SLE trials, the Company ceased amortizing to revenue the deferred revenue recorded with the receipt of the up front payments from UCB at the inception of the license agreement until such time as the obligation period could be determinable.

On August 4, 2009, Immunomedics received a letter dated July 30, 2009 from UCB stating that UCB has relieved the Company of its remaining obligation under the UCB Agreement, to supply UCB with additional epratuzumab if requested. As this was the only obligation remaining for Immunomedics under the terms of the UCB Agreement, the Company recorded the $31,145,000 deferred revenue under the UCB Agreement as licensing fee revenue during the three-month period ended September 30, 2009.

9. Commitments and Contingencies

Employment Contracts

On June 28, 2007, the Amended and Restated Employment Agreement with Dr. Goldenberg was executed for the period through June 30, 2011. As part of this agreement a $150,000 annual minimum payment is paid in the aggregate against all Revenue Incentive Compensation and Royalty Payments. The Amended and Restated Employment Agreement with Dr. Goldenberg was later amended and restated by Amendment No.1 to the Second Amended and Restated Employment Agreement, dated January 31, 2008 and the Second Amended and Restated Employment Agreement, dated December 17, 2008.

On December 31, 2006, the Company and Cynthia L. Sullivan entered into a two year agreement (subject to annual renewal), the Amended and Restated Employment Agreement pertaining to Ms. Sullivan s service as the Company s President and Chief Executive Officer. The Amended and Restated Employment Agreement with Ms. Sullivan was later amended and restated by the Second Amended and Restated Employment Agreement, dated December 17, 2008.

For more information regarding employment contracts, see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 and the notes to the audited financial statements contained therein.

Legal Matters

Former Investment Advisor/Broker

On April 15, 2009, the Company initiated an arbitration proceeding before the Financial Industry Regulatory Authority (FINRA) against its former investment advisor/broker, Banc of America Investment Services, Inc. and Banc of America Securities, LLC. In the arbitration, the Company claims that the respondents violated the New Jersey Uniform Securities Law, the North Carolina Securities Act, and certain FINRA rules by, among other things, making false representations and/or material omissions concerning auction rate securities, inappropriately advising investment in auction rate securities, and failing to supervise their employees. The Company is seeking to rescind its initial investment in auction rate securities, of which $22,200,000 is outstanding as of December 31, 2009. The Company has also requested consequential damages, punitive damages, and other relief. FINRA has tentatively scheduled an arbitration hearing in this matter for September 2010.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

10. Subsequent Events

On January 19, 2010, in accordance with the terms of the Nycomed Agreement, the Company received a $5.0 million milestone payment in connection with the ITP study. The revenue recognition of this transaction will be recorded in the three-month period ending March 31, 2010.

On January 13, 2010, the Company sold two ARS with a par value of $6.0 million for an aggregate of $5.3 million. The ARS had an aggregate carrying value of $4.7 million. The Company will record a gain of $650,000 for the sale of these ARS for the three-month period ended March 31, 2010.

On January 11, 2010, the Company sold and received benefits of approximately $1,035,000 as a result of the State of New Jersey Net Operating Losses. This tax benefit transaction will be recorded in the three-month period ending March 31, 2010.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. Certain statements that we may make from time to time, including, without limitation, statements contained in this Quarterly Report on Form 10-Q, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this Quarterly Report, and they may also be made a part of this Quarterly Report by reference to other documents filed with the Securities and Exchange Commission, which is known as incorporation by reference.

Words such as may, anticipate, estimate, expects, projects, intends, plans, believes and words and terms of similar substance used in with any discussion of future operating or financial performance, are intended to identify forward-looking statements. All forward-looking statements are management s present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, among other things: our inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that we may be unable to obtain additional capital through strategic collaborations, licensing, convertible debt securities or equity financing in order to continue our research and development programs as well as secure regulatory approval of and market our drug candidates; our dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under our collaborative agreements; uncertainties about our ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing products; our ability to protect our proprietary technologies; patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the United States and internationally; and other factors discussed under the heading Item 1A Risk Factors in this Quarterly Report on Form 10-Q.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Quarterly Report or in any document incorporated by reference might not occur. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report or the date of the document incorporated by reference in this Quarterly Report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent forward-looking statements attributable to Immunomedics or to any person authorized to act on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Overview

Immunomedics is a biopharmaceutical company focused on the development of monoclonal, antibody-based products for the targeted treatment of cancer, autoimmune and other serious diseases. We have developed a number of advanced proprietary technologies that allow us to create humanized antibodies that can be used either alone in unlabeled or naked form, or

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conjugated with radioactive isotopes, chemotherapeutics or toxins, in each case to create highly targeted agents. Using these technologies, we have built a pipeline of therapeutic product candidates that utilize several different mechanisms of action. We believe that our portfolio of intellectual property, which includes approximately 145 issued patents in the United States, and more than 300 other issued patents worldwide, protects our product candidates and technologies.

The development and commercialization of successful therapeutic products is subject to numerous risks and uncertainties including, without limitation, the following:

- the type of therapeutic compound under investigation and nature of the disease in connection with which the compound is being studied;
- our ability, as well as the ability of our partners, to conduct and complete clinical trials on a timely basis;
- the time required for us to comply with all applicable federal, state and foreign legal requirements, including, without limitation, our receipt of the necessary approvals of the U.S. Food and Drug Administration, or FDA;
- the financial resources available to us during any particular period; and
- many other factors associated with the commercial development of therapeutic products outside of our control.

See Risk Factors in Item 1A of this Quarterly Report.

Research and Development

As of December 31, 2009, we employed 17 professionals in our research and development departments and 20 professionals in our pre-clinical and clinical research departments. In addition to salaries and benefits, the other costs associated with research and development include the costs associated with producing biopharmaceutical compounds, laboratory equipment and supplies, the costs of conducting clinical trials, legal fees and expenses associated with pursuing patent protection, as well as facilities costs.

At any one time our scientists are engaged in the research and development of multiple therapeutic compounds. Because we do not track expenses on the basis of each individual compound under investigation, but rather aggregate research and development costs for accounting purposes, it is not possible for investors to analyze and compare the expenses associated with unsuccessful research and development efforts for any particular fiscal period, with those associated with compounds that are determined to be worthy of further development. This may make it more difficult for investors to evaluate our business and future prospects.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The following discussion highlights what we believe to be the critical accounting policies and judgments made in the preparation of these consolidated financial statements.

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Revenue Recognition

We account for revenue arrangements that include multiple deliverables, which addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. We concluded that the License and Collaboration Agreement, or the Nycomed Agreement, with Nycomed GmbH, and the Development, Collaboration and License Agreement dated May 9, 2006 with UCB, S.A., or the UCB Agreement, should be accounted for as a single unit of accounting.

We were amortizing the $40 million payment received as part of the Nycomed Agreement over the original expected obligation period, which was December 2009. The expected completion of the obligation period was revised to the third quarter of fiscal 2010, due to slower than anticipated patient enrollment in the ITP clinical trials and resulted in $3.9 million of lower license fee revenues for the six-month period ended December 31, 2009, or approximately $0.05 earnings per share.

We also concluded that the $38 million payment received from UCB should be amortized over the expected obligation period of the UCB Agreement, which was initially estimated to end in November 2009. During the 2007 fiscal year, UCB decided to stop further new patient enrollment into the Systemic Lupus Erythematosus, or SLE, clinical trials designed and initiated by us. During the 2008 fiscal year, UCB established new protocols under which new clinical trials for the treatment of SLE would be conducted and subsequently terminated the then existing SLE clinical trials. As a result of the UCB decision to terminate the two previous Phase III SLE trials, we ceased amortizing to revenue the deferred revenue recorded with the receipt of the up front payments from UCB at the inception of the license agreement until such time as the obligation period could be determinable.

Under the terms of the UCB Agreement, UCB has sole responsibility for all clinical development, regulatory filings and related submissions, as well as all commercialization activities with respect to epratuzumab in all autoimmune indications. As of June 30, 2009, our only remaining obligation was to provide UCB with additional epratuzumab if requested. In August 2009, UCB relieved us of our remaining obligation to supply UCB with any further supplies for SLE. Therefore, for the three-month period ended September 30, 2009, we recorded as revenue the remainder of the $31.1 million of deferred revenue from UCB.

Contract revenue from collaborative research agreements is recorded when earned based on the performance requirements of the contract. Revenue from non-refundable upfront license fees and certain guaranteed payments where we continue involvement through collaborative development are deferred and recognized as revenue over the period of continuing involvement. We estimate the period of continuing involvement based on the best available evidential matter available to us at each reporting period. If our estimated time frame for continuing involvement changes, this change in estimate could impact the amount of revenue recognized in future periods.

Research and development costs that are reimbursable under collaboration agreements are recognized as a reduction of research and development expenses. We record these reimbursements as a reduction of research and development expenses as our partner in the collaboration agreement has the financial risks and responsibility for conducting these research and development activities.

Revenue from product sales is recorded when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed and determinable and collectability is reasonably assured. Allowances, if any, are established for uncollectible amounts based on historical trends, estimated product returns and discounts. Since allowances are recorded based on management s estimates, actual amounts may be different in the future.

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Auction Rate Securities

We hold a number of interest bearing auction rate securities, or ARS, that represent investments in pools of assets. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at pre-determined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests at par. ARS have long-term scheduled maturities, but have interest rates that are typically reset at pre-determined intervals (every 28 days for the securities purchased by us), at which time the securities can typically be purchased or sold, creating a liquid market. In an active market for such investments, the rate reset for each instrument is an opportunity to accept the reset rate or sell the instrument at its face value in order to seek an alternative investment. In the past, the auction process has allowed investors to roll over their holdings or obtain immediate liquidity by selling the securities at par.

The ARS held are primarily AAA rated collateralized by student loans, guaranteed by the U.S. Government under the Federal Family Education Loan Program and backed by insurance companies. To date we have collected all interest payable on all ARS when due and expect to continue to do so in the future.

As of December 31, 2009, we held six auction rate securities with a par value of $22.2 million. These securities are classified as either current or long-term investments on the condensed consolidated balance sheet, based on their anticipated liquidity. Until February 2008, the auction rate securities market was highly liquid. During the week of February 11, 2008, a substantial number of auctions failed, meaning that there was not enough demand to sell the entire issue at auction. The uncertainties in the credit markets have affected our holdings in ARS investments as the auctions for these securities have failed to settle on their respective settlement dates. In January 2010, we sold two ARS for $5.3 million (par value of $6.0 million) to a broker in a secondary market. The carrying value of the ARS was $4.7 million, resulting in a gain of $650,000 realized in the three-month period ended March 31, 2010. The remaining four ARS are not currently liquid and we will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process.

We reviewed our ARS for impairment to determine whether the classification of the impairment is temporary or other-than-temporary. A temporary impairment results in an unrealized loss being recorded in the other comprehensive income (loss) component of stockholders equity. This treatment is appropriate when a loss in an investment is determined to be temporary in nature and a company has the ability to hold the investment until a recovery in market value takes place. Such an unrealized loss does not affect net income for the applicable accounting period. The differentiating factors between temporary and other-than-temporary impairment are primarily the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

As a result of our assessment of a number of factors, including without limitation, market conditions and the credit quality of these securities, we determined that the estimated fair value does not approximate par value, although we continue to earn interest on the current auction rate security investments at the maximum contractual rate. Accordingly, beginning with the three-month period ended March 31, 2008, we recorded an other than temporary impairment charge of $2.2 million to reduce the value of the ARS to their estimated fair value. Utilizing this discounted cash flow model

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and the value of the ARS sold subsequent to December 31, 2009, we determined that the change in the estimated fair value of our investments in ARS for the six-month period ended December 31, 2009 resulted in an unrealized gain of $0.1 million, as compared to an other than temporary impairment charge of $0.3 million during the six-month period ended December 31, 2008. For the two ARS that were sold subsequent to December 31, 2009, we classified those ARS as current assets in the condensed consolidated balance sheet, at the net value that was received in their sale. We used a discounted cash flow model to determine the estimated fair value of our remaining non-current investment in ARS.

The significant assumptions used in preparing the discounted cash flow model as of December 31, 2009 include (i) estimates for the investment s contractual bond coupon rates (ranging from 1.23% - 1.73%), (ii) the market yield interest rates (estimated at the U.S. Treasury Seven-Year Bond Rate of 3.39% plus a premium factor of 2.0%) and (iii) the effective maturity period of approximately seven years (which is the period the auctions are expected to resume its normal function). If our estimates regarding the fair value of these securities are inaccurate, a future other-than-temporary impairment charge may be required. Additionally, these estimated fair values could change significantly based on future market conditions and, as such, we may be required to record additional losses for impairment if we determine there are further declines in fair value. During the three and six-month periods ended December 31, 2009 we reported $145,000 and $289,000, respectively, of amortization of the market value discount of the ARS. During the three and six-month periods ended December 31, 2008 we reported $86,000 and $172,000, respectively, of amortization of the market value discount of the ARS.

Estimated Fair Value of Financial Instruments

We have categorized our financial assets, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth in Note 2, Summary of Significant Accounting Policies. We do not have any financial liabilities that are required to be measured at fair value on a recurring basis. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Foreign Currency Risks

For subsidiaries outside of the United States that operate in a local currency environment, income and expense items are translated to United States dollars at the monthly average rates of exchange prevailing during the year, assets and liabilities are translated at the period-end exchange rates, and equity accounts are translated at historical exchange rates. Translation adjustments are accumulated in a separate component of stockholders equity and are included in the determination of comprehensive income. Transaction gains and losses are included in the determination of net income.

Stock-Based Compensation

We have a stock incentive plan, the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended, that includes a discretionary grant program, a stock issuance program and an automatic grant program. The plan was established to promote the interests of the Company, by providing eligible persons with the opportunity to acquire a proprietary interest in the Company as an incentive to remain with the organization. This plan is described more fully in Note 7 to our audited financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2009 and Note 4 to our condensed consolidated financial statements in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2009 included elsewhere herein.

The grant-date fair value of stock awards is based upon the underlying price of the stock on the date of grant. The grant-date fair value of stock option awards must be determined using

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an option pricing model. Option pricing models require the use of estimates and assumptions as to (a) the expected term of the option, (b) the expected volatility of the price of the underlying stock and (c) the risk-free interest rate for the expected term of the option. The Company uses the Black-Scholes-Merton option pricing formula for determining the grant-date fair value of such awards.

The expected term of the option is based upon the contractual term and expected employee exercise and expected post-vesting employment termination behavior. The expected volatility of the price of the underlying stock is based upon the historical volatility of the Company s stock computed over a period of time equal to the expected term of the option. The risk free interest rate is based upon the implied yields currently available from the U.S. Treasury yield curve in effect at the time of the grant. Pre-vesting forfeiture rates are estimated based upon past voluntary termination behavior and past option forfeitures.

The following table sets forth the weighted-average assumptions used to calculate the fair value of options granted for the six-month periods ended December 31, 2009 and 2008:

	Six-Month Periods Ended December 31,	
	2009	2008
Expected dividend yield	0%	0%
Expected life of options (years)	5.78	5.31
Expected stock price volatility	92%	93%
Risk-free interest rate	2.80% - 3.12%	1.92 - 3.71%

Changes in any of these assumptions could impact, potentially materially, the amount of expense recorded in future periods related to stock-based awards.

Impairment of Assets

We review our long-lived assets for impairment, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based upon our judgment of our ability to recover the asset from the expected future undiscounted cash flows of the related operations. Actual future cash flows may be greater or less than estimated.

Results of Operations

Our results for any interim period, such as those described in the following analysis, are not necessarily indicative of the results for the entire fiscal year or any other future period.

Three-Month Period Ended December 31, 2009 Compared to 2008

Revenues

Revenues for the three-month period ended December 31, 2009 were $5,096,000, as compared to $8,513,000 for the same period in 2008, representing a decrease of $3,417,000 or 40%. The decrease for the three-month period ended December 31, 2009 is primarily the result of the recording of $3,914,000 of license fee revenue resulting from the Nycomed Agreement as compared to $7,272,000 of license fee revenues for the three-month period ended December 31, 2008. This reduction was due to the change in estimate of completing our obligations under the Nycomed Agreement from December 31, 2009 to the three-month period ending March 31, 2010. Product sales for the three-month period ended December 31, 2009 were $911,000, as compared to $746,000 for the same period in 2008, representing an increase of $165,000 or 22%. This increase resulted primarily from higher sales volume for sales of LeukoScan in Europe. Research

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and development revenues for the three-month period ended December 31, 2009 were $272,000 as compared to $446,000 for the previous year, due to the timing of the spending under the grant programs in place during each period.

Costs and Expenses

Total costs and expenses for the three-month period ended December 31, 2009 were $4,475,000, as compared to $7,032,000 for the same period in 2008, representing a decrease of $2,557,000 or 36%. Research and development expenses for the three-month period ended December 31, 2009 were $2,908,000 as compared to $5,581,000 for the same period in 2008, a decrease of $2,673,000 or 48%. The decrease in research and development expenses resulted primarily from $2,175,000 of increased expense reimbursements from Nycomed and $598,000 of reduced patent expenses from the previous year. Cost of goods sold for the three-month period ended December 31, 2009 was $79,000 as compared to $50,000 for the same period in 2008. Gross profit margins were 91% and 93%, respectively, for the three-month periods ended December 31, 2009 and 2008. General and administrative costs increased to $1,279,000 or 5% for the three-month period ended December 31, 2009, from $1,201,000 for the same period of 2008 due primarily to higher stock compensation expense ($173,000), partially offset by lower professional fees ($61,000) and insurance costs ($31,000).

Interest Income and Other Income

Interest and other income for the three-month period ended December 31, 2009 decreased to $263,000 compared to $449,000 for the same period in 2008, primarily due to lower rates of return on investments. This decline for the three-month period ended December 31, 2009 was partially offset by $145,000 for the amortization of the discount for the auction rate securities as compared to $86,000 for the three month period ended December 31, 2008.

Impairment Charge on Auction Rate Securities

A charge of $327,000 was reported for the three-month period ended December 31, 2008 for an other than temporary impairment charge on marketable securities associated with our investments in ARS. There was no similar charge for the three-month period ended December 31, 2009.

Foreign Currency Transaction Gain (Loss)

Foreign currency transactions amounted to a gain of $12,000 for the three-month period ended December 31, 2009 as compared to a loss of $40,000 for the same period in 2008, primarily as a result of currency fluctuations between the U.S. Dollar and the Euro.

Income Tax (Expense) Benefit

Income tax expense was $126,000 for the three-month period ended December 31, 2009 due to the profitability of the U.S. and foreign subsidiaries as compared to an income tax benefit of $1,330,000 for the three-month period ended December 31, 2008, as a result of the sale of our NOLs for $1,386,000 that was approved by the State of New Jersey. There was no sale of our NOLs for the three-month period ended December 31, 2009. In January 2010 we received an income tax benefit of $1,035,000 for the sale of our NOLs that was approved by the State of New Jersey.

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Net Income

Net income for the three-month period ended December 31, 2009 was $770,000 or $0.01 per share as compared to a net income of $2,892,000 or $0.04 per share, for the same period in 2008 representing a decline of $2,121,000. The decline in net income reported in 2009 as compared to 2008 resulted primarily from the $3,358,000 of lower license fee revenue recorded from the Nycomed Agreement during the second quarter and $1,386,000 of lower tax benefit from the 2008 sale of tax NOL losses to the State of New Jersey. There was no such sale during the three-month period December 31, 2009. The decline in total revenue was partially offset by $2,557,000 in lower operating expenses for the three-month period ended December 31, 2009.

Six -Month Period Ended December 31, 2009 Compared to 2008

Revenues

Revenues for the six-month period ended December 31, 2009 were $44,121,000, as compared to $13,415,000 for the same period in 2008, representing an increase of $30,706,000 or 229%. The increase for the six-month period ended December 31, 2009 is primarily the result of recording license fee revenue of $31,145,000 for the UCB Agreement. There was no corresponding revenue for UCB in fiscal 2008. In August 2009, we received notice from UCB relieving us of our responsibilities for the manufacturing of epratuzumab, the only remaining obligation under the UCB agreement, thus allowing us to record the full amount of the remaining deferred license fee revenue. Product sales for the six-month period ended December 31, 2009 were $1,678,000, as compared to $1,807,000 for the same period in 2008, representing a decrease of $129,000 or 7% due to lower sales volume of LeukoScan in Europe over the previous year. Research and development revenues for the six-month period ended December 31, 2009 were $672,000 as compared to $642,000 for the previous year, an increase of $30,000 or 5% due to the timing and size of the grant programs in place in the current period.

Costs and Expenses

Total costs and expenses for the six-month period ended December 31, 2009 were $11,732,000, as compared to $14,326,000 for the same period in 2008, representing a decrease of $2,594,000 or 18%. Research and development expenses for the six-month period ended December 31, 2009 were $8,442,000 as compared to $11,189,000 for the same period in 2008, representing a decrease of $2,747,000 or 25%. The reduction in research and development expenses resulted primarily from $3,575,000 of increased expense reimbursement from Nycomed and $673,000 of lower patent-related expenses, partially offset by $1,039,000 of higher levels of materials, supplies and testing for Nycomed related production, $227,000 of higher spending for clinical trials and as well as higher headcount and related salaries and employee benefits. Cost of goods sold for the six-month period ended December 31, 2009 was $152,000 as compared to $170,000 for the same period in 2008. Gross profit margins were 91% for both of the first six months of fiscal 2010 and 2009. General and administrative costs were $2,719,000 for the six-month period ended December 31, 2009, and $2,570,000 for the same period in 2008, an increase of $149,000 or 5%. This increase is primarily attributable to the accrual of $577,000 of additional incentive compensation due to our Chairman in accordance with his employment agreement, resulting from the expectation of our profitability for the 2010 fiscal year. Such expectation is primarily the result of increased licensing fee revenue recognized under the UCB agreement. There can be no assurance that we will be profitable for the 2010 fiscal year. The increase in fiscal 2010 expenses was partially offset by $300,000 of additional incentive compensation paid in the previous year to our Chairman as a result of the consummation of the Nycomed Agreement (in accordance with his employment agreement); as well as lower payroll related expenses and reduced insurance expenses in the 2010 fiscal year.

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Interest Income and Other Income

Interest income and other income for the six-month period ended December 31, 2009 was $498,000 as compared to $829,000 for the same period in 2008, a reduction of $331,000 or 40%. This decline was primarily the result of lower rates of return on investments and lower cash balances during the six months ended December 31, 2009. This decline for the six-month period ended December 31, 2009 was partially offset by $289,000 for the amortization of the discount for the ARS as compared to $172,000 for the six month period ended December 31, 2008.

Impairment Charge on Auction Rate Securities

A charge of $327,000 was reported for the six-month period ended December 31, 2008 for an other than temporary impairment charge on marketable securities associated with our investments in ARS with no comparable charge for the six-month period ended December 31, 2009.

Foreign Currency Transaction Gain (Loss)

Foreign currency transactions amounted to a gain of $61,000 for the six-month period ended December 31, 2009 as compared to a loss of $57,000 in 2008 due to currency fluctuations between the U.S. Dollar and the Euro.

Income Tax (Expense) Benefit

Income tax expense was $167,000 for the six-month period ended December 31, 2009 as compared to an income tax benefit of $1,134,000 for the same period in 2008. The income tax expense for 2009 was the result of foreign income taxes for the wholly-owned subsidiaries and the U.S. operations. The income tax benefit for the six-month period ended December 31, 2008, was a result of the sale of our NOLs for $1,386,000 that was approved by the State of New Jersey. There was no sale of our NOLs for the three-month period ended December 31, 2009. In January 2010 we received an income tax benefit of $1,035,000 for the sale of our NOLs that was approved by the State of New Jersey.

Net Income

Net income for the six-month period ended December 31, 2009 was $32,782,000 or $0.44 basic per share, as compared to a net income of $661,000, or $0.01 per share, for the same period in 2008, representing an improvement of $32,121,000. The improvement of the net income as compared to the same period in 2008 resulted primarily from the increase in licensing fee revenue from the UCB Agreement.

Liquidity and Capital Resources

Discussion of Cash Flows

Cash flows from operations. Net cash used in operating activities for the six-month period ended December 31, 2009 was $8.3 million, compared to net cash provided by operating activities of $30.3 million for the six month period ended December 31, 2008. The previous year s cash flow from operations benefited from the receipt of the $40.0 million of proceeds from the upfront payment from the completion of the Nycomed Agreement which occurred in August 2008.

Cash flows from investing. Net cash used in investing activities for the six-months ended December 31, 2009 was $468,000 compared to $147,000 of net cash provided by investing

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activities for the six months ended December 31, 2008. In fiscal year 2009, proceeds of $100,000 were received from the settlement of certain auction rate securities, offset by $568,000 of capital expenditures. In fiscal year 2008, proceeds of $600,000 were received from the settlement of certain auction rate securities, partially offset by $453,000 of capital expenditures during the six months ended December 31, 2008.

Cash flows from financing. Net cash provided by financing activities for the six-month periods ended December 31, 2009 and 2008 were less than $0.1 million.

Working Capital and Cash Requirements

At December 31, 2009, we had working capital of $18,858,000, representing an improvement of $39,063,000 from the working capital deficit of $20,205,000 at June 30, 2009. This increase in working capital is primarily a result of the recognition in fiscal year 2010 of $41,771,000 of deferred revenue from the UCB and Nycomed Agreements which were classified as current liabilities as of June 30, 2009 and the reclassification of $5,320,000 of auction rate securities from long-term asset to current asset. Partially offsetting this increase in working capital was our use of cash in operations of $8,326,000 during the six-month period ended December 31, 2009.

Our cash and cash equivalents amounted to $18,611,000 at December 31, 2009, representing a decrease of $8,800,000 from $27,391,000 at June 30, 2009. The decrease was primarily attributable to our use of cash in operations during the six-month period ended December 31, 2009. Subsequent to December 31, 2009, we received $11.3 million in cash, including a $5.0 million milestone payment in connection with the ITP clinical trials, $5,320,000 in proceeds from the sale of certain ARS and $1.0 million for the receipt of the sale of the tax benefit of the State of New Jersey Net Operating Losses.

Our remaining ARS with a par value of $16.2 million consist primarily of AAA rated securities that have an estimated fair value of $12.5 million. Auctions for our invested amounts began failing in February 2008 and have not succeeded since then, and we have been unable to liquidate our auction rate securities at par. In the event we need or desire to access these funds, we will not be able to do so until a future auction on these investments is successful or a buyer is found outside the auction process. If a buyer is found, such buyer may only be willing to purchase the investments at a price below par. Further, rating downgrades of the security issuer or the third-parties insuring such investments may further impact our ability to auction or sell these securities.

It is possible that the potential lack of liquidity in our auction rate security investments could adversely affect our ability to fund our future operations. We cannot predict whether future auctions related to auction rate securities will be successful or if these securities can be sold in a secondary market at valuations that are reasonable to us. We are currently seeking alternatives for reducing our exposure to the auction rate market, but may not be able to identify any such alternative.

With the $18.6 million of unrestricted cash and cash equivalents at December 31, 2009, and considering the cash proceeds of $11.3 million received in January 2010, we believe we have sufficient funds to continue our operations and research and development programs for at least the next twelve months. During fiscal 2010, we are also advancing plans to initiate a Phase III registration trial of veltuzumab in non-Hodgkin s lymphoma. We do not plan to initiate such trial unless we obtain additional funding, for which we are considering a number of funding alternatives. We intend to continue expending substantial capital on our research and development programs. We will need to raise additional capital in order to obtain the necessary regulatory approvals and then commercialize our therapeutic product candidates.

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We also expect future research and development activities to continue over time and we do not have adequate cash to complete our research and development compounds in our development pipeline in line with our corporate strategy. As a result, we will require additional financial resources in order to continue our research and development programs, clinical trials of product candidates and regulatory filings. Our ability to raise capital through public and private debt or equity financings may be negatively impacted by the recent downturn in the economy. There can be no assurances that financing will be available when we need it on terms acceptable to us, if at all.

We continue to evaluate various programs to raise additional capital and to seek additional revenues from the licensing of our proprietary technologies. There can be no assurance that we will be able to raise the additional capital we will need on commercially acceptable terms, if at all. If we are unable to raise capital on acceptable terms, our ability to continue our business would be materially and adversely affected. At the present time, we are unable to determine whether any of these future activities will be successful and, if so, the terms and timing of any definitive agreements.

Actual results could differ materially from our expectations as a result of a number of risks and uncertainties, including the risks described in Item 1A Risk Factors, Factors That May Affect Our Business and Results of Operations, and elsewhere in this Quarterly Report on Form 10-Q. Our working capital and working capital requirements are affected by numerous factors and such factors may have a negative impact on our liquidity. Principal among these are the success of product commercialization and marketing products, the technological advantages and pricing of our products, the impact of the regulatory requirements applicable to us, and access to capital markets that can provide us with the resources when necessary to fund our strategic priorities.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, sales or operating results during the periods presented.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those described due to a number of factors, including uncertainties associated with general economic conditions and conditions impacting our industry.

During the early part of 2008, securities known as auction rate securities (ARS), which historically have had a liquid market and had their interest rates reset periodically (e.g., monthly) through dutch auctions, began to fail. These widespread failures have continued to date. Consequently, the investments are not currently liquid and the Company will not be able to access these funds until a future auction of these investments is successful, the issuer redeems the securities, or a buyer is found outside of the auction process, of which there is no assurance. As of December 31, 2009, the Company has $22.2 million of par value invested in ARS with long-term nominal maturities for which interest rates are reset through a dutch-auction each month. The Company s investments in ARS all currently have AAA/Aaa credit ratings and interest continues to be paid by the issuers of the securities. The ARS held are all AAA rated collateralized by student loans guaranteed by the U.S. Government under the Federal Family Education Loan Program and backed by insurance companies.

The estimated fair market value at December 31, 2009 of the Company s ARS with continuing auction failures totaled approximately $17.8 million. Subsequent to December 31, 2009 the Company sold two of the auction rate securities with a par value of $6.0 million in a secondary market at a discounted value of $5.3 million. The other four auction rate securities are not currently liquid and the Company will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process, of which there is no assurance. The Company estimated the fair value of the remaining auction rate securities using a discounted cash flow model to determine the estimated fair value of its investment in ARS as of December 31, 2009. The Company reviews for impairment in order to determine the classification of the impairment as temporary or other-than-temporary. A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income (loss) component of stockholders equity. This treatment is appropriate when a loss in an investment is determined to be temporary in nature and the Company has the intent and ability to hold the investment until a recovery in market value takes place. Such an unrealized loss does not affect net income for the applicable accounting period. An other-than-temporary impairment charge is recorded as a realized loss in the consolidated statement of operations and reduces net income for the applicable accounting period.

The table below presents the amounts and related weighted average interest rates by fiscal year of maturity for our investment portfolio in marketable securities as of December 31, 2009:

	Expected Maturity Date							
	2010	2011	2012	2013	2014	2015 and thereafter	Total	Fair Value
	(in thousands)							
Variable rate (1)	$ 6,000					$ 16,200	$ 22,200	$ 17,804
Average Interest rate	1.57%					1.56%	1.57%	

(1) Par values are shown in the table.

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We may be exposed to fluctuations in foreign currencies in regards to certain agreements with service providers relating to certain clinical trials that are in process. Depending on the strengthening or weakening of the U.S. dollar, realized and unrealized currency fluctuations could be significant.

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ITEM 4. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures:* We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to record, process, summarize and disclose this information within the time periods specified in the rules promulgated by the SEC. Our Chief Executive and Chief Financial Officers are responsible for establishing and maintaining these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) and, as required by the rules of the SEC, to evaluate their effectiveness. Based on their evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive and Chief Financial Officers believe that these procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

(b) *Changes in Internal Controls Over Financial Reporting.* There were no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Former Investment Advisor/Broker

On April 15, 2009, we initiated an arbitration proceeding before the Financial Industry Regulatory Authority (FINRA) against our former investment advisor/broker, Banc of America Investment Services, Inc. and Banc of America Securities, LLC. In the arbitration, we claim that the respondents violated the New Jersey Uniform Securities Law, the North Carolina Securities Act, and certain FINRA rules by, among other things, making false representations and/or material omissions concerning auction rate securities, inappropriately advising investment in auction rate securities, and failing to supervise their employees. We seek to rescind our initial investment in auction rate securities, of which $22,200,000 was outstanding as of December 31, 2009. We have also requested consequential damages, punitive damages, and other relief. FINRA has tentatively scheduled an arbitration hearing in this matter for September 2010.

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ITEM 1A. RISK FACTORS
Factors That May Affect Our Business and Results of Operations

Our business is subject to certain risks and uncertainties, each of which could materially adversely affect our business, financial condition, cash flows and results of operations.

Risks Relating to Our Business, Operations and Product Development

We have a long history of operating losses and it is likely that our operating expenses will continue to exceed our revenues for the foreseeable future.

We have incurred significant operating losses since our formation in 1982. As of December 31, 2009, we had an accumulated deficit of approximately $207,000,000. We continue to spend our cash resources to fund our research and development programs and, subject to adequate funding, we expect these expenses to increase for the foreseeable future. Our only significant sources of revenue to date have been derived from our prior licensing agreements with UCB and Nycomed. Under such agreements, we have been required to defer significant portions of revenue in accordance with applicable accounting rules. The timing of when we are able to record licensing fee revenue from such agreements has varied historically and may result in quarterly or annual profits or losses that are not necessarily reflective of our underlying business operations or related cash flows. For example, for the six months ended December 31, 2009, we were profitable primarily because of the recognition during the period of all remaining $31.1 million of deferred revenue resulting from our 2006 agreement with UCB. There can be no assurance that we will be profitable in future quarters or other periods. Additionally, the only significant product sales we have earned to date have come from the limited sales of our diagnostic imaging products. In addition, we have made the strategic decision to de-emphasize sales of our diagnostic products and focus on our therapeutic pipeline. We have never had product sales of any therapeutic product. We expect to continue to experience significant operating losses as we invest further in our research and development activities while simultaneously attempting to develop and commercialize our other therapeutic product candidates. If we are unable to develop commercially viable therapeutic products or to license them to third parties, it is likely that we will never achieve significant revenues or become profitable, either of which would jeopardize our ability to continue as a going concern.

Negative conditions in the global credit markets have impaired the liquidity of our investment in auction rate securities.

Our auction rate securities consist of AAA rated auction rate securities at a par value of $22.2 million as of December 31, 2009, of which $16.1 million is unsold as of February 1, 2010. The continued negative conditions in the global credit markets have prevented some investors from liquidating their holdings of auction rate securities because the amount of securities submitted for sale has exceeded the amount of purchase orders for such securities. If the credit markets do not improve, auctions for our invested amounts may continue to fail. If an auction continues to fail for securities in which we have invested, we may be unable to liquidate some or all of our auction rate securities at par. In the event we need or desire to access these funds, we will not be able to do so until a future auction on these investments is successful or a buyer is found outside the auction process. If a buyer is found, such buyer may only be willing to purchase the investments at price below par. Further, rating downgrades of the security issuer or the third-parties insuring such investments may further impact our ability to auction or sell these securities.

We may not be able to sell some or all of our auction rate securities at an auction if the auction fails; that is, if there are more auction rate securities offered for sale than there are buyers

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for those auction rate securities. The relative buying and selling interest of market participants in our auction rate securities and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the issuer, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the accounting or tax treatment accorded the instruments, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

It is possible that the lack of liquidity in our auction rate security investments could adversely affect our liquidity and our ability to fund our operations. We cannot predict whether future auctions related to auction rate securities will be successful. We are currently seeking alternatives for reducing our exposure to the auction rate market, but may not be able to identify any such alternative. If we are not able to monetize some or all of our auction rate securities, we could suffer a loss and such loss could have a material adverse effect on our ability to finance our future ongoing operations.

Our most advanced therapeutic product candidates are still only in the clinical development stage, and will require us to raise capital in the future in order to fund further expensive and time-consuming studies before they can even be submitted for final regulatory approval.

Our most advanced therapeutic product candidates are still in the clinical development stage and will not be available for commercial sale any time soon, if ever. In order to complete the clinical development process for each of our product candidates, it will be necessary to invest significant financial resources, and devote a great deal of time and effort, just to reach the point where an application for final FDA or foreign regulatory approval can be submitted. In addition, we will need to raise additional capital to finance the costly process of obtaining approval for any of our current products should we get to that stage of product development. Given the recent downturn in the economy, however, financing may not be available to us when we need it or on terms acceptable to us.

Clinical trials involve the administration of a product candidate to patients who are already extremely ill, making patient enrollment often difficult and expensive. Moreover, even in ideal circumstances where the patients can be enrolled and then followed for the several months or more required to complete the study, the trials can be suspended, terminated or otherwise fail for any number of reasons, including:

- later-stage clinical trials may raise safety or efficacy concerns not readily apparent in earlier trials;
- unforeseen difficulties in manufacturing the product candidate in compliance with all regulatory requirements and in the quantities needed to complete the trial may be cost-prohibitive;
- while underway, the continuation of clinical trials may be delayed, suspended or terminated due to modifications to the clinical trial s protocols based on interim results obtained;
- our collaboration partner may suspend or cease trials in their sole discretion;
- during the long trial process, alternative therapies may become available which make further development of the product candidate impracticable; and
- if we are unable to obtain the additional capital we need to fund all of the clinical trials we foresee, we may be forced to cancel or otherwise curtail some important trials.

Any failure or substantial delay in successfully completing clinical trials for our product candidates, particularly the ongoing trials for our most advanced product candidates, epratuzumab and veltuzumab, could severely harm our business and results of operation.

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Should the clinical development process be successfully completed, our ability to derive revenues from the sale of therapeutics will depend upon our first obtaining FDA as well as foreign regulatory approvals, all of which are subject to a number of risks and uncertainties.

Even if we are able to demonstrate the safety and efficacy of our product candidates in clinical trials, if we fail to gain timely approval to commercialize our product candidates from the FDA and other foreign regulatory authorities, we will be unable to generate the revenues we will need to build our business. These approvals may not be granted on a timely basis, if at all, and even if and when they are granted they may not cover all the indications for which we seek approval. For example, while we may develop a product candidate with the intention of addressing a large, unmet medical need, the FDA may only approve the use of the drug for indications affecting a relatively small number of patients, thus greatly reducing the market size and our potential revenues. The approvals may also contain significant limitations in the form of warnings, precautions or contraindications with respect to conditions of use, which could further narrow the size of the market. Finally, even after approval can be obtained, we may be required to recall or withdraw a product as a result of newly discovered safety or efficacy concerns, either of which would have a materially adverse effect on our business and results of operations.

In order to fund future operations, we will need to raise significant amounts of additional capital. Because it can be difficult for a small-cap company like ours to raise equity capital on acceptable terms and given the recent downturn in the economy, we cannot assure you that we will be able to obtain the necessary capital when we need it, or on acceptable terms, if at all.

Even if our technologies and product candidates are superior, if we lack the capital needed to bring our future products to market, we will never be successful. We have obtained the capital necessary to fund our research and development programs to date primarily from the following sources:

- $40,000,000 from Nycomed in August 2008 to license the rights to develop, manufacture and commercialize veltuzumab for the treatment of all non-cancer indications;
- $38,000,000 from UCB in May 2006 to license the rights to develop, manufacture and commercialize epratuzumab for the treatment of all autoimmune disease indications;
- approximately $259,000,000 from the public and private sale of our debt and equity securities through December 31, 2009; and
- limited product sales of CEA-Scan® and LeukoScan®, licenses, grants and interest income from our investments.

We believe we have adequate cash to fund our operations and research and development programs through the next twelve months. However, we are also advancing plans to initiate a Phase III registration trial of veltuzumab in non-Hodgkin s lymphoma. We will need to obtain additional funding in the event we decide to begin this trial. We intend to continue expending substantial capital on our research and development programs. We will need to raise additional capital in order to obtain the necessary regulatory approvals and then commercialize our therapeutic product candidates. Our capital requirements are dependent on numerous factors, including:

- the rate at which we progress our research programs and the number of product candidates we have in pre-clinical and clinical development at any one time;
- the cost of conducting clinical trials involving patients in the United States, Europe and possibly, elsewhere;
- our need to establish the manufacturing capabilities necessary to produce the quantities of our product;

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product candidates we project we will pursue;

the time and costs involved in obtaining FDA and foreign regulatory approvals;

the cost of first obtaining, and then defending, our patent claims and other intellectual property rights;

the success of Nycomed and UCB in meeting the clinical development and commercial milestones for veltuzumab and epratuzumab, respectively; and

our ability to enter into licensing and other collaborative agreements to help off-set some of these costs.

There may be additional cash requirements for many reasons, including, but not limited to, changes in our research and development plans, the need for unexpected capital expenditures or costs associated with any acquisitions of other businesses, assets or technologies that we may choose to undertake. If we deplete our existing capital resources, we will be required to either obtain additional capital quickly, or else significantly reduce our operating expenses and capital expenditures, either of which could have a material adverse effect on us.

Our ability to raise future capital on acceptable terms will depend not only upon our operating performance, but also on conditions in the public and private debt and equity markets, as well as the overall performance of other companies in the biopharmaceutical and biotechnology sectors. Because of the recent downturn in the economy and adverse conditions in the public and private debt and equity markets, financing may not be available to us when we need it on terms we find acceptable, if at all. Furthermore, the terms of any such debt or equity financing may include covenants which limit our future ability to manage the business, contain preferences, privileges and rights superior to those enjoyed by holders of our common stock or cause substantial dilution to our existing stockholders.

If we cannot successfully and efficiently manufacture the compounds that make up our products and product candidates, our ability to sell products and conduct clinical trials will be impaired.

Our ability to conduct our pre-clinical and clinical research and development programs depends, in large part, upon our ability to manufacture our proprietary compounds in accordance with FDA and other regulatory requirements. While we have completed construction on the major expansion of our manufacturing facilities in New Jersey in anticipation of our current and future needs, we have no historical experience in manufacturing these compounds in significant quantities, and we may not be able to do so in the quantities and with the degree of purity that is required. We also have contractual obligations to produce certain quantities of epratuzumab within our existing capacity constraints. Any interruption in manufacturing at this site, whether by natural acts or otherwise, would significantly and adversely affect our operations, and delay our research and development programs.

We are dependent upon Nycomed for the continued development and commercialization of veltuzumab for the treatment of all non cancer indications worldwide and upon UCB for the final development and commercialization of epratuzumab for the treatment of autoimmune disease indications worldwide and they may not be successful. In addition, our recognition of the amortization of the upfront payments from Nycomed is determined by the completion of our obligations as outlined in the Nycomed Agreement.

We have licensed the exclusive worldwide rights of our most advanced therapeutic compounds, *veltuzumab* (to Nycomed) and *epratuzumab* (to UCB). As a result, Nycomed and UCB are solely responsible, and we are depending upon them, for completing the clinical development of these compounds, obtaining all necessary regulatory approvals, and then commercializing and manufacturing the compounds for sale. If they do not fully perform their responsibilities under our agreements, or if the clinical trials to be conducted are not initiated,

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successful or are terminated by them for any other reason, our ability to commercialize these product candidates in the future, as well as other product candidates we have in development which are closely related to them, would be severely jeopardized. In such event, it is likely we would never receive any of the milestone payments or royalties that we are eligible to receive under our agreements with Nycomed and UCB, and our ability to fund the development and testing of our other product candidates would be adversely affected.

We may not successfully establish and maintain collaborative and licensing arrangements, which could adversely affect our ability to develop and commercialize our product candidates. Our future collaboration partners may not adequately perform their responsibilities under our agreement, which could adversely affect our development and commercialization program.

A key element of our business strategy is to develop, market and commercialize our product candidates through collaborations with more established pharmaceutical companies. We may not be able to maintain or expand these licenses and collaborations or establish additional licensing and collaboration arrangements necessary to develop and commercialize our product candidates. Even if we are able to maintain or establish licensing or collaboration arrangements, these arrangements may not be on favorable terms and may contain provisions that will restrict our ability to develop, test and market our product candidates. Any failure to maintain or establish licensing or collaboration arrangements on favorable terms could adversely affect our business prospects, financial condition or ability to develop and commercialize our product candidates.

We expect to rely at least in part on third party collaborators to perform a number of activities relating to the development and commercialization of our product candidates, including the manufacturing of product materials, the design and conduct of clinical trials for our product candidates, and potentially the obtaining of regulatory approvals and marketing and distribution of any successfully developed products. Our collaborative partners may also have or acquire rights to control aspects of our product development and clinical programs. As a result, we may not be able to conduct these programs in the manner or on the time schedule we currently contemplate. In addition, if any of these collaborative partners withdraw support for our programs or product candidates or otherwise impair their development our business could be negatively affected. To the extent we undertake any of these activities internally, our expenses may increase.

In addition, our success depends on the performance of our collaborators of their responsibilities under these arrangements. Some potential collaborators may not perform their obligations in a timely fashion or in a manner satisfactory to us. Because such agreements may be exclusive, we may not be able to enter into a collaboration agreement with any other company covering the same product field during the applicable collaborative period. In addition, our collaborators competitors may not wish to do business with us at all due to our relationship with our collaborators. If we are unable to enter into additional product discovery and development collaborations, our ability to sustain or expand our business will be significantly diminished.

Our future success will depend upon our ability to first obtain and then adequately protect our patent and other intellectual property rights, as well avoiding the infringement of the rights of others.

Our future success will be highly dependent upon our ability to first obtain and then defend the patent and other intellectual property rights necessary for the commercialization of our product candidates. We have filed numerous patent applications on the technologies and processes that we use in the U.S. and certain foreign countries. Although we have obtained a number of issued U.S. patents to date, the patent applications owned or licensed by us may not result in additional patents being issued. Moreover, these patents may not afford us the protection we need against competitors with similar technologies or products.

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The successful development of therapeutic products frequently requires the application of multiple technologies that may be subject to the patent or other intellectual property rights of third parties. Although we believe it is likely we will need to license technologies and processes from third parties in the ordinary course of our business, we are not currently aware of any material conflict involving our technologies and processes with any valid patents or other intellectual property rights owned or licensed by others. In the event that a third party was to claim such a conflict existed, they could sue us for damages as well as seek to prevent us from commercializing our product candidates. It is possible that a third party could successfully claim that our products infringe on their intellectual property rights. Uncertainties resulting from the litigation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Any patent litigation or other proceeding, even if resolved in our favor, would require significant financial resources and management time.

Some of our competitors may be able to sustain these costs more effectively than we can because of their substantially greater financial and managerial resources. If a patent litigation or other proceeding is resolved unfavorably to us, we may be enjoined from manufacturing or selling our products without a license from the other party, in addition to being held liable for significant damages. We may not be able to obtain any such license on commercially acceptable terms, if at all.

In addition to our reliance on patents, we attempt to protect our proprietary technologies and processes by relying on trade secret laws, nondisclosure and confidentiality agreements and licensing arrangements with our employees and other persons who have access to our proprietary information. These agreements and arrangements may not provide meaningful protection for our proprietary technologies and processes in the event of unauthorized use or disclosure of such information. In addition, our competitors may independently develop substantially equivalent technologies and processes or otherwise gain access to our trade secrets or technology, either of which could materially and adversely affect our competitive position.

We face substantial competition in the biotechnology industry and may not be able to compete successfully against one or more of our competitors.

The biotechnology industry is highly competitive, particularly in the area of diagnostic and therapeutic oncology products. In recent years, there have been extensive technological innovations achieved in short periods of time, and it is possible that future technological changes and discoveries by others could result in our products and product candidates quickly becoming uncompetitive or obsolete. A number of companies, including Biogen Idec, Genentech, Glaxo SmithKline, Hoffmann-LaRoche, Human Genome Sciences, Seattle Genetics, Trubion Pharmaceuticals, Zymogenetics, Merck Serono, Genmab, Medarex, Amgen Inc., Bristol-Myers Squibb, Bayer Schering Pharma AG, Pfizer, AstraZeneca and Eli Lilly, are engaged in the development of therapeutic autoimmune and oncology products. For example, Human Genome Sciences and their corporate partner, Glaxo SmithKline recently reported that BENLYSTA, their human monoclonal antibody against B-lymphocyte stimulator or BlyS, met the primary endpoint in the first of two pivotal Phase III trials in patients with serologically active SLE. Thus, BENLYSTA is ahead of epratuzumab in its clinical development timeline for the therapy of patients with SLE. Many of these companies have significantly greater financial, technical and marketing resources than we do. In addition, many of these companies have more established positions in the pharmaceutical industry and are therefore better equipped to develop, commercialize and market oncology products. Even some smaller competitors may obtain a significant competitive advantage over us if they are able to discover or otherwise acquire patentable inventions, form collaborative arrangements or merge with larger pharmaceutical companies.

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We expect to face increasing competition from universities and other non-profit research organizations. These institutions carry out a significant amount of research and development in the field of antibody-based technologies, and they are increasingly aware of the commercial value of their findings. As a result, they are demanding greater patent and other proprietary rights, as well as licensing and future royalty revenues.

We may be liable for contamination or other harm caused by hazardous materials that we use in the operations of our business.

In addition to laws and regulations enforced by the FDA, we are also subject to regulation under various other foreign, federal, state and local laws and regulations. Our manufacturing and research and development programs involve the controlled use of viruses, hazardous materials, chemicals and various radioactive compounds. The risk of accidental contamination or injury from these materials can never be completely eliminated, and if an accident occurs we could be held liable for any damages that result, which could exceed our available resources.

The nature of our business exposes us to significant liability claims, and our insurance coverage may not be adequate to cover any future claims.

The use of our compounds in clinical trials and any future sale exposes us to liability claims that could be substantial. These claims might be made directly by healthcare providers, medical personnel, patients, consumers, pharmaceutical companies and others selling or distributing our compounds. While we currently have product liability insurance that we consider adequate for our current needs, we may not be able to continue to obtain comparable insurance in the future at an acceptable cost, if at all. If for any reason we cannot maintain our existing or comparable liability insurance, our ability to clinically test and market products could be significantly impaired. Moreover, the amount and scope of our insurance coverage, as well as the indemnification arrangements with third parties upon which we rely, may be inadequate to protect us in the event of a successful product liability claim. Any successful claim in excess of our insurance coverage could materially and adversely affect our financial condition and operating results.

The loss of any of our key employees could adversely affect our operations.

We are heavily dependent upon the talents of Dr. Goldenberg, our Chairman of the Board, Chief Scientific Officer and Chief Medical Officer, and Ms. Sullivan, our President and Chief Executive Officer, as well as certain other key personnel. If Dr. Goldenberg, Ms. Sullivan or any of our other key personnel were to unexpectedly leave our Company, our business and results of operations could be materially and adversely affected. In addition, as our business grows we will need to continue to attract additional management and scientific personnel. Competition for qualified personnel in the biotechnology and pharmaceutical industries is intense, and we may not be successful in our recruitment efforts. If we are unable to attract, motivate and retain qualified professionals, our operations could be materially and adversely affected.

Certain potential for conflicts of interest, both real and perceived, exist which could result in expensive and time-consuming litigation.

Certain members of our senior management and Board of Directors have relationships and agreements, both with us as well as among themselves and their respective affiliates, which create the potential for both real, as well as perceived, conflicts of interest. These include Dr. David M. Goldenberg, our Chairman, Chief Scientific Officer and Chief Medical Officer, Ms. Cynthia L. Sullivan, our President and Chief Executive Officer (who is also the wife of Dr. Goldenberg), and certain companies with which we do business, including the Center for Molecular Medicine and Immunology and the Garden State Cancer Center (which operates as the

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clinical arm of CMMI to facilitate the translation of CMMI s research efforts in the treatment of patients), collectively defined as CMMI. For example, Dr. Goldenberg is the President and a Trustee of CMMI, a not-for-profit cancer research center that we use to conduct certain research activities. For the six months ended December 31, 2009, we have incurred $247,000 of research expenses for activities conducted by CMMI on our behalf. Further, Dr. Goldenberg s employment agreement with us permits him to devote more of his time working for CMMI than for us, and other key personnel of our company also have research collaborations with CMMI. Dr. Goldenberg is also a minority stockholder, director and officer of our majority-owned subsidiary, IBC. Dr. Goldenberg is the primary inventor of new intellectual property for Immunomedics and IBC and is largely responsible for allocating ownership between the two companies.

As a result of these and other relationships, the potential for both real and perceived conflicts of interest exists and disputes could arise over the allocation of funds, research projects and ownership of intellectual property rights. In addition, in the event that we become involved in stockholder litigation regarding these potential conflicts, we might be required to devote significant resources and management time defending the company from these claims, which could adversely affect our results of operations.

Given that autoimmune and cancer therapeutics such as the ones we are developing can cost upwards of $20,000 per treatment, even if our product candidates become available for sale it is likely that federal and state governments, insurance companies and other payers of health care costs will try to first limit the use of these drugs to certain patients, and may be reluctant to provide a level of reimbursement that permits us to earn a significant profit on our investment, if any.

Our ability to successfully commercialize therapeutic products will depend, in significant part, on the extent to which hospitals and physicians can obtain appropriate reimbursement levels for the cost of our products and related treatment. Third-party payers are increasingly challenging the prices charged for diagnostic and therapeutic products and related services. In addition, legislative proposals to reform health care or reduce government insurance programs may result in lower prices or the actual inability of prospective customers to purchase our products. Furthermore, even if reimbursement is available, it may not be available at price levels sufficient for us to realize a positive return on our investment.

Risks Related to Government Regulation of our Industry

Our industry and we are subject to intense regulation from the U.S. Government and such other governments and quasi-official regulatory bodies where our products are and product candidates may be sold.

These governmental and other regulatory risks include:

Clinical development is a long, expensive and uncertain process, delay and failure can occur at any stage of our clinical trials;

Our clinical trials are dependent on patient enrollment and regulatory approvals, we do not know whether our planned trials will begin on time, or at all, or will be completed on schedule or at all;

The FDA or other regulatory authorities do not approve a clinical trial protocol or place a clinical trial on hold;

If the clinical development process is completed successfully, our ability to derive revenues from the sale of therapeutics will depend on our first obtaining FDA or other comparable foreign regulatory approvals, each of which are subject to unique risks and uncertainties;

There is no assurance that we will receive FDA or corollary foreign approval for any of our product candidates for any indication; we are subject to government regulation for the commercialization of our product candidates;

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We have not received regulatory approval in the United States or any foreign jurisdiction for the commercial sale of any of our product candidates; and

We may be liable for contamination or other harm caused by hazardous materials used in the operations of our business.

Risks Related to Our Securities

Our common stock may be delisted from the NASDAQ Global Market, or NASDAQ.

If the bid price of our common stock falls below $1.00 for an extended period, or we are unable to continue to meet NASDAQ s listing maintenance standards for any other reason, our common stock could be delisted from the NASDAQ.

If our stock is not accepted for listing on the NASDAQ, we will make every possible effort to have it listed on the Over the Counter Bulletin Board, or the OTC Bulletin Board. If our common stock were to be traded on the OTC Bulletin Board, the Securities Exchange Act of 1934, as amended, and related Securities and Exchange Commission, or SEC, rules would impose additional sales practice requirements on broker-dealers that sell our securities. These rules may adversely affect the ability of stockholders to sell our common stock and otherwise negatively affect the liquidity, trading market and price of our common stock.

If our common stock would not be able to be traded on the OTC Bulletin Board, we would make every effort to have it available for trading on the National Quotation Bureau s Pink Sheets, or the Pink Sheets. The Pink Sheets market consists of security firms who act as market makers in the stocks, usually, of very small companies. The bid and asked prices are not quoted electronically, but are quoted daily in hard copy which is delivered to firms that subscribe. Stocks that trade in the Pink Sheets are usually not as liquid as those that trade in electronic markets and, often time, the difference between the bid and the asked prices are substantial. As a result, if our common stock were traded on the Pink Sheets, there would likely be a further negative affect on the liquidity, trading market and price of our common stock even compared to that we might suffer if we were traded on the OTC Bulletin Board.

As a result of the above, we cannot assure you that our common stock will be listed on a national securities exchange, a national quotation service, the OTC Bulletin Board or the Pink Sheets or, if it is to be listed, whether or not there would be an interruption in the trading of our common stock. We believe that the listing of our stock on a recognized national trading market, such as the NASDAQ, is an important part of our business and strategy. Such a listing helps our stockholders by providing a readily available trading market with current quotations. Without that, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume and liquidity of our stock would likely decline. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded it by other parties. In that regard, listing on a recognized national trading market will also affect the company s ability to benefit from the use of its operations and expansion plans, including for use in licensing agreements, joint ventures, the development of strategic relationships and acquisitions, which are critical to our business and strategy and none of which is currently the subject of any agreement, arrangement or understanding, with respect to any future financing or strategic relationship it may undertake. The delisting from NASDAQ would result in negative publicity and would negatively impact our ability to raise capital in the future.

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If we were delisted from the NASDAQ, we may become subject to the trading complications experienced by Penny Stocks in the over-the-counter market.

Delisting from the NASDAQ may depress the price of our common stock such that we may become a penny stock. The SEC generally defines a penny stock as an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock is currently less than $5.00 per share. Penny Stock rules require, among other things, that any broker engaging in a purchase or sale of our securities provide its customers with: (i) a risk disclosure document, (ii) disclosure of market quotations, if any, (iii) disclosure of the compensation of the broker and its salespersons in the transaction and (iv) monthly account statements showing the market values of our securities held in the customer s accounts.

A broker would be required to provide the bid and offer quotations and compensation information before effecting the transaction. This information must be contained on the customer s confirmation. Generally, brokers are less willing to effect transactions in penny stocks due to these additional delivery requirements. These requirements may make it more difficult for stockholders to purchase or sell our common stock. Because the broker, not us, prepares this information, we would not be able to assure that such information is accurate, complete or current.

The market price of our common stock has fluctuated widely in the past, and is likely to continue to fluctuate widely based on a number of factors, many of which are beyond our control.

The market price of our common stock has been, and is likely to continue to be, highly volatile. Furthermore, the stock market generally and the market for stocks of relatively small biopharmaceutical companies like ours have from time to time experienced, and likely will again experience, significant price and volume fluctuations that are unrelated to actual operating performance.

From time to time, stock market analysts publish research reports or otherwise comment upon our business and future prospects. Due to a number of factors, we may fail to meet the expectations of securities analysts or investors and our stock price would likely decline as a result. These factors include:

- announcements by us, our current collaboration partner, any future alliance partners or our competitors of pre-clinical studies and clinical trial results, regulatory developments, technological innovations or new therapeutic products, product sales, new products or product candidates and product development timelines;
- the formation or termination of corporate alliances;
- developments in patent or other proprietary rights by us or our respective competitors, including litigation;
- developments or disputes concerning our patent or other proprietary rights, and the issuance of patents in our field of business to others;
- government regulatory action;
- period-to-period fluctuations in the results of our operations; and
- developments and market conditions for emerging growth companies and biopharmaceutical companies, in general.

In addition, Internet chat rooms have provided forums where investors make predictions about our business and prospects, oftentimes without any real basis in fact, that readers may trade on.

In the past, following periods of volatility in the market prices of the securities of companies in our industry, securities class action litigation has often been instituted against those companies. If we face such litigation in the future, it would result in substantial costs and a diversion of management s attention and resources, which could negatively impact our business.

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At February 1, 2010, we had 75,261,579 shares of common stock outstanding, 6,613,746 additional shares reserved for the exercise of outstanding options and restricted stock units and 4,834,837 additional shares of common stock authorized for issuance and remaining to be granted under our stock option plans.

Our principal stockholder can significantly influence all matters requiring the approval by our stockholders.

As of December 31, 2009, Dr. Goldenberg, our Chairman and Chief Scientific Officer and Chief Medical Officer, together with certain members of his family, including Ms. Cynthia L. Sullivan, our President and Chief Executive Officer, who is Dr. Goldenberg s wife, and other affiliates, controlled the right to vote approximately 11% of our fully diluted common stock. As a result of this voting power, Dr. Goldenberg has the ability to significantly influence the outcome of substantially all matters that may be put to a vote of our stockholders, including the election of our directors.

We have adopted anti-takeover provisions that may frustrate any unsolicited attempt to acquire our company or remove or replace our directors and executive officers.

Provisions of our certificate of incorporation, our by-laws and Delaware corporate law could make it more difficult for a third party to acquire control of our company in a transaction not approved by our Board of Directors. For example, we have adopted a stockholder rights plan that makes it more difficult for a third party to acquire control of our company without the support of our Board of Directors. In addition, our Board of Directors may issue up to ten million shares of preferred stock and determine the price, rights, preferences and privileges, including voting and conversion rights, of these shares without any further vote or action by our stockholders. The issuance of preferred stock could have the effect of delaying, deterring or preventing an unsolicited change in control of our company, or could impose various procedural and other requirements that could make it more difficult for holders of our common stock to effect certain corporate actions, including the replacement of incumbent directors and the completion of transactions opposed by the incumbent Board of Directors. The rights of the holders of our common stock would be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future.

We are also subject to Section 203 of the Delaware General Corporation Law, or DGCL, which prohibits us from engaging in a business combination with any interested stockholder (as defined in Section 203 of the DGCL) for a period of three years from the date the person became an interested stockholder, unless certain conditions are met.

There are limitations on the liability of our directors, and we may have to indemnify our officers and directors in certain instances.

Our certificate of incorporation limits, to the maximum extent permitted under Delaware law, the personal liability of our directors for monetary damages for breach of their fiduciary duties as directors. Our bylaws provide that we will indemnify our officers and directors and may indemnify our employees and other agents to the fullest extent permitted by law. These provisions may be in some respects broader than the specific indemnification provisions under Delaware law. The indemnification provisions may require us, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which

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they could be indemnified and to obtain directors and officers insurance. Section 145 of the DGCL provides that a corporation may indemnify a director, officer, employee or agent made or threatened to be made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or was serving at the request of the corporation, against expenses actually and reasonably incurred in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Delaware law does not permit a corporation to eliminate a director s duty of care and the provisions of our certificate of incorporation have no effect on the availability of equitable remedies, such as injunction or rescission, for a director s breach of the duty of care.

We believe that our limitation of officer and director liability assists us to attract and retain qualified employees and directors. However, in the event an officer, a director or the board of directors commits an act that may legally be indemnified under Delaware law, we will be responsible to pay for such officer(s) or director(s) legal defense and potentially any damages resulting therefrom. Furthermore, the limitation on director liability may reduce the likelihood of derivative litigation against directors, and may discourage or deter stockholders from instituting litigation against directors for breach of their fiduciary duties, even though such an action, if successful, might benefit our stockholders and us. Given the difficult environment and potential for incurring liabilities currently facing directors of publicly-held corporations, we believe that director indemnification is in our and our stockholders best interests because it enhances our ability to attract and retain highly qualified directors and reduce a possible deterrent to entrepreneurial decision-making.

Nevertheless, limitations of director liability may be viewed as limiting the rights of stockholders, and the broad scope of the indemnification provisions contained in our certificate of incorporation and bylaws could result in increased expenses. Our board of directors believes, however, that these provisions will provide a better balancing of the legal obligations of, and protections for, directors and will contribute positively to the quality and stability of our corporate governance. Our board of directors has concluded that the benefit to stockholders of improved corporate governance outweighs any possible adverse effects on stockholders of reducing the exposure of directors to liability and broadened indemnification rights.

We are exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act.

The Sarbanes-Oxley Act requires that we maintain effective internal controls over financial reporting and disclosure controls and procedures. Among other things, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on, and our independent registered public accounting firm to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Compliance with Section 404 requires substantial accounting expense and significant management efforts. Our testing, or the subsequent review by our independent registered public accounting firm, may reveal deficiencies in our internal controls that would require us to remediate in a timely manner so as to be able to comply with the requirements of Section 404 each year. If we are not able to comply with the requirements of Section 404 in a timely manner each year, we could be subject to sanctions or investigations by the SEC, the NASDAQ GMS or other regulatory authorities that would require additional financial and management resources and could adversely affect the market price of our common stock.

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We do not intend to pay dividends on our common stock. Until such time as we pay cash dividends our stockholders must rely on increases in our stock price for appreciation.

We have never declared or paid dividends on our common stock. We intend to retain future earnings to develop and commercialize our products and therefore we do not intend to pay cash dividends in the foreseeable future. Until such time as we determine to pay cash dividends on our common stock, our stockholders must rely on increases in our common stock s market price for appreciation.

At February 1, 2010, we had 75,261,579 shares of common stock outstanding, 6,613,746 additional shares reserved for the exercise of outstanding options and restricted stock units and 4,834,837 additional shares of common stock authorized for issuance and remaining to be granted under our stock option plan.

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ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of stockholders, or the Annual Meeting, was held on December 2, 2009. A quorum of 67,206,001 shares of common stock was represented in person or by proxy out of a total of 75,223,715 shares of common stock issued and outstanding and entitled to vote at the Annual Meeting (89.3%).

The matters that were voted on at the Annual Meeting were:

(A) A proposal to elect the following persons to our Board of Directors to serve until the 2010 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified:

Dr. David M. Goldenberg;

Cynthia L. Sullivan;

Dr. Morton Coleman;

Brian A. Markison;

Mary E. Paetzold;

Don C. Stark; and

Dr. Edward T. Wolynic.

(B) A proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2010.

The results of the votes of the Annual Meeting were as follows:

Proposal A	For	Against/Withheld
Election of the following persons to our Board of Directors:		
Dr. David Goldenberg	61,215,846	5,990,155
Cynthia L. Sullivan	61,306,383	5,899,618
Dr. Morton Coleman	62,223,000	4,983,001
Brian A. Markison	61,620,988	5,585,013
Mary E. Paetzold	61,621,620	5,584,381
Don C. Stark	61,593,061	5,612,940
Dr. Edward T. Wolynic	61,337,040	5,868,961

	Number of Shares of Common Stock		
Proposal B	For	Against	Abstain
Ratification of the appointment of Ernst & Young LLP, as our independent registered public accounting firm for the fiscal year ending June 30, 2010	64,037,519	3,030,173	138,308

Accordingly, our stockholders elected Dr. David M. Goldenberg, Cynthia L. Sullivan, Dr. Morton Coleman, Brian A. Markison, Mary E. Paetzold, Don C. Stark and Dr. Edward T. Wolynic to serve until our 2010 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified. Our stockholders also ratified the appointment of Ernst & Young LLP, as our independent registered public accounting firm for the fiscal year ending June 30, 2010.

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ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.

32.1 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IMMUNOMEDICS, INC.

February 2, 2010 By: /s/ CYNTHIA L. SULLIVAN
Cynthia L. Sullivan
President and Chief Executive Officer
(Principal Executive Officer)

February 2, 2010 By: /s/ GERARD G. GORMAN
Gerard G. Gorman
Senior Vice President, Finance and Business Development,

and Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description of Document
31.1	Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.