IMMUNOMEDICS INC
Form 10-K
August 27, 2009

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 10-K

(Mark one)

**x** **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 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 of incorporation)** | **(I.R.S. Employer** |

**Identification No.)**

**300 American Road, Morris Plains, New Jersey** **07950**
**(Address of principal executive offices)** **(Zip Code)**

**Registrant s telephone number, including area code: (973) 605-8200**

**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $0.01 par value | NASDAQ Stock Market LLC |

**Securities registered pursuant to Section 12(g) of the Act:**

Series G Junior Participating Preferred Stock, $0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 requirement for the past 90 days. Yes þ 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the registrant s common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of December 31, 2008 was $128,000,000. The number of shares of the registrant s common stock outstanding as of August 25, 2009 was 75,162,215.

**Documents Incorporated by Reference:**

Certain information required in Part III of this Annual Report on Form 10-K will be set forth in, and incorporated from the registrant s Proxy Statement for the 2009 Annual Meeting of Stockholders, which will be filed by the registrant with the Securities and Exchange Commission not later than 120 days after the end of the registrant s fiscal year ended June 30, 2009.

**PART I**

**Item 1.** ***Business***

**Introduction**

Immunomedics is a New Jersey-based biopharmaceutical company primarily 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 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 have exclusively licensed our product candidate, epratuzumab, to UCB S.A., or UCB, for the treatment of all autoimmune disease indications worldwide. Epratuzumab s most advanced clinical testing is for the treatment of systemic lupus erythematosus, or SLE, and in non-Hodgkin s lymphoma, or NHL. At present, there is no cure for lupus and no new lupus drug has been approved in the U.S. for approximately the last 50 years. We have retained rights to epratuzumab in oncology indications, subject to UCB s buy-in option, and are advancing trials in lymphoma and in childhood acute lymphoblastic leukemia, or ALL, in cooperation with National Cancer Institute Study Groups. In addition, we have exclusively licensed our product candidate veltuzumab, in the subcutaneous formulation, to Nycomed GmbH, or Nycomed, for the treatment of all non-cancer indications worldwide. We have retained the rights to develop, manufacture and commercialize veltuzumab in the field of oncology. We are conducting clinical trials with intravenous veltuzumab in patients with NHL, subcutaneous veltuzumab in patients with NHL, immune thrombocytopenic purpura, or ITP and chronic lymphocytic leukemia, or CLL, $^{90}$Y-epratuzumab (yttrium Y 90 epratuzumab tetraxetan) for the therapy of patients with lymphoma, $^{90}$ Y-*h*PAM4 (yttrium Y 90 clivatuzumab tetraxetan) combined with gemcitabine for pancreatic cancer therapy, and our anti-CD74 antibody (milatuzumab) as a therapy for patients with multiple myeloma, or MM, NHL, and CLL. We also have a majority ownership in IBC Pharmaceuticals, Inc., which is developing a novel Dock-and-Lock methodology, or DNL, with us for making fusion proteins and multifunctional antibodies, and a new method of delivering imaging and therapeutic agents selectively to disease, especially different solid cancers (colorectal, lung, pancreas, etc.), by proprietary, antibody-based, pretargeting methods. We are working to advance this new technology into clinical testing. We believe that our portfolio of intellectual property, which includes approximately 137 patents issued in the United States and more than 300 other patents issued worldwide, protects our product candidates and technologies.

***Therapeutic Product Candidates***

We currently have antibody product candidates in clinical development targeting B-cell non-Hodgkin s lymphoma, or NHL, other B-cell mediated diseases and various solid tumors. All of our therapeutic product candidates are humanized antibodies, which means that the portion of the antibody derived from mouse (murine) DNA sequences is generally less than 10%.

We believe that each of our antibodies has therapeutic potential either when administered alone or when conjugated with therapeutic radioisotopes (radiolabeled), chemotherapeutics or other toxins to create unique and potentially more effective treatment options. The attachment of various compounds to antibodies is intended to allow the delivery of these therapeutic agents to tumor sites with increased specificity than conventional radiation therapy or chemotherapeutic approaches. This treatment method is designed to reduce the total exposure of the patient to the therapeutic agents, which ideally minimizes debilitating side effects. We are currently focusing our efforts on unlabeled, or naked antibodies and antibodies conjugated with drugs or toxins, and on the use of radioisotopes, such as Yttrium-90, sometimes referred to as Y-90, and Iodine-131, sometimes referred to as I-131.

We also have a number of other product candidates that target solid tumors and hematologic malignancies, and other diseases, in various stages of pre-clinical development, although it is too early to assess which of these, if any, will merit further evaluation in clinical trials. In an effort to permit an effective use of our resources, our clinical development focus has been reduced to five different antibodies in a limited number of indications.

***CD22 Program: Epratuzumab***

Our most advanced therapeutic product candidate, epratuzumab, is a humanized antibody which targets CD22, an antigen found on the surface of B-lymphocytes, a type of white blood cells. Epratuzumab does not evoke substantial anti-epratuzumab antibodies in NHL patients, even after repeated dosing, making it a potentially good candidate for treating patients with a chronic, autoimmune disease. As noted above, we have licensed epratuzumab to UCB for the treatment of all autoimmune disease indications worldwide. We have retained the rights for oncology indications for which UCB has been granted a buy-in option.

In June 2008, UCB reported at the EULAR s Annual European Congress of Rheumatology, data from the first placebo-controlled studies using epratuzumab in SLE patients which showed that epratuzumab treatment demonstrated clinically meaningful improvements in moderate and severe flaring SLE patients.

SLE is a chronic and potentially fatal autoimmune disease with a variable and unpredictable course. It can affect any part of the body, but most often harms the heart, joints, skin, lungs, blood vessels, liver, kidneys and nervous system and is characterized by periods of flares, or exacerbations, interspersed with periods of improvement or remission. Although the exact function of CD22 is not fully understood, it is known to be involved in B-cell development, function and survival. B-cells are known to contribute to SLE by producing antibodies against the body s own tissues, causing the body s immune system to turn on itself, attacking cells and tissue and resulting in inflammation and tissue damage.

The clinical studies presented at EULAR indicated that flaring SLE patients treated with epratuzumab experienced reduced disease activity and were less reliant on the use of steroids to control the disease than those receiving placebo. The incidence of adverse events was similar for the epratuzumab and placebo groups.

In 2008, UCB initiated a new Phase IIb clinical study program for SLE. The primary objective of the Phase IIb program is to assess the dose response and the dose frequency for epratuzumab. On August 27, 2009, UCB reported positive results of the Phase IIb clinical study of epratuzumab for treatment of patients with SLE. The data demonstrated clinically meaningful effects with the treatment advantage of epratuzumab over placebo reaching 24.9% at week twelve. A total of 227 patients were enrolled in this study, with 30% of the patients having moderate disease activity and 70% of the patients having severe disease activity in multiple organ systems. UCB is in the process of performing an in depth analysis of the data in preparation of a Phase III program. Epratuzumab has received Fast Track Product designation from the U.S. Food and Drug Administration, or FDA, for the treatment of patients with moderate and severe SLE.

***CD20 Program: Veltuzumab***

Similar to CD22, CD20 is an antigen that is expressed on B-lymphocytes. Constructed using the same donor frameworks as epratuzumab, veltuzumab is an anti-CD20 monoclonal antibody having 90-95% human antibody sequences. Current biological therapy with monoclonal antibodies for NHL includes rituximab, a chimeric antibody comprised of one-third mouse and two-thirds human protein that binds to the CD20 antigen.

On July 11, 2008, we entered into a license and collaboration agreement with Nycomed, the Nycomed Agreement, providing Nycomed an exclusive worldwide license to develop, manufacture, and commercialize veltuzumab in the subcutaneous formulation, for the treatment of all non-cancer indications. Nycomed has disclosed that it is their intention to pursue rheumatoid arthritis, or RA, as the primary indication.

We are conducting a study to evaluate veltuzumab s efficacy in chronic immune thrombocytopenic purpura, or ITP at low doses. Under the terms of the Nycomed Agreement, Nycomed reimburses us for all expenses incurred in connection with this study. Under the terms of the Nycomed Agreement, we have the right to co-promote veltuzumab for the ITP indication in the United States, and retain the right to develop veltuzumab in the field of oncology.

Results from the ITP multicenter, open-label, single-arm, Phase I/II study were presented at the 14th Congress of the European Hematology Association in Berlin, Germany in June 2009. At the time of reporting, 20 adult chronic ITP patients with platelet counts below 30 x 109/L who failed at least one standard therapy have been treated with two veltuzumab doses administered two weeks apart. Seven patients received the initial intravenous formulation at one of three dose levels: 80, 120 or 200 mg. One patient had an infusion reaction and discontinued treatment. Thirteen patients received subcutaneous injections of veltuzumab at one of three dose levels: 80, 160 or 320 mg. The injections were well tolerated with no grade 3-4 adverse events reported.

All patients were evaluated over a 12-week period, with responding patients continuing in long-term follow-up. Patients with platelet levels higher than 150 x 109/L measured on two separate occasions, at least one week apart, were classified as complete responders. Those with measurements between 50-150 x 109/L were considered partial responders, and minor responses were between 30-50 x 109/L.

The overall response rate (minor, partial and complete responses) in 19 evaluable patients was 68%, with 26% of patients having a complete response (platelets increased to over 150,000 x 109/L). Responses occurred across all doses tested, including the lowest dose of 80 mg, regardless of the route of administration. More importantly, all patients who have had a complete response to veltuzumab continue to maintain their increased platelet levels, with 2 patients continuing for over one year.

We have completed an open-label, multi-center, Phase II trial using the intravenous formulation in NHL. Results from this study were published online in May 2009, in the Journal of Clinical Oncology. Eighty-two adult patients with CD20-positive B-cell NHL were enrolled to receive four weekly doses of 80 to 750 mg/m$^2$ of veltuzumab. Fifty-five patients had follicular lymphoma and twenty-seven had other B-cell lymphomas. Most patients (79%) had the advanced stages of the disease. All patients had one or more prior standard chemotherapy or rituximab-containing regimens.

The median first infusion times were 4.7 hours at 750 mg/m$^2$, 3.1 hours at 375 mg/m$^2$, and 1.8 to 2.4 hours at lower doses, whereas median times for subsequent infusions were 2.1 to 2.6 hours at 375 or 750 mg/m$^2$, and 1.2 to 1.5 hours at lower doses. Even with short infusion times, veltuzumab was well tolerated with no grade 3 to 4 drug-related adverse events.

Across all doses and subtypes of NHL, the overall response rate was 41% with 21% of patients having a complete response. For the fifty-five patients with follicular lymphoma, 44% had an objective response with 27% having complete responses. The highest response rates in this subgroup of patients occurred in the small number of rituximab-naïve patients, of which 57% (4 out of 7) had an objective response and 43% (3 of 7) had a complete response. More importantly, in patients who had received two or more prior rituximab-regimens, 6 of 17 (35%) responded to veltuzumab, including five patients with complete responses. In the non-follicular lymphoma subgroup, the objective response rate was 35%, and the complete response rate was 27%.

At all dose levels studied, B-cell depletion occurred after the first infusion of veltuzumab, which produced mean serum levels of antibody exceeding the 25 µg/mL value considered important for anti-CD20 therapy. In addition, veltuzumab remained in circulation after the last infusion, with half-lives that were similar at all dose levels, and at least as long as those reported in studies involving rituximab.

Veltuzumab is currently being studied in two other Phase I/II trials. At the 2009 annual meeting of American Society of Clinical Oncology ( ASCO ) in June, we reported first efficacy results of subcutaneous therapy of NHL and CLL with veltuzumab. Subcutaneous injections of veltuzumab were given once-a-week every 2 weeks for a total of 4 doses. Patients received veltuzumab at one of three dose levels: 80, 160, or 320 mg. Efficacy was assessed at 4 and 12 weeks post treatment, with responding patients continuing in follow-up. The injections were well tolerated with only transient, mild, grade-1 treatment-related adverse events.

For the 15 evaluable NHL patients reported at the conference, 53% had an objective response, and 27% had a complete response. In follicular lymphoma, 7 of 12 patients (58%) had objective responses, with 3 patients (25%) having complete responses. These findings were similar to the Phase II results described above. Thus, despite the small number of patients, it appears that the subcutaneous formulation of veltuzumab can be effective against NHL.

For CLL, there were no objective responses in 8 patients reported at the conference. However, 50% of patients had stable disease for more than 12 weeks. An adequate dosing schedule has yet to be determined for this group of patients.

***Yttrium Y 90 Clivatuzumab tetraxetan Program***

Yttrium Y 90 clivatuzumab tetraxetan or *h*PAM4 labeled with Y-90, is our therapeutic product candidate for patients with pancreatic cancer. It is a humanized monoclonal antibody highly specific for pancreatic cancer. Preclinical studies in mice with transplanted human pancreatic cancer have demonstrated that the antibody labeled with Y-90 has activity by itself as well as in combination with gemcitabine, a radiosensitizing chemotherapeutic that is commonly used to treat patients with this disease. Yttrium Y 90 clivatuzumab tetraxetan has Orphan Drug status in both the US and the European Union, and fast-track status in the US for the treatment of pancreatic cancer.

Our current study is a Phase Ib, open-label, dose escalation of yttrium Y 90 clivatuzumab tetraxetan administered as fractionated, multi-doses, in combination with low-dose gemcitabine as frontline therapy for patients with Stage III or Stage IV metastatic pancreatic cancer. We presented initial results from this study at the Annual Meeting of ASCO in June 2009. Eleven treatment-naïve patients, of which all but 1 had stage 4 or metastatic pancreatic cancer, were enrolled to receive 1 of 3 fractionated Y-90 doses: 6.5, 9.0 and 12.0 mCi/m$^2$, given once-a-week for 3 weeks in combination with low doses of

gemcitabine as a radiosensitizing agent. Two of 3 patients at the 12.0 mCi/$m^2$ dose level had more than 30% tumor shrinkage to qualify as partial responders by Response Evaluation Criteria in Solid Tumors, or RECIST, criteria. The third patient was too early for evaluation, but was showing evidence of tumor shrinkage. One patient receiving 6.5 mCi/$m^2$ of Y-90 also was a partial responder. Overall, half of the evaluable patients showed evidence of tumor shrinkage or stabilization after this therapy.

In addition, 2 patients survived for more than 1 year from the start of treatment, despite the dismal life expectancy of 4 to 6 months from diagnosis for most patients with advanced pancreatic cancer, due to lack of early detection and effective treatment. One of these two patients had received 4 cycles of this therapy, and the other received 3 cycles.

In addition to getting yttrium Y 90 clivatuzumab tetraxetan, patients also received 4 weekly doses of 200 mg/$m^2$ of gemcitabine, known to sensitize cancer cells to radiation, which was given much below its usual therapeutic dose. The major side effect from the combination treatment is low blood cell counts which are manageable and reversible. Otherwise, the treatment has been well tolerated.

Assuming results from this and future clinical trials support regulatory approvals, we may consider taking this product candidate through to commercialization without a partner. However, there is no assurance that regulatory approval will be obtained.

***CD74 Program: Milatuzumab***

CD74 is a transmembrane protein that is highly expressed in multiple myeloma and other B-cell lymphomas. It actively directs transport from the cell surface to an endosomal compartment and, as such, is a unique target for antibody-drug immunoconjugate therapy. Also, recent evidence supports a role for CD74 as a signaling molecule in B-cell lymphoma survival. We have observed high expression of CD74 in human NHL and MM clinical specimens and cell lines, and have developed milatuzumab, a naked humanized antibody targeting the CD74 antigen, using the same constant regions of the heavy and light chains as epratuzumab, for the therapy of MM, NHL and CLL.

Milatuzumab is currently in a Phase I/II multicenter clinical trials to evaluate its safety and tolerability in patients with multiple myeloma. Other objectives include preliminary information on efficacy, pharmacokinetics, immunogenicity; and acceptable doses for subsequent studies. Adult patients with multiple myeloma were enrolled in this open-label, dose-escalation study. All patients had stage II or III multiple myeloma, with stage III as the most advanced stage of the disease based on the Durie-Salmon diagnostic criteria. Most patients had at least 4 prior treatments that included bortezomib, lenalidomide, melphalan and thalidomide.

At the time of reporting at the 2009 Annual Meeting of ASCO, 24 patients had received milatuzumab, twice weekly, at 1 of 4 dose levels: 1.5, 4.0, 8.0 or 16.0 mg/kg, for 4 weeks. Milatuzumab was rapidly cleared at these dose levels with little accumulation in the blood. In spite of rapid clearance, 4 patients had encouraging disease stabilization for at least 12 weeks post-treatment, one continuing for more than 8 months. These patients (3 at 4.0 mg/kg dose level and 1 receiving 2 x 8.0 mg/kg milatuzumab weekly) appeared to have higher serum levels of the anti-CD74 antibody. There have been no objective responses in 21 evaluable patients. Additional studies involving milatuzumab include a Phase I study of milatuzumab in NHL and CLL conducted by Weill Cornell Medical Center funded in part by the National Cancer Institute. We have also initiated our own study in patients with NHL or CLL using different doses and dosing schedules.

The CD74 antibody conjugated with the cancer drug doxorubicin is currently in preclinical development. Preclinical *in vitro* results demonstrated that the drug-antibody conjugate binds specifically to CD74-expressing NHL and MM cell lines, and produces a cytotoxicity level approaching that of free doxorubicin. Antibody-targeted selective delivery of anticancer drugs against antigens

expressed on cancer cells can potentially improve the therapeutic index of anticancer drugs. An Investigational New Drug, or IND, application for the drug conjugate has recently been allowed by the U.S. Food and Drug Administration (FDA) to initiate a Phase I/II clinical trial for the treatment of patients with multiple myeloma. This product candidate is the Company s first antibody-drug conjugate to enter human studies.

***Yttrium Y 90 epratuzumab tetraxetan Program***

Yttrium Y 90 epratuzumab tetraxetan is our radiolabeled CD22 antibody product candidate being evaluated in Europe in a Phase I/II study in patients with NHL. Radioimmunotherapy, or RAIT, combines the targeting power of monoclonal antibodies with the cell-damaging ability of localized radiation. When infused into a patient, these radiation-carrying antibodies circulate in the body until they locate and bind to the surface of specific cells, and then deliver their cytotoxic radiation more directly to the cells. This therapy, unlike chemotherapy, mainly selects cancer cells, has fewer side effects, and may be administered on an outpatient basis in the U.S.

The Phase I/II European study has completed its target enrollment of 64 adult patients with documented B-cell NHL who had failed one or more regimen therapies, including rituximab. Updated results from this study were presented at the 56$^{th}$ annual meeting of the Society of Nuclear Medicine ( SNM ) in June 2009.

The objective response rate (partial and complete responses) in 62 evaluable patients was 64%, with 49% of patients having a complete response. Both the objective and complete response rates appear to correlate with cumulative doses. In 16 patients unresponsive to last therapy, 75% responded to yttrium Y 90 epratuzumab tetraxetan with 56% complete responses. More importantly, responses were seen across all different types of NHL. For follicular lymphoma patients, treatment at 20 mCi/m$^2$ for 2 weeks was particularly effective, with all 10 patients responding to the treatment, 9 of which were complete responders. In addition, for all 21 follicular lymphoma patients with complete responses, the estimated median progression-free survival is 17.9 months, including responses continuing up to 5 years. The highest cumulative Y-90 dose level reported in this study was 45 mCi/m$^2$, which is more than two-fold higher than the maximum allowable single dose of 32 mCi currently approved for ibritumomab tiuxetan.

***CEA Program: Labetuzumab***

We have developed another solid tumor therapeutic product candidate that targets carcinoembryonic antigen, or CEA or CEACAM5, expressed by cancers of the colon, rectum, breast, lung and other solid tumors. We are not currently conducting clinical trials with our unlabeled CEA antibody, labetuzumab; however, we are providing clinical supplies for an investigator-sponsored Phase II clinical trial in Germany, evaluating repeat dosing of I-131-labeled CEACAM5 antibody, labetuzumab, in patients with resected liver metastases of colorectal cancer.

***Diagnostic Imaging Products***

We have continued to transition our focus away from the development and commercialization of diagnostic imaging products in order to accelerate the development of our therapeutic product candidates, although we manufacture and commercialize our 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.

**Research and Development Programs**

We have historically invested heavily in our research and development programs, spending approximately $21,485,000 for these programs during fiscal year ended June 30, 2009, $22,209,000 for these programs during fiscal year ended June 30, 2008 and $19,841,000 for these programs during fiscal year ended June 30, 2007. The expense reduction during the 2009 fiscal year resulted primarily from expense reimbursements received from Nycomed, partially offset by additional employees and related salaries and employee benefits. The increase in expense during the 2008 fiscal year over 2007 was due to higher headcount and related salaries, employee benefits and increased patent expenses. The above discussion is a brief summary of our principal research and development programs as of August 24, 2009.

**Other Antibody-Directed Therapy Approaches**

Our majority-owned subsidiary, IBC Pharmaceuticals, Inc., or IBC, has been working on the development of novel cancer radioimmunotherapeutics using patented pretargeting technologies with proprietary, bispecific antibodies.

Preclinical studies with IBC continue for the development of new bispecific antibodies and peptides for improved targeting and treatment of cancer. They include tumor-targeting antibodies with multiple binding-arms and new carrier peptides that allow attachment of different kinds of therapeutic and diagnostic isotopes.

One of the new bispecific antibodies is TF2, an antibody constructed using our proprietary protein engineering platform technology, called Dock-and-Lock, or DNL. It specifically targets the carcinoembryonic, or CEA (specifically CEACAM5) antigen expressed in many human cancers, including colorectal cancer. Unlike conventional antibodies which can only attach to one receptor, TF2 has been modified to contain an additional binding site that recognizes a radioisotope-carrying peptide. This allows the separate administration of TF2 before the delivery of radioisotope, a concept known as pretargeting, which is developed by the Company s majority-owned subsidiary, IBC Pharmaceuticals, Inc.

At the 56th annual meeting of the Society of Nuclear Medicine, or SNM in June 2009, results from two studies of TF2 were presented. The first study reported examined the selectivity and specificity of TF2 compared with fluorine-18, or F-18 fluorodeoxyglucose, or FDG in PET imaging of colorectal cancer. The therapeutic efficacy of TF2 against colorectal cancer was assessed in the second study using an animal model.

F-18 FDG is a sugar analog approved for use in the U.S. for the detection of certain tumors, coronary artery disease, and epilepsy. It is the most widely used radiopharmaceutical in positron-emission tomography, or PET, to determine abnormal glucose metabolism. However, F-18 FDG uptake is also accelerated during inflammatory processes and in rapidly-proliferating normal cells, which may lead to false-positive results and lower specificity.

For the imaging study, animals carrying human colorectal tumor and with chemically-induced inflamed muscle were imaged with either F-18 FDG or TF2 and a radiolabeled peptide. In the TF2 group of animals, uptake of radioactivity was more than 10-fold higher in the tumor than in the inflamed muscle. The levels in normal organs and tissues were all significantly lower. With F-18 FDG, both the tumor and the inflamed muscle were clearly visualized at 1 hour.

In the therapeutic study, treatment with 1 cycle of TF2 and a radiolabeled peptide significantly prolonged median survival time, or MST, of animals injected with human colorectal cancer cells to 24 days compared with 13 days from the untreated group. Moreover, 2 and 3 cycles of TF2 treatments extended MST to 45 and 65 days, respectively. Bone marrow and kidney toxicity to the TF2 group was minimal. For the first time, therefore, fractionated dosing of pretargeted radioimmunotherapy, or RAIT, was found to be superior in efficacy over single-cycle RAIT.

TF2 is currently in two investigator-sponsored studies in the U.S. and Europe for pretargeted imaging and radioimmunotherapy of colorectal cancer.

The ultimate goal of IBC is to offer cancer patients a more individualized treatment by combining improved molecular imaging with targeted therapy. Demonstrated tumors localized in imaging studies may predict a more appropriate group of patients that would respond to the subsequent therapy. In collaboration with external investigators, we are now planning with IBC to test this new technology in patients.

**Peptides**

Since the pretargeting methods being developed with IBC are showing very high tumor/normal tissue ratios, we have been working on creating a new class of diagnostic imaging agents using both traditional gamma-emitting isotopes, such as Technetium-99m (Tc-99m), and positron-emitting isotopes, such as F-18 and Gallium-68 (Ga-68). During the past year, we have developed a facile method for the radiolabeling of peptides with F-18 and published the results online in June 2009, in the Journal of Nuclear Medicine. The method has since been successfully applied to a bispecific antibody pretargeting study in animals injected with human colorectal cancer. Moreover, at the 2009 annual meeting of the SNM, using the new labeling method, F-18 labeled peptides were shown to be stable enough to produce exceptional PET images of receptor-expressing tumors in animals. Our goal is to improve the labeling process to the point where we will be capable of radiolabeling these peptides at clinical-scale using single-vial kits. In related work, similar synthetic methods have also been used to prepare peptides that can be radiolabeled with Tc-99m, Ga-68, Indium-111, Lutetium-177 and Yttrium-90, which are being applied to the bispecific pretargeting technology that is being developed through IBC.

**Dock-and-Lock Platform Technology**

Together with IBC, we have developed a new platform technology, called the Dock-and-Lock method, or DNL, which has the potential for making a considerable number of bioactive molecules of increasing complexity. DNL utilizes the natural interaction between two proteins, cyclic AMP-dependent protein kinase, or PKA, and A-kinase anchoring proteins, or AKAPs. The region that is involved in such interaction for PKA is called the dimerization and docking domain, or DDD, which always appears in pairs. Its binding partner in AKAPs is the anchoring domain, or AD. When mixed together, DDD and AD will bind with each other spontaneously to form a binary complex, a process termed docking. Once docked, certain amino acid residues incorporated into DDD and AD will react with each other to lock them into a stably tethered structure. The outcome of the DNL method is the exclusive generation of a stable complex, in a quantitative manner that retains the full biological activities of its individual components. Diverse drugs, chemical polymers, proteins, peptides, and nucleic acids are among suitable components that can be linked to either DDD or AD. Since DDD always appears in pairs, any component that is linked to DDD will have two copies present in the final products. A description of the DNL platform technology was published in the September 15, 2007, Supplement issue of *Clinical Cancer Research*.

DNL method judiciously combines conjugation chemistry and genetic engineering to enable the creation of novel human therapeutics, and the potential construction of improved recombinant products over those currently on the market. To that end, we have created two DNL-PEGylated interferon-alpha-2b (IFNα2b) molecules, α2b-413 and α2b-457, by site-specifically conjugating IFNα2b to polyethylene glycol, or PEG, with different sizes. At the 100th Annual Meeting of the American Association for Cancer Research ( AACR ) in April 2009, results from preclinical studies evaluating the *in vitro* and *in vivo* properties of α2b-413 and α2b-457 and comparing them with approved PEGylated IFNα2b therapeutics, PEG-INTRON and PEGASYS, were reported.

The two DNL-PEGylated interferons had similar anti-viral activities *in vitro*, which were higher than PEGASYS but less than PEG-INTRON, and demonstrated slower clearance in mice than PEG-INTRON with an advantage for α2b-457 over PEGASYS. In an animal lymphoma model, α2b-413 and α2b-457 significantly improved animal survival in comparison to PEG-INTRON but not in animals treated with PEGASYS. These results suggest that the two DNL-PEGylated IFN-a2b molecules have select advantages over both PEG-INTRON and PEGASYS, which warrant further testing in the clinic.

DNL-modified IFNα2b was also the subject of a second study presented at the Annual Meeting. 20-2b, which contains 4 IFNα2b groups site-specifically conjugated to veltuzumab, was reported to retain the anti-viral activity of IFNα2b *in vitro* and have specific activities similar to PEG-INTRON but greater than PEGASYS. Moreover, it was shown to have significantly longer circulating half-life in mice than those of PEG-INTRON and PEGASYS, and found to be stable in human sera and whole blood for at least 10 days. Compared with veltuzumab, 20-2b demonstrated enhanced antibody-dependent cellular cytotoxicity, or ADCC, in two human lymphoma cell lines, but lacked the complement-dependent cytotoxicity, or CDC, of its parental antibody.

Anti-lymphoma efficacy was evaluated in various animal models. In one lymphoma model, a single, low-dose of 20-2b (0.7 pmol) extended MST by more than 100 days over both untreated animals and the veltuzumab group. Moreover, the 7 long-term survivors in the 20-2b group did not show visible evidence of disease at the end of the study. In an advanced tumor model, the same dosage of 20-2b produced MST that is similar to the group receiving the highest dose of PEGASYS (70 pmol), which is 100-fold higher. Treatment with the same high dose of 70 pmol of 20-2b, in comparison, improved MST to more than 105 days with all 9 animals in the group surviving, while veltuzumab at 70 pmol had only a modest effect on survival with MST of 24 days. Finally, in two models that are resistant to the interferon and less responsive to veltuzumab, 20-2b doubled MST over untreated animals and significantly improved survival over veltuzumab. Based on these results, the veltuzumab-interferon-α2b conjugate could be an attractive candidate for the therapy of CD20-expressing lymphomas and leukemias. This work is in press in the Journal of the American Society of Hematology, *Blood*.

In a separate study, DNL was used to create new protein constructs that contain multiple copies of erythropoietin, or EPO with improved pharmacokinetics and potency. EPO is a hematopoietic growth factor that stimulates the proliferation and differentiation of erythrocytes into mature red blood cells. Several recombinant human EPOs, including Aranesp, are currently used for the treatment of anemia, predominantly associated with chronic kidney failure and cancer chemotherapy. However, the short half-life of these products (4-13 hours) necessitates frequent dosing. Increasing the serum half-life of EPO to allow less frequent dosing is, therefore, highly desirable and has been an important goal for developing next-generation EPO.

The poster presentation at the 2009 Annual Meeting of the AACR described the generation of 3 EPO derivatives: a DNL-PEGylated EPO (PEG-EPO) that contains two copies of EPO, an antibody fragment conjugated to 2 EPOs (Fab-EPO), and an intact antibody linked to 4 copies of the cytokine (IgG-EPO). All 3 derivatives maintain the biological activity of EPO with a similar specific activity to Aranesp. In addition, *in vivo* activity of IgG-EPO was confirmed in normal mice. A single intravenous administration of IgG-EPO induced a significant increase in hematocrit levels compared to untreated mice.

Like EPO, granulocyte colony-stimulating factor, or G-CSF is also a hematopoietic growth factor and is the subject of the fourth study presented at the AACR Annual Meeting. G-CSF stimulates the bone marrow to produce more white blood cells. Currently in the U.S., a recombinant methionyl human G- CSF and its longer-acting PEGylated form is largely used for treating chemotherapy-induced neutropenia

and for mobilizing transplantable stem cells from bone marrow to the blood for easier collection and processing. In this study, 3 antibody-G-CSF conjugates were generated and characterized. Each conjugate comprising 4 copies of human G-CSF linked site-specifically to one of the Company s three proprietary humanized antibodies: veltuzumab (anti-CD20), labetuzumab (anti-CEACAM5), and *h*734 (anti-indium-DTPA).

Against a leukemia cell line, *h*734-G-CSF and veltuzumab-G-CSF were more potent than recombinant human G-CSF. *h*734-G-CSF also induced a higher number of monocytes and neutrophils in the blood of normal mice, compared to untreated animals. For veltuzumab-G-CSF, enhanced ADCC was observed in CD20-positive lymphoma cells. Because anti-CD20 therapies can cause neutropenia in patients, the potential of veltuzumab-G-CSF to enhance the potency of an anti-CD20 antibody yet prevent neutropenia is very attractive.

As with all candidate therapeutic molecules developed by IBC or Immunomedics, the safety and potential efficacy cannot be predicted until sufficient trials in humans have been conducted.

**Patents and Proprietary Rights**

***Our Patents***

We have accumulated a sizeable portfolio of patents and patent applications in the course of our research, which we believe constitutes a very valuable business asset. The major patents relate primarily to our therapeutic product candidates as well as our technologies and other discoveries for which no product candidate has yet been identified. As of August 24, 2009, our portfolio included 137 issued U.S. patents. In addition, as of such date the portfolio included more than 300 issued foreign patents, with a number of U.S. and foreign patent applications pending.

The chart below highlights our material patents and product groups as of June 30, 2009 the major jurisdictions and relevant expiration periods.

| Program & Product Group | Description/Targeted Antigen | Patent Expiration | Major Jurisdictions |
|---|---|---|---|
| CD22 Program Epratuzumab | Unlabeled Antibody CD22 | 2014 - 2020 | USA, Europe, Japan |
| CD20 Program Veltuzumab | Unlabeled Antibody CD20 | 2023 | USA, Europe, Japan |
| PAM4 Program Yttrium Y 90 Clivatuzumab Tetraxetan | Y-90 Labeled Antibody PAM4 | 2023 | USA, Europe, Japan |
| CD74 Program Milatuzumab | Unlabeled Antibody CD74 | 2024 | USA, Europe, Japan |
| CEA Program Labetuzumab | Carcinoembryonic Antigen Antibody | 2015 - 2016 | USA, Europe, Japan |

***Our Licenses***

We have obtained licenses from various parties for rights to use, develop and commercialize proprietary technologies and compounds. Currently, we have the following medical licenses:

Medical Research Council, or MRC We entered into a license agreement with MRC in May 1994, whereby we have obtained a license for certain patent rights with respect to the genetic engineering on monoclonal antibodies. Our agreement does not require any milestone payments,

nor have we made any payments to MRC to date. Our agreement with MRC, which expires at the expiration of the last of the licensed patents in 2020, provides for future royalty payments to be made based on a percentage of product sales.

Center for Molecular Medicine and Immunology, or CMMI - We have entered into a license agreement with CMMI in December 2004, whereby we have licensed certain rights with respect to patents and patent applications owned by CMMI. Dr. Goldenberg, our Chief Medical Officer, Chief Scientific Officer and Chairman of our Board of Directors, is the founder, President and member of the Board of Trustees of CMMI. No license or milestone payments are required under this agreement. Under the license agreement, which expires at the expiration of the last of the licensed patents in 2023, CMMI will receive future royalty payments in the low single digits based on a percentage of sales of products that are derived from the CMMI patents. Under the license agreement we are able to decide which patent related expenses we will support. For the fiscal years ended June 30, 2009, 2008 and 2007, we have made payments for CMMI legal expenses regarding patent-related matters of $29,000, $95,000 and $67,000, respectively, however any inventions made independently of us by CMMI are the property of CMMI.

***Our Trademarks***

The mark IMMUNOMEDICS is registered in the U.S. and 19 foreign countries and a European Community Trademark has been granted. Our logo is also registered in the U.S. and in two foreign countries. The mark IMMUSTRIP is registered in the U.S. and Canada. The mark LEUKOSCAN is registered in the U.S. and 9 foreign countries, and a European Community Trademark has been granted. In addition, we have applied for registration in the U.S. for several other trademarks for use on products now in development or testing, and for corresponding foreign and/or European Community Trademarks for certain of those marks.

***Our Trade Secrets***

We also rely upon unpatented trade secrets, and there is no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology, or that such rights can be meaningfully protected. We require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisers to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual s relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of our employees, the agreement provides that all inventions conceived by such employees shall be our exclusive property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information.

***Third Party Rights***

Our success also depends in part on our ability to gain access to third party patent and proprietary rights and to operate our business without infringing on third party patent rights. We may be required to obtain licenses to patents or other proprietary rights from third parties to develop, manufacture and commercialize our product candidates. Licenses required under third-party patents or proprietary rights may not be available on terms acceptable to us, if at all. If we do not obtain the required licenses, we could encounter delays in product development while we attempt to redesign products or methods or we could be unable to develop, manufacture or sell products requiring these licenses at all.

**Strategic Partnering and Relationships**

***Nycomed GmbH***

Under the terms of the Nycomed Agreement, we are continuing the ongoing Phase I/II study in ITP and Nycomed is reimbursing us for all expenses incurred in connection with this study. The Nycomed Agreement also provides us with an option to co-promote veltuzumab for the treatment of ITP in the United States. Under the terms of the Nycomed Agreement, we received an initial cash payment totaling $40 million on August 21, 2008.

Nycomed is a privately owned pharmaceutical company that provides medicines for hospitals, specialists and general practitioners, as well as over-the-counter medicines in selected markets. Nycomed stated that as veltuzumab is the first anti-CD20 with a subcutaneous administration tested in clinical trials it has the potential to contribute to an improved safety profile versus the currently intravenously applied anti-CD20s by avoiding infusion-related side effects and increasing convenience for the patient via its subcutaneous route. Nycomed believes that anti-CD20 s antibodies are considered to be one of the strongest growing segments within the RA market and offer additional market potential by extending into other autoimmune and inflammatory diseases.

***UCB, S.A.***

Under the terms of the UCB Agreement, UCB is solely responsible for the development, manufacturing and commercialization of epratuzumab for the treatment of all autoimmune indications and for the continuation of ongoing clinical trials in SLE, with Immunomedics responsible for supplying epratuzumab for the completion of clinical trials relating to SLE, the Sjogren s Phase II Clinical Trial and the SLE Open Label Study as defined in the UCB Agreement. We were also obligated to manufacture and supply epratuzumab, if needed and at UCB s request, for the initial commercial launch of epratuzumab for the treatment of SLE. The manufacturing requirements were limited by our production capacity at that time. UCB will have 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. Subsequent to June 30, 2009, UCB relieved us of our remaining obligation to supply UCB with any further supplies for SLE.

**Other Collaborations**

On July 24, 2009, we entered into a partnership and cross-licensing agreement with Alexis Biotech Ltd., London, England, to jointly develop targeted vaccines against cancers that include melanoma and chronic lymphocytic leukemia, and infectious diseases, such as AIDS. The development will combine the DNL technology with the proprietary HLA-antibody targeting technology from Alexis Biotech. Under the terms of the agreement there were no payments exchanged between parties. Both companies will share in the development costs and we will have first worldwide commercialization rights to products derived from the partnership. There are no material cash commitments in the short-term as a result of this agreement.

We conduct research on a number of our programs in collaboration with CMMI and its clinical unit, the Garden State Cancer Center. CMMI performs contracted pilot and pre-clinical trials in scientific areas of importance to us and also conducts basic research and pre-clinical evaluations in a number of areas of potential interest to us. Dr. David M. Goldenberg, our Chairman of the Board and Chief Scientific Officer and Chief Medical Officer, is the President and a Trustee of CMMI.

In fiscal year 2009, we received three Phase II Grant Awards, which were based on Phase I Grant Awards that had been received and completed in prior years. The first grant award received in the 2009 fiscal year is in the amount of $802,000 from the National Institute of Health, over a two-year period. The awarded project, entitled An anti-CD74 MAb-drug conjugate for B-cell malignancies, is an extension of a Phase I Grant Award for a six-month study for $134,000 that was received by us during the 2008 fiscal year. The awarded grant is to specifically evaluate a fusion protein composed of a mutant ranpirnase (a ribonuclease found in a certain species of frog) and a variant of milatuzumab (hLL1) for anti-tumor efficacy in SCID mice bearing MM or NHL human tumor xenografts with a single-dose or multiple-dose regimen.

A second Phase II Award was awarded by the National Institute of Health in the amount of $964,000 over a two-year period. The awarded project, entitled MAb-based targeted chemotherapy of lung cancer, is an expansion of the six-month Phase I study for $115,000 that was awarded to us during the 2008 fiscal year. The goal of the study is to produce a safe and effective MAb-drug bioconjugate for the treatment of non-small-cell lung cancer. The study proposes to link a rapidly internalizing anti EGP-1 MAb, hR27, to a potent topoisomerase 1 inhibitor, SN-38, which is the pharmacologically active form of an anti-cancer drug, CPT-11, or irinotecan.

A third Phase II Award that was received during the 2009 fiscal year is in the amount of $688,000 over a two-year period and is entitled Dock and Lock: Novel Protein Engineering. This project is an expansion of the six-month Phase I grant award of $134,000 that was received by us during the 2007 fiscal year. The objective of this SBIR investigation is to evaluate TF2, a trivalent, bispecific antibody made by the DNL method, for its utility as a pretargeting agent for detecting and treating CEA-producing tumors with a diagnostic tool or therapeutic radionuclide. To date, we have demonstrated the feasibility of DNL to manufacture multivalent, multispecific antibodies that are easily purified to homogeneity with high yields, as well as to generate diverse bioactive molecules with improved pharmacological properties.

We also collaborate with numerous other academic and research centers. Our academic collaborators have included such institutions as the Erasme University Hospital, Brussels, Belgium; University of Nijmegen, The Netherlands; Institut national de la sante et de la recherche medicale, or INSERM, Nantes, France; University of Göttingen, Germany; St. Bartholomew s Hospital, London, England; New York Presbyterian Hospital Cornell Medical College; University of Ohio Cancer Center; M.D. Anderson Cancer Center; and Roswell Park Cancer Institute. We believe such ongoing research efforts may identify new and improved products and techniques for diagnosing and treating various cancers and infectious diseases.

**Government Regulation**

***Regulatory Compliance***

Our research and development activities, including testing in laboratory animals and in humans, our manufacture of antibodies, as well as the handling, labeling and storage of the product candidates that we are developing, are all subject to stringent regulation, primarily by the FDA in the U.S. and by comparable authorities in other countries. If for any reason we are unable to comply with applicable requirements there will likely occur various adverse consequences, including one or more delays in approval, or even the refusal to approve, product licenses or other applications, the suspension or termination of clinical investigations, the revocation of approvals previously granted, as well as fines, criminal prosecution, recall or seizure of products, injunctions against shipping products and total or partial suspension of production and/or refusal to allow us to enter into governmental supply contracts.

The process of obtaining requisite FDA approval is costly and time consuming even in the best of circumstances. For a new human drug or biological product to be marketed in the United States, current FDA requirements include: (i) the successful conclusion of pre-clinical tests to gain preliminary information on the product s safety; (ii) the filing with the FDA of an IND to conduct human clinical trials for drugs or biologics; (iii) the successful completion of human clinical investigations to establish the

safety and efficacy of the product candidate for its intended indication; and (iv) the filing and then acceptance and approval by the FDA of a New Drug Application, or NDA, for a drug product, or a Biological License Application, or BLA, for a biological product, in either case to allow commercial distribution of the drug or biologic.

***Orphan Drug Act***

To date, we have successfully obtained Orphan Drug designation by the FDA under the Orphan Drug Act of 1983 for epratuzumab for non-Hodgkin s lymphoma, yttrium-90 labeled PAM4 for pancreatic cancer, labetuzumab for ovarian, pancreatic and small cell lung cancers, and milatuzumab for multiple myeloma and chronic lymphocytic leukemia. There can be no assurance, however, that our competitors will not receive approval of other different drugs or biologics for treatment of the diseases for which our products and product candidates are targeted.

***Other Regulatory Considerations***

We are also subject to regulation under the Occupational Safety and Health Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, The Clean Air Act, and other current and potential future federal, state, or local regulations. Our research and development activities involve the controlled use of hazardous materials, chemicals, biological materials and various radioactive compounds. We believe that our procedures comply with the standards prescribed by state and federal regulations; however, the risk of injury or accidental contamination cannot be completely eliminated.

We are subject to the U.S. Foreign Corrupt Practices Act, which prohibits corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. Under this act, it is illegal to pay, offer to pay, or authorize the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. Our present and future business has been and will continue to be subject to various other laws and regulations.

***Pricing Controls***

The levels of revenues and profitability of biopharmaceutical companies may be affected by the continuing efforts of government and third party payers to contain or reduce the costs of health care through various means. For example, in certain foreign markets, pricing reimbursement or profitability of therapeutic and other pharmaceutical products is subject to governmental control. In the U. S., there have been, and we expect that there will continue to be, a number of federal and state proposals to implement similar governmental pricing control. While we cannot predict whether any such legislative or regulatory proposals will be adopted, the adoption of such proposals could have a material adverse effect on our business, financial condition and profitability.

***Third Party Reimbursement***

In addition, in the U. S. and elsewhere, sales of therapeutic and other pharmaceutical products are dependent in part on the availability of reimbursement to the consumer from third party payers, such as government and private insurance plans. Third party payers are increasingly challenging the prices charged for medical products and services. We cannot assure you that any of our products will be considered cost effective and that reimbursement to the consumer will be available or will be sufficient to allow us to sell our products on a competitive and profitable basis.

**Competition**

Competition in the biopharmaceutical industry is intense and based significantly on scientific and technological factors such as the availability of patent and other protection for technology and products, the ability to commercialize technological developments and the ability to obtain governmental approval for testing, manufacturing and marketing. We compete with specialized biopharmaceutical firms in the United States, Europe and elsewhere, as well as a growing number of large pharmaceutical companies. 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. Many of these companies have significantly greater financial, technical and marketing resources than we do. Many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or made commercial arrangements with other biopharmaceutical companies. These companies, as well as academic institutions, governmental agencies and private research organizations, also compete with us in recruiting and retaining highly qualified scientific, technical and professional personnel and consultants. Our ability to compete successfully with other companies in the biopharmaceutical field will also depend to a considerable degree on the continuing availability of capital to us.

**Marketing, Sales and Distribution**

At present we have only limited marketing and sale capabilities as we focus our efforts on developing our therapeutic product candidates. We will continue to manufacture and market LeukoScan with our sales force and provide technical support directly to customers. We also have agreements with third parties to market LeukoScan® that provide customer support and distribution of the products.

Our European operations are headquartered in Darmstadt, Germany. We have also established sales representation in most major European markets. We service other markets through the appointment of local organizations that provide sales and marketing support as well as local product redistribution. We have a distribution agreement with Logosys Logistik GmbH, whereby Logosys packages and distributes LeukoScan® in the European Union.

**Manufacturing**

We operate a large-scale bioreactor facility at our Morris Plains, New Jersey, location. This facility is used for the production of all of our therapeutic product candidates for clinical trials, and potentially for commercial quantities as well.

We manufacture LeukoScan® for commercial sale at our facility in Morris Plains, New Jersey. The Committee on Proprietary Medicinal Products of the European Commission approved the manufacturing facility and product manufacturing processes for LeukoScan in May 1998. In April 2005, we entered into an agreement with BAG GmbH, Lich, Germany for the final formulation, fill and lyophilization of Leukoscan. We also perform antibody processing and purification of all our therapeutic product candidates at this facility. We have scaled-up our antibody purification and fragmentation manufacturing processes for our diagnostic imaging agents to permit us to produce commercial levels of product. As part of the Nycomed Agreement we are responsible for the manufacture and sale to Nycomed for veltuzumab for a supply level indicated in the Nycomed Agreement at a price as defined in the Nycomed Agreement. As part of the UCB Agreement we were responsible for the manufacture of epratuzumab for the completion of the ongoing clinical trials relating to SLE, and if requested by UCB (and within our production capacity), to manufacture and supply the initial commercial launch of epratuzumab for the treatment of SLE and for certain future clinical trials for another autoimmune disease indication, if necessary. Subsequent to June 30, 2009, UCB relieved us of our obligations to supply UCB with any further supplies for SLE.

**Manufacturing Regulatory Considerations**

In addition to regulating and auditing human clinical trials, the FDA regulates and inspects equipment, facilities and processes used in the manufacturing of such products prior to providing approval to market a product. If after receiving clearance from the FDA, a material change is made in manufacturing equipment, location, or process, additional regulatory review may be required. We must also adhere to current Good Manufacturing Practice and product-specific regulations enforced by the FDA through its facilities inspection program. The FDA also conducts regular, periodic visits to re-inspect equipment, facilities, and processes following the initial approval. If, as a result of these inspections, the FDA determines that our equipment, facilities or processes do not comply with applicable FDA regulations and conditions of product approval, the FDA may seek civil, criminal or administrative sanctions and/or remedies against us, including the suspension of our manufacturing operations.

LeukoScan® and certain of our other imaging agents are derived from the fluids produced in mice. Regulatory authorities, particularly in Europe, have expressed concerns about the use of these fluids for the production of monoclonal antibodies. These regulatory authorities may determine that our quality control procedures for these products are inadequate. In the event we have to discontinue the use of mouse fluids, we may not have the resources at the time to acquire the necessary manufacturing equipment and expertise that we will need to make the changes in our development programs.

**Employees**

As of August 24, 2009, we employed 120 persons on a full-time basis, of whom 23 were in research and development departments, 17 of whom were engaged in clinical research and regulatory affairs, 56 of whom were engaged in operations and manufacturing and quality control, and 22 of whom were engaged in finance, administration, sales and marketing. Of these employees, 50 hold M.D., Ph.D. or other advanced degrees. We believe that while we have been successful to date in attracting skilled and experienced scientific personnel, competition for such personnel continues to be intense and there can be no assurance that we will continue to be able to attract and retain the professionals we will need to grow our business. Our employees are not covered by a collective bargaining agreement, and we believe that our relationship with our employees is excellent.

**Corporate Information**

We were incorporated in Delaware in 1982. Our principal offices are located at 300 American Road, Morris Plains, New Jersey 07950. Our telephone number is (973) 605-8200. In addition to our majority-owned subsidiary, IBC, we also have two foreign subsidiaries, Immunomedics B.V. in The Netherlands and Immunomedics GmbH in Darmstadt, Germany, to assist us in managing sales and marketing efforts and coordinating clinical trials in Europe**.** Our web address is www.immunomedics.com. We have not incorporated by reference into this Annual Report on Form 10-K the information on our website, and you should not consider it to be a part of this document.

Our reports that have been filed with the Securities and Exchange Commission, or SEC, are available on our website free of charge, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to such reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Copies of this Annual Report on Form 10-K may also be obtained without charge electronically or by paper by contacting Investor Relations, Immunomedics, Inc., 300 American Road, Morris Plains, New Jersey 07950 or by calling (973) 605-8200.

In addition, we make available on our website (i) the charters for the committees of the Board of Directors, including the Audit Committee, Compensation Committee and Nominating and Board Governance Committee, and (ii) the Company s Code of Business Conduct (the Code of Conduct) governing its directors, officers and employees. Within the time period required by the SEC, we will post on our website any modifications to the Code of Conduct, as required by the Sarbanes-Oxley Act of 2002.

The public may also read and copy the materials we file with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC.

**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 June 30, 2009, we had an accumulated deficit of approximately $240,000,000, including net income of $2,274,000 for the year ended June 30, 2009 and net loss of $22,909,000 for the year ended June 30, 2008. In July 2008, we entered into an agreement with Nycomed GmbH, or Nycomed, providing Nycomed an exclusive worldwide license to develop, manufacture, and commercialize veltuzumab, our humanized anti-CD20 antibody in the subcutaneous formulation for the treatment of all non-cancer indications. Under the terms of this agreement, we retain the right to develop veltuzumab in the field of oncology. As a result, we will continue to incur significant expenses relating to the development of veltuzumab for oncology indications. In addition, we will continue our ongoing Phase I/II study in immune thrombocytopenic purpura, or ITP. As we have continuing obligations under the Nycomed Agreement, we recorded the $40 million non-refundable payment received from Nycomed as deferred revenue and we are recognizing this amount through December 2009, which is our best estimate of the period of time required for us to fulfill our obligations under the Nycomed Agreement. As of June 30, 2009 accordingly, we recognized $25,460,000 as License Fee Revenues for fiscal year ending June 30, 2009. The remaining balance of $14,540,000 is recorded as Deferred Revenue. We expect to recognize the remaining balance of $14,540,000 as revenue in fiscal 2010.

In May 2006, we entered into an agreement with UCB, S.A., or UCB, granting UCB the exclusive, worldwide license to develop, manufacture, market and sell epratuzumab, our humanized CD22 antibody, for all autoimmune disease indications. As part of this agreement UCB assumed the responsibility for conducting the Phase III SLE clinical trials we had designed and initiated. UCB subsequently decided to terminate these trials and establish new protocols under which new clinical trials for the treatment of SLE would be conducted. As a result of this decision, we are no longer able to determine when these clinical trials will take place or how these decisions would impact the obligation period for our remaining potential manufacturing responsibilities under the terms of the agreement with UCB. Therefore we had 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 reasonably determinable. As of June 30, 2009 this deferred revenue on the balance sheet is $31,145,000. Subsequent to June 30, 2009, UCB relieved us of our remaining obligation to supply UCB with any further supplies for SLE. As this was the only obligation remaining for us under the terms of the UCB Agreement, we expect that the deferred revenue under the UCB Agreement as of June 30, 2009, will be recognized as revenue during the three-month period ended September 30, 2009.

The only significant product sales we have earned to date have come from the 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 maintain continued profitability, either of which would jeopardize our ability to continue as a going concern.

***Negative conditions in the global credit markets may impair the liquidity of our investment in auction rate securities.***

Our auction rate securities consist primarily of AAA rated securities and have an estimated fair value of $17.5 million as of June 30, 2009. 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 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 potential 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 its 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.

***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 unique 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 June 30, 2009; and

limited product sales of CEA-Scan® and LeukoScan®, licenses, grants and interest income from our investments.

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With the completion of the Nycomed Agreement and the receipt of the initial payments on August 21, 2008 related thereto, 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, for which we are considering a number of funding alternatives 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 candidates we project we will need;
- 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. 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 final 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.***

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, 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 as 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.

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.

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 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 fiscal year ended June 30, 2009, we have incurred $292,000 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.

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;
- 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 Pink OTC Markets Inc., 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

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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.

***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 partners, 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.

At August 25, 2009, we had 75,162,215 shares of common stock outstanding, 6,676,183 additional shares reserved for restricted stock shares and the exercise of outstanding stock options and 4,878,900 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 June 30, 2009, Dr. Goldenberg, our Chairman, 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 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.

***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 August 25, 2009, we had 75,162,215 shares of common stock outstanding, 6,676,183 additional shares reserved for restricted stock shares and the exercise of outstanding stock options and 4,878,900 additional shares of common stock authorized for issuance and remaining to be granted under our stock option plan.

**Item 1B.** ***Unresolved Staff Comments***

None.

**Item 2.** ***Properties***

Our headquarters is located at 300 American Road, Morris Plains, New Jersey 07950, where we lease approximately 85,000 square feet of commercial office space. In June 2009, we amended the lease agreement to add an additional 11,000 square feet of commercial office space to lease the entire facility. The lease is for the same lease term, expiring in October 2021. With the facility expansion in June 2009 the base annual rate is at $636,000, which rate is fixed through October 2011 and increases thereafter every five years. Our manufacturing, regulatory, medical, research and development laboratories, and our finance, marketing and executive offices are currently located in this facility. We operate a 7,500 square-foot, commercial-scale manufacturing facility within our Morris Plains headquarters, which consists of four independent antibody manufacturing suites, several support areas, and a quality control laboratory. See Item 1 Business, Manufacturing. In addition, our European subsidiary, Immunomedics GmbH, leases executive office space in Darmstadt, Germany.

**Item 3. Legal Proceedings**

*Former Employee Patent Litigation*

In October 2006, the Company s former employee Dr. Shui-On ( Shawn ) Leung, SinoMab Bioscience Limited, and Skytech Technology Limited (collectively, the Plaintiffs ), filed suit against the Company in Delaware Chancery Court (SinoMab Bioscience Ltd., et al. v. Immunomedics, Inc., C.A. No. 2471-VCS) seeking among other things a declaration that Dr. Leung was not obligated to assign certain patent applications to the Company, and asserting claims of various business torts against the Company. The Company denied the Plaintiff s claims, and filed counterclaims for, among other things, breach of Dr. Leung s agreements with Immunomedics, trade secret misappropriation, and a declaration that Dr. Leung was obligated to assign the patent applications to the Company.

On June 16, 2009, after a trial, the Court ruled that: (1) Dr. Leung is not obligated to assign the patent applications to Immunomedics; (2) the patent applications that Dr. Leung initially filed sought to cover work that Immunomedics was already doing, thereby breaching his non-competition agreement, and (3) that Dr. Leung did not misappropriate Immunomedics trade secrets. The Court awarded Immunomedics the reasonable attorneys fees that it expended in getting Dr. Leung to amend his applications so that they did not cover techniques that Immunomedics was already using. The plaintiffs did not pursue their business tort claims in post-trial briefing.

The Company is considering whether to appeal the decision. The Company believes that the outcome of this case will not have a material adverse effect on our financial condition or results of operations.

From time to time we are a party to various claims and litigation arising in the normal course of business. We believe that the outcome of such claims and litigation will not have a material adverse effect on our financial position and results of operations.

*Former Investment Advisor/Broker*

On April 15, 2009, we initiated arbitration 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 purchase of the initial investment in auction-rate securities, of which $22,300,000 was outstanding as of June 30, 2009. We have also requested consequential damages, punitive damages, and other relief. FINRA is presently in the process of scheduling an arbitration hearing in this matter.

**Item 4. *Submission of Matters to a Vote of Security Holders***

No matter was submitted to a vote of our security holders during the fourth quarter of fiscal year 2009.

**PART II**

**Item 5.** ***Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

***Market Price and Dividend Information***

Our common stock is quoted on the NASDAQ Global Market under the symbol IMMU. The following table sets forth, for the last two fiscal years, the high and low sales prices for our common stock, as reported by the NASDAQ Global Market:

| Fiscal Quarter Ended | High | Low |
|---|---|---|
| September 30, 2007 | $ 4.58 | $ 1.92 |
| December 31, 2007 | 3.54 | 1.95 |
| March 31, 2008 | 3.17 | 2.00 |
| June 30, 2008 | 3.15 | 2.12 |
| September 30, 2008 | $ 2.85 | $ 1.45 |
| December 31, 2008 | 2.04 | 1.00 |
| March 31, 2009 | 1.79 | 0.84 |
| June 30, 2009 | 2.77 | 0.90 |

As of August 25, 2009, the closing sales price of our common stock on the NASDAQ Global Market was $4.24. As of August 25, 2009, there were approximately 592 stockholders of record of our common stock and, according to our estimates, approximately 13,630 beneficial owners of our common stock. We have not paid dividends on our common stock since inception and do not plan to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, to finance our growth.

***Securities Authorized for Issuance Under Equity Compensation Plans***

The following table provides information with respect to our compensation plans under which equity compensation is authorized as of June 30, 2009.

| Plan Category | Number of securities to be issued upon vesting of restricted shares and exercise of outstanding options and rights | Weighted-average exercise price of outstanding options and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by security holders[(1)] | 6,751,433 | $ 6.77 | 4,888,150 |
| Equity compensation plans not approved by security holders | | | |
| Total | 6,751,433 | $ 6.77 | 4,888,150 |

(1) Includes the Company s 2002 Stock Option Plan and 2006 Stock Incentive Plan.

**STOCK PERFORMANCE GRAPH**

This graph is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing by our Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. Information used on the graph was obtained from the Center for Research in Security Prices at the University of Chicago, a source believed to be reliable, but we are not responsible for any errors or omissions in such information.

| | 6/30/04 | 6/30/05 | 6/30/06 | 6/30/07 | 6/30/08 | 6/30/09 |
|---|---|---|---|---|---|---|
| **Immunomedics** | 100 | 35 | 54 | 85 | 44 | 52 |
| **NASDAQ Composite** | 100 | 101 | 107 | 128 | 112 | 72 |
| **NASDAQ Pharmaceutical** | 100 | 95 | 104 | 114 | 113 | 111 |

***Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities.***

None

***Purchase of Equity Securities by the Issuer and Affiliated Purchasers.***

None

**Item 6.** ***Selected Financial Data***

The following table sets forth our consolidated financial data as of and for each of the five fiscal years ended June 30, 2009. The selected consolidated financial data as of and for each of the five fiscal years ended June 30, 2009, has been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended June 30, 2009, 2008 and 2007, are included elsewhere in this Annual Report on Form 10-K. The information below should be read in conjunction with the consolidated financial statements (and notes thereon) and Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

| | Fiscal year ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2009** | **2008** | **2007** | **2006** | **2005** |
| | **(In thousands, except per share amounts)** | | | | |
| *Statements of Operations* | | | | | |
| Revenues | $ 30,021 | $ 3,651 | $ 8,506 | $ 4,353 | $ 3,813 |
| Cost and expenses | 27,538 | 26,689 | 24,207 | 28,699 | 32,315 |
| Litigation settlement | | | | | 1,112 |
| (Loss) Gain on change in fair value of warrants | | | | (270) | 939 |
| Impairment charge on marketable securities | (2,350) | (2,950) | | | |
| Interest income (expenses) and other income net | 1,244 | 2,192 | (1,492) | (4,507) | (599) |
| Minority interest | | 76 | 106 | 90 | 110 |
| Foreign currency transaction (loss) gain | (3) | 121 | 35 | (17) | (4) |
| Income (loss) before income tax benefit | 1,374 | (23,599) | (17,053) | (29,050) | (26,944) |
| Income tax benefit | 900 | 690 | 397 | 490 | 385 |
| Net income (loss) | $ 2,274 | $ (22,909) | $ (16,656) | $ (28,560) | $ (26,559) |
| Net income (loss) per common share basic | $ 0.03 | $ (0.31) | $ (0.26) | $ (0.52) | $ (0.49) |
| Net income (loss) per common share diluted | $ 0.03 | $ (0.31) | $ (0.26) | $ (.052) | $ (0.49) |
| Weighted average shares outstanding basic | 75,125 | 75,093 | 63,277 | 55,263 | 53,684 |
| Weighted average shares outstanding diluted | 76,083 | 75,093 | 63,277 | 55,263 | 53,684 |

| | As of June 30, | | | | |
|---|---|---|---|---|---|
| | **2009** | **2008** | **2007** | **2006** | **2005** |
| *Balance Sheets* | | | | | |
| Cash, cash equivalents and marketable securities | $ 27,391 | $ 26,182 | $ 46,233 | $ 41,827 | $ 15,485 |
| Auction rate securities (1) | 17,458 | | | | |
| Restricted securities | | | 1,275 | 2,550 | 18,126 |
| Total assets | 53,281 | 34,731 | 60,198 | 58,242 | 49,990 |
| Long-term debt (2) | | | | 29,525 | 36,743 |
| Stockholders equity (deficit) (3) | $ 1,977 | $ (1,363) | $ 20,330 | $ (17,428) | $ (220) |

(1) Auction rate securities have been reclassified as non-current assets beginning in December 2008.

(2) All of the remaining 5% Senior Convertible Notes, due May 2008 were converted in shares of common stock during the 2007 fiscal year.

(3) We have never paid cash dividends on our common stock.

**Item 7.** ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This Annual Report on Form 10-K contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this Annual Report, and they may also be made a part of this Annual Report by reference to other documents filed with the Securities and Exchange Commission, or SEC, 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 connection 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. Please also see the discussion of risks and uncertainties under Item 1A. Risk Factors Factors That May Affect Our Business and Results of Operations in this Annual Report on Form 10-K.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Annual Report or Form 10-K or in any document incorporated by reference might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report or Form 10-K or the date of the document incorporated by reference in this Annual Report or Form 10-K as applicable. 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 the Company or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

**Overview**

We are a biopharmaceutical company primarily 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 conjugated with radioactive isotopes, chemotherapeutics or toxins, in each case to create highly targeted agents. Using these technologies, we have built a broad pipeline of therapeutic product candidates that utilize several different mechanisms of action. We believe that our portfolio of intellectual property, which includes approximately 137 issued patents in the U.S. and more than 300 other issued patents worldwide, protects our product candidates and technologies.

We have continued to transition our focus away from the development and commercialization of diagnostic imaging products in order to accelerate the development of our therapeutic product candidates, although we manufacture and commercialize our 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.

From inception in 1982 through June 30, 2009 we had an accumulated deficit of approximately $240.0 million with fiscal year 2009 the first year to have reported net income. In the absence of increased revenues from the sale of current or future products and licensing activities (the amount, timing, nature or source of which cannot be predicted), our losses will continue as we continue to conduct our research and development activities. These activities are budgeted to expand over time and will require further resources if we are to be successful. As a result, our operating losses are likely to be substantial over the next several years.

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.

**Critical Accounting Policies**

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S., which require 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.

***Revenue Recognition***

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.

We account for revenue arrangements that include multiple deliverables in accordance with Emerging Issues Task Force No. 00-21, *Accounting for Revenue Arrangements with Multiple Arrangements, or* EITF 00-21. EITF 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. In applying the guidance, revenue arrangements with multiple deliverables can only be considered as separate units of accounting if: a) the delivered item has value to the customer on a standalone basis, b) there is objective and reliable evidence of the fair value of the undelivered items and c) if the right of return exists, delivery of the undelivered items is considered probable and substantially in the control of the vendor. If these criteria are not met, the revenue elements must be considered a single unit of accounting for purposes of revenue recognition. We concluded that the License and Collaboration Agreement dated July 11, 2008, 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 are amortizing the $40 million payment received as part of the Nycomed Agreement over the expected obligation period, which is currently estimated to end in December 2009. 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 are 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, using reasonable commercial efforts to manufacture the material. The time period specified in the Agreement is establishment by Nycomed of a manufacturing process or a third-party source of supply for veltuzumab within fifteen months of the effective date. Nycomed has selected a third-party source for the manufacture of veltuzumab and we have transferred the necessary technology for the production of veltuzumab to them. The Company currently expects to complete all of its research and development activities, (including the ongoing Phase I/II study in ITP) and its manufacturing and supply obligations by December 31, 2009. If the obligation period estimate should change in the future, whether due to delays or acceleration of Nycomed s requirements, this may affect the amortization period.

We have 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. UCB decided to establish new protocols under which new clinical trials for the treatment of SLE would be conducted and subsequently terminated the then existing SLE clinical trials that had been designed and initiated by us.

As a result of the UCB decision to terminate the two Phase III SLE trials, initiated by us, we were no longer able to determine how these decisions will impact the obligation period for our remaining potential manufacturing responsibilities under the terms of the agreement with UCB. Accordingly, beginning in the third quarter of fiscal 2007, 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 was reasonably determinable.

Under the terms of the UCB Agreement, UCB is solely responsible for the development, manufacturing and commercialization of epratuzumab for the treatment of all autoimmune indications and for the continuation of ongoing clinical trials in SLE, with Immunomedics responsible for supplying epratuzumab for the completion of clinical trials relating to SLE, the Sjogren s Phase II Clinical Trial and the SLE Open Label Study as defined in the UCB Agreement. We were also obligated to manufacture and supply epratuzumab, if needed and at UCB s request, for the initial commercial launch of epratuzumab for the treatment of SLE. The manufacturing requirements were limited by our production capacity at that time. UCB will have 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. Subsequent to June 30, 2009, UCB relieved us of our remaining obligation to supply UCB with any further supplies for SLE. Therefore, we expect to amortize the remainder of the $31.1 million of deferred revenue from UCB as of June, 30, 2009 as revenue in the first quarter of the 2010 fiscal year.

Research and development costs that are reimbursable under collaboration agreements are recognized in accordance with EITF Issue 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, or EITF 99-19. The reimbursement of research and development costs is included 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 and discounts. Since allowances are recorded based on management s estimates, actual amounts may be different in the future.

***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 predetermined 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 June 30, 2009, we held six auction rate securities with a par value of $22.3 million, and these securities are classified as non-current investments on the consolidated balance sheet. 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. These widespread failures have continued to date. Consequently, the investments are not currently liquid and we 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.

We reviewed ARS for impairment in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and related guidance issued by the FASB and SEC in order to determine the classification of the impairment as 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 concludes it does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. Such an unrealized loss does not affect net income (loss) for the applicable

accounting period. An other-than-temporary impairment charge is recorded as a realized loss in the consolidated statement of operations and results in a charge to earnings for the applicable accounting period. In evaluating the impairment of our ARS, we classified such impairments as an other than temporary impairment. 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.

In prior years the ARS were classified as current assets, as it was our intention to sell the securities when a secondary market for the ARS developed. However, the offers received for certain ARS are not at terms that are presently acceptable. As we believe we have sufficient cash and cash equivalents at June 30, 2009 for at least the next twelve months, it is not imperative to fund our operations by liquidating the ARS held at unreasonable discounts. Therefore, the ARS are classified as non-current assets in the consolidated balance sheet as of June 30, 2009 and will continue to be classified as such until market conditions improve and a viable market for these securities has developed.

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 no longer approximates 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 $2.95 million to reduce the value of the ARS to their estimated fair value for the 2008 fiscal year. For the year ended June 30, 2009, we recorded additional other than temporary impairment charges of $2.35 million to reduce the value of the ARS to their estimated fair value. As of June 30, 2009, we estimated the fair value of these ARS to be $17.5 million. We used a discounted cash flow model to determine the estimated fair value of our investment in ARS.

The significant assumptions used in preparing the discounted cash flow model as of June 30, 2009 include (i) estimates for the investment s contractual bond coupon rates (ranging from 1.31% - 1.81%), (ii) the market yield interest rates (estimated at the U.S. Treasury Seven-Year Bond Rate of 3.19% plus a premium factor of 2.0%) and (iii) the effective maturity period of approximately seven years (which is the period it is estimated that the auctions would 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 year ended June 30, 2009, we reported $389,000 of amortization of the market value discount of the ARS. No amortization was reported for the 2008 fiscal year.

***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 loss. Transaction gains and losses are included in the determination of net income (loss).

***Stock Based Compensation***

We currently have an Employee Share Option Plan, or the Plan, which permits the grant of share options and shares to our employees for up to 8 million shares of common stock. A summary of this plan is provided in Note 7 to the consolidated financial statements. We believe that such awards better align

the interests of our employees with those of our shareholders. Option awards are generally granted with an exercise price equal to the market price of our stock at the date of grant; those option awards generally vest based on four years of continuous service and have seven year contractual terms. Certain options provide for accelerated vesting if there is a change in control (as defined in the Plan).

The fair value of each option granted during the years ended June 30, 2009, 2008 and 2007 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions in the following table:

| | Years ended June 30, | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Expected dividend yield | 0% | 0% | 0% |
| Expected option term (years) | 5.31 | 5.40 | 6.25 |
| Expected stock price volatility | 92% | 93% | 93% |
| Risk-free interest rate | 1.92% - 3.71% | 2.88% - 5.11% | 4.50% - 5.10% |

The weighted average fair value at the date of grant for options granted during the years ended June 30, 2009, 2008 and 2007 were $1.88, $2.93 and $2.75 per share, respectively. We used historical data to estimate forfeitures. 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 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.

We have 2,220,405 non-vested options and restricted stock outstanding. As of June 30, 2009 and June 30, 2008 there was $4,250,000 and $2,119,000, respectively, 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 2.6 years. The weighted average remaining contractual terms of the exercisable shares is 3.95 years and 4.37 years as of June 30, 2009 and June 30, 2008, respectively.

***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.

***Life Insurance Policies***

The Company has various life insurance policies on Dr. Goldenberg; which are for the benefit of the Company. When the Company is the beneficiary of the policy, and there are no other contractual arrangements between the Company and Dr. Goldenberg, the Company recognizes the amount that could be realized under the insurance arrangement as an asset in the balance sheet.

**Results of Operations**

***Fiscal Year 2009 compared to Fiscal Year 2008***

Revenues for the fiscal year ended June 30, 2009 were $30,021,000 as compared to $3,651,000 for the fiscal year ended June 30, 2008, representing an increase of $26,370,000, or 722%. License fee and other revenue for the 2009 fiscal year was $25,509,000 compared to no license fee and other revenue in the 2008 fiscal year. The 2009 fiscal year included $25,460,000 of amortization of deferred revenue as a result of the Nycomed Agreement executed in August 2008. The 2008 fiscal year did not include any

amortization of deferred revenues from the UCB Agreement due to the decision by UCB in February 2007 to stop patient enrollment into the SLE clinical trials, as discussed in our Critical Accounting Policy. Product sales for the year ended June 30, 2009 were $3,539,000, as compared to $3,402,000 for the same period in 2008, representing an increase of $137,000 or 4% due to increased sales of LeukoScan in Europe over the previous year, partially offset by the unfavorable currency impact of the Euro. Research and development revenues for the year ended June 30, 2009 were $973,000 as compared to $249,000 for the same period of 2008, an increase of $724,000 or 291%. This increase was the result of there being three Phase II grant programs in effect for most of fiscal year 2009 as compared to two smaller Phase I grant programs in effect available in the previous year.

Total operating expenses for the fiscal year ended June 30, 2009 were $27,538,000 as compared to $26,689,000 in the fiscal year ended June 30, 2008, representing an increase of $849,000 or 3%. Research and development expenses for the fiscal year ended June 30, 2009 decreased by $724,000, or 3%, to $21,485,000 from $22,209,000 in fiscal year ended June 30, 2008 due primarily to expense reimbursements of $2,534,000 received from Nycomed, partially offset by additional employees and related salaries and employee benefits. Cost of goods sold for fiscal year ended June 30, 2009 decreased by $160,000 or 36% to $284,000 from $444,000 in fiscal year ended June 30, 2008. Gross profit margins were 92% for the 2009 fiscal year compared to 87% for the 2008 fiscal year. The improvement in the gross profit percentage in fiscal 2009 was primarily due to our expensing of work-in-process inventory that failed our quality assurance testing in fiscal 2008.

Sales and marketing expenses for fiscal year 2009 were $811,000 as compared to $780,000 for fiscal year 2008, representing an increase of $30,000 or 4%. The increase in sales and marketing expenses was due to higher salaries and taxes for European employees and increased selling expenses. General and administrative expenses for fiscal year 2009 increased by $1,703,000 or 52% from $3,257,000 in fiscal year 2008 to $4,960,000. This increase is primarily attributed to the termination of certain severance payments and insurance benefits as part of our previous employment agreement with Dr. David M. Goldenberg ($617,000) and the termination of the split dollar insurance life insurance agreement and related liabilities ($1,249,000) which occurred in the previous year, not recurring in the current year. Exclusive of the insurance related items, general and administrative expenses decreased $163,000 or 3% as compared to the prior year.

A charge of $2,350,000 was reported for the year ended June 30, 2009 for an other than temporary impairment charge on marketable securities associated with our investments in auction rate securities as compared to a charge of $2,950,000 reported for the year ended June 30, 2008. See discussion in Note 3 to the consolidated financial statements for more information on our investments in auction rate securities and this other than temporary impairment charge.

Interest and other income for fiscal year 2009 decreased by $1,006,000 from $2,257,000 in fiscal year 2008 to $1,251,000 in fiscal year 2009, primarily due to the sale in the prior year of four executive life insurance contracts which were no longer deemed to be necessary (resulting in $523,000 of other income) and lower levels of investments as well as lower rates of return on investments. This decrease was partially offset by $389,000 for the amortization of the discount for the auction rate securities and $69,000 gain on the settlement of $700,000 of auction rate securities.

For fiscal years 2009 and 2008, we recorded a tax benefit of $1,386,000 and $1,063,000, respectively, as a result of our sale of approximately $17,202,000 and $13,194,000 of New Jersey state net operating losses, respectively. For the 2009 fiscal year, we recorded a Federal income tax provision of $150,000 and our foreign subsidiaries recorded a foreign tax provision of $331,000. For the 2008 fiscal year, we recorded a Federal income tax provision of $26,000 and our foreign subsidiaries recorded a foreign tax provision of $333,000. The tax benefits for 2009 and 2008 fiscal years were also partially offset by New Jersey state income tax provisions of $4,000 and $14,000, respectively.

Net income allocable to common stockholders for fiscal year 2009 is $2,274,000, or $0.03 per share as compared to a net loss of $22,909,000, or $0.31 per share, in fiscal year 2008.

***Fiscal Year 2008 compared to Fiscal Year 2007***

Revenues for the fiscal year ended June 30, 2008 were $3,651,000 as compared to $8,506,000 for the fiscal year ended June 30, 2007, representing a decrease of $4,855,000, or 57%. There were no license fee and other revenue for the 2008 fiscal year compared to $5,381,000 for the 2007 fiscal year. The current fiscal year did not include any amortization of deferred revenues due to the decision by UCB in February 2007 to stop patient enrollment into the SLE clinical trials, as discussed in our Critical Accounting Policy. Product sales for the year ended June 30, 2008 were $3,402,000, as compared to $2,991,000 for the same period in 2007, representing an increase of $411,000 or 14% due to the favorable currency impact of the Euro and increased sales of LeukoScan in Europe over the previous year. Research and development revenues for the year ended June 30, 2008 were $249,000 as compared to $134,000 for the same period of 2007, a result of two grant programs in effect over one program available in the previous year.

Total operating expenses for the fiscal year ended June 30, 2008 were $26,689,000 as compared to $24,208,000 in the fiscal year ended June 30, 2007, representing an increase of $2,481,000 or 10%. Research and development expenses for the fiscal year ended June 30, 2008 increased by $2,368,000, or 12%, to $22,209,000 from $19,841,000 in fiscal year ended June 30, 2007 due primarily to increased headcount and related salaries, employee benefits and higher patent expenses. Cost of goods sold for fiscal year ended June 30, 2008 decreased by $155,000 or 26% to $444,000 from $599,000 in fiscal year ended June 30, 2007. Gross profit margins were 87% for the 2008 fiscal year compared to 80% for the 2007 fiscal year. The improvement in the gross profit percentage in fiscal 2008 was primarily due to improved production yields experienced in 2008 in the manufacturing process of LeukoScan as compared to the fiscal year ended June 30, 2007, partially offset by increased costs associated with higher sales of diagnostic kits in fiscal year ended June 30, 2008.

Sales and marketing expenses for fiscal year 2008 were $780,000 as compared to $490,000 for fiscal year 2007, representing an increase of $290,000. The increase in sales and marketing expenses was due to higher salaries and taxes for European employees as a result of the decline in the U.S. Dollar. General and administrative expenses for fiscal year 2008 decreased by $20,000 from $3,277,000 in fiscal year 2007 to $3,257,000.

A charge of $2,950,000 was reported for the year ended June 30, 2008 for an other than temporary impairment charge on marketable securities associated with our investments in auction rate securities. See discussion in Note 3 to the consolidated financial statements for more information on our investments in auction rate securities and this other than temporary impairment charge.

Interest and other income for fiscal year 2008 increased by $516,000 from $1,741,000 in fiscal year 2007 to $2,257,000 in fiscal year 2008, primarily due to the sale of four executive life insurance contracts which were no longer deemed to be necessary (resulting in $523,000 of other income).

Interest expense decreased from $3,234,000 in fiscal year 2007 to $65,000 in fiscal year 2008. This decrease resulted primarily from the conversion of the 5% senior convertible notes into the Company s common stock during the 2007 fiscal year.

For fiscal years 2008 and 2007, we recorded a tax benefit of $1,063,000 and $647,000, respectively, as a result of our sale of approximately $13,194,000 and $8,031,000 of New Jersey state net operating losses, respectively. For the 2008 fiscal year, we recorded a Federal income tax provision of $26,000 and our foreign subsidiaries recorded a foreign tax provision of $333,000. For the 2007 fiscal year, we recorded a Federal income tax provision of $100,000 and our foreign subsidiaries recorded a foreign tax provision of $104,000. The tax benefits for 2008 and 2007 fiscal years were also partially offset by New Jersey state income tax provisions of $14,000 and $46,000, respectively.

Net loss allocable to common stockholders for fiscal year 2008 is $22,909,000, or $0.31 per share as compared to $16,656,000, or $0.26 per share, in fiscal year 2007.

***Research and Development Expenses***

Research and development expenses for our product candidates in development were $21,485,000 for the fiscal year ended June 30, 2009, $22,209,000 for the fiscal year ended June 30, 2008 and $19,841,000 for the fiscal year ended June 30, 2007. Research and development expenses decreased by $724,000 in 2009 or 3% as compared to 2008. Research and development expenses increased by $2,368,000 in 2008 or 12% as compared to 2007.

We do not track expenses on the basis of each individual compound under investigation or through clinical trials and therefore we do not provide a breakdown of such historical information in that format. We evaluate projects under development from an operational perspective, including such factors as results of individual compounds from laboratory/animal testing, patient results and enrollment statistics in clinical trials. It is important to note that multiple product candidates are often tested simultaneously. It is not possible to calculate each antibody s supply costs. There are many different development processes and test methods that examine multiple product candidates at the same time. We have, historically, tracked our costs in the categories discussed below, specifically research costs and product development costs and by the types of costs outlined below.

Our research costs consists of outside costs associated with animal studies and costs associated with research and testing of our product candidates prior to reaching the clinical stage. Such research costs primarily include personnel costs, facilities, including depreciation, lab supplies, funding of outside contracted research and license fees. Our product development costs consist of costs from preclinical development (including manufacturing), conducting and administering clinical trials and patent expenses.

The following table sets forth a breakdown of our research and development expenses by those associated with research and those associated with product development for the periods indicated.

| | Years Ended June 30, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (in Thousands) | | |
| Research Costs | $ 6,067 | $ 5,197 | $ 4,936 |
| Product Development Costs | 15,418 | 17,012 | 14,905 |
| Total | $ 21,485 | $ 22,209 | $ 19,841 |

***Research Costs***

Research costs in total increased by $870,000 or 17% for the year ended June 30, 2009. Research costs in total increased by $261,000 or 5% for the year ended June 30, 2008. The changes in research costs primarily relate to the following:

Personnel costs in 2009 were $2,616,000, an increase of $366,000 or 16% as compared to 2008, a result of increased employee staffing levels. Personnel costs in 2008 were $2,250,000, an increase of $549,000 or 32% as compared to 2007. This increase was a result of an increase to the employee headcount to offset the previous years attrition.

The use of outside research services in 2009 were $359,000, an increase of $212,000 or 144% to compared to 2008. This increase resulted from research activities performed for the Company for increased Federal grant program activities and other necessary commercial research support which is not available in our existing facility. Outside services in 2008 were $147,000 or $637,000 lower than 2007, a reduction of 81%. This decrease resulted from the reduction in the level of testing for toxicity studies for compounds in the preclinical stage of product development.

Lab supplies and chemical reagent costs were $579,000 in 2009, an increase of $97,000 or 20% from 2008. This increase was a result of the replenishment of supplies from the previous year arising from the Company s cost savings efforts during the 2008 fiscal year. Lab supplies and chemical reagent costs were $482,000 in 2008, a decrease of $73,000 or 13% from 2007, resulting from cost control efforts implemented by the Company prior to the Nycomed Agreement in August 2008.

***Product Development Costs***

Product development costs for the year ended June 30, 2009 in total decreased by $1,594,000 or 9% as compared to 2008. Product development costs for the year ended June 30, 2008 in total increased by $2,107,000 or 14% as compared to 2007. The changes in product development costs primarily relate to the following:

In 2009 the Company benefited from the reimbursement by Nycomed of $2,564,000 of product manufacturing expenses for product development costs incurred for veltuzumab, the result of the Nycomed Agreement completed in August 2008.

Clinical trial expenses in fiscal year 2009 were $911,000, an increase of $793,000 or 672% over 2008. This increase was a result of increased patient enrollment in clinical trials in 2009. Clinical trial expenses in fiscal year 2008 were $118,000, a decrease of $1,085,000 or 90% over 2007. The reduction in these expenses in 2008 was primarily the result of the closure of a number of clinical trials that were either completed or which the Company decided it was no longer going to pursue.

Personnel costs in 2009 were $5,388,000, an increase of $235,000 or 5% as compared to 2008, due primarily to salary increases. This increase resulted from an increase in employee staffing levels over 2008. Personnel costs in 2008 were $5,147,000, an increase of $825,000 or 19% as compared to 2007. This increase was primarily a result of an increase to the employee headcount to offset the previous years attrition and to provide for increased product development and quality control efforts.

Patent expenses for 2009 were $2,733,000 a reduction of $65,000 or 2% from 2008. This reduction resulted from an effort to control patent filings and support expenses, including bringing in a number of these services into the Company, partially offset by high professional fees for patent litigation defense. Patent expenses for 2008 were $2,798,000, an increase of $903,000 or 48% over 2007. The increase for 2008 was primarily due to higher professional fees incurred for patent litigation defense.

Lab supplies and chemical reagent costs were $1,781,000 in 2009, a decrease of $150,000 or 8% over 2008. The reduction in 2009 was primarily due to the timing of material purchases. Lab supplies and chemical reagent costs were $1,931,000 in 2008, an increase of $374,000 or 24% over 2007. The increase for 2008 was primarily the result of increased production development efforts over the previous year.

Expenses for outside testing were $536,000 in 2009, a decrease of $685,000 or 56% from 2008. This decrease was primarily from the reduction of the number of tests performed for process validations and product safety in 2009. Expenses for outside testing were $1,221,000 in 2008, an increase of $779,000 or 176% over 2007. This increase was primarily for procedures performed for testing for product safety and validations for manufacturing process.

Completion of clinical trials may take several years or more. The length of time varies according to the type, complexity and the disease indication of the product candidate. We estimate that clinical trials of the type we generally conduct are typically completed over the following periods:

| Clinical Phase | Estimated Completion Period |
|---|---|
| Phase I | 1-2 Years |
| Phase II | 1-3 Years |
| Phase III | 2-5 Years |

The duration and cost of clinical trials through each of the clinical phases may vary significantly over the life of a particular project as a result of, among other things, the following factors:

the length of time required to recruit qualified patients for clinical trials;

the duration of patient follow-up in light of trials results;

the number of clinical sites required for trials and;

the number of patients that ultimately participate.

***Liquidity and Capital Resources***

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. 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 were unable to raise capital on acceptable terms, its ability to continue its business would be materially and adversely affected.

***Discussion of Cash Flows***

*Cash flows from operations.* Net cash provided by operating activities for the year ended June 30, 2009 was $21.3 million, compared to cash used in operations of $15.7 million for the year ended June 30, 2008. The improvement in the current year s cash flow from operations is primarily the result from the proceeds of the $40.0 million upfront payment from the completion of the Nycomed Agreement in August 2008.

On July 11, 2008, we entered into the Nycomed Agreement providing Nycomed GmbH an exclusive worldwide license to develop, manufacture, and commercialize veltuzumab, our humanized anti-CD20 antibody, in the subcutaneous formulation, for the treatment of all non-cancer indications. Under the terms of the Nycomed Agreement, we retain the right to develop veltuzumab in the field of oncology. In addition, we will continue our ongoing Phase I/II study in immune thrombocytopenic purpura, or ITP, and Nycomed will reimburse us for all expenses incurred in connection with this study. The Nycomed Agreement also provides us with an option to co-promote veltuzumab for the treatment of ITP in the United States.

For the 2008 fiscal year, despite the loss from operations of $22.9 million for the year, the net cash used in operations was $7.2 million lower than the loss on operations due to the receipt of $3.3 million for the cash surrender value from the termination of executive life insurance policies in fiscal 2008 and non-cash charges, primarily the $2.95 million impairment charge on marketable securities and $1.6 million of depreciation expense.

For the 2007 fiscal year, the net cash used in operations was $1.3 million higher than the $16.7 million loss on operations. This increase in cash used in operations resulted from the $5.3 million non-cash deferred revenue and the payment of $1.2 million for accrued legal fee, partially offset by non cash charges for interest expense ($3.0 million), depreciation expense ($1.6 million) and deferred compensation, ($0.7 million).

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*Cash flows from investing.* Net cash provided by investing activities for the year ended June 30, 2009 was $60,000 compared to $4.0 million of net cash provided by investing activities for the year ended June 30, 2008. The investing activities for 2008 were a result of $4.1 million in net proceeds of marketable securities. In the current year, proceeds of $700,000 were received from the settlement of certain auction rate securities, partially offset by $640,000 of capital expenditures. In fiscal year 2007 the Company purchased $25.0 million of marketable securities utilizing a portion of the $38.0 million of proceeds received from the UCB Agreement in May 2006.

*Cash flows from financing.* Net cash used in financing activities for the year ended June 30, 2009 was $144,000, which resulted primarily from the settlement of 204,000 employee stock options by the Company. For the year ended June 30, 2008 the net cash used in financing activities of $1.2 million was for the payment of debt. The cash provided from financing activities in the fiscal year ended June 30, 2007 was primarily due to net proceeds received from the sale of common stock of $22.3 million in May 2007, which more than offset the $1.3 million payment of debt for the year.

At June 30, 2009, we had working capital deficit of $20,205,000, representing a decline of $44,380,000 from $24,175,000 of working capital at June 30, 2008. This decrease in working capital is primarily a result of the reclassification of our ARS to non-current assets at December 31, 2008 due to the existing market conditions and the failure of a market to develop for ARS and the reclassification of $31,145,000 of the UCB Agreement deferred revenue outstanding from long-term to current, as the deferred revenue is expected to be reported as revenue in the first quarter of the 2010 fiscal year. Partially offsetting these classification changes was the receipt of the $40.0 million of upfront payment for the Nycomed Agreement in August 2008, a portion of which ($14.5 million) is included as deferred revenue in current liabilities in the balance sheet and which is expected to be recognized in the 2010 fiscal year. The upfront proceeds from the Nycomed Agreement was utilized to fund the cash used in operations of $18,658,000, (which represents net income excluding the $25.5 million of license fee revenue that was recognized under the Nycomed Agreement).

Our cash and cash equivalents of $27,391,000, represent an increase of $21,259,000 from $6,132,000 at June 30, 2008. The increase was primarily attributable to our receipt of the $40.0 million upfront payment from the Nycomed Agreement, partially offset by our use of cash in operations for the year ended June 30, 2009.

Our auction rate securities consist primarily of AAA rated securities that have an estimated fair value of $17.5 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. 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 $27.4 million of unrestricted cash and cash equivalents at June 30, 2009, 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, cash expenditures for our current research and development programs will be at a higher level than in fiscal year 2009 due to increased spending for research and

development and clinical trial activities, while a number of new clinical studies are supported by the Company and our corporate partners. We are also advancing plans to initiate a Phase III registration trial of veltuzumab in non-Hodgkin s lymphoma, for which we are considering a number of funding alternatives in the event we decide to begin this trial.

We expect research and development activities to continue to expand over time and we do not believe we will 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 continue to 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 Annual Report on Form 10-K. 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.

***Contractual Commitments***

Our major contractual obligations relate to an operating lease for our facility and employment contracts in effect for our Chairman of the Board, Chief Medical Officer and Chief Scientific Officer and the President/Chief Executive Officer. We have identified and quantified the significant commitments in the following table for the fiscal years ending June 30:

| | Payments Due by Period (in thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| **Contractual Obligation** | **2010** | **2011** | **2012** | **2013** | **2014** | **Thereafter** | **Total** |
| Operating Lease[(1)] | $ 636 | $ 636 | $ 758 | $ 819 | $ 819 | $ 6,685 | $ 10,353 |
| Employment Contracts[(2)] | $ 1,492 | 1,146 | 150 | 150 | 150 | | $ 3,087 |
| TOTAL | $ 2,128 | $ 1,782 | $ 908 | $ 969 | $ 969 | $ 6,685 | $ 13,440 |

(1) In November 2001, we renewed our operating lease for our Morris Plains, New Jersey facility for an additional term of 20 years expiring in October 2021 at a base annual rate of $545,000, which included an additional 15,000 square feet. In June 2009, we increased our leased space at our Morris Plains, New Jersey facility by 10,700 square feet for a revised total base annual rate of $636,000. Beginning in 2001, the rent was fixed for the first five years and increases every five years thereafter.

(2) Included are employment contracts with both David M. Goldenberg, our Chief Medical Officer and Chief Scientific Officer, and Cynthia Sullivan, our President/Chief Executive Officer. The four-year employment contract with David M. Goldenberg was entered into effective July 1, 2007. This contract also included a minimum royalty agreement, a percentage of the consideration the Company receives from licensing agreements, sales of intellectual properties and disposition of undeveloped assets, as disclosed in the employment agreement. The amounts included above are only the minimum payments and do not include possible additional incentive compensation included in the employment contract.

On December 17, 2008, Immunomedics, Inc., a Delaware corporation (the Company ), amended and restated its employment agreements with Ms. Cynthia L. Sullivan, President and Chief Executive Officer of the Company, and Dr. David M. Goldenberg, Chief Scientific Officer, Chief Medical Officer and Chairman of the Board of Directors of the Company, (the Amended Agreements) in order to comply with Section 409A of the Internal Revenue Code of 1986, as amended. The Amended Agreements do not materially affect the scope or amount of benefits they are entitled to receive under their respective agreements. Section 409A changed the income tax treatment of nonqualified deferred compensation and imposed new requirements on both the terms and operation of such compensation. Although Section 409A s provisions have been in effect since 2005 and employers have been required to operate in good faith since that time, final regulations under Section 409A were not issued until 2007. In order to comply with the final regulations, the Company had to amend the affected nonqualified deferred compensation plans by December 31, 2008 to ensure that they comply with Section 409A and the Section 409A final regulations.

**Recently Issued Accounting Pronouncements**

Staff Position No. 115-2, FAS 124-2 and EITF 99-20-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP 115-2). FSP 115-2 provides new guidance on the recognition of an Other Than Temporary Impairment and provides new disclosure requirements. The recognition and presentation provisions apply only to debt securities classified as available for sale and held to maturity. At present the adoption of this pronouncement will not have an impact on our consolidated financial statements as we are not currently able to hold our auction rate securities to maturity.

In May 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events for potential recognition or disclosure in the financial statements and whether that date represents the date the financial statements were issued or were available to be issued. This standard also provides clarification about circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This standard is effective for interim and annual periods beginning with our fiscal year ended June 30, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

**Item 7A.** ***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 June 30, 2009, the Company has $22.3 million 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 June 30, 2009, of the Company s ARS with continuing auction failures totaled approximately $17.5 million. The Company estimated the fair value of these auction rate securities using a discounted cash flow model to determine the estimated fair value of its investment in ARS as of June 30, 2009. The Company reviews for impairment in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and related guidance issued by the FASB and SEC 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 (loss) 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 (loss) for the applicable accounting period. The Company determined that the entire impairment related to its ARS was other than temporary and recorded an impairment charge in other income (expense) on its consolidated statements of operations.

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 June 30, 2009:

| | Expected Maturity Date | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 and thereafter | Total | Fair Value |
| | (in thousands) | | | | | | | |
| Variable rate | $ | | | | | $ 22,300 | $ 22,300 | $ 17,458 |
| Average Interest rate | | | | | | 1.40% | 1.40% | |

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.

**Item 8.** ***Financial Statements and Supplementary Data***

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Immunomedics, Inc.

We have audited the accompanying consolidated balance sheets of Immunomedics, Inc. and subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of operations and comprehensive income (loss), stockholders equity (deficit) and cash flows for each of the three years in the period ended June 30, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Immunomedics, Inc. and subsidiaries at June 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Immunomedics, Inc. s internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

MetroPark, New Jersey

August 27, 2009

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

| | JUNE 30 | |
|---|---|---|
| | **2009** | **2008** |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | **$ 27,390,778** | $ 6,132,470 |
| Auction rate securities current | | 20,050,000 |
| Accounts receivable, net of allowance for doubtful accounts of $133,000 and $192,000 at June 30, 2009 and 2008, respectively | **702,021** | 1,057,974 |
| Inventory | **232,920** | 469,964 |
| Other receivables | **1,128,835** | 169,405 |
| Prepaid expenses | **375,934** | 434,305 |
| Other current assets | **396,293** | 42,630 |
| Total current assets | **30,226,781** | 28,356,748 |
| Property and equipment, net | **5,079,354** | 5,923,170 |
| Auction rate securities non-current | **17,458,349** | |
| Value of life insurance policies | **486,428** | 420,774 |
| Other long-term assets | **30,000** | 30,000 |
| | **$ 53,280,912** | $ 34,730,692 |
| **LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)** | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | **$ 4,746,286** | $ 4,182,236 |
| Deferred revenues current portion | **45,685,385** | |
| Total current liabilities | **50,431,671** | 4,182,236 |
| Other liabilities | **872,700** | 766,123 |
| Deferred revenues long term portion | | 31,145,385 |
| Commitments and Contingencies | | |
| Stockholders equity (deficit): | | |
| Preferred stock, $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding at June 30, 2009 and June 30, 2008 | | |
| Common stock, $.01 par value; authorized 110,000,000 shares; issued and outstanding, 75,137,831 shares and 75,107,164 shares at June 30, 2009 and June 30, 2008, respectively | **751,378** | 751,071 |
| Capital contributed in excess of par | **241,077,890** | 239,891,558 |
| Treasury stock, at cost 34,725 shares at June 30, 2009 and 2008 | **(458,370)** | (458,370) |
| Accumulated deficit | **(239,824,199)** | (242,097,892) |
| Accumulated other comprehensive income | **429,842** | 550,581 |
| Total stockholders equity (deficit) | **1,976,541** | (1,363,052) |
| | **$ 53,280,912** | $ 34,730,692 |

See accompanying notes to consolidated financial statements.

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND**

**COMPREHENSIVE INCOME (LOSS)**

| | Years ended June 30, | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Revenues: | | | |
| Product sales | **$ 3,538,883** | $ 3,402,076 | $ 2,991,069 |
| License fee and other revenues | **25,509,000** | | 5,380,658 |
| Research and development | **972,883** | 248,619 | 134,285 |
| Total revenues | **30,020,766** | 3,650,695 | 8,506,012 |
| Costs and Expenses: | | | |
| Costs of goods sold | **283,612** | 443,601 | 599,406 |
| Research and development | **21,484,857** | 22,208,671 | 19,840,878 |
| Sales and marketing | **810,501** | 780,049 | 490,331 |
| General and administrative | **4,959,507** | 3,257,162 | 3,276,901 |
| Total costs and expenses | **27,538,477** | 26,689,483 | 24,207,516 |
| Operating income (loss) | **2,482,289** | (23,038,788) | (15,701,504) |
| Impairment charge on marketable securities | **(2,349,894)** | (2,950,000) | |
| Interest and other income | **1,250,537** | 2,256,553 | 1,741,394 |
| Interest expense | **(6,500)** | (64,716) | (3,234,266) |
| Minority interest | | 76,126 | 105,874 |
| Foreign currency transaction (loss) gain, net | **(3,125)** | 121,425 | 35,097 |
| Income (loss) before income tax benefit | **1,373,307** | (23,599,400) | (17,053,405) |
| Income tax benefit | **900,386** | 690,326 | 397,491 |
| Net income (loss) | **$ 2,273,693** | $ (22,909,074) | $ (16,655,914) |
| Earnings per common share basic | | | |
| Net income (loss) | **$ 0.03** | $ (0.31) | $ (0.26) |
| Earnings per common share diluted | | | |
| Net income (loss) | **$ 0.03** | $ (0.31) | $ (0.26) |
| Weighted average shares used to calculate earnings per common share: | | | |
| Basic | **75,125,067** | 75,092,779 | 63,277,095 |
| Diluted | **76,082,782** | 75,092,779 | 63,277,095 |
| Comprehensive income (loss): | | | |
| Net income (loss) | **$ 2,273,693** | $ (22,909,074) | $ (16,655,914) |
| Other comprehensive (loss) income, net of tax: | | | |
| Foreign currency translation adjustments | **(120,739)** | 127,104 | 70,763 |
| Unrealized gain on securities available for sale | | 4,680 | 11,854 |
| Other comprehensive (loss) income | **(120,739)** | 131,784 | 82,617 |
| Comprehensive income (loss) | **$ 2,152,954** | $ (22,777,290) | $ (16,573,297) |

See accompanying notes to consolidated financial statements.

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)**

| | Preferred Stock | | Common Stock | | Capital Contributed in Excess of Par | Treasury Stock | Accumulated Deficit | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance, at June 30, 2006 | | | 57,538,031 | $ 575,380 | $ 184,651,409 | $ (458,370) | $ (202,532,904) | $ 336,180 | $ (17,428,305) |
| Exercise of options to purchase common stock | | | 87,150 | 871 | 229,976 | | | | 230,847 |
| Issuance of common stock pursuant to a private placement, net | | | 4,848,485 | 48,485 | 22,283,703 | | | | 22,332,188 |
| Stock based compensation | | | | | 353,013 | | | | 353,013 |
| Warrants exercised | | | 64,935 | 649 | 192,857 | | | | 193,506 |
| Conversion of 5% notes to common stock | | | 11,566,800 | 115,668 | 28,072,083 | | | | 28,187,751 |
| Payment of interest expense in common stock | | | 956,763 | 9,568 | 3,025,140 | | | | 3,034,708 |
| Other comprehensive income | | | | | | | | 82,617 | 82,617 |
| Net (loss) | | | | | | | (16,655,914) | | (16,655,914) |
| Balance, at June 30, 2007 | | | 75,062,164 | 750,621 | 238,808,181 | (458,370) | (219,188,818) | 418,797 | 20,330,411 |
| Exercise of options to purchase common stock | | | 45,000 | 450 | 83,750 | | | | 84,200 |
| Stock based compensation | | | | | 999,627 | | | | 999,627 |
| Other comprehensive income | | | | | | | | 131,784 | 131,784 |
| Net (loss) | | | | | | | (22,909,074) | | (22,909,074) |
| Balance, at June 30, 2008 | | | 75,107,164 | 751,071 | 239,891,558 | (458,370) | (242,097,892) | 550,581 | (1,363,052) |
| **Exercise/(settlement) of stock options** | | | **4,000** | **40** | **(144,080)** | | | | **(144,040)** |
| **Stock based compensation** | | | **26,667** | **267** | **1,330,412** | | | | **1,330,679** |
| **Other comprehensive loss** | | | | | | | | **(120,739)** | **(120,739)** |
| **Net income** | | | | | | | **2,273,693** | | **2,273,693** |
| **Balance, at June 30, 2009** | | | **75,137,831** | **$ 751,378** | **$ 241,077,890** | **$ (458,370)** | **$ (239,824,199)** | **$ 429,842** | **$ 1,976,541** |

See accompanying notes to consolidated financial statements.

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years ended June 30, | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Cash flows from operating activities: | | | |
| Net income (loss) | **$ 2,273,693** | $ (22,909,074) | $ (16,655,914) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation | **1,483,800** | 1,558,546 | 1,617,528 |
| Receipt of proceeds from Nycomed Agreement | **40,000,000** | | |
| Amortization of deferred revenue | **(25,460,000)** | | (5,334,615) |
| Sales of life insurance policies | | 3,320,218 | |
| Impairment charge on marketable securities | **2,349,894** | 2,950,000 | |
| Amortization of discounts of auction rate securities | **(389,069)** | | |
| Gain on redemption of auction rate securities | **(69,174)** | | |
| Minority interest | | (76,126) | (105,874) |
| (Credit) provision for allowance for doubtful accounts | **(58,751)** | 82,790 | (8,068) |
| Amortization of premiums of marketable securities | | | 15,759 |
| Amortization of debt issuance costs and debt discount | | | 348,554 |
| Non-cash expense for issuance of stock options and restricted stock shares | **1,330,679** | 999,627 | 353,013 |
| Payment of interest expense with common stock | | | 3,034,708 |
| Other | **(120,739)** | 131,784 | 70,763 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | **414,704** | (432,552) | (201,532) |
| Inventories | **237,044** | (162,055) | 233,121 |
| Other receivables | **(959,430)** | (31,932) | (106,979) |
| Prepaid Expenses | **58,371** | 15,404 | (46,059) |
| Other current assets | **(353,663)** | 86,210 | 39,752 |
| Other long-term assets | | 1,264 | 1,477 |
| Accounts payable and accrued expenses | **564,050** | 572,750 | (835,540) |
| Other liabilities | **106,577** | 106,577 | 110,284 |
| Value of life insurance policies | **(65,654)** | (122,454) | (1,157,111) |
| Deferred compensation | | (1,826,885) | 710,068 |
| Net cash provided by (used in) operating activities | **21,342,332** | (15,735,908) | (17,916,665) |
| Cash flows from investing activities: | | | |
| Purchase of marketable and restricted securities | | (334,000,000) | (228,985,200) |
| Proceeds from maturities and redemptions of marketable securities | **700,000** | 338,145,320 | 204,060,000 |
| Additions to property and equipment | **(639,984)** | (174,031) | (429,153) |
| Net cash provided by (used in) from investing activities | **60,016** | 3,971,289 | (25,354,353) |
| Cash flows from financing activities: | | | |
| Proceed from issuance of common stock, net of transaction costs | | | 22,332,188 |
| Payments of debt | | (1,275,200) | (1,275,200) |
| Exercise/(settlement) of stock options and stock warrants, net | **(144,040)** | 84,200 | 424,353 |
| Net cash (used in) provided by financing activities | **(144,040)** | (1,191,000) | 21,481,341 |
| Increase (decrease) in cash and cash equivalents | **21,258,308** | (12,955,619) | (21,789,677) |
| Cash and cash equivalents at beginning of period | **6,132,470** | 19,088,089 | 40,877,766 |
| Cash and cash equivalents at end of period | **$ 27,390,778** | $ 6,132,470 | $ 19,088,089 |

| | | | | |
|---|---|---|---|---|
| Supplemental information for the statement of cash flows: | | | | |
| Cash paid for interest | **$ 6,500** | $ 64,716 | $ 103,545 | |
| Cash paid for income taxes | **$ 391,200** | $ 189,743 | $ 212,624 | |

See accompanying notes to consolidated financial statements.

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business Overview**

Immunomedics, Inc., a Delaware corporation ( Immunomedics or the Company ) 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 continued to transition 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, in Europe, Canada and in certain other markets outside the U.S. 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 U.S. 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.

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 its drug candidates; its dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under its collaborative agreements; uncertainties about the Company s ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing products; its 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.

As of June 30, 2009, the Company had cash and cash equivalents totaling $27,391,000. As a result of entering into the July 11, 2008 License and Collaboration Agreement, (the Nycomed Agreement ) with Nycomed GmbH ( Nycomed ) (see Note 11) along with the receipt of the initial payments related thereto, the Company has sufficient funds to continue its operations and its research and development programs for at least the next twelve months. Cash expenditures in fiscal year 2010 are expected to be at a higher level than in fiscal year 2009 due to increased spending for current research and development activities and clinical trials for the therapeutic product candidates. The Company is also advancing plans to initiate a Phase III registration trial of veltuzumab in non-Hodgkin s lymphoma, for which its considering a number of funding alternatives in the event the Company decides to begin this trial. Research and development activities are expected to continue to expand over time and the Company does not believe it will have adequate cash to complete its research and development compounds in its development pipeline in line with its corporate strategy. Immunomedics is considering various financing alternatives to fund these projects as market conditions permit, potentially through debt or equity financings and through collaborative marketing and distribution agreements. The Company continues to evaluate various programs to raise additional capital and to seek additional revenues from the licensing of its proprietary technologies.

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. 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 were unable to raise capital on acceptable terms, its ability to continue its business would be materially and adversely affected.

**2. Summary of Significant Accounting Policies**

***Reclassification***

Certain prior year balances have been reclassified to conform to the 2009 presentation.

***Principles of Consolidation and Presentation***

The consolidated financial statements include the accounts of Immunomedics and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

***Foreign Currencies***

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 year-end exchange rates and equity accounts are translated at historical exchange rates. Translation adjustments are accumulated in a separate component of stockholders equity in the Consolidated Balance Sheets and are included in the determination of comprehensive income (loss) in the Consolidated Statements of Stockholders (Deficit) Equity. Transaction gains and losses are included in the determination of net income in the Consolidated Statements of Operations. As of June 30, 2009 and 2008, the cumulative unrealized foreign currency translation gain included in other comprehensive income was approximately $430,000 and $551,000, respectively.

***Accounts Receivable***

Credit is extended to customers based upon an evaluation of the customer s financial condition. Accounts receivable are recorded at net realizable value.

***Allowance for Doubtful Accounts***

The accounts receivable reserve methodology is based on historical analysis and a review of outstanding balances. The impact on the operating profit (loss) for a one percentage point change in the allowance for doubtful accounts is $1,000.

***Concentration of Credit Risk***

As of June 30, 2009, the Company has $22.3 million of principal invested in auction rate securities ( ARS ), which represents interests in student loans and student loan revenue bonds. 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. These ARS have had multiple failed auctions since February 2008. 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 June 30, 2009, is approximately $17.5 million, which has been classified as non-current assets on the 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.

***Estimated Fair Value of Financial Instruments***

On July 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ( Statement No. 157 ). Statement No. 157 defines and establishes a framework for measuring fair value and expands disclosures about fair value instruments. In accordance with Statement No. 157, 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 consolidated balance sheets 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.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money Market Funds | $ 22,233 | $ | $ | $ 22,233 |
| Auction Rate Securities | | | 17,458 | 17,458 |
| Total | $ 22,223 | $ | $ 17,458 | $ 39,691 |

The money market funds noted above are included in cash and cash equivalents in the consolidated balance sheets. The Company estimated the fair value of its auction rate securities using a discounted cash flow model as of June 30, 2009. See Note 3 for a description of the assumptions and methods used to estimate the fair value of the ARS.

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, 2008 | $ 20,050 |
| Total gains or (losses) (realized or unrealized): | |
| Included in earnings | (1,892) |
| Included in other comprehensive income | |
| Settlements | (700) |
| Transfers in and/or out of Level 3 | |
| Ending balance at June 30, 2009 | $ 17,458 |
| Change in unrealized gain relating to assets still held at the reporting date | $ |
| The amount of total gains or (losses) for the year ended June 30, 2009 included in earnings attributable to other than temporary losses relating to assets still held at the reporting date | $ (2,350) |

***Reimbursement of Expenses***

Research and development costs that are reimbursable under collaboration agreements are recognized in accordance with EITF Issue 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent (* EITF 99-19 ). The reimbursement of research and development costs is 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 finished product 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 June 30, 2009 and 2008, the Company did not record an inventory reserve as all inventories were deemed to be saleable.

***Property and Equipment***

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives (5-10 years) of the respective assets. Leasehold improvements are capitalized and amortized over the lesser of the initial life of the lease or the estimated useful life of the asset. Immunomedics reviews long-lived assets for impairment whenever events or changes in business circumstances occur that indicate that the carrying amount of the assets may not be recoverable. Immunomedics assesses the recoverability of long-lived assets held and to be used based on undiscounted cash flows, and measures the impairment, if any, using discounted cash flows. To date the Company has not taken any impairment charges on property and equipment.

***Revenue Recognition***

The Company accounts for revenue arrangements that include multiple deliverables in accordance with Emerging Issues Task Force No. 00-21, *Accounting for Revenue Arrangements with Multiple Arrangements* EITF 00-21 . EITF 00-21 addresses how to determine whether an arrangement

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involving multiple deliverables contains more than one unit of accounting. In applying the guidance, revenue arrangements with multiple deliverables can only be considered as separate units of accounting if: a) the delivered item has value to the customer on a standalone basis, b) there is objective and reliable evidence of the fair value of the undelivered items and c) if the right of return exists, delivery of the undelivered items is considered probable and substantially in the control of the vendor. If these criteria are not met, the revenue elements must be considered a single unit of accounting for purposes of revenue recognition. The Company has concluded that the License and Collaboration Agreement dated July 11, 2008, 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.

The Company is amortizing the $40 million payment received as part of the Nycomed Agreement over the expected obligation period, which is currently estimated to end in December 2009. If the obligation period estimate should change in the future, whether due to delays or acceleration of the Nycomed s requirements, this may affect the amortization period.

The Company 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. However, as previously disclosed, 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. UCB ultimately decided to establish new protocols under which new clinical trials for the treatment of SLE would be conducted and subsequently terminated the then existing SLE clinical trials that had been designed and initiated by Immunomedics.

As a result of the UCB decision to terminate the two Phase III SLE trials, initiated by Immunomedics, the Company was no longer able to determine how these decisions would impact the obligation period for its remaining potential manufacturing responsibilities under the terms of the agreement with UCB. Accordingly, beginning in the third quarter of fiscal 2007, Immunomedics 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 was reasonably determinable.

Under the terms of the UCB Agreement, UCB is solely responsible for the development, manufacturing and commercialization of epratuzumab for the treatment of all autoimmune indications and for the continuation of ongoing clinical trials in SLE, with Immunomedics responsible for supplying epratuzumab for the completion of clinical trials relating to SLE, the Sjogren s Phase II Clinical Trial and the SLE Open Label Study as defined in the UCB Agreement. Immunomedics was also obligated to manufacture and supply epratuzumab, if needed and at UCB s request, for the initial commercial launch of epratuzumab for the treatment of SLE. The manufacturing requirements were limited by the Company s production capacity at that time. UCB will have 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 Immunomedics only remaining obligation was to provide UCB with additional epratuzumab if requested. Subsequent to June 30, 2009, UCB relieved Immunomedics of its remaining obligation to supply UCB with any further supplies for SLE. Therefore, as the Company s last obligation under the agreement was legally terminated, the Company expects to amortize the remainder of the $38 million upfront payment received from UCB ($31.1 million as of June, 30, 2009) as revenue in the first quarter of the 2010 fiscal year.

Payments received under contracts to fund certain research activities are recognized as revenue in the period in which the research activities are performed. Payments received in advance that are related to future performance are deferred and recognized as revenue when the research projects are performed. Upfront nonrefundable fees associated with license and development agreements where the Company has continuing involvement in the agreement are recorded as deferred revenue and recognized over the estimated service period. If the estimated service period is subsequently modified, the period over which the upfront fee is recognized is modified accordingly on a prospective basis.

Milestone payments are recognized as revenue upon the achievement of mutually agreed milestones, provided that (i) the milestone event is substantive and its achievement is not reasonably assured at the inception of the agreement, and (ii) there are no continuing performance obligations associated with the milestone payment. To date, the Company has not recorded any revenue for milestone payments.

Revenue from the sale of diagnostic products 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, estimated product returns and discounts.

***Research and Development Costs***

Research and development costs are expensed as incurred.

***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 statements 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.

Income taxes were provided for profitable foreign jurisdictions at the applicable effective tax rate during the 2009, 2008 and 2007 fiscal years of $331,000, $333,000 and $104,000, respectively.

Benefits received resulting from the sale of the Company s 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 2009, 2008 and 2007 fiscal years, the Company sold and received benefits of approximately $1,386,000, $1,062,000 and $647,000, respectively, as a result of the State of New Jersey NOL program.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* ( FIN 48 ), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standard. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 as of July 1, 2007, as required, and determined that the adoption of FIN 48 did not have a material impact on the Company s financial position and results of operations. The Company does not have an accrual for uncertain tax positions as of June 30, 2009 or 2008. The U.S. Federal statute of limitation remains open for the fiscal years 2005 onward. State income tax returns are generally subject to examination for a period of 3-5 years after filing of the respective return.

***Net Income (Loss) Per Share Allocable to Common Stockholders***

Basic and diluted net income (loss) per share are computed in accordance with Financial Accounting Standards Board ( FASB ) SFAS No. 128, *Earnings Per Share*. Basic net income (loss) per share is based upon the number of 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 years ended June 30, 2009, 2008 and 2007, are calculated under the treasury stock method. Potentially dilutive securities have been excluded from the computation of diluted net loss per share as their effect is anti-dilutive.

***Comprehensive Income (Loss)***

Comprehensive income (loss) consists of net income (loss), net unrealized gains (losses) on securities available for sale and foreign currency translation adjustments and is presented in the Consolidated Statements of Operations and Comprehensive Income (Loss).

***Stock-Based Compensation***

The Company s 2006 Stock Incentive Plan (the Plan ) permits the grant of options and shares to its employees for up to 8 million shares of common stock. A summary of this plan is provided in Note 7. 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 stock at the date of grant; those option awards generally vest based on four years of continuous service and have seven year contractual terms. Certain options provide for accelerated vesting if there is a change in control (as defined in the Plan).

The fair value of each option granted during the years ended June 30, 2009, 2008 and 2007 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions in the following table:

| | Years ended June 30, | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Expected dividend yield | 0% | 0% | 0% |
| Expected option term (years) | 5.31 | 5.40 | 6.25 |
| Expected stock price volatility | 92% | 93% | 93% |
| Risk-free interest rate | 1.92% - 3.71% | 2.88% - 5.11% | 4.50% - 5.10% |

The weighted average fair value at the date of grant for options granted during the years ended June 30, 2009, 2008 and 2007 were $1.88, $2.93 and $2.75 per share, respectively. The Company uses historical data to estimate forfeitures. 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 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.

The Company has 2,220,405 non-vested options and restricted stock shares outstanding. As of June 30, 2009 and 2008 there was $4,250,000 and $2,119,000, respectively, 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 2.6 years. The weighted average of remaining contractual terms of the exercisable shares is 3.95 years and 4.37 years as of June 30, 2009 and 2008, respectively.

***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. The fair value of the marketable securities was estimated by the Company using a discounted cash flow model, as discussed in Note 3.

***Recently Issued Accounting Pronouncements***

Staff Position No. 115-2, FAS 124-2 and EITF 99-20-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP 115-2). FSP 115-2 provides new guidance on the recognition of an Other Than Temporary Impairment and provides new disclosure requirements. The recognition and presentation provisions apply only to debt securities classified as available for sale and held to maturity. At present, the adoption of this pronouncement will not have an impact on the Company s consolidated financial statements as it is not currently able to hold its auction rate securities to maturity.

In May 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events for potential recognition or disclosure in the financial statements and whether that date represents the date the financial statements were issued or were available to be issued. This standard also provides clarification about circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This standard is effective for interim and annual periods beginning with the Company s fiscal year ended June 30, 2009. The adoption of this standard did not have a material impact on the Company s consolidated financial statements.

**3. Auction Rate Securities**

Immunomedics utilizes SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, to account for investments in marketable securities. Under this accounting standard, 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 carried as a separate component of accumulated other comprehensive income (loss). Immunomedics considers all of its auction rate securities to be available-for-sale at June 30, 2009 and 2008 as shown below (in thousands):

| | Adjusted Cost Basis | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value |
|---|---|---|---|---|
| ***June 30, 2009*** | | | | |
| Auction Rate Securities | $ 17,458 | $ | $ | $ 17,458 |
| | $ 17,458 | $ | $ | $ 17,458 |
| ***June 30, 2008*** | | | | |
| Auction Rate Securities | $ 20,050 | $ | $ | $ 20,050 |
| | $ 20,050 | $ | $ | $ 20,050 |

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. ARS have long-term scheduled maturities, ranging from 2032 to 2046, but have interest rates that were typically reset at pre-determined intervals, (every 28 days for the securities purchased by the Company), at which time the securities would typically be purchased or sold, creating a liquid market. When there was 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.

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.

During fiscal 2008 and 2009, a substantial number of auctions failed, meaning that there was not enough demand to sell the entire issue at auction. As of June 30, 2009, the Company held six auction rate securities with a par value of $22.3 million. 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. 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 or a buyer is found outside of the auction process, of which there is no assurance.

In prior periods the ARS were classified as current assets, as it was the Company s intention to sell the securities when a secondary market for the ARS developed. However, the Company s financial position has improved and the offers received for certain ARS are not at terms that are presently acceptable to the Company. As the Company believes it has sufficient cash and cash equivalents at June 30, 2009 for at least the next twelve months, it is not imperative to fund the Company s operations by liquidating the ARS held at unreasonable discounts. Therefore, the ARS are classified as non-current assets in the consolidated balance sheet as of June 30, 2009 and will continue to be classified as such until market conditions improve and a viable market for these securities has developed.

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 no longer approximates par value, although the Company continues to earn interest on the current auction rate security investments at the maximum contractual rate. Accordingly, during the years ended June 30, 2009 and 2008, the Company recorded an other than temporary impairment charge of $2.35 million and $2.95 million, respectively, to reduce the value of the ARS to their estimated fair value. During the year ended June 30, 2009, the Company settled $0.7 million of ARS at par value, resulting in gains of $69,000, which were recorded as other income in the consolidated statement of operations. During the fiscal year ended June 30, 2008 the Company settled $6.0 million of ARS at par value resulting in no gain (loss). The Company used a discounted cash flow model to determine the estimated fair value of its investment in ARS of $18.0 million as of June 30, 2009.

The significant assumptions used in preparing the discounted cash flow model as of June 30, 2009 include (i) estimates for the investment s contractual bond coupon rates (ranging from 1.31% - 1.81%), (ii) the market yield interest rates (estimated at the U.S. Treasury Seven-Year Bond Rate of 3.19% plus a premium factor of 2.0%) and (iii) the effective maturity period of approximately seven years (which is the period it is estimated that the auctions would resume its 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 year ended June 30, 2009, the Company reported $389,000 of amortization of the market value discount of the ARS. No amortization of market value discount was reported for the 2008 fiscal year.

**4. Inventory**

Inventory consisted of the following at June 30 (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Finished goods | $ 233 | $ 470 |

**5. Property and Equipment**

Property and equipment consisted of the following at June 30 (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Machinery and equipment | $ 6,548 | $ 6,188 |
| Leasehold improvements | 17,497 | 17,484 |
| Furniture and fixtures | 816 | 814 |
| Computer equipment | 1,715 | 1,450 |
| | 26,576 | 25,936 |
| Accumulated depreciation and amortization | (21,497) | (20,013) |
| | $ 5,079 | $ 5,923 |
| Depreciation expense | $ 1,484 | $ 1,559 |

**6. Other Balance Sheet Details**

Accounts payable and accrued expenses consisted of the following at June 30 (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Trade accounts payable | $ 1,182 | $ 598 |
| Clinical trial accruals | 1,181 | 1,649 |
| Executive bonus | 485 | 636 |
| Income taxes payable | 559 | 506 |
| Deferred grant revenue | 437 | |
| Miscellaneous other current liabilities | 902 | 793 |
| | $ 4,746 | $ 4,182 |

**7. Stockholders Equity**

***Preferred Stock***

The Certificate of Incorporation of the Company authorizes 10,000,000 shares of preferred stock, $.01 par value per share. The preferred stock may be issued from time to time in one or more series, with such distinctive serial designations, rights and preferences as shall be determined by the Board of Directors.

***Common Stock***

On May 1, 2007, the Company closed an offering to certain institutional investors pursuant to which the Company issued and sold an aggregate of 4,848,485 registered shares of its common stock at $4.95 per share, through a registered direct offering, for aggregate net proceeds of approximately $22.3 million. The shares of common stock offered by the Company in this transaction were registered under the Company s existing shelf registration statement (File No. 333-114810) on Form S-3, which was declared effective by the Securities and Exchange Commission on May 25, 2004.

During the year ended June 30, 2007, the Company issued 956,763 shares of common stock to the holders of the Company s 5% Senior Convertible Notes in payment of $3,035,000 of interest expense.

During June 2009, the Company settled 204,000 employee stock options at the market price per share at the time of the settlement, for a total settlement value of $151,000. These settlements were from employees who were exercising their stock options which were available under the 2002 Employee Share Option Plan. Included in the employee group that net settlement of their options were the Chairman of the Board and the Chief Executive Officer of the Company who elected to settle options and receive cash payments (net of taxes), in lieu of shares of the Company s common stock upon the exercise of their options to purchase 150,000 and 15,000 shares of common stock, respectively. These transactions resulted in net cash payments to the Chairman of the Board and to the Chief Executive Officer of $74,000 and $7,400, respectively.

***Stockholders Rights Plan***

In February 2002, the Company s Board of Directors declared a dividend of one new right per share pursuant to the 2002 Stockholder Rights Plan (the 2002 Rights Plan ) adopted by the Board of Directors. The 2002 Rights Plan involved the distribution of one Right as a dividend on each outstanding share of the Company s common stock to each holder of record on March 15, 2002. The 2002 Rights Plan provides that if a third party acquires more than 15% of the Company s common stock without prior approval of the Board of Directors, all of the stockholders of the Company (other than the acquiring party) will be entitled to buy either shares of a special series of our Preferred Shares, or shares of the Company s common stock with a market value equal to double the Exercise Price for each Right they hold. Under these circumstances, the Board of Directors may instead allow each such Right (other than those held by the acquiring party) to be exchanged for one share of the Company s common stock. The exercise or exchange of these Rights would have a substantial dilutive effect on the acquiring party. The Company s Board of Directors retains the right at all times to discontinue the 2002 Rights Plan through redemption of all rights or amend the 2002 Rights Plan in any respect. The Rights will expire on March 1, 2012 (unless extended or unless the Rights are earlier redeemed by the Company as described in the 2002 Rights Plan). No shareholder has exercised this right as of June 30, 2009.

***Stock Incentive Plans***

The Immunomedics, Inc. 2006 Stock Incentive Plan ( 2006 Stock Incentive Plan ) was created with the intention to promote the interests of the Company, by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company as an incentive to remain with the organization. Under the plan there are 12,000,000 shares of common stock authorized for issuance, which was comprised of 6,736,625 shares of common stock previously available under the 2002 Employee Share Option Plan (the 2002 Plan ) and an additional 5,263,375 shares of common stock.

The 2006 Stock Incentive Plan is divided into three separate equity incentive programs. These incentive programs consist of:

Discretionary Grant Program under which eligible persons may be granted options to purchase shares of common stock or stock appreciation rights tied to the value of the common stock;

Stock Issuance Program under which eligible persons may be issued shares of common stock pursuant to restricted stock awards, restricted stock shares, performance shares or other stock-based awards which vest upon completion of a designated service period or the attainment of pre-established performance milestones, or such shares of common stock may be a fully-vested bonus for services rendered; and

Automatic Grant Program under which eligible non-employee Board members will automatically receive grants at designated intervals over their period of continued Board service.

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 stock at the date of grant; those option awards generally vest based on four years of continuous service and have seven year contractual terms. Certain options provide for accelerated vesting if there is a change in control (as defined in the Plan). At June 30, 2009, 4,888,150 stock options were still available for future grant and shares of common stock were reserved for possible future issuance upon exercise of stock options both currently outstanding and which may be issued in the future.

Each of the Company s outside Directors who had been a Director prior to July 1st of each year is granted, at the annual shareholder meeting of each year, an option to purchase shares of the Company s common stock at fair market value on the grant date, the number of options to be issued is at the discretion of the Company s Board of Directors. For fiscal years 2009, 2008 and 2007 stock options to purchase 75,000 (including 25,000 of restricted stock), 95,000 (including 26,667 of restricted stock) and 100,000 shares of common stock, respectively, were granted to these Directors. When an outside Director is elected to the Board of Directors, they are awarded options for 10,000 shares of the Company s common stock.

Information concerning options for the years ended June 30, 2009, 2008 and 2007 is summarized as follows:

| | Number of Shares | | | Weighted Average Price | | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Options outstanding, beginning of year | 5,535,933 | 5,272,300 | 5,254,200 | $ 7.55 | $ 7.82 | $ 7.92 |
| Options granted | 1,444,000 | 437,833 | 341,500 | $ 2.54 | $ 3.88 | $ 3.64 |
| Options exercised | (4,000) | (45,000) | (87,150) | $ 1.75 | $ 1.87 | $ 2.65 |
| Options cancelled or forfeited | (559,500) | (129,200) | (236,250) | $ 3.62 | $ 8.03 | $ 5.92 |
| Options outstanding, end of year | 6,416,433 | 5,535,933 | 5,272,300 | $ 6.77 | $ 7.55 | $ 7.82 |

The aggregate intrinsic value of the outstanding and exercisable stock options as of June 30, 2009 is $520,000 and $460,000, respectively. The aggregate intrinsic value is the sum of the amounts by which the quoted market price of the Company s common stock exceeded the exercise price of the options at June 30, 2009, for those options for which the quoted market price was in excess of the exercise price. The total intrinsic value of options exercised during the 2009, 2008 and 2007 fiscal years was $152,000, $27,000 and $174,000, respectively.

The following table summarizes information concerning options outstanding under the Plans at June 30, 2009:

| Range of exercise price | Number outstanding at June 30, 2009 | Weighted average exercise price | Weighted average remaining term (yrs.) | Number exercisable at June 30, 2009 | Weighted average exercise price |
|---|---|---|---|---|---|
| $1.59 - 3.00 | 2,682,933 | $ 2.40 | 6.49 | 1,085,215 | $ 2.16 |
| 3.01 - 5.00 | 1,074,000 | 4.40 | 4.45 | 793,813 | 4.41 |
| 5.01 - 8.00 | 1,352,000 | 6.51 | 4.12 | 1,344,500 | 6.51 |
| 8.01-18.00 | 716,500 | 15.86 | 1.23 | 716,500 | 15.86 |
| $18.01-24.56 | 591,000 | 20.47 | 1.97 | 591,000 | 20.47 |
| | 6,416,433 | $ 6.77 | 4.65 | 4,531,028 | $ 8.40 |

As of June 30, 2009, there were 335,000 restricted stock outstanding which are not included in the stock option tables above. During the 2009 fiscal year, 25,000 shares of restricted stock were granted to outside directors at a per share price of $1.59 per share at time of grant, which become vested within one year of grant. Also during the 2009 fiscal year, 310,000 shares of restricted stock were granted to employees at an average purchase price of $2.56 per share at time of grant, which becomes vested over a four-year period.

A summary of the Company s non-vested restricted stock at June 30, 2009, and changes during the year ended June 30, 2009 is presented below:

| Non-Vested Restricted Stock | Number of Awards |
|---|---|
| Non-vested at July 1, 2008 | 26,667 |
| Granted | 335,000 |
| Vested/Exercised | (26,667) |
| Forfeited | |
| Non-vested at June 30, 2009 | 335,000 |

**8. 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).

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net income (loss) | $ 2,274 | $ (22,909) | $ (16,656) |
| **Basic earnings per share:** | | | |
| Weighted average basic common shares outstanding | 75,125 | 75,093 | 63,277 |
| Basic earnings per share | $ 0.03 | $ (0.31) | $ (0.26) |
| **Diluted earnings per share:** | | | |
| Weighted average basic common shares outstanding | 75,125 | 75,093 | 63,277 |
| Dilutive effect of restricted stock | 335 | | |
| Dilutive effect of stock options outstanding | 623 | | |
| Weighted average diluted common shares outstanding | 76,083 | 75,093 | 63,277 |

| | | | |
|---|---|---|---|
| Diluted earnings per share | $ 0.03 | $ (0.31) | $ (0.26) |
| Stock options excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive | 5,794 | 5,636 | 5,872 |
| Restricted stock excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive | | 26 | |

**9. Income Taxes**

The (benefit) provision for income taxes is as follows (in thousands):

| | Year Ended June 30, | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Federal | | | |
| Current | $ 150 | $ 26 | 100 |
| Deferred | | | |
| Total Federal | 150 | 26 | 100 |
| State | | | |
| Current | (1,381) | (1,049) | (601) |
| Deferred | | | |
| Total State | (1,381) | (1,049) | (601) |
| Foreign | | | |
| Current | 331 | 333 | 104 |
| Deferred | | | |
| Total Foreign | 331 | 333 | 104 |
| Total (Benefit) | $ (900) | $ (690) | $ (397) |

A reconciliation of the statutory tax rates and the effective tax rates for each of the years ended June 30 is as follows:

| | **2009** | **2008** | **2007** |
|---|---|---|---|
| Statutory rate | 34.0% | (34.0%) | (34.0%) |
| State income taxes (net of Federal tax benefit) | (56.7%) | (1.7%) | (10.7%) |
| Foreign income tax | 2.4% | 0.1% | (2.8%) |
| Change in valuation allowance | (292.9%) | 21.0% | 50.0% |
| NOL expiration | 223.8% | 6.8% | 8.5% |
| R&D tax credit expiration | 32.3% | | |
| Other | (8.5%) | 4.9% | (13.3%) |
| | (65.6%) | (2.9%) | (2.3%) |

Immunomedics applies SFAS No. 109, *Accounting for Income Taxes,* to account for income taxes. For fiscal years 2009, 2008 and 2007, the Company recorded a state tax benefit of $1,386,000, $1,062,000, and $647,000, respectively, as a result of its sale of approximately $17,202,000, $13,194,000 and $8,031,000, of New Jersey state net operating losses, respectively.

The tax effects of temporary differences that give rise to significant portions of the Company s deferred tax assets as of June 30, 2009 and 2008 are presented below (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carry forwards | $ 64,930 | $ 70,854 |
| Research and development credits | 10,160 | 11,329 |
| Property and equipment | 3,547 | 3,281 |
| Deferred revenue | 12,439 | 12,439 |
| Other | 7,848 | 5,094 |
| Total | 98,974 | 102,997 |
| Valuation allowance | (98,974) | (102,997) |
| Net deferred taxes | $ | $ |

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowances for fiscal years 2009 and 2008 have been applied to offset the deferred tax assets in recognition of the uncertainty that such tax benefits will be realized as the Company continues to incur losses. The differences between book income and tax income primarily relate to the recognition of income resulting from the UCB Agreement (see Note 11) and depreciation.

At June 30, 2009, the Company has available net operating loss carry forwards for federal income tax reporting purposes of approximately $180.0 million and for state income tax reporting purposes of approximately $62.0 million, which expire at various dates between fiscal 2010 and 2029. Pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, the annual utilization of a company s net operating loss and research credit carry forwards may be limited if the Company experiences a change in ownership of more than 50 percentage points within a three-year period. As a result of certain financing arrangements, the Company may have experienced such ownership changes. Accordingly, the Company s net operating loss carry forwards available to offset future federal taxable income arising before such ownership changes may be limited. Similarly, the Company may be restricted in using its research credit carry forwards arising before such ownership changes to offset future federal income tax expense. Of the deferred tax asset valuation allowance related to the net operating loss carry forwards, approximately $23.0 million relates to a tax deduction for non-qualified stock options. The net operating loss carry forwards for Federal income tax reporting purposes referred to above excludes certain losses from the Company s operations in The Netherlands and Germany, which may also be limited.

During the fiscal year ended June 30, 2008, the Company adopted FIN 48 which clarifies the accounting for income taxes by prescribing the minimum threshold a tax position is required to meet before being recognized in the financial statements as well as guidance on de-recognition, measurement, classification and disclosure of tax positions. The adoption of FIN 48 by the Company did not have a material impact on the Company s financial condition or results of operation and resulted in no cumulative effect of accounting change being recorded as of July 1, 2007. The Company does not have any net liabilities recorded related to unrecognized tax benefits at June 30, 2009 and 2008. The Company does not have any gross liabilities as of June 30, 2009. The gross liabilities noted from the previous year related to research and development tax credits. The Company s income tax return was adjusted to agree with the results of the Internal Revenue Service recently completed audit for the 2007 fiscal year. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

| | (in thousands) |
|---|---|
| Balance at July 1, 2008 | $ 2,500 |
| (Reductions) related to current or prior year tax positions | (2,500) |
| Balance at June 30, 2009 | $ |

The Company has not taken any tax benefits related to this liability due to the recognition of a tax valuation allowance on its balance sheet. The Company will recognize potential interest and penalties related to income tax positions as a component of the provision for income taxes on the consolidated statements of income in any future periods in which the Company must record a liability. The Company is no longer subject to federal, state, or foreign income tax assessments for years prior to 2007.

**10. Related Party Transactions**

Certain of the Company s affiliates, including members of its senior management and 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 Company s Chairman, Chief Medical Officer and Chief Scientific Officer, Ms. Cynthia L. Sullivan, the President and Chief Executive Officer, who is the wife of Dr. David M. Goldenberg, and certain companies with which the Company does business, including the Center for Molecular Medicine and Immunology ( CMMI ) and IBC Pharmaceuticals, Inc.

***Dr. David M. Goldenberg***

Dr. David M. Goldenberg was an original founder of Immunomedics in 1982 and continues to play a critical role in its business. He currently serves as Chairman of the Board of Directors, Chief Medical Officer and Chief Scientific Officer, and is married to our President and Chief Executive Officer, Cynthia L. Sullivan. Dr. Goldenberg is a party to a number of agreements with the Company involving not only his services, but intellectual property owned by him. In addition, Dr. Goldenberg performs services for The Center for Molecular Medicine and Immunology, a not-for-profit specialized cancer research center.

***License Agreement.***

Pursuant to a License Agreement between Immunomedics and Dr. Goldenberg, certain patent applications owned by Dr. Goldenberg were licensed to Immunomedics at the time of Immunomedics formation in exchange for a royalty in the amount of 0.5% of the first $20,000,000 of annual net sales of all products covered by any of such patents and 0.25% of annual net sales of such products in excess of $20,000,000. Five of the licensed U.S. patents have since expired. In November 1993 the ownership rights of Immunomedics were extended as part of Dr. Goldenberg s employment agreement, with Immunomedics agreeing to diligently pursue all ideas, discoveries, developments and products, into the entire medical field, which, at any time during his past or continuing employment by Immunomedics (but not when performing services for CMMI see below), Dr. Goldenberg has made or conceived or hereafter makes or conceives, or the making or conception of which he has materially contributed to or hereafter contributes to, all as defined in the Employment Agreement.

***Employment Agreement.***

On December 17, 2008, the Company entered into the Second Amended and Restated Employment Agreement (effective beginning July 1, 2007 with the previous 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 agreement covers aspects of his compensation as well as duties and responsibilities of his employment at Immunomedics. Dr. Goldenberg s annual base salary is a minimum of $500,000, which shall be reviewed annually for appropriate increases by the Board of Directors of the Company. Dr. Goldenberg will also be eligible to participate in any Company s incentive compensation plan in place for its senior level executives and will be eligible to receive an annual discretionary bonus based upon certain performance standards to be determined by the Compensation Committee. Dr. Goldenberg s annual bonus target is 30% of his annual base salary, subject to achievement of performance goals, with a potential payout from 0 to 150% of the target amount. Dr. Goldenberg will also be eligible to receive equity compensation awards under the Company s 2006 Stock Incentive Plan, at the discretion of the Compensation Committee.

Dr. Goldenberg will also be eligible to receive certain additional incentive compensation during the agreement term. Beginning with the 2008 fiscal year, for any fiscal year in which the Company records an annual net loss, Dr. Goldenberg shall receive a sum equal to 0.75% of the consideration the Company receives from any licensing agreement, sale of intellectual property or similar transaction with any third party, with certain exceptions as defined in the Goldenberg Agreement. For any fiscal year in which the Company records net income, Dr. Goldenberg shall receive a sum equal to 1.50% of the Company s Annual Net Revenue as defined in the Goldenberg Agreement for each such fiscal year, and thereafter throughout the non-competition period, as described in the Agreement.

Dr. Goldenberg will also be eligible to receive royalty payments on 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.

The Goldenberg Agreement requires that the Company make minimum payments of $150,000 to Dr. Goldenberg during each of the fiscal years, payable in equal quarterly payments, as an advance against the amounts due as additional incentive compensation, royalty payments and dispositions of undeveloped assets. In the event the Company completes a disposition of the Company s undeveloped assets for which Dr. Goldenberg was an Inventor, the Company will pay Dr. Goldenberg a sum equal to at least twenty percent or more of the consideration the Company receives from each disposition. The Company s obligation to compensate Dr. Goldenberg upon dispositions of undeveloped assets applies to all dispositions completed within the contract term or within three years thereafter.

In accordance with the terms of the Goldenberg Agreement, due to the Company s results for the year ended June 30, 2009, additional compensation of $441,000 was earned by Dr. Goldenberg as of June 30, 2009, of which a payment of $300,000 had been made during the 2009 fiscal year, a result of the incentive compensation for transactional payment for the completion of the Nycomed Agreement. For the 2008 and 2007 fiscal years the minimum payments received by Dr. Goldenberg under the previous employment agreements were $150,000 and $100,000, respectively.

The Goldenberg Agreement provides that in the event the Company terminates Dr. Goldenberg at any time without Good Cause (as defined in the Agreement) or Dr. Goldenberg resigns for Good Reason (as defined in the Agreement), Dr. Goldenberg will be entitled to receive a lump-sum severance payment in an amount equal to two times his annual base salary in effect at that time, plus the target bonus established for the fiscal year in which the date of termination occurs. In addition, the Company shall pay monthly COBRA medical insurance costs, if Dr. Goldenberg continues medical coverage under COBRA, for a period of 24 months following such termination.

This agreement also provides that in the event of a change of control, if Dr. Goldenberg terminates his employment upon ninety (90) days prior written notice to the Company or its successor, following the second anniversary of a change of control of the Company, Dr. Goldenberg will be entitled to receive a lump sum severance payment in an amount equal to three times his annual base salary in effect at that time, plus the target bonus established for the fiscal year in which the date of termination occurs. In addition, Dr. Goldenberg will receive, for a period of three years following such termination, all medical and dental coverages in effect on the date of termination or, at the Company s election, cash in lieu of such coverage in an amount equal to Dr. Goldenberg s after-tax cost of continuing comparable coverage. Dr. Goldenberg will also be entitled to receive any benefits accrued in accordance with the terms of any applicable benefit plan and program of the Company and an annual bonus, if any, payable for the fiscal year in which Dr. Goldenberg was terminated (prorated to reflect Dr. Goldenberg s actual period of service during such fiscal year). Additionally, the Goldenberg Agreement provides for a gross-up payment under certain circumstances to compensate Dr. Goldenberg for excise taxes that may be attributable to him as a result of the foregoing payments.

Finally, it is a condition to his employment agreement that Dr. Goldenberg be permitted to continue his involvement with CMMI, as discussed in greater detail below. Dr. Goldenberg also is compensated by IBC Pharmaceuticals as discussed in greater detail in these notes to the consolidated financial statements.

***Life Insurance.*** Previously, the David M Goldenberg Insurance Trust, (a trust created by Dr. Goldenberg), was the beneficiary to a $10.0 million life insurance policy. The policy provided funds, which could have been used to assist Dr. Goldenberg s estate in settling estate tax obligations and thus potentially reducing the number of shares of the Common Stock the estate may be required to sell over a short period of time to raise funds to satisfy such tax obligations. During what was estimated to be a 15-year period, the Company was obligated to pay $143,000 per year towards premiums in addition to amounts required to be paid by the David M. Goldenberg Insurance Trust. The Company had an interest in this policy equal to the lesser of the cumulative amount of premium payments made by it under the policy. In January 2008, the Company received $2,694,200 from the David M Goldenberg Insurance Trust for the cumulative premiums previously paid by the Company, with the remainder of the cash surrender value ($180,800) paid to the David M. Goldenberg Insurance Trust.

Upon surrender of the insurance policy on December 26, 2007, the Company eliminated the deferred compensation liability previously recorded by the Company for the present value of the future benefits expected to be provided to the Chairman in exchange for the Chairman s service to his termination date (approximately $1,249,000). In addition, the Company and Dr. Goldenberg agreed that Dr. Goldenberg will be reimbursed approximately $274,000 for personal income taxes related to the split-dollar life insurance agreement during the period the policy was in effect, of which $85,000 was payable to Dr. Goldenberg as of June 30, 2009. These items were reported as a reduction to general and administrative expense. With the termination of the split-dollar agreement and the Company s entrance into Amendment No. 1 to the Goldenberg Agreement dated January 31, 2008, the Company is no longer obligated to maintain any life insurance policies to which Dr. David M. Goldenberg is the beneficiary. The Company currently maintains $21.0 million of life insurance policies on Dr. Goldenberg for the benefit of the Company.

Under the terms of the Goldenberg Agreement, effective July 1, 2007, the Company was to continue to pay the premium cost of life insurance policies on the life of Dr. Goldenberg in effect under the previous employment agreement. On September 7, 2007, Dr. Goldenberg and the Company entered into agreements to terminate certain severance payments and assign certain insurance benefits included as part of Dr. Goldenberg s previous employment agreement. The termination of this arrangement reduced the Company s deferred compensation accrual and net loss by approximately $617,000 in the 2008 fiscal year.

***Cynthia L. Sullivan***

On December 31, 2006, the Company and Cynthia L. Sullivan entered into an Amended and Restated Employment Agreement pertaining to Ms. Sullivan s service as the Company s President and Chief Executive Officer. On December 17, 2008, the Company and Ms. Sullivan entered into the Second Amended and Restated Employment Agreement (the Sullivan Agreement ) in order to comply with Section 409A of the Internal Revenue Code, which changed the income tax treatment of nonqualified deferred compensation and imposed new requirements on both the terms and operation of such compensation.

The Sullivan Agreement, which initial term expired on December 30, 2008, automatically extends for successive one-year periods unless either the Company or Ms. Sullivan provides a written notice at least 180 days preceding the date of any such extension. Ms. Sullivan s annual base salary under the Sullivan Agreement is $532,000, and will be reviewed annually for appropriate increases by the Board of Directors or the Compensation Committee of the Board. Ms. Sullivan will also be eligible to participate in the Company s incentive compensation plan in place for its senior level executives. In addition, Ms. Sullivan will be eligible to receive an annual discretionary bonus determined by the Compensation Committee of the Board based upon certain performance standards to be determined by the Compensation Committee. Ms. Sullivan s annual bonus target is 30% of her annual base salary, subject to achievement of performance goals, with a potential payout from 0 to 150% of the target amount. Ms. Sullivan will also be eligible to receive equity compensation awards under the Company s 2006 Stock Incentive Plan, or any such successor equity compensation plan as may be in place from time to time.

The Sullivan Agreement also provides that in the event of a change of control the Company terminates Ms. Sullivan without Cause (as defined in the Sullivan Agreement) or Ms. Sullivan resigns for Good Reason (as defined in the Sullivan Agreement), Ms. Sullivan will be entitled to receive a lump sum severance payment in an amount equal to three times her annual base salary in effect at that time, plus the target bonus established for the fiscal year in which the date of termination occurs. In addition, Ms. Sullivan will receive, for a period of 36 months following such termination, all medical and dental coverages in effect on the date of termination or, at the Company s election, cash in lieu of such coverage in an amount equal to Ms. Sullivan s after-tax cost of continuing comparable coverage. Ms. Sullivan will also be entitled to receive any benefits accrued in accordance with the terms of any applicable benefit plan and program of the Company and an annual bonus, if any, payable for the fiscal year in which Ms. Sullivan was terminated.

***Relationships with The Center for Molecular Medicine and Immunology***

The Company s product development has involved, to varying degrees, CMMI, for the performance of certain basic research and patient evaluations, the results of which are made available to the Company pursuant to a collaborative research and license agreement. CMMI, which is funded primarily by grants from the National Cancer Institute (NCI), is located in Belleville, New Jersey. Dr. Goldenberg is the founder, current President and a member of the Board of Trustees of CMMI. Dr. Goldenberg s employment agreement permits him to devote such time as is necessary to fulfill his duties to the CMMI and IBC Pharmaceuticals, Inc, provided that such duties do not materially interfere with his ability to perform any of his obligations under the Goldenberg Agreement. Certain of the Company s consultants have employment relationships with CMMI, and Dr. Hans Hansen, the Company s emeritus executive officer, is an adjunct member of CMMI. Despite these relationships, the Company believes CMMI is independent of Immunomedics, and CMMI s management and fiscal operations are the responsibility of CMMI s Board of Trustees.

The Company has reimbursed CMMI for expenses incurred on behalf of the Company, including amounts incurred pursuant to research contracts, in the amount of approximately $292,000, $105,000 and $110,000 during the years ended June 30, 2009, 2008 and 2007, respectively. In fiscal years ended June 30, 2009, 2008 and 2007 the Company incurred $29,000, $95,000 and $67,000, respectively, of legal expenses for patent related matters for patents licensed to Immunomedics from CMMI. The Company may decide whether or not to support them. However, any inventions made independently of the Company at CMMI are the property of CMMI.

***IBC Pharmaceuticals***

IBC Pharmaceuticals, Inc. ( IBC ) is a majority owned subsidiary of Immunomedics, Inc.

As of June 30, 2009, the shares of IBC Pharmaceuticals, Inc. were held as follows:

| Stockholder | Holdings | Percentage of Total |
|---|---|---|
| Immunomedics, Inc. | 5,599,705 shares of Series A Preferred Stock | 73.26% |
| Third Party Investors | 643,701 shares of Series B Preferred Stock | 8.42% |
| David M. Goldenberg Millennium Trust | 1,399,926 shares of Series C Preferred Stock | 18.32% |
| | | 100.00% |

In the event of a liquidation, dissolution or winding up of IBC, the Series A, B and C Preferred Stockholders would be entitled to $0.6902, $5.17 and $0.325 per share (subject to adjustment), respectively. The Series A and B stockholders would be paid ratably until fully satisfied. The Series C stockholders would be paid only after the Series A and B stockholders have been fully repaid. These liquidation payments would be made only to the extent the assets of IBC are sufficient to make such payments.

In each of the fiscal years 2009, 2008 and 2007, Dr. Goldenberg received $55,000 in compensation for his services to IBC. At June 30, 2009, Dr. Goldenberg was a director of IBC, while Cynthia L. Sullivan, Gerard G. Gorman and Phyllis Parker served as the President, Treasurer and Secretary, respectively, of IBC.

**11. 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 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. These milestone payments are dependent upon completion of certain clinical, regulatory and sales-based milestones, each as set forth in the Nycomed Agreement. The Company will also receive an escalating double digit royalty based on annual net sales 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 June 30, 2009. There can be no assurance that these

clinical, regulatory or sales achievements will be met and therefore there can be no assurance that the Company will receive such future payments. In addition, the Company will continue its ongoing Phase I/II study in Immune Thrombocytopenic Purpura ( ITP ) and Nycomed will reimburse Immunomedics for all direct expenses incurred in connection with this study. The Nycomed Agreement also provides the Company with an option to co-promote veltuzumab for the treatment of ITP in the United States.

The Nycomed Agreement contains customary termination provisions, including the right of both parties to terminate the Agreement in the event that either party materially breaches or defaults in the performance of any of its obligations as outlined in the Agreement. In addition, the Nycomed Agreement may be terminated by Nycomed for any reason upon written notice to Immunomedics, which will be effective 180 days from the date of receipt of such notice, provided that Nycomed may not terminate until 18 months after August 15, 2008 (the Effective Date ).

The Company determined that all elements under the collaboration should be accounted for as a single unit of accounting under EITF 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*. In accordance with SAB No. 104 (Topic 13, *Revenue Recognition*), deferral of revenue is appropriate regarding nonrefundable, upfront fees received in single unit of accounting arrangements. As the Company has continuing obligations under the Nycomed Agreement, the Company recorded the $40 million non-refundable payment as deferred revenue and the Company is recognizing this amount through December 31, 2009, which is the Company s best estimate of the period of time required for the Company to fulfill its obligations under the Nycomed Agreement. Accordingly, the Company recognized $25,460,000 as License Fee Revenues for the year ended June 30, 2009. The remaining balance of $14,540,000 is recorded as Deferred Revenue in the accompanying consolidated balance sheet.

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 are 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, using reasonable commercial efforts to manufacture the material. The time period specified in the Nycomed Agreement is establishment by Nycomed of a manufacturing process for veltuzumab or a third-party source of supply for veltuzumab within fifteen months of the effective date. Nycomed has selected a third-party source for the manufacture of veltuzumab and Immunomedics has transferred the necessary technology for the production of veltuzumab to them. The Company currently expects to complete all of its research and development activities, (including the ongoing Phase I/II study in ITP) and its manufacturing and supply obligations by December 31, 2009.

For the year ended June 30, 2009, the Company manufactured materials for Nycomed for which it will be reimbursed $2,534,000, as outlined in the Nycomed Agreement. In addition, Immunomedics is to complete the research and development activities indicated in the Nycomed Agreement, for which the Company will be reimbursed for all direct costs by Nycomed, of which $450,000 has been incurred for the year ended June 30, 2009. As of June 30, 2009, $863,000 is outstanding from Nycomed for these reimbursable expenses. Nycomed will have sole responsibility for all clinical development, regulatory filings and related submissions, as well as all commercialization activities with respect to veltuzumab.

**UCB, S.A.**

On May 9, 2006, the Company entered into 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 retains the rights to develop epratuzumab in the field of oncology, and UCB has an option to acquire development and commercialization rights to epratuzumab with respect to cancer indications at anytime prior to the first commercial sales thereof. If UCB exercises its buy-in right with respect to epratuzumab in the field of oncology, UCB will reimburse the Company for the development cost actually incurred, plus a buy-in fee.

Under the terms of the UCB Agreement, the Company received in cash from UCB non-refundable payments totaling $38 million (which included a $25 million upfront payment, plus a $13 million reimbursement for development costs of epratuzumab related to our clinical development of epratuzumab in patients with certain autoimmune conditions prior to the date of the UCB Agreement).

The Company determined that all elements under the collaboration and co-promotion agreement should be accounted for as a single unit of accounting under EITF 00-21, *Accounting for Revenue Arrangements with Multiple Deliverable.* In accordance with SAB No. 104 (Topic 13, *Revenue Recognition)*, deferral of revenue is appropriate regarding nonrefundable, upfront fees received in single unit of accounting arrangements. As the Company has continuing obligations under the UCB Agreement, the Company recorded the $38 million non-refundable payment as deferred revenue and was amortizing the $38 million payment received over the expected obligation period, which was initially estimated to end 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 the Company. UCB and its experts in the field of SLE believed that the clinical trial protocols designed and initiated by Immunomedics prior to the UCB Agreement should be revised, including potential changes to patient enrollment criteria as such changes may result in more rapid patient enrollment. During the 2008 fiscal year, UCB established new protocols under which new clinical trials for the treatment of SLE would be conducted. UCB subsequently terminated the then existing SLE clinical trials that had been designed and initiated by Immunomedics. UCB initiated a Phase IIb dose ranging study in patients with SLE during the 2008 fiscal year, the results of which were announced on August 27, 2009, see (Note 15). The size and scope of the Phase III trials will be determined in part based on the results obtained from the Phase IIb study.

As a result of the UCB decision to terminate the two Phase III SLE trials initiated by Immunomedics, the Company was no longer able to determine how these decisions will impact its obligation period under the terms of the agreement with UCB. Accordingly, beginning in the third quarter of fiscal 2007, 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 would be reasonably determinable.

The Company did not recognize any License Fee Revenues under this agreement for the 2009 or the 2008 fiscal years, as compared to $5,335,000 which was recognized for the 2007 fiscal year.

In addition to the upfront payment, the Company is entitled to receive regulatory milestone payments, which could aggregate to a maximum of up to $145 million in cash payments and $20 million in equity investments. These milestone payments are dependent upon specific achievements in the regulatory approval process under the UCB Agreement. The Company will also receive product royalties based upon a percentage of aggregate annual net sales under the UCB Agreement during the product royalty term, which percentage is subject to reduction under certain circumstances. In addition, the Company will be entitled to receive sales bonuses of up to $135 million upon annual net sales reaching certain target levels. No clinical milestones or royalty payments were earned or received through June 30, 2009. There can be no assurance that these regulatory or sales achievements will be met and therefore there can be no assurance that the Company will receive such future payments.

Under the terms of the UCB Agreement, UCB is solely responsible for the development, manufacturing and commercialization of epratuzumab for the treatment of all autoimmune indications and for the continuation of ongoing clinical trials in SLE, with Immunomedics responsible for supplying

epratuzumab for the completion of clinical trials relating to SLE, the Sjogren s Phase II Clinical Trial and the SLE Open Label Study as defined in the UCB Agreement. Immunomedics was also obligated to manufacture and supply epratuzumab, if needed and at UCB s request, for the initial commercial launch of epratuzumab for the treatment of SLE. The manufacturing requirements were limited by its production capacity at that time. UCB will have 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 Immunomedics only remaining obligation was to provide UCB with additional epratuzumab if requested. Subsequent to June 30, 2009, UCB relieved the Company of its remaining obligation to supply UCB with any further supplies for SLE (see Note 15).

**12. Commitments and Contingencies**

***Employment Contracts***

On December 17, 2008, the Second Amended and Restated Employment Agreement with Dr. Goldenberg was signed for the period through June 30, 2011 (see Note 10). As part of this agreement a $150,000 annual minimum payment beginning in fiscal year 2008 is required to be paid in the aggregate against all Revenue Incentive Compensation and Royalty Payments. For the 2009 fiscal year, under the terms of the agreement Dr. Goldenberg earned $441,000, (which was above the $150,000 minimum amount) of which $300,000 was paid during the 2009 fiscal year. For the 2008 fiscal year, the Company paid Dr. Goldenberg the minimum required payment of $150,000. Under the terms of the previous employment agreement the Company paid Dr. Goldenberg the minimum required payment of $100,000.

On December 17, 2008, the Company and Cynthia L. Sullivan entered into the Second Amended and Restated Employment Agreement pertaining to Ms. Sullivan s service as the Company s President and Chief Executive Officer (see Note 10).

***Operating Lease***

Immunomedics is obligated under an operating lease for facilities used for research and development, manufacturing and office space. In November 2001, the Company renewed for an additional term of 20 years expiring in October 2021 at a base annual rate of $545,000, which is fixed for the first five years and increases thereafter every five years. The renewal includes an additional 15,000 square feet of space. In June 2009, the Company increased the leased space at the facility by 10,700 square feet for a revised total base annual rate of $636,000. Rental expense related to this lease was approximately $663,000 for each of the 2009, 2008 and 2007 fiscal years.

Including the extension of the facility lease as described above, the minimum lease commitments for facilities are as follows for fiscal years (in thousands):

| | |
|---|---|
| 2010 | $ 636 |
| 2011 | $ 636 |
| 2012 | $ 758 |
| 2013 | $ 819 |
| 2014 | $ 819 |
| Thereafter | $ 6,685 |

***Potential Milestone Payment***

If epratuzumab is approved for commercialization in the United States for non-Hodgkin s lymphoma therapy, the Company will also be required to make a milestone payment in the amount of $600,000 to an outside third party.

***Legal Matters***

Immunomedics is a party to various claims and litigation arising in the normal course of business, which includes some or all of certain of our patents. Management believes that the outcome of such claims and litigation will not have a material adverse effect on the Company s consolidated financial position and results of operations. The following is a summary of certain claims that are outstanding:

*Former Employee Patent Litigation*

In October 2006, the Company s former employee Dr. Shui-On ( Shawn ) Leung, SinoMab Bioscience Limited, and Skytech Technology Limited (collectively, the Plaintiffs ), filed suit against the Company in Delaware Chancery Court (SinoMab Bioscience Ltd., et al. v. Immunomedics, Inc., C.A. No. 2471-VCS) seeking among other things a declaration that Dr. Leung was not obligated to assign certain patent applications to the Company, and asserting claims of various business torts against the Company. The Company denied the Plaintiff s claims, and filed counterclaims for, among other things, breach of Dr. Leung s agreements with Immunomedics, trade secret misappropriation, and a declaration that Dr. Leung was obligated to assign the patent applications to the Company.

On June 16, 2009, after a trial, the Court ruled that: (1) Dr. Leung is not obligated to assign the patent applications to Immunomedics; (2) the patent applications that Dr. Leung initially filed sought to cover work that Immunomedics was already doing, thereby breaching his non-competition agreement, and (3) that Dr. Leung did not misappropriate Immunomedics trade secrets. The Court awarded Immunomedics the reasonable attorneys fees that it expended in getting Dr. Leung to amend his applications so that they did not cover techniques that Immunomedics was already using. The Plaintiffs did not pursue their business tort claims in post-trial briefing.

The Company is considering whether to appeal the decision. The Company believes that the outcome of this case will not have a material adverse effect on our financial condition or results of operations.

*Former Investment Advisor/Broker*

On April 15, 2009, the Company initiated arbitration 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 the purchase of the initial investment in auction-rate securities, of which $22,300,000 is outstanding as of June 30, 2009. The Company has also requested consequential damages, punitive damages, and other relief. FINRA is presently in the process of scheduling an arbitration hearing in this matter.

**13. Geographic Segments**

Immunomedics manages its operations as one line of business of researching, developing, manufacturing and marketing biopharmaceutical products, particularly antibody-based products for the targeted treatment of cancer, autoimmune and other serious diseases, and it currently reports as a single industry segment. Immunomedics markets and sells its products in the United States and throughout Europe.

The following table presents financial information based on the geographic location of the facilities of Immunomedics as of and for the years ended (in thousands):

| | June 30, 2009 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Total assets | $ 49,302 | $ 3,979 | $ 53,281 |
| Property and equipment, net | 5,077 | 2 | 5,079 |
| Revenues | 26,527 | 3,494 | 30,021 |
| Income before tax benefit | 496 | 877 | 1,373 |

| | June 30, 2008 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Total assets | $ 31,759 | $ 2,972 | $ 34,731 |
| Property and equipment, net | 5,920 | 3 | 5,923 |
| Revenues | 355 | 3,296 | 3,651 |
| Income (loss) before tax benefit | (24,511) | 912 | (23,599) |

| | June 30, 2007 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Total assets | $ 58,009 | $ 2,189 | $ 60,198 |
| Property and equipment, net | 7,307 | 1 | 7,308 |
| Revenues | 5,658 | 2,848 | 8,506 |
| Income (loss) before tax benefit | (17,694) | 641 | (17,053) |

**14. Defined Contribution Plans**

U.S. employees are eligible to participate in the Company s 401(k) plan, while employees in international locations are eligible to participate in other defined contribution plans. Aggregate Company contributions to its benefit plans totaled approximately $83,000, $46,000 and $34,000 for the years ended June 30, 2009, 2008 and 2007, respectively.

**15. Subsequent Events**

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. In its July 30, 2009 letter, UCB acknowledged that UCB would not require Immunomedics to manufacture any further supplies for SLE to UCB under the terms of the UCB Agreement. As this was the only obligation remaining for Immunomedics under the terms of the UCB Agreement, the Company expects that the deferred revenue under the UCB Agreement as of June 30, 2009 ($31,145,000), will be recognized as revenue during the three-month period ended September 30, 2009.

On August 27, 2009, UCB reported positive results of its Phase IIb clinical study of epratuzumab for treatment of patients with SLE. The data demonstrated clinically meaningful effect with the treatment advantage of epratuzumab over placebo reaching 24.9% at week twelve. A total of 227 patients were enrolled in this study, with 30% of the patients having moderate disease activity and 70% of the patients having severe disease activity in multiple organ systems.

Subsequent events have been evaluated through August 27, 2009, the date in which the financial statements were issued.

**16. Quarterly Results of Operations (Unaudited)**

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 2009 (2) | March 31 2009 (2) | Dec. 31 2008 (2) | Sept. 30 2008 | June 30 2008 (2) | March 31 2008 (2) | Dec. 31 2007 | Sept. 30 2007 |
| | (In thousands, except for per share amounts) | | | | | | | |
| Consolidated Statements of Operations Data: | | | | | | | | |
| Revenues | $ 8,297 | $ 8,309 | $ 8,513 | $ 4,902 | $ 964 | $ 905 | $ 1,001 | $ 781 |
| Gross profit (1) | 882 | 735 | 696 | 942 | 856 | 766 | 781 | 555 |
| Net income (loss) | 855 | 758 | 2,892 | (2,231) | (6,946) | (8,156) | (3,204) | (4,603) |
| Net income (loss) per common share allocable to common stockholders basic | $ 0.01 | $ 0.01 | $ 0.04 | $ (0.03) | $ (0.10) | $ (0.11) | $ (0.04) | $ (0.06) |
| Net income (loss) per common share allocable to common stockholders fully diluted | $ 0.01 | $ 0.01 | $ 0.04 | $ (0.03) | $ (0.10) | $ (0.11) | $ (0.04) | $ (0.06) |
| Weighted average number of common shares outstanding basic | 75,138 | 75,138 | 75,117 | 75,108 | 75,107 | 75,107 | 75,095 | 75,062 |
| Weighted average number of common shares outstanding fully diluted | 76,096 | 75,313 | 75,117 | 75,108 | 75,107 | 75,107 | 75,095 | 75,062 |

(1) Gross profit is calculated as product sales less cost of goods sold.

(2) Includes impairment charges on auction rates securities held by the Company of $1,700, $324, $327, $750 and $2,200 for the three-month periods ended June 30, 2009, March 31, 2009, December 31, 2008, June 30, 2008 and March 31, 2008, respectively.

**Immunomedics, Inc. and Subsidiaries**

**Schedule II Valuation and Qualifying Reserves**

**For the Years Ended June 30, 2009, 2008 and 2007**

**Allowance for Doubtful Accounts**

| Year ended: | Balance at Beginning of Period | Changes to Reserve | Credits to Expense | Other Charges | Balance at End of Period |
|---|---|---|---|---|---|
| June 30, 2007 | $ (117,290) | $ 8,068 | $ | | $ (109,222) |
| June 30, 2008 | $ (109,222) | $ (82,790) | $ | | $ (192,012) |
| June 30, 2009 | $ (192,012) | $ 58,751 | $ | | $ (133,261) |

**Reserve for Inventory Obsolescence**

| Year ended: | Balance at Beginning of Period | Changes to Reserve | Charges to Expense | Other Charges | Balance at End of Period |
|---|---|---|---|---|---|
| June 30, 2007 | $ (66,500) | $ 66,500 | $ | $ | $ |
| June 30, 2008 | $ | $ | $ | $ | $ |
| June 30, 2009 | $ | $ | $ | $ | $ |

**Item 9.** ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***
None.

**Item 9A.** ***Controls and Procedures***
*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 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 Annual Report on Form 10-K, our Chief Executive and Chief Financial Officers believe that these procedures are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosures.

*Management s Report on Internal Control Over Financial Reporting:* Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Immunomedics; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its assessment and those criteria, our management has concluded we maintained effective internal control over financial reporting as of June 30, 2009.

Our independent registered public accounting firm has issued an attestation report on the effectiveness of Immunomedics internal control over financial reporting.

*Changes in internal controls:* Such evaluation did not identify any changes in our internal controls over financial reporting that occurred during the three month period ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of

Immunomedics, Inc.

We have audited Immunomedics Inc. s internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Immunomedics Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Immunomedics Inc. s maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Immunomedics, Inc. and subsidiaries as of June 30, 2009 and 2008 and the related consolidated statements of operations and comprehensive income (loss), shareholder s equity (deficit) and cash flows for each of the three years in the period ended June 30, 2009 of Immunomedics, Inc. and our report dated August 27, 2009 expressed an unqualified opinion.

/s/ Ernst & Young LLP

MetroPark, New Jersey

August 27, 2009

**Item 9B.** ***Other Information***
None.

**PART III**

**Item 10.** ***Directors, Executive Officers, and Corporate Governance***
Information about our executive officers is incorporated in this Annual Report on Form 10-K by reference from the section entitled Compensation of Executive Officers contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

Information required to be disclosed by this Item about our board of directors is incorporated in this Annual Report on Form 10-K by reference from the section entitled Nominees For Directors contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

Information required to be disclosed by this Item about the Section 16(a) compliance of our directors and executive officers is incorporated in this annual report on Form 10-K by reference from the section entitled Section 16(a) Beneficial Ownership Reporting Compliance contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

Information required to be disclosed by this Item about our board of directors, the audit committee of our board of directors, our audit committee financial expert, our Code of Business Conduct, and other corporate governance matters is incorporated in this Annual Report on Form 10-K by reference from the section entitled Our Corporate Governance contained in our definitive proxy statement related to our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

The text of our Code of Business Conduct, which applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) is posted in the Corporate Governance section of our website, www.immunomedics.com. A copy of the Code of Business Conduct can be obtained free of charge on our website. We intend to disclose on our website any amendments to, or waivers from, our Code of Business Conduct that are required to be disclosed pursuant to the rules of the Securities and Exchange Commission and The NASDAQ Stock Market.

**Item 11.** ***Executive Compensation***
Information required to be disclosed by this Item is incorporated in this Annual Report on Form 10-K by reference from the sections entitled Compensation for Executive Officers , Director Compensation , Compensation Committee Interlocks and Insider Participation and Compensation Committee Report contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

**Item 12.** ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***
Information required to be disclosed by this Item is incorporated in this Annual Report on Form 10-K by reference from the sections entitled Ownership of Our Common Stock, Compensation for Executive Officers and Director Compensation , contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

**Item 13.** ***Certain Relationships and Related Transactions and Director Independence***

The information required to be disclosed by this Item is incorporated in this Annual Report on Form 10-K by reference from the section(s) entitled Certain Relationships and Related Transactions and Our Corporate Governance, Compensation for Executive Officers, Director Compensation, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

**Item 14.** ***Principal Accounting Fees and Services***

This information required to be disclosed by this Item is incorporated in this Annual Report on Form 10-K by reference from the section entitled Independent Registered Public Accounting Firm contained in our definitive proxy statement for our 2009 annual meeting of stockholders scheduled to be held on December 2, 2009, which we intend to file within 120 days of the end of our fiscal year.

**PART IV**

**Item 15.** ***Exhibits, Financial Statement Schedules***

(a) **Documents filed as part of this Report:**

1. Consolidated Financial Statements:

   Consolidated Balance Sheets June 30, 2009 and 2008

   Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended June 30, 2009, 2008 and 2007

   Consolidated Statements of Changes in Stockholders Equity for the years ended June 30, 2009, 2008 and 2007

   Consolidated Statements of Cash Flows for the years ended June 30, 2009, 2008 and 2007

   Notes to Consolidated Financial Statements

   Reports of Independent Registered Public Accounting Firm Ernst & Young LLP

2. Financial Statement Schedules:

   Schedule II Valuation and Qualifying Reserves

3. List of Exhibits

| Exhibit No. | Description |
|---|---|
| 3.1(a) | Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on July 6, 1982. (b) |
| 3.1(b) | Certificate of Amendment of the Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on April 4, 1983. (b) |
| 3.1(c) | Certificate of Amendment of the Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on December 14, 1984. (b) |
| 3.1(d) | Certificate of Amendment of the Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on March 19, 1986. (b) |
| 3.1(e) | Certificate of Amendment of the Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on November 17, 1986. (b) |
| 3.1(f) | Certificate of Amendment of the Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on November 21, 1990. (c) |
| 3.1(g) | Certificate of Amendment of the Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on November 12, 1992. (e) |
| 3.1(h) | Certification of Amendment of the Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on November 7, 1996. (g) |
| 3.1(i) | Amended Certificate of Designations, Preferences and Rights of Series F Convertible Preferred Stock of Immunomedics, Inc. (i) |
| 3.1(j) | Certificate of Designation of Series G Junior Participating Preferred Stock of the Company, as filed with the Secretary of State of the State of Delaware on March 15, 2002. (n) |
| 3.1(k) | Certificate of Amendment to the Certificate of Incorporation of the Company as filed with the Secretary of the State of Delaware on August 25, 2005. (p) |

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| 3.2 | Second Amended and Restated By-Laws of the Company. (r) |
| 4.1 | Specimen Certificate for Common Stock. (n) |
| 4.2 | Rights Agreement, dated as of March 4, 2002, between the Company and American Stock Transfer and Trust Company, as rights agent, and form of Rights Certificate. (m) |
| 10.1# | Immunomedics, Inc. 2002 Stock Option Plan, as amended. (n) |
| 10.2 | Amendment, dated March 11, 1995, to the Amended and Restated License Agreement among the Company, CMMI, and David M. Goldenberg, dated December 11, 1990. (f) |
| 10.3 | License Agreement, dated as of January 21, 1997, between the Company and Center for Molecular Medicine and Immunology, Inc. (h) |
| 10.4 | License Agreement, dated March 5, 1999, by and between the Company and IBC Pharmaceuticals. (j) |
| 10.5 | Development and License Agreement, dated December 17, 2000, between the Company and Amgen, Inc., as amended on April 1, 2001 (Confidentiality treatment has been granted for certain portions of the Agreement). (k) |
| 10.6 | Agreement among the Company, David M. Goldenberg and the Center for Molecular Medicine and Immunology, Inc., dated May, 1983. (a) |
| 10.7 | Lease Agreement with Baker Properties Limited Partnership, dated January 16, 1992. (d) |
| 10.8 | Contract for Services dated effective as of January 1, 2002 between the Company and Logosys Logistik GmbH. (l) |
| 10.9 | Contribution and Assignment Agreement, dated as of June 30, 2002, between IBC Pharmaceuticals, LLC and IBC Pharmaceuticals, Inc. (n) |

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| 10.10 | Development, Collaboration and License Agreement between UCB, S.A. and Immunomedics, Inc. dated May 9, 2006. (s) |
| 10.11 | Form of Subscription Agreement by and among the Company and the Purchasers dated May 1, 2007. (o) |
| 10.12 | Form of Placement Agent Agreement by and between the Company and Lazard Capital Markets LLC dated May 1, 2007. (o) |
| 10.13 | Immunomedics, Inc. 2006 Stock Incentive Plan (q) |
| 10.14 | Amendment 2007-1 to the Immunomedics, Inc. 2006 Stock Incentive Plan (q) |
| 10.15 | Form of Stock Option Agreement under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.16 | Form of Change of Control Addendum to the Stock Option Agreement under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.17 | Form of Notice of Grant of Stock Option under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.18 | Form of RSU Issuance Agreement under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.19 | Form of Change of Control Addendum to RSU Agreement under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.20 | Form of Initial Director RSU Issuance Agreement under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.21 | Form of Annual Director RSU Issuance Agreement under the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended. (t) |
| 10.22 | First Addendum, dated May 5, 1993, of the Lease Agreement with Baker Properties Limited Partnership, dated January 16, 1992. (t) |
| 10.23 | Second Addendum, dated March 29, 1995, of the Lease Agreement with Baker Properties Limited Partnership, dated January 16, 1992. (t) |
| 10.24 | Letter Amendment, dated October 5, 1998, of the Lease Agreement with Baker Properties Limited Partnership, dated January 16, 1992. (t) |
| 10.25 | Fourth Amendment Expansion/Extension Agreement dated August 15, 2001, of the Lease Agreement with Baker Properties Limited Partnership, dated January 16, 1992. (t) |

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| 10.26 | Termination Agreement of the Split-Dollar Insurance Agreement dated September 7, 2007 between Immunomedics, Inc. and Eva J. Goldenberg, Deborah S. Goldenberg, Denis C. Goldenberg and Neil A. Goldenberg, the Trustees of the David M. and Hildegard Goldenberg Irrevocable Insurance Trust dated January 21, 1992. (t) |
| 10.27 | Termination Agreement of the Executive Supplemental Benefits Agreement dated September 7, 2007 between Immunomedics, Inc. and David M. Goldenberg. (t) |
| 10.28 | Termination of Split-Dollar Agreement relating to that certain Split-Dollar Insurance Agreement dated September 19, 1994 by and between Immunomedics, Inc and the David M. Goldenberg Insurance Trust, dated December 26, 2007. (u) |
| 10.29 | Amendment No. 1 to Amended and Restated Employment Agreement by and between the Company and David M. Goldenberg, dated January 31, 2008. (v) |
| 10.30 | Loan Agreement with Bank of America, N.A. providing for a $9.0 million line of credit, dated June 6, 2008. (w) |
| 10.31 | License and Collaboration Agreement with Immunomedics, Inc and Nycomed GmbH, dated July 11, 2008. (w) |
| 10.32 | Letter Agreement, effective as of August 28, 2008, by and between Immunomedics, Inc. and Bank of America, N.A. (x) |
| 10.33# | Second Amended and Restated Employment Agreement, dated December 17, 2008, between Immunomedics, Inc. and Dr. David M. Goldenberg. (y) |
| 10.34# | Second Amended and Restated Employment Agreement, dated December 17, 2008, between Immunomedics, Inc. and Cynthia L. Sullivan. (y) |
| 10.35# | Amended and Restated Change of Control and Severance Agreement, dated December 17, 2008, between Immunomedics, Inc. and Mr. Gerard G. Gorman. (y) |
| 10.36* | Fifth Amendment Expansion Agreement dated June 18, 2009 of the Lease with WU/LH 300 American L.L.C. as successor-in-interest to Baker Properties Limited Partnership. |
| 21.1* | Subsidiaries of the Company. |
| 23.1* | Consent of Independent Registered Public Accounting Firm Ernst & Young LLP |
| 31.1* | Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(a) Incorporated by reference from the Exhibits to the Company s Registration Statement on Form S-1 effective October 6, 1983 (Commission File No. 2-84940).

(b) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 1990.

(c) Incorporated by reference from the Exhibits to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1990.

(d) Incorporated by reference from the Exhibits to the Company s Registration Statement on Form S-2 effective January 30, 1992 (Commission File No. 33-44750).

(e) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 1993.

(f) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 1995.

(g) Incorporated by reference from the Exhibits to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1996.

(h) Incorporated by reference from the Exhibits to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1996.

(i) Incorporated by reference from the Exhibits to the Company s Current Report on Form 8-K, dated December 15, 1998.

(j) Incorporated by reference from the Exhibits to the Company s Current Report on Form 8-K, dated March 23, 1999.

(k) Incorporated by reference from the Exhibits to the Company s Quarterly Report on Form 10-Q (as amended) for the fiscal quarter ended March 31, 2001.

(l) Incorporated by reference from the Exhibits to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001.

(m) Incorporated by reference from the Exhibits to the Company s Current Report on Form 8-K, dated March 8, 2002.

(n) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

(o) Incorporated by reference from the Exhibits to the Company s Current Report on Form 8-K, as filed with the Commission on May 2, 2007.

(p) Incorporated by reference from exhibits to the Company s Annual Report of Form 10-K for the fiscal year ended June 30, 2005.

(q) Incorporated by reference from the Exhibits to the Company s Registration Statement on Form S-8 (Commission File Number 333-143420) filed May 31, 2007.

(r) Incorporated by reference from the Exhibits to the Company s Current Reports on Form 8-K as filed with the Commission on August 27, 2007.

(s) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2006

(t) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

(u) Incorporated by reference from the Exhibits to the Company s Current Report on Form 8-K, as filed with the Commission on December 26, 2007.

(v) Incorporated by reference from the Exhibits to the Company s Current Report on Form 8-K, as filed with the Commission on February 6, 2008.

(w) Incorporated by reference from the Exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2008.

(x) Incorporated by reference from the Company s current report on Form 8-K, as filed with the Commission on August 29, 2008.

(y) Incorporated by reference from Exhibits to the Company s current report on Form 8-K, as filed with the Commission on December 22, 2008.

* Filed herewith

# Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of this report

Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: August 27, 2009

By: /s/ CYNTHIA L. SULLIVAN
**Cynthia L. Sullivan**

**President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ DAVID M. GOLDENBERG<br>**David M. Goldenberg** | Chairman of the Board, Chief Scientific Officer and Chief Medical Officer | August 27, 2009 |
| /s/ CYNTHIA L. SULLIVAN<br>**Cynthia L. Sullivan** | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | August 27, 2009 |
| /s/ MORTON COLEMAN<br>**Morton Coleman** | Director | August 27, 2009 |
| /s/ MARY PAETZOLD<br>**Mary Paetzold** | Director | August 27, 2009 |
| /s/ BRIAN A. MARKISON<br>**Brian A. Markison** | Director | August 27, 2009 |
| /s/ DON C. STARK<br>**Don C. Stark** | Director | August 27, 2009 |
| /s/ EDWARD T. WOLYNIC<br>**Edward T. Wolynic** | Director | August 27, 2009 |
| /s/ GERARD G. GORMAN<br>**Gerard G. Gorman** | Senior Vice President, Finance and Business Development, Chief Financial Officer (Principal Financial and Accounting Officer) | August 27, 2009 |

**EXHIBIT LIST**

**(excludes documents incorporated by reference)**

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|---|---|
| 10.36* | Fifth Amendment Expansion Agreement dated June 18, 2009 of the Lease with WU/LH 300 American L.L.C. as successor-in-interest to Baker Properties Limited Partnership. |
| 21.1* | Subsidiaries of the Company. |
| 23.1* | Consent of Independent Registered Public Accounting Firm Ernst & Young LLP. |
| 31.1* | Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. |
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* Filed herewith.

# Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of this report.

Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(Exhibits available upon request)