IMMUNOMEDICS INC
Form 10-Q
May 09, 2008
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended March 31, 2008**

**or**

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

**Commission File Number: 0-12104**

# Immunomedics, Inc.

**(Exact name of Registrant as specified in its charter)**

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

**300 American Road, Morris Plains, New Jersey 07950**

**(Address of principal executive offices) (Zip Code)**

**(973) 605-8200**

**(Registrant s Telephone Number, Including Area Code)**

**Former Name, Former Address and Former Fiscal Year,**

**If Changed Since Last Report: Not Applicable**

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

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

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

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

The number of shares of the registrant s common stock outstanding as of May 8, 2008 was 75,107,164.

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**IMMUNOMEDICS, INC.**

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**ITEM 1. FINANCIAL STATEMENTS**

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2008 (unaudited) | June 30, 2007 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | **$ 6,755,265** | $ 19,088,089 |
| Marketable securities | **26,800,000** | 27,145,320 |
| Accounts receivable, net of allowance for doubtful accounts of $186,000 and $109,000, at March 31, 2008 and June 30, 2007, respectively | **932,528** | 708,212 |
| Inventory | **537,232** | 307,909 |
| Other current assets | **695,416** | 716,022 |
| Restricted cash and securities current | **318,800** | 1,275,200 |
| Total current assets | **36,039,241** | 49,240,752 |
| Property and equipment, net of accumulated depreciation of $19,654,935 and $18,455,354, at March 31, 2008 and June 30, 2007, respectively | **6,263,714** | 7,307,685 |
| Value of life insurance policies | **414,061** | 3,618,538 |
| Other long-term assets | **30,000** | 31,264 |
| | **$ 42,747,016** | $ 60,198,239 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current Liabilities: | | |
| Current debt | **$ 318,800** | $ 1,275,200 |
| Accounts payable and accrued expenses | **6,049,586** | 5,544,232 |
| Total current liabilities | **6,368,386** | 6,819,432 |
| Deferred compensation | | 1,826,885 |
| Deferred revenues long term | **31,145,385** | 31,145,385 |
| Minority interest | | 76,126 |
| Commitments and Contingencies | | |
| Stockholders equity: | | |
| Preferred stock, $0.01 par value; authorized 10,000,000 shares; no shares issued and outstanding at March 31, 2008 and June 30, 2007 | | |
| Common stock, $0.01 par value; authorized 110,000,000 shares; issued and outstanding 75,107,164 and 75,062,164 shares at March 31, 2008 and June 30, 2007, respectively | **751,071** | 750,621 |
| Capital contributed in excess of par | **239,544,222** | 238,808,181 |
| Treasury stock, at cost, 34,725 shares | **(458,370)** | (458,370) |
| Accumulated deficit | **(235,151,079)** | (219,188,818) |
| Accumulated other comprehensive income | **547,401** | 418,797 |
| Total stockholders equity | **5,233,245** | 20,330,411 |
| | **$ 42,747,016** | $ 60,198,239 |

See accompanying notes to unaudited condensed consolidated financial statements.

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**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**

**COMPREHENSIVE LOSS**

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2008 | 2007 As Adjusted (Note 3) | 2008 | 2007 As Adjusted (Note 3) |
| | (unaudited) | | | |
| Revenues: | | | | |
| Product sales | **$ 860,006** | $ 839,438 | **$ 2,438,732** | $ 2,160,146 |
| License fee and other revenues | | 32,577 | | 5,373,443 |
| Research and development | **44,762** | 67,145 | **248,619** | 134,285 |
| Total revenues | **904,768** | 939,160 | **2,687,351** | 7,667,874 |
| Costs and Expenses: | | | | |
| Costs of goods sold | **93,741** | 118,243 | **336,474** | 299,348 |
| Research and development | **6,501,724** | 4,535,438 | **16,761,996** | 14,889,966 |
| Sales and marketing | **282,463** | 214,269 | **686,163** | 539,216 |
| General and administrative | **921,227** | 938,109 | **1,799,199** | 2,658,980 |
| Total costs expenses | **7,799,155** | 5,806,059 | **19,583,832** | 18,387,510 |
| Operating loss | **(6,894,387)** | (4,866,899) | **(16,896,481)** | (10,719,636) |
| Impairment charge on marketable securities | **(2,200,000)** | | **(2,200,000)** | |
| Interest and other income | **897,171** | 356,115 | **1,987,374** | 1,243,895 |
| Interest expense | **(4,248)** | (595,534) | **(29,188)** | (3,226,028) |
| Minority interest | **14,528** | 30,927 | **76,126** | 79,175 |
| Foreign currency transaction gain | **32,621** | 2,490 | **88,868** | 30,122 |
| Loss before income tax benefit | **(8,154,315)** | (5,072,901) | **(16,973,301)** | (12,592,472) |
| Income tax (expense) benefit | **(1,502)** | (44,021) | **1,011,040** | 559,723 |
| Net loss | **$ 8,155,817)** | $ (5,116,922) | **$ (15,962,261)** | $ (12,032,749) |
| Per share data (basic and diluted): | | | | |
| Net loss | **$ (0.11)** | $ (0.08) | **$ (0.21)** | $ (0.20) |
| Weighted average number of common shares outstanding | **75,107,164** | 65,000,333 | **75,088,019** | 60,065,038 |
| Comprehensive loss: | | | | |
| Net loss | **$ (8,155,817)** | $ (5,116,922) | **$ (15,962,261)** | $ (12,032,749) |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | **74,038** | 13,131 | **123,924** | 55,780 |
| Unrealized gain on securities available for sale net | | 3,284 | **4,680** | 16,534 |
| Other comprehensive income | **74,038** | 16,415 | **128,604** | 72,314 |
| Comprehensive loss | **$ (8,081,779)** | $ (5,100,507) | **$ (15,833,657)** | $ (11,960,435) |

See accompanying notes to unaudited condensed consolidated financial statements

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**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Nine Months Ended March 31, 2008 | 2007 As Adjusted (Note 3) |
|---|---|---|
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net loss | **$ (15,962,261)** | $ (12,032,749) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | **1,199,581** | 1,214,349 |
| Amortization of deferred revenue | | (5,334,615) |
| Sales of life insurance policies | **3,320,218** | |
| Impairment charge on marketable securities | **2,200,000** | |
| Terminations of executive life insurance policies | **(1,865,663)** | |
| Non-cash interest charges related to 5% senior convertible notes, net | | 2,621,376 |
| Non-cash expense relating to issuance of stock options | **652,291** | 292,231 |
| Payment of interest expense with common stock | | 757,624 |
| Provision (credit) for allowance for doubtful accounts | **77,257** | (940) |
| Amortization of premiums of marketable securities | | 15,745 |
| Minority interest | **(76,126)** | (79,175) |
| Increase in non-current deferred compensation for executive | **38,778** | 69,801 |
| Changes in other operating assets and liabilities | **836,987** | (1,341,450) |
| Other | **128,604** | 55,780 |
| Net cash used in operating activities | **(9,450,334)** | (13,762,023) |
| Cash flows from investing activities: | | |
| Purchases of marketable and restricted securities | **(259,000,000)** | (162,479,960) |
| Proceeds from sales and maturities of marketable securities | **257,145,320** | 149,050,000 |
| Purchases of property and equipment | **(155,610)** | (374,250) |
| Net cash used in investing activities | **(2,010,290)** | (13,804,210) |
| Cash flows from financing activities: | | |
| Exercise of stock options | **84,200** | 69,951 |
| Payments of debt | **(956,400)** | (956,400) |
| Net cash used in financing activities | **(872,200)** | (886,449) |
| Net decrease in cash and cash equivalents | **(12,332,824)** | (28,452,682) |
| Cash and cash equivalents, beginning of period | **19,088,089** | 40,877,766 |
| Cash and cash equivalents, end of period | **$ 6,755,265** | $ 12,425,084 |

See accompanying notes to unaudited condensed consolidated financial statements.

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**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS**

Reference is made to the Annual Report on Form 10-K of Immunomedics, Inc., a Delaware corporation ( Immunomedics, the Company, we, our or us ) for the fiscal year ended June 30, 2007, which contains our audited consolidated financial statements and the notes thereto.

**1. Business Overview and Basis of Presentation**

Immunomedics, Inc., is a biopharmaceutical company focused on the development of monoclonal antibody-based products for the targeted treatment of cancer, autoimmune and other serious diseases. Immunomedics currently markets and sells LeukoScan® throughout Europe, Canada and in certain other markets outside the U.S. The Company has two foreign subsidiaries, Immunomedics B.V. in the Netherlands and Immunomedics GmbH in Darmstadt, Germany, to assist the Company in managing sales efforts and coordinating clinical trials in Europe**.** In addition, included in the accompanying financial statements is the majority-owned subsidiary, IBC Pharmaceuticals, Inc. ( IBC ), which has been working since 1999 on the development of novel cancer radiotherapeutics using patented pre-targeting technologies with proprietary, bispecific antibodies.

The accompanying unaudited consolidated financial statements of Immunomedics, which incorporate our majority-owned subsidiaries, have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim financial information and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the statements do not include all of the information and footnotes required by GAAP for complete annual financial statements. With respect to the financial information for the interim periods included in this Quarterly Report on Form 10-Q, which is unaudited, management believes that all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation of the results for such interim periods have been included. The balance sheet at June 30, 2007 has been derived from the Company s audited fiscal 2007 consolidated financial statements. Operating results for the three and nine-month periods ended March 31, 2008 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2008, or any other period.

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

As of March 31, 2008, the Company had $33.6 million in cash, cash equivalents and marketable securities, excluding restricted securities. The Company s marketable securities of $26.8 million

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consist of Auction Rate Securities (ARS). The Company has been offered a line of credit of up to $15.0 million with a financial institution, secured by its marketable securities, and is currently negotiating the specific terms of the agreement. In addition, the Company has accepted a tender offer to convert $6.0 million of the marketable securities at par value plus accrued interest payable to the expected settlement date, May 21, 2008, which the Company expects will reduce the maximum principal amount under the proposed line of credit to $9.0 million. Due to the uncertainties surrounding the Company s remaining position in the marketable securities balance (as discussed in more detail in Note 4) the Company has recorded an other-than-temporary impairment charge of $2.2 million for the three-month period ended March 31, 2008. Management continues to anticipate that total average monthly cash outflow will be approximately $2,000,000. Therefore, the Company should have sufficient resources to fund its operations and continue its research and development programs for at least the next twelve months.

Cash requirements over the next twelve months are expected to be at a higher level than the previous twelve month period due to expected increased spending for research and development activities and clinical trials for the therapeutic candidates. The research and development activities are expected to expand over time and the Company does not believe it will have adequate cash to develop all of the compounds in its pipeline. As a result, Immunomedics will continue to selectively target specific programs to move forward and require additional financial resources in order to continue its research and development programs, clinical trials of product candidates and regulatory filings.

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

**2. Summary of Significant Accounting Policies**

These unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended June 30, 2007. The Company adheres to the same accounting policies in preparation of its interim financial statements.

***Inventory***

Inventory is stated at the lower of average cost (which approximates first-in, first-out) or market, and includes materials, labor and manufacturing overhead. As of March 31, 2008, the inventory balance consisted of finished goods ($537,000). As of June 30, 2007 the inventory balance consisted of finished goods ($250,000) and work in process ($58,000).

***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.

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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 has 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 did not recognize interest or penalties related to income taxes during the nine-month periods ended March 31, 2008 or 2007 and did not accrue for interest or penalties as of March 31, 2008 or June 30, 2007. The Company does not have an accrual for uncertain tax positions as of March 31, 2008 or June 30, 2007. The U.S. federal statute of limitation remains open for the fiscal years 2004 onward. The Company is not currently under examination by the Internal Revenue Service. State income tax returns are generally subject to examination for a period of 3-5 years after filing of the respective return. The Company is not currently under examination for any state income taxes. Income taxes are provided for profitable foreign jurisdictions at the applicable effective tax rate.

Benefits received resulting from the sale of certain of our State of New Jersey NOLs are recognized as a tax benefit when the NOL is approved for sale by the State of New Jersey. During the nine-month periods ended March 31, 2008 and 2007, the Company sold and received benefits of approximately $1,063,000 and $647,000, respectively, as a result of the State of New Jersey NOLs.

Income taxes are provided for profitable foreign jurisdictions at the applicable effective tax rate. During the nine-month periods ended March 31, 2008 and 2007, the Company provided income taxes of $52,000 and $87,000, respectively, relating to foreign operations.

***Net Loss Per Share Allocable to Common Stockholders***

Net loss per basic and diluted common share allocable to common stockholders is based on the net loss for the relevant period, divided by the weighted-average number of common shares outstanding during the period. For purposes of the diluted net loss per common share calculations, the exercise or conversion of all potential common shares is not included because their effect would have been anti-dilutive, due to the net loss recorded for the nine-month periods ended March 31, 2008 and 2007. The common stock equivalents excluded from the diluted per share calculation are 8,275,000 and 8,690,000 shares at March 31, 2008 and 2007, respectively.

***Comprehensive Loss***

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

**3. Life Insurance**

The Company elected to adopt the EITF Issue No. 06-10 ( EITF 06-10 ), *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements* , during the fourth quarter of fiscal year 2007. EITF 06-10 provides guidance on an employers recognition of a liability and related compensation costs for collateral assignment split-dollar life insurance arrangements that provide a benefit to an employee that extends into post-retirement periods. In addition, EITF 06-10 also provides guidance on how to record the asset in collateral assignment split-dollar life insurance arrangements.

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The election to adopt EITF 06-10 was done retrospectively and therefore the three and nine-month periods ended March 31, 2007 have been adjusted to reflect related balances as if the standard had been followed as of the beginning of the period.

With the adoption of EITF 06-10, the terms of life insurance contracts that can be attributable to future benefits should be recorded in the period of the employee s service in a systematic and rational manner. This liability was recorded so that the aggregate amount accrued is equal to the present value of the benefits that are expected to be provided to the employee and or his beneficiaries in exchange for the employee s service to that termination date. Based on the previous service of the employee, the future estimated employment period and projected benefit period of the employee subsequent to termination of employment, a liability of approximately $1.2 million had been accrued as of June 30, 2007. The difference between the effective interest expense for this liability and the straight-line interest expense for this accrued liability was not material.

The Company recognizes an asset in the financial statements based on the amount that could be realized under the insurance contract as of the date of each balance sheet. For the collateral assignment split dollar policy, the amount the Company could realize (prior to the negotiated settlement upon early termination) is the lesser of the premiums paid by the Company or the cash surrender value of the policy.

The Company has made premium payments in accordance with the terms of the insurance policy and the agreements. The split-dollar life insurance agreement required that the Company be reimbursed for the total premiums paid by the Company or the cash surrender value of the policy upon realization of the insurance benefits to the employee s estate, or the realization of the cash surrender value of the policy upon policy termination.

Upon surrender of the insurance policy on December 26, 2007, the Company reclassified the value of the life insurance policy of $2,694,200 from a long-term asset to a current asset. In connection with the termination, 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 $460,000 for personal income taxes related to the split-dollar life insurance agreement during the period the policy was in effect. This item was reported as a reduction to general and administrative expense for the three-months ended December 31, 2007. In January 2008, the cash surrender value proceeds of the policy was received ($2,694,200), with the remainder of the cash surrender value ($180,800) paid to the David M. Goldenberg Insurance Trust. With the termination of the split-dollar agreement and the Company s execution of Amendment No. 1 to the Amended and Restated Employment Agreement with Dr. Goldenberg on January 31, 2008, the Company is no longer required to maintain any life insurance policies to which Dr. David M. Goldenberg is the beneficiary.

In addition, 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 general and administrative expenses by approximately $617,000 for the three-month period ended September 30, 2007. During the three month period ended December 31, 2007, the cash surrender value of this insurance policy ($626,000) was received by the Company. During the three month period ended March 31, 2008 the Company sold three executive life insurance policies which were no longer deemed to be necessary, resulting in $468,000 of other income.

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The following schedule summarizes the effect of the retrospective application of EITF 06-10 on the Company s financial results for the three and nine-month periods ended March 31, 2007. The retrospective adoption of EITF 06-10 did not impact the cash flows from operating, investing or financing activities.

Statements of Consolidated Operations:

| | For the Three-Month Period Ended March 31, 2007 | | |
|---|---|---|---|
| | Originally | As Adjusted | Effect of Change |
| Costs and Expenses: | | | |
| Costs of goods sold | $ 118,243 | $ 118,243 | $ |
| Research and development | 4,535,438 | 4,535,438 | |
| Sales and marketing | 214,269 | 214,269 | |
| General and administrative | 961,692 | 938,109 | 23,583 |
| Total costs and expenses | 5,829,642 | 5,806,059 | 23,583 |
| Net loss | $ (5,140,505) | $ (5,116,922) | $ 23,583 |
| Per Share Data (basic and diluted) | $ (0.08) | $ (0.08) | $ |

| | For the Nine-Month Period Ended March 31, 2007 | | |
|---|---|---|---|
| | Originally | As Adjusted | Effect of Change |
| Costs and Expenses: | | | |
| Costs of goods sold | $ 299,348 | $ 299,348 | $ |
| Research and development | 14,889,966 | 14,889,966 | |
| Sales and marketing | 539,216 | 539,216 | |
| General and administrative | 2,729,729 | 2,658,980 | 70,749 |
| Total costs and expenses | 18,458,259 | 18,387,510 | 70,749 |
| Net loss | $ (12,103,498) | $ (12,032,749) | $ 70,749 |
| Per Share Data (basic and diluted) | $ (0.20) | $ (0.20) | $ |

**4. Marketable 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 classified as a separate component of accumulated other comprehensive loss. Immunomedics considers all of its investments to be available-for-sale. Marketable securities at March 31, 2008 and June 30, 2007 consist of the following ($ in thousands):

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| | Amortized Cost | Gross Unrealized Gain (Loss) | Gross Realized Gain (Loss) | Estimated Fair Value |
|---|---|---|---|---|
| **March 31, 2008** | | | | |
| Auction Rate Securities | $ 29,000 | $ | $ (2,200) | $ 26,800 |
| | $ 29,000 | $ | $ (2,200) | $ 26,800 |
| **June 30, 2007** | | | | |
| Agency Bonds | $ 5,000 | $ (5) | $ | $ 4,995 |
| Auction Rate Securities | 22,150 | | | 22,150 |
| | $ 27,150 | $ (5) | $ | $ 27,145 |

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, but have interest rates that are typically reset at pre-determined intervals, (every 28 days for the securities purchased by the Company), at which time the securities can typically be purchased or sold, creating a liquid market. When there is an active market for such investments, the 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 Company does not intend to hold these securities to maturity, but rather to use the interest rate reset feature to provide the opportunity to maximize returns while preserving liquidity.

Due to the Company s working capital requirements over the next twelve months, these securities are classified as short-term investments in current assets on the Company s consolidated balance sheet. 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. To date, the Company has collected all interest payable on all of the ARS when due and expects to continue to do so in the future.

As of March 31, 2008, the Company holds eight auction rate securities that have a total par value of $29.0 million. Until February 2008, the auction rate securities market was highly liquid. During the week of February 11, 2008, a substantial number of auctions failed, meaning that there was not enough demand to sell the entire issue at auction. The recent 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.

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

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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 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 ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

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, the Company recorded an other than temporary impairment charge of $2.2 million to reduce the value of the ARS to their estimated fair value of $26.8 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 March 31, 2008. The significant assumptions used in preparing the discounted cash flow model include (i) estimates for the investment s contractual bond coupon rates, (ii) the market yield interest rates and (iii) the effective maturity period (which is the period the auctions are expected to 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 unrealized losses for impairment if the Company determines there are further declines in fair value.

**5. Stock Incentive Plan**

A summary of the 2006 Stock Incentive Plan, as amended, is provided in Note 7 to the audited financial statements contained in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards that are granted to employees of the Company 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 7-year contractual terms. Option awards that are granted to non-employee Board members under the annual option grant program are granted with an exercise price equal to the market price of the Company s stock at the date of grant, are vested immediately and have 7-year contractual terms.

The fair value of each option granted during the nine-month periods ended March 31, 2008 and 2007 is estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions in the following table:

| | Nine-Month Period Ended March 31, | |
|---|---|---|
| | 2008 | 2007 |
| Expected dividend yield | 0% | 0% |
| Expected option term (years) | 5.40 | 6.25 |
| Expected stock price volatility | 93% | 94% |
| Risk-free interest rate | 2.88-5.11% | 4.50-4.80% |

The weighted average fair value at the date of grant for options granted during the nine-month periods ended March 31, 2008 and 2007 were $2.96 and $2.09 per share, respectively. The Company uses historical data to estimate forfeitures for employees, executive officers and

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outside directors within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. Expected stock price volatility was calculated based on ten-year daily stock trading history. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Information concerning options for the nine-month period ended March 31, 2008 is summarized as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding, July 1, 2007 | 5,272,300 | $ 7.82 | | |
| Granted | 422,833 | 3.92 | | |
| Exercised | (45,000) | 1.87 | | |
| Terminated | (88,125) | 9.64 | | |
| Outstanding, March 31, 2008 | 5,562,008 | 7.54 | 5.01 | $ 993,139 |
| Exercisable, March 31, 2008 | 4,454,633 | 8.56 | 4.47 | $ 829,194 |

The Company has 1,107,375 non-vested options outstanding as of March 31, 2008. As of March 31, 2008, there was $1,963,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is being recognized over a weighted-average period of 2.79 years. The Company recorded $652,000 and $292,000 for stock-based compensation for the nine-month periods ended March 31, 2008 and 2007, respectively.

As part of the Stock Incentive Plan, on the date of each annual stockholder meeting, each non-employee Board member who continues to serve as a non-employee Board member shall automatically be granted restricted stock units covering not more than an additional 5,000 shares of common stock provided such individual has served as a non-employee Board member for a period of at least three months. On December 20, 2007, at the Compensation Committee Board Meeting, the Company awarded 26,667 restricted stock units to the non-employee Board members at the market price on that date ($2.38). These restricted stock units will vest over one year.

**6. Geographic Segments**

Immunomedics manages its operations as one line of business of researching, developing, manufacturing and marketing biopharmaceutical products, particularly antibody-based products for cancer, autoimmune and other serious diseases, and it currently reports as a single industry segment. Immunomedics 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 for the nine-month periods ended March 31, 2008 and 2007 ($ in thousands):

| | Three-Months Ended March 31, 2008 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Total assets | $ 39,017 | $ 3,730 | $ 42,747 |
| Property and equipment, net | 6,261 | 3 | 6,264 |
| Revenues | 68 | 837 | 905 |
| Income (loss) before taxes | (8,315) | 161 | (8,154) |

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| | Three-Months Ended March 31, 2007 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Total assets | $ 36,434 | $ 3,070 | $ 39,504 |
| Property and equipment, net | 7,655 | 1 | 7,656 |
| Revenues | 156 | 783 | 939 |
| Income (loss) before taxes | (5,183) | 110 | (5,073) |

| | Nine-Months Ended March 31, 2008 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Revenues | $ 328 | $ 2,359 | $ 2,687 |
| Income (loss) before taxes | (17,474) | 501 | (16,973) |

| | Nine-Months Ended March 31, 2007 | | |
|---|---|---|---|
| | United States | Europe | Total |
| Revenues | $ 5,617 | $ 2,051 | $ 7,668 |
| Income (loss) before taxes | (12,865) | 273 | (12,592) |

**7. Related Party Transactions**

Certain of the Company s affiliates, including members of senior management and its Board of Directors, as well as their respective family members and other affiliates, have relationships and agreements among themselves as well as with the Company and its affiliates, that create the potential for both real, as well as perceived, conflicts of interest. These include Dr. David M. Goldenberg, the Chairman of the Board of Directors and Chief Medical Officer and Chief Scientific Officer, Ms. Cynthia L. Sullivan, the President and Chief Executive Officer, and certain companies with which the Company does business, including the Center for Molecular Medicine and Immunology ( CMMI ) and the Company s majority-owned subsidiary, IBC Pharmaceuticals, Inc. ( IBC ). Dr. Goldenberg and Ms. Sullivan are husband and wife. For a description of these relationships and transactions, see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007 and the notes to the audited financial statements contained therein.

The Company reimbursed CMMI for expenses incurred on behalf of Immunomedics, including amounts incurred pursuant to research contracts, in the amount of approximately

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$67,000 and $80,000 for the nine-month periods ended March 31, 2008 and 2007, respectively. The Company also provides to CMMI, at no cost, laboratory materials and supplies. The Company incurred legal expenses on behalf of CMMI for patent related matters for the nine-month period ended March 31, 2008 of $32,000 as compared to $34,000 for the nine-month period ended March 31, 2007. The Company has first rights to license those patents and may decide whether or not to support them. However, any inventions made independently of the Company at CMMI are the property of CMMI.

For each of the nine-month periods ended March 31, 2008 and 2007, Dr. Goldenberg received $41,250 in compensation for his services to IBC.

Effective July 1, 2007, the Company entered into an Amended and Restated Employment Agreement pertaining to Dr. Goldenberg s service to the Company as the Chief Scientific Officer and Chief Medical Officer (the Goldenberg Agreement ), until June 30, 2011. This agreement covers aspects of his compensation as well as duties and responsibilities of his employment at Immunomedics. For a description of the Goldenberg Agreement see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007 and the notes to the audited financial statements contained therein.

As part of the Goldenberg Agreement, Dr. Goldenberg is eligible to receive certain additional incentive compensation during the agreement term as described in the notes to the audited financial statements, including being eligible to receive royalty payments 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 Company has agreed to make a minimum payment of $150,000 to Dr. Goldenberg during each of the fiscal years during the Goldenberg Agreement, ($100,000 minimum payment per year under the previous employment agreement), payable in equal quarterly payments, as an advance against the amounts due as additional incentive compensation, royalty payments and dispositions of undeveloped assets. No payments were made for revenue incentive compensation other than the $37,500 and $25,000 minimum quarterly payments made for the nine-month periods ended March 31, 2008 and 2007, respectively.

Under the terms of the Goldenberg Agreement, 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. 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 for the three-month period ended September 30, 2007.

Previously, a trust created by Dr. Goldenberg was the beneficiary to a $10.0 million life insurance policy on his life. 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

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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 $460,000 for personal income taxes related to the split-dollar life insurance agreement during the period the policy was in effect. These items were reported as a reduction to general and administrative expense for the three-months ended December 31, 2007. 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.

**8. License Agreement**

On May 9, 2006, the Company entered into an agreement with UCB, S.A. ( the UCB Agreement ) providing UCB an exclusive worldwide license to develop, manufacture, market and sell epratuzumab for the treatment of all autoimmune disease indications. Under the terms of the UCB Agreement, the Company 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. Under the terms of the UCB Agreement, the Company received from UCB a non-refundable cash payment totaling $38 million (which includes 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). For a description of this agreement and related transactions, see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007 and the notes to the audited consolidated financial statements contained therein.

The Company determined that all elements under the UCB Agreement 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 a single unit of accounting arrangements. As the Company has continuing obligations under the UCB Agreement, and as significant development risk remains, the Company recorded the $38 million non-refundable payment as deferred revenue and is amortizing the $38 million payment received over the expected obligation period, which was initially estimated to end in November 2009.

During the three-month period ended March 31, 2007 UCB decided to stop further new patient enrollment into the Systemic Lupus Erythematosus ( 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. UCB therefore decided to establish new protocols under which new clinical trials for the treatment of SLE would be conducted and subsequently terminated the two Phase III SLE clinical trials that had been designed and initiated by Immunomedics, for the treatment of Acute, Severe SLE ( SL0003 ) and Active SLE ( SL0004 ).

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During the three-month period ended March 31, 2008, UCB initiated a Phase IIb dose ranging study in patients with SLE. Data from this clinical trial is expected to be available by the second quarter of the 2010 fiscal year. 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 is 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 is reasonably determinable. The Company has been advised by UCB that it remains committed to developing epratuzumab for the treatment of SLE. The remaining balance of $31,145,000 is recorded as deferred revenue in the accompanying consolidated balance sheet until such time that the Company is able to reasonably estimate its obligation period.

**9. Commitments and Contingencies**

***Employment Contracts***

On June 28, 2007, the Amended and Restated Employment Agreement with Dr. Goldenberg was executed for the period through June 30, 2011. As part of this new agreement a $150,000 annual minimum payment beginning in fiscal year 2008 will be paid in the aggregate against all Revenue Incentive Compensation and Royalty Payments. For the year ended June 30, 2007, the Company paid Dr. Goldenberg the minimum required payment of $100,000. On January 31, 2008, the Company and Dr. Goldenberg entered into Amendment No. 1 to the Amended and Restated Employment Agreement pursuant to which the Company is no longer obligated to maintain life insurance policies for the benefit of Dr. Goldenberg and his affiliates.

On December 31, 2006, the Company and Cynthia L. Sullivan entered into a two-year Amended and Restated Employment Agreement pertaining to Ms. Sullivan s service as the Company s President and Chief Executive Officer.

For more information regarding employment contracts, see Note 9 in our Annual Report on Form 10-K for the year ended June 30, 2007.

***Legal Matters***

In October 2006, the Company sued a former research scientist employee, seeking a declaration that the Company has the right, under a certain written agreement that the former employee executed at the time he commenced work for the Company, to an immediate assignment of all of the employee s rights, titles and interest in three patent applications that the employee filed after leaving the employ of the Company. The Company further seeks a judgment compelling the former employee to perform under the agreement and immediately assign to the Company all of their rights, titles and interest in these patent applications. The Company also seeks damages for breach of contract.

During that same month, the Company was sued by the same former employee noted above as well as two other parties claiming rights to the patents, seeking a declaration that (i) a

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certain written agreement executed by the former employee at or about the time he commenced work for the Company does not obligate the former employee to assign to the Company three patent applications filed by him after he ceased working for the Company, (ii) the Company has no ownership rights in said patent applications, and (iii) a certain Recordation Form Cover Sheet that the Company filed with the United States Patent and Trademark Office ( PTO ) with respect to two of the three patent applications was invalid and unenforceable. Plaintiffs further seek a permanent injunction requiring the Company to withdraw the Recordation Form Cover Sheet that was filed with the PTO. The Company intends to vigorously defend this action.

Legal counsel is taking depositions with regard to these proceedings. The Company is unable to reasonably determine the outcome of this litigation at this time.

During the 2007 fiscal year, a dispute arose with a vendor regarding the value of services performed on behalf of the Company. The Company continues to work with the vendor to negotiate a resolution to the matter and has accrued an amount representing the amount that is expected to settle the matter. Negotiations are currently ongoing. The Company does not expect the ultimate resolution will be material to the Company s consolidated financial position, cash flow or results of operations for the full fiscal year.

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

**Cautionary Note Regarding Forward-Looking Statements**

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

Words such as may, anticipate, estimate, expects, projects, intends, plans, believes and words and terms of similar substance used in with any discussion of future operating or financial performance, 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 need for additional capital to fund the current level of our research and development programs, 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 successfully finance and 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 diagnostic and therapeutic products; our ability to protect our proprietary technologies; patent-infringement claims; risks of new, changing and competitive technologies and regulations in the United States and internationally; and other factors discussed under the heading Item 1A Risk Factors in this Quarterly Report on Form 10-Q.

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

**Overview**

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

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targeted agents. Using these technologies, we have built a pipeline of therapeutic product candidates that utilize several different mechanisms of action. We believe that our portfolio of intellectual property, which includes approximately 116 issued patents in the United States, and more than 295 other issued patents worldwide, protects our product candidates and technologies.

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

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

**Research and Development**

As of March 31, 2008, we employed 17 professionals in our research and development departments and 18 professionals in our pre-clinical and clinical research departments. In addition to salaries and benefits, the other costs associated with research and development include the costs associated with producing biopharmaceutical compounds, laboratory equipment and supplies, the costs of conducting clinical trials, legal fees and expenses associated with pursuing patent protection, as well as facilities costs.

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

**Critical Accounting Policies**

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

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***Revenue Recognition***

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* (EITF 00-21). EITF 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. We concluded that 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 and therefore amortized the $38 million payment received over the expected obligation period which was initially estimated to end in November 2009.

During the three-month period ended March 31,2007 UCB decided to stop further new patient enrollment into the Systemic Lupus Erythematosus, or SLE, clinical trials designed and initiated by us. 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. UCB therefore 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 for the treatment of Acute, Severe SLE, or SL0003 and Active SLE, or SL0004.

During the three-month period ended March 31, 2008 UCB started the Phase IIb dose ranging study for Systemic Lupus Erythematosus, or SLE. Data from this clinical trial is expected to be available by the second quarter of the 2010 fiscal year. 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 us, we are no longer able to determine how these decisions will impact our obligation period 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 is reasonably determinable. We have been advised by UCB that it remains committed to developing epratuzumab for the treatment of SLE. The obligation period estimate will be re-evaluated when UCB makes a determination as to the next Phase III SLE clinical trials.

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.

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

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***Marketable 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. Due to an active secondary 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. We do not intend to hold these securities to maturity, but rather to use the interest rate reset feature to provide the opportunity to maximize returns while preserving liquidity.

Due to our working capital requirements over the next twelve months, these securities are classified as short-term investments in current assets on the Company s consolidated balance sheet. 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. To date the Company has collected all interest payable on all ARS when due and expects to continue to do so in the future.

As of March 31, 2008, we held auction rate securities with a par value of $29.0 million, and these securities are classified as short-term investments on the consolidated balance sheet. We currently hold eight auction rate securities that total the par value of $29.0 million. Until February 2008, the auction rate securities market was highly liquid. During the week of February 11, 2008, a substantial number of auctions failed, meaning that there was not enough demand to sell the entire issue at auction. The recent uncertainties in the credit markets have affected our holdings in ARS investments as the auctions for these securities have failed to settle on their respective settlement dates. 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 or a buyer is found outside of the auction process.

We review 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 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 a company has the ability to hold the investment until a recovery in market value takes place. Such an unrealized loss does not affect net income (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. In evaluating the impairment of any individual 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.

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

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rate security investments at the maximum contractual rate. Accordingly, we have recorded an other than temporary impairment charge of $2.2 million to reduce the value of the ARS to their estimated fair value of $26.8 million. We estimated the fair value of these ARS using a discounted cash flow model to determine the estimated fair value of our investment in ARS as of March 31, 2008. The significant assumptions used in preparing the discounted cash flow model include (i) estimates for the investment s contractual bond coupon rates, (ii) the market yield interest rates and (iii) the effective maturity period (which is the period the auctions are expected to resume its normal function). If our estimates regarding the fair value of these securities are inaccurate, a future other-than-temporary impairment charge may be required. Additionally, these estimated fair values could change significantly based on future market conditions and as such we may be required to record additional unrealized losses for impairment if we determine there are further declines in fair value.

***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 loss.

***Stock-Based Compensation***

The Company has a stock incentive plan, the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended, that includes a discretionary grant program, a stock issuance program and an automatic grant program. The plan was established to promote the interests of the Company, by providing eligible persons with the opportunity to acquire a proprietary interest in the Company as an incentive to remain with the organization. This plan is described more fully in Note 7 to our audited financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2007 and Note 5 to our consolidated financial statements in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 included elsewhere herein.

The grant-date fair value of stock awards is based upon the underlying price of the stock on the date of grant. The grant-date fair value of stock option awards must be determined using an option-pricing model. Option pricing models require the use of estimates and assumptions as to (a) the expected term of the option, (b) the expected volatility of the price of the underlying stock, (c) the risk-free interest rate for the expected term of the option and (d) pre-vesting forfeiture rates. The Company uses the Black-Scholes-Merton option pricing formula for determining the grant-date fair value of such awards.

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

The following table sets forth the weighted-average assumptions used to calculate the fair value of options granted for the nine-month periods ended March 31, 2008 and 2007:

| | Nine-Months Ended March 31, | |
|---|---|---|
| | **2008** | **2007** |
| Expected stock price volatility | 93% | 94% |
| Risk free interest rate | 2.88 - 5.11% | 4.60 - 4.80% |
| Expected life of options (years) | 5.40 | 6.25 |

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

***Impairment of Assets***

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

**Results of Operations**

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

***Three-Month Period Ended March 31, 2008 Compared to 2007***

*Revenues*

Revenues for the three-month period ended March 31, 2008 were $905,000, as compared to $939,000 for the same period in 2007, representing a decrease of $34,000 or 4%. Product sales for the three-month period ended March 31, 2008 were $860,000, as compared to $839,000 for the same period in 2007, representing an increase of $21,000 or 3%. Research and development revenues for the three-month period ended March 31, 2008 were $45,000 as compared to $67,000 for the same period of 2007 due to the timing of grant programs.

*Costs and Expenses*

Total costs and expenses for the three-month period ended March 31, 2008 were $7,799,000, as compared to $5,806,000 for the same period in 2007, representing an increase of $1,993,000 or 34%. Research and development expenses for the three-month period ended March 31, 2008 were $6,502,000 as compared to $4,535,000 for the same period in 2007, an increase of 43%. This increase in research and development expenses resulted primarily from increased spending resulting from higher headcount and related salaries and employee benefits and increased patent expenses. Cost of goods sold for the three-month period ended March 31, 2008 was $94,000 as compared to $118,000 for the same period in 2007, a decrease of $24,000 or 20%. This decrease was the result of sales mix and currency. Sales and marketing expenses for the three-month period ended March 31, 2008 increased $68,000 or 32% from $214,000 to $282,000 for the same period in 2007, primarily as a result of higher salaries and payroll taxes for European employees with the decline of the U.S. Dollar. General and administrative costs decreased to $921,000 or 2% for the three-month period ended March 31, 2008, from $938,000 for the same period of 2007.

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*Impairment Charge on Marketable Securities*

A charge of $2,200,000 was reported for the three-month period ended March 31, 2008 for an other than temporary impairment charge on marketable securities associated with our investments in auction rate securities. See discussion in Note 4 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*

Interest and other income for the three-month period ended March 31, 2008 increased to $897,000 compared to $356,000 for the same period in 2007, primarily due to higher levels of cash available for investments, (a result of the sale of shares of common stock in May 2007) and higher rates of return on investments and $468,000 from the proceeds of the sales of three executive insurance contracts which were no longer deemed to be necessary.

*Interest Expense*

Interest expense for the three-month periods ended March 31, 2008 was approximately $4,000 as compared to interest expense for the three month period ended March 31, 2007 of approximately $596,000. The interest expense for the three-month period ended March 31, 2008 decreased due to the conversion of all of the 5% Senior Convertible Notes, due May 2009, or the 5% Notes, into the Company s common stock during the 2007 fiscal year. For more information, see Note 12 in our Annual Report on Form 10-K for the year ended June 30, 2007.

*Foreign Currency Transaction Gain*

Foreign currency transactions amounted to a gain of $33,000 for the three-month period ended March 31, 2008 as compared to a gain of $2,000 for the same period in 2007, primarily as a result of currency fluctuations between the U.S. Dollar and the Euro.

*Operating Results*

Net loss for the three-month period ended March 31, 2008 was $8,156,000 or $0.11 per share as compared to $5,117,000 or $0.08 per share, for the same period in 2007. The increase in the net loss in 2008 as compared to the net loss in the comparable period in 2007 resulted primarily from the $2,200,000 impairment charge on marketable securities and increased research and development spending, partially offset by reduced interest expense and the sales of executive insurance contracts.

***Nine -Month Period Ended March 31, 2008 Compared to 2007***

*Revenues*

Revenues for the nine-month period ended March 31, 2008 were $2,687,000, as compared to $7,668,000 for the same period in 2007, representing a decrease of $4,981,000 or 65%. There were no license fee and other revenue for the nine-month period ended March 31, 2008 compared to $5,373,000 for the same period in 2007. The current period 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, whereas the previous year included $5,373,000 for

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this amortization. See Note 8 to our consolidated interim financial statements included in this Quarterly Report on Form 10-Q. Product sales for the nine-month period ended March 31, 2008 were $2,439,000, as compared to $2,160,000 for the same period in 2007, representing an increase of $279,000 or 13% due to increased sales of LeukoScan in Europe over the previous year. Research and development revenues for the nine-month period ended March 31, 2008 were $249,000 as compared to $134,000 for the same period of 2007 due to the timing of grant programs.

*Costs and Expenses*

Total costs and expenses for the nine-month period ended March 31, 2008 were $19,584,000, as compared to $18,388,000 for the same period in 2007, representing an increase of $1,196,000 or 7%. Research and development expenses for the nine-month period ended March 31, 2008 were $16,762,000 as compared to $14,890,000 for the same period in 2007, representing an increase of $1,872,000 or 13%. This expense increase resulted primarily from increased spending resulting from higher headcount and related salaries, employee benefits and higher patent expenses. Cost of goods sold for the nine-month period ended March 31, 2008 was $336,000 as compared to $299,000 for the same period in 2007, an increase of $37,000 or 12% which resulted from additional costs incurred for quality control testing related to the change in the manufacturing process and higher testing regarding quality assurance, and higher sales volume. Sales and marketing expenses for the nine-month period ended March 31, 2008 increased 27% or $147,000, to $686,000 from $539,000 for the same period in 2007, as a result higher salaries and taxes for European employees with the decline of the U.S. Dollar. General and administrative costs were $1,799,000 for the nine-month period ended March 31, 2008, and $2,659,000 for the same period in 2007, a reduction of $860,000 or 32%. This reduction was primarily due to the termination of certain severance payments and insurance benefits as part of our Chairman s previous employment agreement ($617,000) and the termination of the split dollar life insurance agreement and related liabilities ($1,249,000). These reductions were partially offset by reimbursement paid to our Chairman for his personal income taxes related to the split-dollar life insurance agreement during the period the policy was in effect ($460,000), higher stock option compensation expenses ($360,000) and the impact of recording the cash surrender value of another life insurance policy in the previous year ($405,000), not occurring in the current year.

*Impairment Charge on Marketable Securities*

A charge of $2,200,000 was reported for the nine-month period ended March 31, 2008 for an other than temporary impairment charge on marketable securities associated with our investments in auction rate securities. See discussion in Note 4 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*

Interest and other income of $1,987,000 for the nine-month period ended March 31, 2008 increased by $743,000 from $1,244,000 for the same period in 2007, primarily due to the sale of three executive insurance contracts which were no longer deemed to be necessary (resulting in $468,000 of other income), and higher levels of cash available for investments, (a result of the proceeds from the UCB Agreement) and higher rates of return.

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*Interest Expense*

Interest expense for the nine-month period ended March 31, 2008 decreased $3,197,000 to approximately $29,000, as compared to $3,226,000 for the same period in 2007. The decrease in interest expense was due to the conversion of all of the 5% Senior Convertible Notes due May 2008 into the Company s common stock during the 2007 fiscal year. For more information, see Note 12 in our Annual Report on Form 10-K for the year ended June 30, 2007.

*Foreign Currency Transaction Gains*

Foreign currency transactions amounted to a gain of $89,000 for the nine-month period ended March 31, 2008 as compared to a gain of $30,000 in 2007 due to currency fluctuations between the U.S. Dollar and the Euro.

*Income Tax Benefit*

Income tax benefit was $1,011,000 for the nine-month period ended March 31, 2008 as compared to a benefit of $560,000 for the same period in 2007, primarily as a result of a higher sale amount for the Company s NOLs that was approved by the State of New Jersey.

*Operating Results*

Net loss for the nine-month period ended March 31, 2008 was $15,963,000 or $0.21 per share, as compared to $12,033,000, or $0.20 per share, for the same period in 2007. The increase of the net loss was primarily a result of the absence of the amortization of deferred revenue from the UCB Agreement as reported in 2006, the $2,200,000 impairment charge on marketable securities and increased spending for research and development. This was partially offset by lower interest expense, reduced operating expenses resulting from the termination of certain severance agreements and the termination of the split dollar life insurance agreement with our Chairman, a higher benefit from the sale of tax NOLs by the State of New Jersey and higher interest income.

**Liquidity and Capital Resources**

**Discussion of Cash Flows**

*Cash flows from operations.* Net cash used in operating activities for the nine-month period ended March 31, 2008 was $9.5 million, compared to $13.7 million for the nine month period ended March 31, 2007. The reduction of the cash flow used in operations for the nine month period ended March 31, 2008 from the previous year was due to the current year s receipt of $3.3 million for the cash surrender value from the termination of an executive insurance policy and for payments of $1.2 million for accrued legal fees to patent counsel made in 2007.

*Cash flows from investing.* Net cash used in investing activities for the nine-months ended March 31, 2008 was $2.0 million compared to $13.8 million for the nine months ended March 31, 2007. The differences in the investing activities between periods were primarily due to the timing of the maturities of the marketable securities.

*Cash flows from financing.* Net cash used in financing activities for the nine-months ended March 31, 2008 and 2007 were $0.9 million for both periods, relating primarily to the payment of debt.

**Working Capital and Cash Requirements**

At March 31, 2008, we had working capital of $29,671,000, representing a decrease of $12,750,000 from $42,421,000 at June 30, 2007. The decrease in working capital is primarily due to the funding for the current year s operations. At March 31, 2008 and June 30, 2007, we had no long-term debt outstanding.

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Our cash and cash equivalents of $6,755,000 and marketable securities of $26,800,000 totaled $33,555,000 at March 31, 2008, representing a decrease of $12,678,000 from $46,233,000 at June 30, 2007. The decrease was attributable to our use of cash in operations during the nine-month period ended March 31, 2008 and the impact of impairment charge of marketable securities of $2,200,000, partially offset by the sales proceeds of $3,300,000 for executive life insurance policies.

We hold a variety of 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. The recent uncertainties in the credit markets have affected all of our holdings in ARS investments and auctions for our investments in these securities have failed to settle on their respective settlement dates. 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 or a buyer is found outside of the auction process. Maturity dates for these ARS investments range from 2032 to 2045. All of the ARS investments were investment grade quality and were consistent with our investment policy at the time of acquisition.

Typically the fair value of ARS investments approximates par value due to the frequent resets through the auction process. While we continue to earn interest on our ARS investments at the maximum contractual rate, these investments are not currently trading and therefore do not currently have a readily determinable market value. Accordingly, the estimated fair value of ARS no longer approximates par value.

We have used a discounted cash flow model to determine the estimated fair value of our investment in ARS as of March 31, 2008. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows and expected holding periods of the ARS. Based on this assessment of fair value, as of March 31, 2008 we determined there was a decline in the fair value of our ARS investments of $2.2 million, which was deemed an other than temporary impairment.

If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required to record additional unrealized losses in other impairment charges in future quarters. We continue to monitor the market for ARS transactions and consider their impact (if any) on the fair value of our investments.

We have been offered a line of credit of up to $15.0 million with a financial institution, secured by our marketable securities, and are currently negotiating the specific terms of the agreement. In addition, we have accepted a tender offer to convert $6.0 million of the marketable securities at par value plus accrued interest payable to the expected settlement date, May 21, 2008, which we expect will reduce the maximum principal amount under the proposed line of credit to $9.0 million. There can be no assurance that we will be able to consummate such proposed line of credit.

We believe we will have sufficient funds to continue our operations and research and development programs for at least the next twelve months. Cash requirements for the next twelve months are expected to continue be at a higher level than in the previous twelve months due to increased spending for research and development activities and clinical trials for our therapeutic product candidates. However, research and development activities are expected to continue to expand over time and we do not believe we will have adequate cash to develop all of our research and development compounds. We are actively pursuing various financing alternatives as market

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conditions permit through equity financings, the addition of long-term debt and the evaluation of various opportunities to raise additional capital, including the licensing of our proprietary technologies. There can be no assurance that we will be able to raise the additional capital we will need on commercially acceptable terms, if at all. If we are unable to raise capital on acceptable terms, our ability to continue our business would be materially and adversely affected. At the present time, we are unable to determine whether any of these future activities will be successful and, if so, the terms and timing of any definitive agreements.

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

**Effects of Inflation**

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

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those described due to a number of factors, including uncertainties associated with general economic conditions and conditions impacting our industry. *See* Cautionary Note Regarding Forward-Looking Statements under Item 2 above.

Our investments consist of a variety of interest bearing auction rate securities. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests at par. The recent uncertainties in the credit markets have affected all of our holdings in ARS investments and auctions for our investments in these securities have failed to settle on their respective settlement dates. 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 or a buyer is found outside of the auction process. Maturity dates for these ARS investments range from 2032 to 2045. During the third quarter of fiscal year 2008, we determined that there was a decline in the fair value of our ARS investments of approximately $2.2 million, which was deemed to be an other than temporary impairment charge, which was reported in the consolidated statement of operations.

The valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates and ongoing strength and quality of market credit and liquidity.

If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required to record additional unrealized loss impairment charges in future quarters.

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**ITEM 4. CONTROLS AND PROCEDURES**

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

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

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## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In October 2006, the Company sued a former research scientist employee, seeking a declaration that the Company has the right, under a certain written agreement that the former employee executed at the time he commenced work for the Company, to an immediate assignment of all of the employee s rights, titles and interest in three patent applications that the employee filed after leaving the employ of the Company. The Company further seeks a judgment compelling the former employee to perform under the agreement and immediately assign to the Company all of their rights, titles and interest in these patent applications. The Company also seeks damages for breach of contract.

During that same month, the Company was sued by the same former employee noted above as well as two other parties claiming rights to the patents, seeking a declaration that (i) a certain written agreement executed by the former employee at or about the time he commenced work for the Company does not obligate the former employee to assign to the Company three patent applications filed by him after he ceased working for the Company, (ii) the Company has no ownership rights in said patent applications, and (iii) a certain Recordation Form Cover Sheet that the Company filed with the United States Patent and Trademark Office ( PTO ) with respect to two of the three patent applications was invalid and unenforceable. Plaintiffs further seek a permanent injunction requiring the Company to withdraw the Recordation Form Cover Sheet that was filed with the PTO. The Company intends to vigorously defend this action.

Legal counsel is presently taking depositions with regard to these proceedings.

During the 2007 fiscal year, a dispute arose with a vendor regarding the value of services performed on behalf of the Company. The Company continues to work with the vendor to negotiate a resolution to the matter and has accrued an amount representing the low end of the amount that is expected to settle the matter. Negotiations are currently ongoing. The Company does not expect the ultimate resolution will be material to the Company s financial position, cash flow or results of operations for the full fiscal year.

There were no other legal proceedings nor any material developments during the quarter ended March 31, 2008 in any of the legal proceedings described in Item 3 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

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

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

***Risks Relating to Our Business, Operations and Product Development***

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

We have incurred significant operating losses since our formation in 1982, and have never earned a profit since that time. As of March 31, 2008, we had an accumulated deficit of approximately $235,000,000, including a net loss of $15,962,000 for the nine-month period ended March 31, 2008. In May 2006, we entered into an agreement with 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 will impact our obligation period under the terms of the agreement with UCB. Therefore, we have 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 is reasonably determinable. As of March 31, 2008, the deferred revenue reported on our balance sheet was $31.1 million.

The only significant product sales we have earned to date have come from the limited sales of our two diagnostic imaging products in Europe and, to a lesser degree, the U.S. In addition, we have made the strategic decision to de-emphasize sales of our diagnostic products and focus on our therapeutic pipeline. Consistent with our de-emphasis of our diagnostic products, in March 2006 we ceased the sales and marketing activities for CEA-Scan®. 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, it is likely that we will never achieve significant revenues or become profitable, either of which would jeopardize our ability to continue as a going concern.

***We have significant near term capital needs and may be unable to raise capital when needed, which could force us to delay or reduce our research and development efforts.***

We believe we will have adequate cash at our current spending level to fund our research and development programs through the next twelve months. We will require additional financial resources after we utilize our current liquid assets and our line of credit, in order to continue our anticipated increased spending for research and development activities and clinical trials for the therapeutic candidates. We are actively pursuing various financing alternatives as market conditions permit through additional debt or equity financings and through the licensing of our proprietary technologies. 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. If we are unable to raise capital on acceptable terms, our ability to continue our

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business will be materially and adversely affected. If we are unable to raise additional funding in the near term, we will curtail certain programs and implement cost savings programs in order for us to continue our operations.

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

Our short-term marketable securities consist of AAA rated auction rate securities. The recent 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 fail. If an auction fails for securities in which we have invested, we may be unable to liquidate some or all of our auction rate securities at par, should we need or desire to access the funds invested in those securities. 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 the ability of the Company to auction or sell these securities.

There can be no assurance that the Company will be able to recoup any of its investments in the auction rate securities. If the Company is not able to monetize some or all of its auction rate securities, the Company may suffer a loss and such loss could have a material adverse effect on our ability to finance our future ongoing operations.

***Auction rate securities may be subject to liquidity and yield risks***

We may not be able to sell some or all of its 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 its 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 its 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

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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.

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 candidate, epratuzumab, could severely harm our business and results of operations.

***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. There may be questions regarding manufacturing processes, such as the recent concern by UCB regarding the sterility assurance in the final production process of epratuzumab. 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.

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***In order to become a profitable biopharmaceutical company, 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, 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:

- $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 March 31, 2008; and
- limited product sales of CEA-Scan® and LeukoScan®, licenses, grants and interest income from our investments.

We believe we will have adequate cash to fund our operations and research and development programs through the next twelve months. We intend to continue expending substantial capital on our research and development programs if funding levels permit. We will need to raise additional capital in order to obtain the necessary regulatory approvals and then commercialize our other therapeutic products. 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 UCB in meeting the clinical development and commercial milestones for epratuzumab; 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.

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.

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

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

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

We have licensed the exclusive worldwide rights of our most advanced therapeutic compound, *epratuzumab,* to UCB. As a result, UCB is solely responsible, and we are depending upon it, for completing the clinical development of epratuzumab*,* obtaining all necessary regulatory approvals, and then commercializing and manufacturing the compound for sale. If UCB does not fully perform its responsibilities under our agreement, or if the clinical trials to be conducted by UCB are not initiated, successful or are terminated by UCB for any other reason, our ability to commercialize this product candidate in the future, as well as other product candidates we have in development which are closely related to epratuzumab*,* 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 agreement with UCB, and our ability to fund the development and testing of our other product candidates would be adversely affected.

We will amortize the $38 million upfront payment received from UCB as revenue over the period of time of our expected obligations in accordance with the terms of our agreement with UCB. During the 2007 fiscal year, UCB decided to stop the SLE clinical trials designed and initiated by us and to establish new protocols for clinical trials for the treatment of SLE, which may generate more rapid patient enrollment. In December 2007, UCB provided an update on the analyses of the recently closed clinical trials for epratuzumab in the treatment of systemic lupus erythematosus, SLE, which suggested a favorable efficacy and tolerability profile. We are unable to determine at this time how these decisions will impact our obligation period 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 receipt of the up front payments from UCB at the inception of the license agreement until such time as the obligation period is reasonably determinable. As of March 31, 2008, the deferred revenue reported on our balance sheet was $31.1 million.

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

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

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

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

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

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

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 were to

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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, Wyeth, 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. 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,

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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 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 and 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 nine-month period ended March 31, 2008, we provided CMMI with $67,000 for research activities conducted 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.

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

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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 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 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 is 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.

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***Risks Related to Our Securities***

***Our common stock may be delisted from the NASDAQ Global Market (NASDAQ).***

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

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

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

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

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

Delisting from 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

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or sale of our securities provide its customers with: (i) a risk disclosure document, (ii) disclosure of market quotations, if any, (iii) disclosure of the compensation of the broker and its salespersons in the transaction and (iv) monthly account statements showing the market values of our securities held in the customer s accounts.

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

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

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

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

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

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

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

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

As of March 31, 2008, Dr. Goldenberg, our Chairman and Chief Scientific Officer and Chief Medical Officer, together with certain members of his family, including Ms. Cynthia L. Sullivan, our President and Chief Executive Officer, who is Dr. Goldenberg s wife, and other affiliates, controlled the right to vote approximately 11% of our fully diluted common stock. As a result of this voting power, Dr. Goldenberg has the ability to significantly influence the outcome of substantially all matters that may be put to a vote of our stockholders, including the election of our directors.

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

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

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

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

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

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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 recent 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.

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**ITEM 6. EXHIBITS**

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

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

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

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**SIGNATURES**

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

**IMMUNOMEDICS, INC.**

May 9, 2008

By: /s/ Cynthia L. Sullivan
Cynthia L. Sullivan
President and Chief Executive Officer
(Principal Executive Officer)

May 9, 2008

By: /s/ Gerard G. Gorman
Gerard G. Gorman
Senior Vice President, Finance and Business Development, and Chief Financial Officer
(Principal Financial and Accounting Officer)

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**EXHIBIT INDEX**

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