

IMMUNOMEDICS INC
Form 10-Q
May 07, 2014
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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, 2014

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	(I.R.S. Employer
incorporation or organization)	Identification No.)
300 The 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

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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 ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions 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 ☒
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 ☒

The number of shares of the registrant's common stock outstanding as of May 6, 2014 was 83,506,808.

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IMMUNOMEDICS, INC.

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IMMUNOMEDICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2014	June 30, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,989,639	\$ 41,326,000
Marketable securities	15,941,541	
Accounts receivable, net of allowance for doubtful accounts of \$61,302 at March 31, 2014 and \$49,265 at June 30, 2013	714,327	622,830
Inventory	823,234	1,030,480
Other receivables	77,368	172,468
Prepaid expenses	1,060,595	432,660
Other current assets	74,011	1,631,172
Total current assets	23,680,715	45,215,610
Property and equipment, net of accumulated depreciation of \$27,167,565 and \$26,743,481 at March 31, 2014 and June 30, 2013, respectively	1,980,398	2,086,911
Value of life insurance policies	562,010	594,832
Other long-term assets	30,000	30,000
Total Assets	\$ 26,253,123	\$ 47,927,353
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,477,862	\$ 3,950,866
Deferred revenues	248,293	2,780,309
Total current liabilities	4,726,155	6,731,175
Other liabilities	1,475,365	1,400,728
Commitments and Contingencies		
Stockholders Equity:		
Preferred stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued and outstanding at March 31, 2014 and June 30, 2013		
Common stock, \$0.01 par value; authorized 135,000,000 shares; issued 83,511,533 shares and outstanding 83,476,808 shares at March 31, 2014; and issued 82,841,123 shares and 82,806,398 shares outstanding at June 30, 2013	835,115	828,411
Capital contributed in excess of par	269,461,557	265,688,408
	(458,370)	(458,370)

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Treasury stock, at cost, 34,725 shares at March 31, 2014 and at June 30, 2013

Accumulated deficit	(249,618,854)	(226,039,812)
Accumulated other comprehensive income	295,950	161,830
Total Immunomedics, Inc. stockholders' equity	20,515,398	40,180,467
Noncontrolling interest in subsidiary	(463,795)	(385,017)
Total stockholders' equity	20,051,603	39,795,450
Total Liabilities and Stockholders' Equity	\$ 26,253,123	\$ 47,927,353

See accompanying notes to unaudited condensed consolidated financial statements

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IMMUNOMEDICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)

	Three months ended March 31,		Nine months ended March 31,	
	2014	2013	2014	2013
Revenues:				
Product sales	\$ 925,235	\$ 751,617	\$ 2,434,159	\$ 2,218,797
License fee and other revenues		126,667	4,623,333	126,667
Research and development	229,106	858,182	797,120	1,254,571
Total revenues	1,154,341	1,736,466	7,854,612	3,600,035
Costs and Expenses:				
Costs of goods sold	90,253	93,703	270,523	281,953
Costs of license fee and other revenues			1,189,170	
Research and development	8,141,744	8,113,574	23,221,651	21,332,729
Sales and marketing	243,692	221,718	886,234	613,420
General and administrative	2,200,526	1,500,963	5,975,278	4,486,968
Total costs and expenses	10,676,215	9,929,958	31,542,856	26,715,070
Operating loss	(9,521,874)	(8,193,492)	(23,688,244)	(23,115,035)
Arbitration settlement, net		16,739,282		16,739,282
Insurance proceeds received				2,637,879
Interest and other income, net	15,179	1,591	39,695	4,906
Foreign currency transaction (loss) gain	(25,894)	13,560	(7,902)	(23,175)
(Loss) income before income tax (expense) benefit	(9,532,589)	8,560,941	(23,656,451)	(3,756,143)
Income tax (expense) benefit	(1,372)	19,879	(1,372)	(19,496)
Consolidated net (loss) income	(9,533,961)	8,580,820	(23,657,823)	(3,775,639)
Net loss attributable to noncontrolling interest	(28,359)	(27,783)	(78,778)	(77,045)
Net (loss) income attributable to Immunomedics, Inc.	\$ (9,505,602)	\$ 8,608,603	\$ (23,579,045)	\$ (3,698,594)
(Loss) income per common share attributable to Immunomedics, Inc. stockholders:				
Basic	\$ (0.11)	\$ 0.11	\$ (0.28)	\$ (0.05)

Diluted	\$	(0.11)	\$	0.11	\$	(0.28)	\$	(0.05)
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Weighted average shares used to calculate (loss)
income per common share:

Basic	83,340,329	78,195,891	83,127,073	76,479,971
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Diluted	83,340,329	78,447,065	83,127,073	76,479,971
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Other comprehensive (loss) income, net of tax:

Foreign currency translation adjustments	3,355	(66,642)	123,236	35,719
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Unrealized (loss) gain on available-for-sale securities	(4,138)		10,884	
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Other comprehensive (loss) income	(783)	(66,642)	134,120	35,719
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Net comprehensive (loss) income	(9,534,744)	8,514,178	(23,523,703)	(3,739,920)
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Net loss attributable to noncontrolling interest	(28,359)	(27,783)	(78,778)	(77,045)
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Net comprehensive (loss) income attributable to Immunomedics, Inc.	\$ (9,506,385)	\$ 8,541,961	\$ (23,444,925)	\$ (3,662,875)
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See accompanying notes to unaudited condensed consolidated financial statements

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IMMUNOMEDICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Consolidated net loss	\$ (23,657,823)	\$ (3,775,639)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	424,084	765,213
Gain on insurance claim for equipment failure		(137,879)
Gain on sale of marketable securities	(4,193)	
Increase (decrease) in allowance for doubtful accounts	12,037	(7,769)
Non-cash expense related to stock compensation	2,403,293	1,736,653
Non-cash decrease (increase) in value of life insurance policy	32,822	(12,850)
Amortization of deferred revenue	(2,532,016)	(176,667)
Amortization of deferred rent	74,637	74,637
Changes in operating assets and liabilities	1,665,511	2,106,206
Net cash (used in) provided by operating activities	(21,581,648)	571,905
Cash flows from investing activities:		
Purchases of marketable securities	(20,024,794)	
Proceeds from sales of marketable securities	4,083,253	
Purchases of property and equipment	(317,571)	(413,175)
Proceeds from insurance claim for equipment failure		137,879
Net cash used in investing activities	(16,259,112)	(275,296)
Cash flows from financing activities:		
Issuance of common stock, net of fees		14,789,375
Payments for stock plan activity	(286,786)	(203,674)
Share purchases of majority-owned subsidiary		(39,255)
Exercise of stock options, net	1,663,346	61,103
Net cash provided by financing activities	1,376,560	14,607,549
Effect of changes in exchange rates on cash and cash equivalents	127,839	55,432
Net (decrease) increase in cash and cash equivalents	(36,336,361)	14,959,590
Cash and cash equivalents, beginning of period	41,326,000	32,838,096

Cash and cash equivalents, end of period	\$ 4,989,639	\$ 47,797,686
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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/A of Immunomedics, Inc., a Delaware corporation (Immunomedics, the Company, we, our or us), for the fiscal year ended June 30, 2013, which contains our audited consolidated financial statements and the notes thereto.

1. Business Overview and Basis of Presentation

Immunomedics is a New Jersey-based biopharmaceutical company primarily focused on the development of monoclonal antibody-based products for the targeted treatment of cancer, autoimmune and other serious diseases. The Company has developed a number of advanced proprietary technologies that allows it to create humanized antibodies that can be used either alone in unlabeled or naked form, or conjugated with radioactive isotopes, chemotherapeutics, cytokines or toxins, in each case to create highly targeted agents. Using these technologies, the Company has built a pipeline of therapeutic product candidates that utilize several different mechanisms of action. The Company also manufactures and commercializes its LeukoScan® product in territories where regulatory approvals have previously been granted. 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 condensed financial statements is the majority-owned subsidiary, IBC Pharmaceuticals, Inc. (IBC), which works on the development of novel cancer radiotherapeutics using patented pre-targeting technologies with proprietary, bispecific antibodies.

The accompanying unaudited condensed consolidated financial statements of Immunomedics, which incorporate our 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 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. Operating results for the three and nine-month periods ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2014, or any other period.

Immunomedics is subject to significant risks and uncertainties, including, without limitation, the risk that the Company may be unable to successfully obtain financing for product development; the Company's 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 secure regulatory approval of and market our drug candidates; the Company's dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under our collaborative agreements, if any; uncertainties about the Company's ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development or regulatory approval of competing products; the Company's ability to protect its proprietary technologies; patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the United States and internationally.

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On May 2, 2014, the Company announced the pricing of an underwritten public offering of 9 million shares of its common stock, offered at a price to the public of \$3.35 per share. The gross proceeds from this offering to the Company are expected to be \$30.15 million, before deducting underwriting discounts and commissions and other estimated offering expenses payable by the Company.

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Immunomedics has granted the underwriters a 30-day option to purchase up to an additional 1.35 million shares of common stock. Any proceeds from the underwriters' over-allotment will be incremental to the initial offering proceeds. The offering closed on May 7, 2014. The Company continues to actively pursue various financing alternatives through collaborative licensing and partnership agreements. At the present time, the Company is unable to determine whether any of these future activities will be successful and, if so, the terms and timing of any definitive agreements. If the Company is unable to raise additional funding through licensing and/or partnership agreements, the Company will need to pursue other forms of financing including equity or debt financings.

As of March 31, 2014, the Company has \$20.9 million of cash, cash equivalents and marketable securities. Based on the Company's expected cash flow projections, the Company believes it has sufficient funds to continue its operations and research and development programs for at least the next twelve months, after taking into consideration the gross proceeds of \$30.15 million from the issuance and sale of its common stock in May 2014.

The Phase Ib clinical trial of clivatuzumab tetraxetan in patients with advanced pancreatic cancer was completed during the 2013 fiscal year. Based on the results of such trial, the Company decided to proceed with a Phase III clinical trial. The Company recognized that the completion of this trial will require additional funding. There can be no assurances that licensing arrangements or other financing will be available when needed on terms acceptable to it, if at all. If the Company were unable to raise capital on acceptable terms, its ability to complete the Phase III clinical trial and continue its business would be materially and adversely affected. Furthermore, the terms of any such licensing activity, debt or equity financing may include covenants which may limit the Company's future ability to manage the business. At the present time, the Company is unable to determine whether any of these future activities will be successful and, if so, the terms and timing of any definitive agreements.

Since its inception in 1982, Immunomedics' principal sources of funds have been the private and public sale of equity and debt securities and revenues from licensing agreements, which could provide up-front and milestone payments, as well as funding of development costs and other licensing possibilities. The Company's ability to raise capital through public and private debt or equity financings may be negatively impacted by the current economy. There can be no assurances that financings will be available when needed with acceptable terms to it, if at all. If the Company were unable to raise capital on acceptable terms, its ability to continue its business would be materially and adversely affected. Furthermore, the terms of any such debt or equity financing may include covenants which may limit the Company's future ability to manage the business. At the present time, the Company is unable to determine whether any of these future activities will be successful and, if so, the terms and timing of any definitive agreements.

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/A for the year ended June 30, 2013. The Company adheres to the same accounting policies in preparation of its interim financial statements.

Principles of Consolidation and Presentation

The condensed consolidated financial statements include the accounts of Immunomedics and its subsidiaries. Noncontrolling interests in consolidated subsidiaries in the condensed consolidated balance sheets represent minority stockholders' proportionate share of the equity (deficit) in such subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

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Revenue Recognition

The Company has accounted for revenue arrangements that include multiple deliverables as a separate unit of accounting if: a) the delivered item has value to the customer on a standalone basis, and b) the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor, in accordance with the accounting standard for multiple-element arrangements. If these criteria are not met, the revenue elements must be considered a single unit of accounting for purposes of revenue recognition. The Company allocates revenue consideration, excluding contingent consideration, based on the relative selling prices of the separate units of accounting contained within an arrangement containing multiple deliverables. Relative selling prices are determined using vendor specific objective evidence, if it exists; otherwise third-party evidence or the Company's best estimate of selling price is used for each deliverable.

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

In order to determine the revenue recognition for contingent milestones, the Company evaluates the contingent milestones using the criteria as provided by the Financial Accounting Standards Boards (FASB) guidance on the milestone method of revenue recognition at the inception of a collaboration agreement. The criteria requires that (i) the Company determines if the milestone is commensurate with either its performance to achieve the milestone or the enhancement of value resulting from the Company's activities to achieve the milestone, (ii) the milestone be related to past performance, and (iii) the milestone be reasonable relative to all deliverable and payment terms of the collaboration arrangement. If these criteria are met, then the contingent milestones can be considered as substantive milestones and will be recognized as revenue in the period that the milestone is achieved. Royalties are recognized as earned in accordance with the terms of various research and collaboration agreements.

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

Research and Development Costs

Research and development costs are expensed as incurred. Costs incurred for clinical trials for patients and investigators are expensed as services are performed in accordance with the agreements in place with the institutions.

Financial Instruments

The carrying amounts of cash and cash equivalents, other current assets and current liabilities approximate fair value due to the short-term maturity of these instruments. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments in marketable securities are available-for-sale to fund operations. The portfolio at March 31, 2014 primarily consists of debt securities and municipal bonds.

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

Financial assets recorded on the condensed consolidated balance sheets as of March 31, 2014 and June 30, 2013 are categorized based on the inputs to the valuation techniques as follows (in thousands):

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

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

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

	(\$ in thousands)			
March 31, 2014	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,364	\$	\$	\$ 1,364
Marketable Securities:				
U.S. Treasury Bonds	6,007			6,007
Corporate Debt Securities	9,935			9,935
Total	\$ 17,306	\$	\$	\$ 17,306

June 30, 2013	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 38,327	\$	\$	\$ 38,327
Total	\$ 38,327	\$	\$	\$ 38,327

The money market funds noted above are included in cash and cash equivalents.

Reimbursement of Research & Development Costs

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

Inventory

Inventory, which consists of work-in-process and the finished product of LeukoScan®, is stated at the lower of cost (which approximates first-in, first-out) or market, and includes materials, labor and manufacturing overhead.

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Inventory consisted of the following (in thousands):

	March 31, 2014	June 30, 2013
Work in process	\$	\$ 914
Finished goods	823	116
	\$ 823	\$ 1,030

Income Taxes

The Company uses the asset and liability method to account for income taxes, including the recognition of deferred tax assets and deferred tax liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes that it is more likely than not that its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company's tax provision in the period of change. The Company has recorded a full valuation allowance against its net deferred tax assets as of March 31, 2014.

The Company's U.S. operations reported a net loss for the three and nine-month periods ended March 31, 2014 resulting in a tax benefit that was fully offset by a valuation allowance. Income taxes were provided at the estimated annual tax rate during the three and nine month periods ended March 31, 2014 for one of the foreign jurisdictions which is profitable.

For the three-month period ended March 31, 2013, the Company recorded a net income tax benefit of \$20 thousand as a result of an adjustment to the final 2012 fiscal year federal income tax return, partially offset by income tax expense on profitable foreign subsidiaries. For the nine-month period ended March 31, 2013 the Company recorded a net income tax expense of \$19 thousand, as a provision for foreign tax expense of \$58 thousand which was partially offset by an adjustment to the final 2012 fiscal year federal income tax return.

The Company has no liability for uncertain tax positions as of March 31, 2014.

Net (Loss) Income Per Share Allocable to Common Stockholders

Basic net (loss) income per share is based upon the number of weighted average number of shares of common stock and vested shares outstanding. For the three and nine-month periods ended March 31, 2014 and the nine-month period ended March 31, 2013, the diluted net loss per common share is calculated based on the weighted average number of shares outstanding excluding the exercise or conversion of all potential common shares because their effect would have been anti-dilutive, due to the net loss recorded. For the three-month period ended March 31, 2013 diluted net income per share is based upon the weighted average number of shares of common stock and dilutive potential shares of common stock outstanding. Potential shares of common stock that result from the assumed exercise of outstanding stock options and warrant shares, with exercise prices less than the average market price of the Company's common stock during the three-month period ended March 31, 2013 is calculated under the treasury stock method. All other outstanding stock options and warrant shares were excluded from the calculation as the effect was anti-dilutive.

Insurance Proceeds

Insurance proceeds totaling \$2.6 million were received during the nine-month period ended March 31, 2013 as a result of insurance claims for an equipment failure during the 2011 fiscal year. A

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cash payment for a business interruption insurance claim of \$2.5 million was received, which had resulted from the equipment failure that had limited the production of materials necessary for certain research & product development. There is no such claim for the current year. In addition, proceeds of \$0.1 million were also recorded for a property claim regarding the same equipment failure. The proceeds received from these claims are classified as a separate other income component in the condensed consolidated statement of comprehensive (loss) income for the nine-month period ended March 31, 2013.

Comprehensive (Loss) Income

Comprehensive (loss) income consists of consolidated net (loss) income, net unrealized (losses) gains on available for sale securities, and foreign exchange translation adjustments and is presented in the condensed consolidated statements of comprehensive (loss) income.

Reclassification

Certain prior period balances have been reclassified to conform to the current period presentation.

Accounting Pronouncements

In July 2013, the FASB issued Accounting Standard Update (ASU) 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists. This ASU will eliminate the diversity in practice in presentation of unrecognized tax benefits when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists at the reporting date. This new guidance requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry-forward that would apply in settlement of the uncertain tax positions. Under the new guidance, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry-forward that would be utilized, rather than only against carryforwards that are created by the unrecognized tax benefits. This guidance is effective prospectively, but allows optional retrospective adoption (for all periods presented), for reporting periods beginning after December 15, 2013. As this guidance relates to presentation only, the adoption of this guidance will not impact our financial position or results of operations.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (AOCI). ASU requires entities to disclose additional information about reclassification adjustments, including changes in AOCI balances by component and significant items reclassified out of AOCI. The Company adopted this pronouncement in the first quarter of fiscal year 2014.

3. Marketable Securities

During the nine months ended March 31, 2014, the Company invested \$20.0 million of cash and cash equivalents into debt securities and municipal bonds, of which \$4.1 million either matured or were sold during the three-month period ended March 31, 2014. Immunomedics utilized Accounting Standards Codification No. 320, *Accounting for Investments - Debt and Equity Securities*, to account for investments in marketable securities. Under this accounting standard, securities for which there are no positive intent and ability to hold to maturity, the securities are classified as available-for-sale and are carried at fair value. Unrealized holding gains and losses, which are deemed to be temporary, on securities classified as available-for-sale are carried as a separate component of accumulated other comprehensive income. Immunomedics considers all of its current investments to be available-for-sale. Marketable securities at March 31, 2014 consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
March 31, 2014				
U.S. Treasury Bonds	\$ 6,006	\$ 1	\$	\$ 6,007
Corporate Debt Securities	9,925	11	(1)	9,935
	\$ 15,931	\$ 12	\$ (1)	\$ 15,942

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Maturities of debt securities classified as available-for-sale were as follows at March 31, 2014 (in thousands):

	Fair Value	Net Carrying Amount
Due within one year	\$ 10,606	\$ 10,658
Due after one year through five years	5,336	5,355
	\$ 15,942	\$ 16,013

4. Stockholders Equity

The components of accumulated other comprehensive income were as follows:

	Currency Translation Adjustments	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Accumulated Other Comprehensive Income
Balance, July 1, 2013	\$ 161,830	\$	\$ 161,830
Other comprehensive income before reclassifications	123,236	15,077	138,313
Amounts reclassified from accumulated other comprehensive income ^(a)		(4,193)	(4,193)
Net current-period other comprehensive income	123,236	10,884	134,120
Balance, March 31, 2014	\$ 285,066	\$ 10,884	\$ 295,950

All components of accumulated other comprehensive income are net of tax, except currency translation adjustments, which exclude income taxes related to indefinite investments in foreign subsidiaries.

^(a) For the nine months ended March 31, 2014, \$4,193 was reclassified from accumulated other comprehensive income to interest and other income.

5. Stock Incentive Plan

A summary of the 2006 Stock Incentive Plan (the "Plan"), is provided in Note 6 to the audited financial statements contained in the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2013. The Company believes that awards under the Plan better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant; those option awards

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generally vest based on four years of continuous service and have seven year contractual terms. Option awards that are granted to non-employee Board members under the annual option grant program are granted with an exercise price equal to the market price of the Company's common stock at the date of grant, are vested immediately and have seven year contractual terms. At March 31, 2014, there were 9,996,431 shares of common stock reserved for possible future issuance under the Plan, both currently outstanding (6,388,212 shares) and which were available to be issued for future grants (3,608,219 shares).

The fair value of each option granted during the nine-month periods ended March 31, 2014 and 2013 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,	
	2014	2013
Expected dividend yield	0%	0%
Expected option term (years)	3.47	5.37
Expected stock price volatility	66%	69%
Risk-free interest rate	0.03%-1.79%	0.98%-1.25%

The weighted average fair value at the date of grant for options granted during the nine-month periods ended March 31, 2014 and 2013 were \$1.94 and \$1.95 per share, respectively. The Company uses historical data to estimate employee forfeitures for employees, executive officers and outside directors. The expected term of options granted represents the period of time that options granted are expected to be outstanding and the expected stock price volatility is based on the Company's daily stock trading history. The weighted average of the expected option term declined to 3.47 years for the nine-month period ended March 31, 2014, was a result of the issuance of short-term options to the former chief financial officer. Aside from these stock options the expected option term for other stock options granted during the nine-month period ended March 31, 2014 was 5.2 years. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The lower risk-free interest rate results from the short-term rate for the stock options granted to the former chief financial officer.

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Information concerning options for the nine-month period ended March 31, 2014 is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, July 1, 2013	5,726,874	\$ 3.30		
Granted	1,293,204	\$ 5.38		
Exercised	(502,980)	\$ 3.31		
Cancelled or forfeited	(940,731)	\$ 4.52		
Outstanding, March 31, 2014	5,576,367	\$ 3.57	3.18	\$ 4,970,872
Exercisable, March 31, 2014	4,533,302	\$ 3.41	2.60	\$ 4,638,878

A summary of the Company's non-vested restricted and performance stock units at July 1, 2013, and changes during the nine-month period ended March 31, 2014 are presented below:

Outstanding Non-Vested Restricted and Performance Stock Units	Number of Awards
Non-vested at July 1, 2013	488,575
Restricted Units Granted	179,668
Performance Units Granted	389,864
Vested	(221,262)
Cancelled	(25,000)
Non-vested at March 31, 2014	811,845

The Company has 1,854,910 non-vested options, restricted and performance stock units outstanding as of March 31, 2014. As of March 31, 2014, there was \$2.2 million 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 2.2 years. The Company recorded \$0.9 million and \$2.4 million for total stock-based compensation expense for employees, executive officers and non-employee Board members for the three and nine-month periods ended March 31, 2014, respectively, as compared to \$0.5 million and \$1.7 million for the three and nine-month periods ended March 31, 2013.

Each non-employee Board member who continues to serve shall receive on the date of the annual stockholders meeting an annual grant of non-qualified stock options and restricted stock units, each equal in value to \$45 thousand. The Company recorded \$44 thousand and \$159 thousand for stock-based compensation expense for these non-employee Board members restricted stock units for the three and nine-month periods ended March 31, 2014, respectively, as compared to \$54 thousand and \$100 thousand for the three and nine-month periods ended March 31, 2013.

On August 16, 2013, the Company awarded an additional 136,452 restricted stock units to certain executive officers of the Company at the market price on that date (\$5.13 per share). These restricted stock units will vest over a four year period. As of March 31, 2014, there was \$1.4 million of total unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan for these executive officers, excluding performance stock units. That cost is being recognized over a weighted-average period of 2.54 years. The Company recorded \$0.2 million and \$0.5 million for stock-based compensation expense for these executive officers for the three and nine-month periods ended March 31, 2014, as compared to \$0.1 million and \$0.4 million for the three and nine-month periods ended March 31, 2013.

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On August 16, 2013, the Company also awarded certain executive officers Performance Units of up to 389,864 of restricted stock units which are subject to attainment of certain performance milestones as well as certain continued service requirements. All or a portion of the Performance Units shall vest based upon the level of achievement of the milestones set forth in each agreement, which is expected to be achieved within five years of the grant date. The Performance Units that vest based upon attainment of the Performance Milestone will be exercised based on a percentage basis on the attainment of anniversary dates. As of March 31, 2014, there are 389,864 Performance Units available if all performances are achieved within five years of grant date. The Company recorded \$0.5 million and \$1.3 million for the stock-based compensation for the three and nine-month periods ended March 31, 2014. There is \$0.8 million of total unrecognized compensation cost related to these non-vested Performance Units granted as of March 31, 2014. That cost is being recognized over a weighted-average period of 0.4 years. The unrecognized compensation cost is subject to modification on a quarterly basis based on review of performance probability and requisite achievement periods.

6. Earnings Per Share

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

	Three Months Ended March 31, 2014		Nine Months Ended March 31, 2014	
	2014	2013	2014	2013
Consolidated net (loss) income attributable to Immunomedics, Inc.	\$ (9,506)	\$ 8,609	\$ (23,579)	\$ (3,699)
Basic (loss) earnings per share:				
Weighted average basic common shares outstanding	83,340	78,196	83,127	76,480
Basic (loss) earnings per share	\$ (0.11)	\$ 0.11	\$ (0.28)	\$ (0.05)
Diluted (loss) earnings per share:				
Weighted average basic common shares outstanding	83,340	78,196	83,127	76,480
Dilutive effect of stock options outstanding		237		
Dilutive effect of restricted stock		14		
Weighted average diluted common shares outstanding	83,340	78,447	83,127	76,480
Diluted (loss) earnings per share	\$ (0.11)	\$ 0.11	\$ (0.28)	\$ (0.05)

Stock options and warrant shares excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	7,388	7,459	7,388	7,710
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Immunomedics manages its operations as one line of business of researching, developing, manufacturing and marketing biopharmaceutical products, particularly antibody-based products for cancer, autoimmune and other serious diseases, and it currently reports as a single industry segment. Immunomedics conducts its research and development activities primarily in the United States. Immunomedics markets and sells LeukoScan® throughout Europe and in certain other countries outside the United States.

The following table presents financial information based on the geographic location of the facilities of Immunomedics as of and for the three and nine-months ended March 31, 2014 and 2013 (\$ in thousands):

Three-Months Ended March 31, 2014			
	United States	Europe	Total
Total assets	\$ 24,074	\$ 2,179	\$ 26,253
Property and equipment, net	1,980		1,980
Revenues	242	912	1,154
(Loss) income before taxes	(9,586)	53	(9,533)

Three-Months Ended March 31, 2013			
	United States	Europe	Total
Total assets	\$ 52,478	\$ 1,908	\$ 54,386
Property and equipment, net	2,175		2,175
Revenues	996	740	1,736
Income before taxes	8,516	45	8,561

Nine-Months Ended March 31, 2014			
	United States	Europe	Total
Revenues	\$ 5,453	\$ 2,402	\$ 7,855
(Loss) before taxes	(23,588)	(68)	(23,656)

Nine-Months Ended March 31, 2013			
	United States	Europe	Total
Revenues	\$ 1,403	\$ 2,197	\$ 3,600
(Loss) income before taxes	(3,898)	142	(3,756)

8. Related Party Transactions

Certain of the Company's affiliates, including members of its 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

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Chairman of the Board of Directors and Chief Medical Officer and Chief Scientific Officer, Ms. Cynthia L. Sullivan, the President and Chief Executive Officer, who is the wife of Dr. David M. Goldenberg, and certain companies with which the Company does business, including the Center for Molecular Medicine and Immunology (CMMI), and the Company's majority-owned subsidiary IBC.

Immunomedics, Inc. leases approximately 1,000 square feet of its Morris Plains, NJ facility to CMMI at a cost of approximately \$30 thousand per year. The Company incurred legal expenses on behalf of CMMI for patent related matters for the three and nine-month period ended March 31, 2014 of \$10 thousand and \$23 thousand, respectively, as compared to \$21 thousand and \$44 thousand for the three and nine-month periods ended March 31, 2013, respectively. 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 three and nine-month periods ended March 31, 2014 and 2013, Dr. Goldenberg received \$20 thousand and \$59 thousand, respectively, in compensation for his services to IBC.

9. License and Collaboration Agreements

Takeda Pharmaceutical/Nycomed GmbH

On July 11, 2008, the Company entered into the Nycomed Agreement with Nycomed providing Nycomed a worldwide license to develop, manufacture and commercialize veltuzumab, the Company's humanized anti-CD20 antibody, in the subcutaneous formulation, for the treatment of all non-cancer indications. The Company retained the rights to develop, manufacture and commercialize veltuzumab in the field of oncology. On September 30, 2011, Takeda Pharmaceutical Company Limited completed its acquisition of Nycomed and made Nycomed a wholly owned subsidiary of Takeda (Takeda-Nycomed) effective the same day.

Takeda-Nycomed was solely responsible for the development, manufacturing, regulatory approval and commercialization of veltuzumab and the development, manufacturing and regulatory approval of the subcutaneous formulation for all non-cancer indications. The Company's major obligations were to complete the research and development activities as specified in the Nycomed Agreement and to manufacture and supply veltuzumab to Takeda-Nycomed for the quantity of materials for the period of time specified in the Nycomed Agreement. The Company has completed all of its obligations under the agreement, namely its manufacturing and supply obligations and its responsibilities in the Phase I/II study in immune thrombocytopenic purpura (ITP).

On October 3, 2013, the Company received notification from Takeda Pharmaceutical Company Limited/Nycomed GmbH of termination of the licensing agreement between Nycomed GmbH and Immunomedics for the worldwide rights to veltuzumab, the humanized anti-CD20 antibody, in a subcutaneous formulation for all non-cancer indications. The notification was received subsequent to the Company's filing of arbitration proceedings in an effort to resolve the dispute the Company has with Nycomed concerning delays in the development of veltuzumab, which the Company argues is a material breach of the licensing agreement.

As a result of the termination, all rights to veltuzumab revert to the Company and both parties have begun discussions regarding the transition of veltuzumab back to the Company. In addition, the Company will continue to pursue the arbitration procedure to address its claim for damages due to, among other things, delays in the development of veltuzumab.

On October 11, 2013, Takeda and Takeda-Nycomed filed their Statement of Defense and Counterclaims alleging, among other things, that the Company wrongfully terminated the licensing

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agreement and caused Takeda and Takeda-Nycomed to suffer significant damages and delays in developing velvutuzumab. The Company responded by filing its own Statement of Defense on November 12, 2013, denying Takeda and Takeda-Nycomed's allegations and contesting Takeda or Takeda-Nycomed's rights to any relief. An arbitrator was appointed later that month. On December 20, 2013 the arbitrator issued a pre-hearing scheduling order and discovery in the arbitration is proceeding in accordance with that schedule. A hearing is planned for August 2014. The Company expects the arbitration to continue after velvutuzumab has been fully transitioned back to the Company.

UCB, S.A.

On May 9, 2006, the Company entered into an agreement with UCB, S.A. referred to herein as UCB, providing UCB an exclusive worldwide license to develop, manufacture, market and sell epratuzumab for the treatment of all non-cancer indications referred to herein as the UCB Agreement. Under the terms of the UCB Agreement, the Company received from UCB a non-refundable cash payment totaling \$38.0 million.

On December 27, 2011, the Company entered into the Amendment Agreement with UCB referred to herein as the Amendment Agreement. The Amendment Agreement provided UCB the right to sublicense epratuzumab, subject to obtaining our prior consent, to a third party for the United States and certain other territories. As of March 31, 2014, UCB has not executed a sublicense agreement with a third-party.

The Company also issued to UCB on December 27, 2011 a 5-year warrant to purchase one million shares of the Company's common stock, par value \$0.01 per share, at an exercise price of \$8.00 per share. In exchange for the right to sublicense its rights in epratuzumab to a third party and the warrant issuance, the Company received a non-refundable fee of \$30.0 million in January 2012. Further, under the terms of the Amendment Agreement, UCB surrendered its buy-in right with respect to epratuzumab in the field of oncology, which had been granted under the UCB Agreement.

Collectively, pursuant to the UCB Agreement and the Amendment Agreement the Company is entitled to receive (i) up to \$145.0 million in cash payments and \$20.0 million in equity investments in regulatory milestone payments and (ii) up to \$260.0 million related to the achievement of specified product sales milestones. The Company is also entitled to product royalties ranging from a mid-teen to mid-twenty percentage of aggregate annual net sales under the UCB Agreement and Amendment Agreement during the product royalty term. No development milestone, commercialization milestone or royalty payments were achieved through March 31, 2014. There can be no assurance that the development or commercialization milestones or royalty payment thresholds under the UCB Agreement and Amendment Agreement will be met and therefore there can be no assurance that the Company will receive such future payments.

The Agreement commenced on May 9, 2006 and shall terminate in accordance with the terms thereof or by mutual written consent, unless UCB decides to cease all development and commercialization of epratuzumab pursuant to the Agreement. Either the Company or UCB has the right to terminate the Agreement by notice in writing to the other party upon or after any material breach of the Agreement by the other party, if the other party has not cured the breach within 60 days after written notice to cure has been given, with certain exceptions. Upon termination of the Agreement, among other things, all rights and licenses granted by the Company to UCB shall terminate, all rights of UCB under the Immunomedics Patent Rights (as defined in the Agreement) and Immunomedics Know-How (as defined in the Agreement) shall revert to the Company, and UCB shall cease all use of the Immunomedics Patent Rights and Immunomedics Know-How. Further, all regulatory filings and Approvals (as defined in the Agreement) and any other documents relating to or necessary to further develop and commercialize the Licensed Compound (as defined in the Agreement) and Licensed Products (as defined in the

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Agreement), including, without limitation, all sublicenses granted by UCB, and all of UCB's right, title and interest therein and thereto, shall be assigned to the Company at the Company's option. No additional amounts shall be payable on events occurring after the effective date of termination.

Algeta ASA

In January 2013, the Company entered into a collaboration agreement with Algeta ASA for the development of epratuzumab to be conjugated with Algeta's proprietary thorium-227 alpha-pharmaceutical payload. On August 2, 2013, an amendment to the collaboration agreement was entered into between the two companies modifying certain delivery and supply parameters. Under the terms of this agreement, as amended, the Company is required to manufacture and supply clinical-grade epratuzumab to Algeta, which has rights to evaluate the potential of a Targeted Thorium Conjugate (TTC), linking thorium-227 to epratuzumab, for the treatment of patients with cancer. Algeta will fund all non-clinical and clinical development costs up to the end of Phase I clinical testing. Upon successful completion of Phase I testing, the parties shall negotiate terms for a license agreement at Algeta's request. The Company and Algeta agreed to certain parameters in the collaboration agreement. Under the terms of the collaboration agreement, as amended, Immunomedics received an upfront cash payment and other payments which have been recognized upon the Company fulfilling its obligations under the collaboration agreement. For the nine-month period ended March 31, 2014, the Company recognized \$4.6 million of revenue under this arrangement, which has been included in license fee and other revenues, while the related costs of \$1.2 million is included in cost of license fee and other revenue. As of March 31, 2014, the Company recognized all of the initial cash payments as revenue as the aspects of delivery for the clinical supply material have been satisfied.

10. Commitments and Contingencies

Employment Contracts

Effective July 1, 2011, the Company entered into the Third Amended and Restated Employment Agreement with Dr. Goldenberg for his service to the Company as the Chief Scientific Officer and Chief Medical Officer (the Goldenberg Agreement), which terminates July 1, 2016. This agreement covers aspects of his compensation as well as duties and responsibilities at Immunomedics. Under this agreement Dr. Goldenberg's annual base salary is at a minimum of \$0.5 million, which shall be reviewed annually for appropriate increases by the Board of Directors or the Compensation Committee (increased 3.5% for the 2014 fiscal year). Dr. Goldenberg will also be eligible to participate in any Company incentive compensation plan in place for its senior level executives and is eligible to receive an annual discretionary bonus based upon certain performance standards to be determined by the Compensation Committee. Dr. Goldenberg's annual bonus target is 50% of his annual base salary, subject to achievement of performance goals, with a potential payout from 0 to 150% of the target amount.

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

Under the terms of the Goldenberg Agreement, the Company makes a minimum quarterly payment of \$37.5 thousand to Dr. Goldenberg during each of the fiscal years during the Goldenberg Agreement, as an advance against the

amounts due as additional incentive compensation, royalty

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payments and dispositions of undeveloped assets. For the nine-month periods ended March 31, 2014, no additional incentive compensation payments were made to Dr. Goldenberg other than the \$37.5 thousand minimum quarterly payments. In addition to the minimum quarterly payments during the nine-month period ended March 31, 2013, the Company paid Dr. Goldenberg \$0.3 million of additional incentive compensation that was accrued from the previous fiscal year in accordance with the terms of the Goldenberg Agreement.

On July 1, 2011, the Company and Cynthia L. Sullivan entered into the Fourth Amended and Restated Employment Agreement pertaining to Ms. Sullivan's service as the Company's President and Chief Executive Officer. The Amended Sullivan Agreement shall terminate on July 1, 2014. Ms. Sullivan's annual base salary under the agreement is \$0.6 million, which shall be reviewed annually for appropriate increases by the Board of Directors or the Compensation Committee (increased by 3.5% for the 2014 fiscal year). Ms. Sullivan is also eligible to participate in the Company's incentive compensation plan in place for its senior level executives. Ms. Sullivan's annual bonus target is 50% of her base salary, subject to achievement of performance goals, with a potential payout from 0 to 150% of the target amount. Ms. Sullivan will also be eligible to receive equity compensation awards under the Company's 2006 Stock Incentive Plan, or any such successor equity compensation plan as may be in place from time to time.

Clinical Research Organization Contract

On March 19, 2014 the Company entered into a services agreement with an outside Clinical Research Organization (CRO) to provide certain services for the Company's Phase III registration study (PANcreatic Cancer RadioImmunotherapy Trial-1: PANCRIT-1) in patients with metastatic pancreatic cancer who have received at least two prior therapies, one of which must have been a gemcitabine-containing regimen. The fee associated with the services by the CRO in this contract and the forecasted pass-through costs to the investigation sites are estimated to be approximately \$30.0 million, when completed by the first half of calendar year 2016.

Legal Matters

The following is a summary of certain shareholder complaints that are outstanding:

Shareholder complaints:

Two separate shareholder derivative complaints have been filed against the Company. First, on March 24, 2014, a complaint styled Kops v. Goldenberg, et al., was filed in the Superior Court of New Jersey, Chancery Division, General Equity Part, Morris County. Second, on April 18, 2014, a complaint styled Breitman v. Sullivan, et al., was filed in the United States District Court for the District of New Jersey. The complaints allege, among other things, that the Company and certain directors and officers breached their fiduciary duties for disseminating false and misleading information relating to the termination of the Nycomed Agreement. In particular, the complaints allege that defendants failed to make timely disclosure concerning a dispute concerning a delay in the development of veltuzumab. On October 9, 2013, the Company announced that the Nycomed Agreement was terminated. The complaints allege that the breaches in fiduciary duties by the directors and officers caused damages to the Company and stockholders, including a decline in value of the Company's common stock, increased investigatory and litigation costs, and exposure to civil liability as a result of a pending securities fraud class action suit. Plaintiffs bring the derivative actions to recover damages against the directors and officers for the benefit of the Company, and to require the Company to reform and improve its corporate governance and internal procedures. The defendants believe that the allegations in the derivative complaints are without merit and intend to defend the lawsuits vigorously; however, there can be no assurance regarding the ultimate outcome of these lawsuits.

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A putative class action lawsuit, styled Nasyrova v. Immunomedics, Inc., was filed on February 27, 2014 in the United States District Court for the District of New Jersey. The lawsuit alleges that the Company and certain of its current and former officers and directors failed to disclose and/or made material misstatements in the Company's public filings relating to the termination of the Nycomed Agreement. In particular, the complaint alleges that defendants failed to make timely disclosure concerning a dispute concerning a delay in the development of veltuzumab. On October 9, 2013, the Company announced that the Nycomed Agreement was terminated. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. On April 28, 2014, competing motions were filed for the appointment of lead plaintiff and approval of each proposed lead plaintiff's selection of counsel. The defendants believe that the allegations in the class action complaint are without merit and intend to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

From time to time, the Company is party to litigation in the ordinary course of its business and may become a party to additional litigation in the future. The Company does not believe these matters, even if adversely adjudicated or settled, would have a material adverse effect on its financial condition, results of operations or cash flows.

11. Correction of Immaterial Error

Subsequent to the issuance of the Company's consolidated financial statements for the fiscal year ended June 30, 2013, the Company identified and corrected an error in its accounting for clinical trial expense and accrued liabilities. Upon investigation it was determined that the total amount of the overstatement of the accrued liability for clinical trials as of June 30, 2013 was \$3.2 million. Due to this error, the Company's operating expenses and accrued liabilities were overstated during each of the fiscal years 2008-2013. The tax consequence of this correction is limited to the reduction of deferred tax assets related to net operating losses of \$1.3 million with an offsetting reduction in the related valuation allowance.

The Company assessed the materiality of this error for each quarterly and annual period in accordance with Staff Accounting Bulletin No. 99, Materiality, and determined that the error was immaterial to each of the previously reported periods.

The effect of recording this immaterial error correction affects the presentation of the comparative consolidated condensed financial statements for the three months and nine months ended March 31, 2013 for certain line items associated with the Statements of Comprehensive Loss (in thousands):

	Three months ended March 31, 2013		Nine months ended March 31, 2013	
	As Reported	As Revised	As Reported	As Revised
<i>Statements of Comprehensive Loss</i>				
Research and development	\$ 8,457	\$ 8,114	\$ 22,143	\$ 21,333
Net income (loss)	8,237	8,581	(4,586)	(3,776)
Net income (loss) attributable to Immunomedics, Inc. stockholders	8,265	8,609	(4,509)	(3,699)

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These corrections did not impact cash flows from operating activities for the nine-month period ended March 31, 2013.

12. Subsequent Event

On May 2, 2014, the Company announced the pricing of an underwritten public offering of 9 million shares of its common stock, offered at a price to the public of \$3.35 per share. The gross proceeds from this offering to the Company are expected to be \$30.15 million, before deducting underwriting discounts and commissions and other estimated offering expenses payable by the Company. Immunomedics has granted the underwriters a 30-day option to purchase up to an additional 1.35 million shares of common stock. Any proceeds from the underwriters' over-allotment will be incremental to the initial offering proceeds. The offering closed on May 7, 2014. The shares of common stock were sold pursuant to an effective shelf registration statement filed with the Securities and Exchange Commission.

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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 substance used in connection with any discussion of future operating or financial performance, are intended to identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, among other things: our inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that we may be unable to obtain additional capital through strategic collaborations, licensing, convertible debt securities or equity financing in order to continue our research and development programs as well as secure regulatory approval of and market our drug candidates; our dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under our collaborative agreements; uncertainties about our ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing products; our ability to protect our proprietary technologies; patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the United States and internationally; 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, Inc. (Immunomedics, the Company, we, our or us), or 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, cytokines or toxins, in each case to create highly targeted agents. Using these technologies, we have built a pipeline of therapeutic product candidates that utilize several different

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mechanisms of action. Our lead product candidate, epratuzumab, is currently in two Phase III clinical trials in patients with systemic lupus erythematosus. In oncology, clivatuzumab tetraxetan labeled with a radioisotope is in a Phase III clinical trial in patients with advanced pancreatic cancer. Additional solid tumor therapeutics in Phase II clinical development include 2 antibody-drug conjugates, IMMU-132 (anti-TROP-2-SN-38) and IMMU-130 (anti-CEACAM5-SN-38).

We also have a majority ownership in IBC Pharmaceuticals, Inc., which is developing a novel DOCK-AND-LOCK (DNL) method with us for making fusion proteins and multifunctional antibodies. DNL is being used particularly to make bispecific antibodies targeting cancers and infectious diseases as a T-cell redirecting immunotherapy, as well as bispecific antibodies for next-generation cancer and autoimmune disease therapies. We believe that our portfolio of intellectual property protects our product candidates and technologies.

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

the type of therapeutic compound under investigation and nature of the disease in connection with which the compound is being studied;

our ability, as well as the ability of our partners, to conduct and complete clinical trials on a timely basis;

the time required for us to comply with all applicable federal, state and foreign legal requirements, including, without limitation, our receipt of the necessary approvals of the U.S. Food and Drug Administration, or FDA;

the financial resources available to us during any particular period; and

many other factors associated with the commercial development of therapeutic products outside of our control.

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

Research and Development

As of March 31, 2014, we employed 20 professionals in our research and development departments and 19 professionals in our non-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.

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Clinical Pipeline Update

The following is an update of the status of our clinical trials.

Epratuzumab

UCB: Two Phase III studies of epratuzumab are ongoing in patients with systemic lupus erythematosus (SLE). These are multinational, placebo-controlled, randomized, double-blind studies designed to confirm the clinical efficacy and safety of epratuzumab in the treatment of patients with moderate to severe general SLE, in addition to continuing standard of care treatments. Each study includes the randomization of 780 patients, with approximately 130 planned investigational sites per study. Top-line results from these studies are expected in the first quarter of calendar year 2015.

UCB launched these pivotal studies based on encouraging results from the Phase IIb study it completed in fiscal year 2010. Results from this study were published in 2013 (Ann Rheum Dis. 2014 Jan;73(1):183-90. doi: 10.1136/annrheumdis-2012-202760. Epub 2013 Jan 12. PMID: 23313811). In addition, results from an open-label extension of UCB's EMBLEM Phase IIb study evaluating the long-term effects of epratuzumab treatment in adult patients with moderate-to-severe SLE were presented at the 2013 Annual Scientific Meeting of the American College of Rheumatology (Arthritis Rheum. Oct 2013; 65(Supplement S10): S681-2, S737-8 and at the 2013 EULAR Congress (Ann Rheum Dis. 2013; 72(Suppl3): Abstracts 257 and 259). In 2012, results from the open-label extension study of the ALLEVIATE trials were presented at the American College of Rheumatology Annual Scientific Meeting (Arthritis Rheum. Oct 2012; 64(Supplement S10): S276-7 and S953-4). These studies showed that continued cycles of epratuzumab therapy maintained improvements or further reduced the lupus disease activity of patients over a timeframe of approximately 4 years. Also, there was a reduction in corticosteroid doses, a tolerable safety profile, and no new safety concerns identified. Patients also reported clinically meaningful improvements in health-related quality of life that were sustained over approximately 4 years of treatment. Results from the ALLEVIATE trials have also been published (Rheumatology (Oxford). 2013 Jul; 52(7): 1313-22. doi: 10.1093/rheumatology/ket129. Epub 2013 Mar 28. PMID: 23542611).

Epratuzumab remains of interest to the oncology community. In January 2013, we entered into a collaboration agreement with Algeta ASA, or Algeta, for the development of epratuzumab conjugated with Algeta's proprietary thorium-227 alpha-pharmaceutical payload. Under the terms of this agreement, we have manufactured and supplied clinical-grade epratuzumab to Algeta, which has rights to evaluate the potential of a conjugated thorium-227 epratuzumab for the treatment of cancer. Algeta will fund all nonclinical and clinical development costs up to the end of Phase I clinical testing. Upon successful completion of Phase I clinical testing, the parties shall negotiate terms for a license agreement at Algeta's request. We have agreed with Algeta to certain parameters to be included in the license agreement.

Epratuzumab has already been studied in several large cancer clinical trials and continues to be studied in diverse trials conducted by outside third parties. Examples of these studies include:

In the United States, the Southwest Oncology Group (SWOG) Study Group has completed a multicenter Phase II trial of epratuzumab combined with chemotherapy (clofaribine and cytarabine) in patients with relapsed adult ALL. The primary objective of this trial was complete remission rate. Initial results from this study were reported at the American Society of Hematology (ASH) 2012 Annual Meeting (Blood, ASH Annual Meeting Abstracts. Nov 2012; 120: 2603).

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The Cancer and Leukemia Group B (CALGB) Study Group have completed a Phase II trial of epratuzumab in combination with rituximab in patients with untreated follicular lymphoma. Sixty patients were enrolled in this multicenter trial where patients received 8 doses of epratuzumab and rituximab over 9 months. Results from this trial have been published (Cancer. 2013 Aug 6. doi: 10.1002/cncr.28299. Epub ahead of print. PMID: 23922187).

The Diffuse Large B-Cell Lymphoma (DLBCL) study conducted by the NCCTG Study Group received encouraging results from the first part of study with epratuzumab + rituximab + CHOP chemotherapy as upfront therapy (Cancer. 2006 Dec 15;107(12):2826-32). A total of 107 patients were enrolled in the second part of the study, a multicenter Phase II trial. The results, which showed a high rate of durable complete responses, were published in the journal Blood (Blood. 2011 Oct 13; 118(15):4053-4061. doi: 10.1182/blood-2011-02-336990. PMID: 21673350).

A large multi-center international trial conducted by the IntraALL Inter-European study group is being planned for epratuzumab in combination with chemotherapy in pediatric patients with relapsed acute lymphoblastic leukemia (ALL). Partially funded by the European Commission, this Phase III study will assess the efficacy and safety of this combination therapy using event-free survival as the surrogate for survival as the primary endpoint, which is a surrogate for overall survival.

For adult patients with ALL, there are two ongoing clinical trials. The MARALL trial, led by oncologists at St. Bartholomew's Medical Center, London, is a multicenter Phase I/II combining epratuzumab, velutuzumab and chemotherapy in relapsed adult patients with ALL, and is expected to enroll 55 patients.

Sponsored by the French GRAALL Study Group, the CheprALL study is a multicenter Phase II study conducted in France using epratuzumab combined with chemotherapy in adult patients with relapsed ALL, with an estimated planned enrollment of 55 patients.

Clivatuzumab Tetraxetan

We have begun patient enrollment into our Phase III registration study (PANcreatic Cancer RadioImmunotherapy Trial-1: PANCRIT-1) in patients with metastatic pancreatic cancer who have received at least two prior therapies, one of which must have been a gemcitabine-containing regimen. The study is evaluating the safety and overall survival of clivatuzumab tetraxetan labeled with yttrium-90 (Y-90) plus gemcitabine and best supportive care compared to placebo plus gemcitabine and best supportive care. Clivatuzumab tetraxetan is the conjugation of hPAM4, an antibody that targets a mucin antigen found on pancreatic cancer cells - and a linker that can be easily radiolabeled with Y-90 and other radioisotopes.

We plan to enroll approximately 440 patients with relapsed pancreatic cancer into the study, which we expect to complete by the middle of calendar year 2015. A majority of these patients will be recruited at clinical trial sites in the U.S., with additional sites in Canada, Europe and Israel. Eligible patients will be randomized 2 to 1 to the treatment arm of 3 doses of Y-90 clivatuzumab tetraxetan plus 4 doses of gemcitabine at 200 mg/m² per cycle or placebo plus low-dose gemcitabine. All patients will also receive best supportive care. Treatments are administered during the initial 4 weeks of each 7-week cycle.

Our decision to proceed with the PANCRIT-1 study was based on encouraging results obtained from the recently conducted Phase Ib clinical trial in the same pancreatic cancer patient population. Overall, these patients had received an average of 3.6 prior treatments (range 2-8) for their pancreatic cancer. As presented at the 15th World Congress on Gastrointestinal Cancer organized by the European Society of Medical Oncology (Ann Oncol. 2013; 24(suppl 4): iv12. doi: 10.1093/annonc/mdt201.4), at the 26th Annual Congress of the European Association of Nuclear Medicine (Eur J Nucl Med and

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Molecular Imaging. Oct 2013; 40(2 Supplement): abstract OP670), and updated at the Company's R&D day in April, 2014, the combination of Y-90 clivatuzumab tetraxetan and gemcitabine improved survival compared with the radiolabeled antibody alone, with a hazard ratio of 0.54 which was statistically significant ($P = 0.020$). Two patients in the combination arm are still alive and their survival is now more than one year, including one patient at 1.5 years since starting this combination therapy. Additionally, there were 2 partial responders ($>20\%$ reduction in the unidimensional measurement of up to 5 target lesions) in the combination arm. Other than manageable thrombocytopenia and neutropenia, there were limited moderate-to-severe-toxicities. More importantly, the rapid enrollment of the Phase Ib study demonstrated an unmet medical need for treatment options for patients in this late-stage setting.

We have also completed a Phase I/II, open-label trial of Y-90 clivatuzumab tetraxetan administered as fractionated, multi-doses, in combination with gemcitabine as frontline therapy for patients with Stage III or Stage IV pancreatic cancer. The Phase I portion of this study has been published (Cancer. 2012 Nov 15; 118(22):5497-506. doi: 10.1002/cncr.27592. Epub 2012 May 8. PMID: 22569804). Final results from this study were reported at the June 2012 American Society of Clinical Oncology Annual Meeting (J Clin Oncol. 30, 2012 (suppl; abstr 4043)), and at the 2012 Annual Meeting of the Society of Nuclear Medicine (SNM) (J Nucl Med. 2012; 53 (Supplement 1): 495). Patients receiving multiple cycles of Y-90 clivatuzumab tetraxetan and low-dose gemcitabine reported a median overall survival of 11.8 months, which compares favorably with other regimens for advanced pancreatic cancer.

A Phase I dose-escalation, multicenter, trial of Y-90 clivatuzumab tetraxetan given alone in relapsed, advanced pancreatic cancer patients has been published in Clinical Cancer Research (Clin Cancer Res. 2011 Jun 15;17(12): 4091-100. doi:10.1158/1078-0432.CCR-10-2579. Epub 2011 Apr 28. PMID: 21527562).

IMMU-130

This is an investigational solid-tumor therapeutic from our antibody-drug conjugate (ADC) program. IMMU-130 includes SN-38, the active metabolite of irinotecan, a chemotherapeutic for patients with cancer approved by many Health Authorities including the Food and Drug Administration (FDA). SN-38 cannot be given directly to patients because of its toxicity and poor solubility. IMMU-130 is created at Immunomedics by conjugating SN-38 to labetuzumab, our anti-carcinoembryonic antigen antibody (anti-CEACAM 5). This potent ADC selectively binds to tumors cells, thereby targeting the tumors and minimizing damage to normal tissues and organs.

Results from 3 Phase I studies were reported at the 2014 Annual Meeting of the American Association for Cancer Research (AACR Meeting Abstracts, Apr 2014; 2014: CT211) and updated at the Company's R&D day in April, 2014. Patients with advanced metastatic colorectal cancer (mCRC) who relapsed after at least one irinotecan-containing treatment were enrolled in these multicenter trials to evaluate several dosing schedules. Twenty-four patients completed their treatment response assessment by RECIST criteria. The ADC was therapeutically active in all 3 trials, but a more frequent dosing schedule, with administrations of IMMU-130 once or twice-weekly for 2 weeks followed by a week off, appeared to be more active in patients with (mCRC) than when administered every other week.

With every-other-week dosing, of the 12 assessable patients, there was one partial response, or PR, while 4 other patients had stable disease as best response, resulting in a 42% rate of disease control. The partial responder tolerated a total of 18 doses at 16 mg/kg and showed a 40.6% decrease in the liver and lung target lesions measured by CT, with disease shrinkage observed over a period of about 9 months.

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With more frequent dosing, a higher rate of disease control of 75% was observed in both groups, and one patient treated twice weekly achieved a PR (shrinkage of 66% of target tumors measured by CT, based on RECIST criteria). This patient received 40 IMMU-130 injections over 8 months, with disease shrinkage first observed within 2 months from the start of treatment, and with the partial response now continuing for more than 4 months.

In all three trials, measurement of SN-38 concentrations in the serum found much higher levels that were sustained longer than is typically found with irinotecan therapy (the parental drug of SN-38). However, most of the SN-38 remains bound to the antibody, keeping it in an inactive form to normal tissues while in circulation, which reduces toxicity, yet allowing for higher concentrations of activated SN-38 to be delivered to the tumor where it is released from the pH- sensitive linker. Neutropenia and manageable diarrhea were the main side effects.

IMMU-132

Our second investigational solid-tumor ADC involves our anti-TROP-2 antibody, hRS7, conjugated to SN-38. TROP-2 is a cell-surface receptor expressed by many human tumors, such as cancers of the breast, colon and rectum, lung, pancreas, ovary, prostate, and cervix, but with only limited expression in normal human tissues. hRS7 internalizes into cancer cells following binding to TROP-2, making it a suitable candidate for the delivery of cytotoxic drugs.

This ADC has received orphan drug status from the Office of Orphan Products Development of the U.S. Food and Drug Administration for the treatment of patients with small cell lung cancer (SCLC). In addition to SCLC, the agent is currently in Phase I/II clinical development focusing on a few select types of solid cancers including triple-negative breast cancer and colorectal cancer.

Results from this multicenter study, as well as initial data from the expansion phase of the trial, were presented at the 2014 Annual Meeting of AACR (AACR Meeting Abstracts, Apr 2014; 2014: CT206) and updated at the Company's R&D Day in April, 2014. In all, 6 patients reported a partial response as their best response, based on RECIST 1.1 criteria by at least one computer tomography (CT) assessment, including 2 of the 4 patients with SCLC, 2 of the 7 patients with triple-negative breast cancer, 1 of the 15 patients with colorectal cancer and 1 of the 4 patients with esophageal cancer.

In addition to these 6 partial responses, among the 42 patients who had at least one response assessment by CT, 23 patients had stable disease as their best response, giving an overall disease control rate of 69%. Besides colorectal, esophageal, triple-negative breast, and SCLC, the 42 CT-assessable patients include 8 other types of solid cancer. These patients had failed a median of 4 prior treatments, some including topoisomerase-I and -II inhibiting drugs such as irinotecan, and in some cases are showing durable responses up to almost one year.

Because irinotecan is the parent of SN-38, we postulate that the increased amount of SN-38 selectively delivered to the tumors by our ADCs improves its efficacy, decreases the toxicities of SN-38, and improves its bioavailability.

Veltuzumab

The trial in immune thrombocytopenia (ITP), conducted by Immunomedics and funded by Takeda-Nycomed, to evaluate alternative dosing schedules has completed patient enrollment. Results from the Phase I portion of this study have been published (Br J Haematol. 2013 Sep; 162(5): 693-701. doi: 10.1111/bjh.12448. Epub 2013 Jul. PMID: 23829485). The study was updated in an oral presentation at the 2012 ASH meeting (Blood, ASH Annual Meeting Abstracts. Nov 2012; 120:622). Final results were presented at the 2013 ASH annual meeting (Blood. ASH Annual Meeting Abstracts. Nov 2013; 122:

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1080). Veltuzumab, administered subcutaneously (SC) as a single agent, produced an overall objective response rate of 49% in 47 evaluable patients with relapsed ITP, including 15 patients (32%) who reported a complete response.

For the 23 patients who responded, median time to relapse from initial veltuzumab dose was 9.2 months, with 11 patients (48%) maintaining their response for more than 1 year. Veltuzumab showed activity across all dose levels tested, including the lowest level at 80 mg for 2 doses, and was active in patients with limited disease duration of 1 year or less, as well as in more heavily pretreated patients with chronic refractory disease.

The SC veltuzumab trial in patients with NHL has been completed and the results have been published (Haematologica. 2011 Apr; 96(4): 567-73. doi: 10.3324/haematol.2010.037390. Epub 2010 Dec 20. PMID: 21173095). For chronic lymphocytic leukemia (CLL), after amending the protocol to evaluate a different dosing schedule, the study is now completed. Results from 18 assessable patients with CLL were presented in an oral presentation at the 2012 ASH Annual Meeting (Blood, ASH Annual Meeting Abstracts. Nov 2012; 120: 192).

We are currently evaluating various options for further clinical development of veltuzumab in ITP and other autoimmune disease indications, as well as in oncology, including licensing arrangements and collaborations with outside study groups.

Epratuzumab Tetraxetan

We have received funding from the Small Business Innovation Research program of the National Cancer Institute to conduct a multicenter trial examining the combination of Y-90 epratuzumab tetraxetan and veltuzumab in patients with relapsed, aggressive NHL. Initial clinical experience with this combination was reported at the 2012 Annual Meeting of SNM, and was updated at the 54th ASH Annual Meeting (Blood, ASH Annual Meeting Abstracts. Nov 2012; 120: 3680) and at the 2013 Annual Meeting of the Society of Nuclear Medicine and Molecular Imaging (SNMMI) (J Nucl Med. 2013; 54 (Supplement 2):1368).

At the same SNMMI Annual Meeting, updated results from a multicenter Phase II prospective trial of Y-90 epratuzumab tetraxetan as a consolidation therapy following R-CHOP in elderly patients with diffuse large B-cell lymphoma were reported by the French LYSA study group in an oral presentation (J Nucl Med. 2013; 54 (Supplement 2):179).

Milatuzumab

Milatuzumab is being investigated in combination with veltuzumab by our collaborators at the Ohio State University, in patients with relapsed or refractory B-cell non-Hodgkin lymphoma (NHL) after at least one prior therapy. Results from a Phase I/II study were updated at the 2011 ASH Annual Meeting. Patient enrollment for this study is now completed. The milatuzumab + veltuzumab combination has previously demonstrated *in vitro* anti-tumor activity in nonclinical studies performed by this group (Blood. 2011 Apr 28; 117(17): 4530-41. doi: 10.1182/blood-2010-08-303354. Epub 2011 Jan 12. PMID: 21228331).

In addition, we have received a Department of Defense grant for a clinical study of milatuzumab in patients with lupus. The anti-CD74 antibody is also being developed for the treatment of graft-versus-host disease.

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Milatuzumab-DOX

Milatuzumab conjugated with doxorubicin was our first ADC to enter into clinical development, taking advantage of the rapid internalization property of milatuzumab when bound to CD74 expressed on cancer cells. The Phase I/II clinical trial of this ADC first enrolled patients with relapsed multiple myeloma and was later expanded to include NHL and CLL. Patient enrollment is completed for the multiple myeloma indication and ongoing for NHL and CLL.

IMMU-114

This is a humanized, anti-HLA-DR antibody being investigated in a Phase I dose-escalation study as a monotherapy for patients with NHL or CLL.

TF2

TF2 is an isotope-based radioimmunotherapeutic agent for the treatment of patients with solid cancers expressing the carcinoembryonic antigen (CEA). This agent is currently being studied in three investigator-sponsored clinical trials in France. The first study is a multicenter Phase I/II trial for pretargeted radioimmunotherapy of patients with CEA-expressing SCLC, while the other two trials are for pretargeted immunoPET imaging of patients with breast or medullary thyroid cancer.

In addition, our collaborators at Radboud University Nijmegen, The Netherlands, have completed a Phase I trial of TF2 in patients with advanced colorectal cancer. Encouraging results from this study were presented at the 2012 Annual Meeting of the Society of Nuclear Medicine. (J Nucl Med. 2012; 53(Supplement 1): 496).

Critical Accounting Policies

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

Revenue Recognition

We have accounted for revenue arrangements that include multiple deliverables as a separate unit of accounting if: a) the delivered item has value to the customer on a standalone basis, and b) the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor, in accordance with the accounting standard for multiple-element arrangements. If these criteria are not met, the revenue elements must be considered a single unit of accounting for purposes of revenue recognition. We allocate revenue consideration, excluding contingent consideration, based on the relative selling prices of the separate units of accounting contained within an arrangement containing multiple deliverables. Relative selling prices are determined using vendor specific objective evidence, if it exists; otherwise third-party evidence or our best estimate of selling price is used for each deliverable.

Payments received under contracts to fund certain research activities are recognized as revenue in the period in which the research activities are performed. Payments received in advance that are related to future performance are deferred and recognized as revenue when the research projects are performed or the product is delivered. Upfront nonrefundable fees associated with license and development agreements

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where we have continuing obligations in the agreement are recorded as deferred revenue and recognized over the estimated service period. If the estimated service period is subsequently modified, the period over which the upfront fee is recognized is modified accordingly on a prospective basis.

In order to determine the revenue recognition for contingent milestones, we evaluate the contingent milestones using the criteria as provided by the FASB guidance on the milestone method of revenue recognition at the inception of a collaboration agreement. The criteria requires that (i) we determine if the milestone is commensurate with either our performance to achieve the milestone or the enhancement of value resulting from our activities to achieve the milestone, (ii) the milestone be related to past performance, and (iii) the milestone be reasonable relative to all deliverable and payment terms of the collaboration arrangement. If these criteria are met, then the contingent milestones can be considered as substantive milestones and will be recognized as revenue in the period that the milestone is achieved. Royalties are recognized as earned in accordance with the terms of various research and collaboration agreements.

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

Financial Instruments

The carrying amounts of cash and cash equivalents, other current assets and current liabilities approximate fair value due to the short-term maturity of these instruments. We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments in marketable securities are available-for-sale to fund operations. The portfolio at March 31, 2014 primarily consists of corporate debt securities and municipal bonds.

Stock-Based Compensation

We have a stock incentive plan, the Immunomedics, Inc. 2006 Stock Incentive Plan, as amended, that includes a discretionary grant program, a stock issuance program and an automatic grant program. The plan was established to promote the interests of the Company, by providing eligible persons with the opportunity to acquire a proprietary interest in the Company as an incentive to remain with the organization and to align the employee's interest with our stockholders. This plan is described more fully in Note 6 to our audited financial statements included in our Annual Report on Form 10-K/A for the year ended June 30, 2013 and Note 5 to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, 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 and (c) the risk-free interest rate for the expected term of the option. We use 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.

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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, 2014 and 2013:

	Nine-month periods ended March 31,	
	2014	2013
Expected dividend yield	0%	0%
Expected option term (years)	3.47	5.37
Expected stock price volatility	66%	69%
Risk-free interest rate	0.03%-1.79%	0.98%-1.25%

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

Research and Development Costs

Research and development costs are expensed as incurred. Costs incurred for clinical trials for patients and investigators are expensed as services are performed in accordance with the agreements in place with the institutions.

Reimbursement of Research & Development Costs

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

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, 2014 Compared to 2013***Revenues***

Revenues for the three-month period ended March 31, 2014 were \$1.2 million as compared to \$1.7 million for the same period in 2013, representing a decrease of \$0.5 million or 29%. The decrease was primarily due to research and development revenues that were \$0.2 million for the three-month period ended March 31, 2014 as compared to \$0.9 million for the corresponding period in the prior year, a decrease of \$0.7 million or 78%. This decrease was due to the timing of activities of the grants. Product sales for the three-month periods ended March 31, 2014 were \$0.9 million as compared to \$0.8 for the same period in 2013.

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Costs and Expenses

Total costs and expenses for the three-month period ended March 31, 2014 were \$10.7 million, as compared to \$9.9 million for the same period in 2013, representing an increase of \$0.8 million or 8%. Research and development expenses for each of the three-month periods ended March 31, 2014 and 2013 were \$8.1 million. Cost of goods sold was \$0.1 million for both three-month periods ended March 31, 2014 and 2013, with gross profit margins for product sales of approximately 90% and 88% for the three month periods ended March 31, 2014 and 2013, respectively.

Sales and marketing expenses for both the three-month periods ended March 31, 2014 and 2013 were \$0.2 million. General and administrative costs increased \$0.7 million to \$2.2 million or 47% for the three-month period ended March 31, 2014, from \$1.5 million for the same period of 2013. This was due primarily to increased legal and professional fees (\$0.5 million) and increased employee-related costs (\$0.2 million).

Arbitration Settlement, net

On April 15, 2009, the Company initiated an arbitration proceeding before the Financial Industry Regulatory Authority (FINRA) against its former investment advisor/broker-dealer, Banc of America Investment Services, Inc. and Banc of America Securities, LLC relating to its prior investment in certain securities. On March 27, 2013 the Company reached a settlement in such matter. Pursuant to the settlement, the Company received a gross settlement amount of \$18.0 million, dismissed the proceeding with prejudice, and together with the broker-dealer, released each other from all claims and liabilities arising out of the arbitration. The Company received the net amount of approximately \$16.7 million after payment of expenses and legal fees.

Net (Loss)/Income Attributable to Immunomedics, Inc. Stockholders

Net (Loss) Attributable to Immunomedics, Inc. Stockholders for the three-month period ended March 31, 2014 was (\$9.5) million or (\$0.11) per share, as compared to a net income of \$8.6 million or \$0.11 per share, for the same period in 2013, representing a decrease of \$18.1 million, or 210%. The decrease in net income attributable to Immunomedics, Inc. Stockholders over the same period in 2013 resulted primarily from the \$16.7 million arbitration settlement in the previous year and the higher operating loss in the third quarter of fiscal 2014.

Nine-Month Period Ended March 31, 2014 Compared to 2013

Revenues

Revenues for the nine-month period ended March 31, 2014 were \$7.9 million as compared to \$3.6 million for the same period in 2013, representing an increase of \$4.3 million, or 119%. License and other revenues were \$4.6 million for the nine-month period ended March 31, 2014 compared to \$0.1 million for the same period in the previous year. The license and other revenue in the 2014 period resulted from revenue earned upon fulfilling the Company's obligations under the Algeta ASA Service Agreement, as amended. Product sales for the nine-month period ended March 31, 2014 were \$2.4 million as compared to \$2.2 million for the same period in 2013, representing an increase of \$0.2 million, or 9%, as sales volume of LeukoScan in Europe has increased from the prior year. Research and development revenues for the nine-month period ended March 31, 2014 were \$0.8 million as compared to \$1.3 million for the previous year, representing a decrease of \$0.5 million, or 38%, due to the timing of grant revenues in place during each period.

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Costs and Expenses

Total costs and expenses for the nine-month period ended March 31, 2014 were \$31.5 million as compared to \$26.7 million for the same period in 2013, representing an increase of \$4.8 million, or 18%. Research and development expenses for the nine-month period ended March 31, 2014 were \$23.2 million as compared to \$21.3 million for the same period in 2013, representing an increase of \$1.9 million, or 9%. The increase in research and development expenses resulted primarily from the increased manufacturing costs for material used for the antibody-drug conjugates clinical trials and the initiation of the clivatuzumab tetraxetan Phase III clinical trial for the treatment of patients with pancreatic cancer.

Cost of goods sold for each of the nine-month periods ended March 31, 2014 and 2013 was \$0.3 million. Gross profit margins were 89% and 87%, respectively, for the first nine-months of fiscal 2014 and fiscal 2013. Cost of license fee and other revenues of \$1.2 million resulted from the recognition of manufacturing costs related to the Algeta service agreement which was completed during the nine-month period ended March 31, 2014. Sales and marketing expenses increased from \$0.6 million for the nine-month period ended March 31, 2013 to \$0.9 million for the nine-month period ended March 31, 2014. This increase was primarily due to the increased European regulatory fees required for the sale of the LeukoScan product in Europe in the current year. General and administrative costs were \$6.0 million for the nine-month period ended March 31, 2014 and \$4.5 million for the same period in 2013 representing an increase of \$1.5 million or 33%. This increase is primarily attributable to approximately \$0.9 million of increased legal and professional fees, (principally increased legal fees regarding the arbitration proceedings with Takeda-Nycomed) and \$0.4 million of increased employee-related expenses.

Arbitration Settlement, net

Pursuant to the arbitration settlement on March 27, 2013, we received a settlement amount of \$16.7 million, net of expenses and legal fees.

Insurance Proceeds

Insurance proceeds totaling \$2.6 million were received during the nine-month period ended March 31, 2013 as a result of insurance claims for an equipment failure during the 2011 fiscal year. A cash payment for a business interruption insurance claim of \$2.5 million was received in October 2012, which had resulted from the equipment failure that had limited the production of materials necessary for certain research and development product development. There was no such claim for the current year. In addition, proceeds of \$0.1 million were also received in September 2012 for a property claim regarding the same equipment failure.

Net Loss Attributable to Immunomedics, Inc. Stockholders

Net Loss Attributable to Immunomedics, Inc. Stockholders for the nine-month period ended March 31, 2014 was \$23.6 million or \$0.28 per share, as compared to net loss of \$3.7 million or \$0.05 per share, for the same period in 2013, representing an increased net loss of \$19.9 million. The increase in net loss attributable to Immunomedics, Inc. for the same period in 2013 resulted primarily from the \$16.7 million arbitration settlement, \$2.6 million insurance proceeds received during the previous year, and the \$0.6 million in higher operating losses in the current period.

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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, 2014 was \$21.6 million compared to \$0.6 million net cash provided by operating activities for the nine months ended March 31, 2013. The increase in the current fiscal year's cash flow used in operations is primarily due to the \$16.7 million proceeds from the arbitration settlement and \$2.6 million in insurance proceeds received during the previous year.

Cash flows from investing. Net cash used in investing activities for the nine-months ended March 31, 2014 was \$16.3 million compared to \$0.3 million of net cash used in investing activities for the nine-months ended March 31, 2013. The increase in cash used in investing activities for fiscal 2014 is primarily due to \$20.0 million of purchases of marketable securities in the current period, partially offset by the maturities or sales of approximately \$4.1 million of these securities during fiscal year 2014.

Cash flows from financing. Net cash provided by financing activities for the nine-month period ended March 31, 2014 was \$1.4 million as compared to \$14.6 million for the previous year. The decrease in cash flows from financing is due to the approximately \$14.8 million of cash proceeds received from the sale of 7,000,000 shares of common stock at \$2.30/share in the prior fiscal period.

Working Capital and Cash Requirements

At March 31, 2014, we had working capital of \$19.0 million, which was approximately \$19.5 million lower than the working capital of \$38.5 million at June 30, 2013. Our cash, cash equivalents and marketable securities amounted to \$20.9 million at March 31, 2014 representing a decrease of \$20.4 million from \$41.3 million at June 30, 2013. The decreases were primarily a result of our use of \$21.6 million of cash in operations.

On May 2, 2014, we announced the pricing of an underwritten public offering of 9 million shares of our common stock, offered at a price to the public of \$3.35 per share. The gross proceeds from this offering to us are expected to be \$30.15 million, before deducting underwriting discounts and commissions and other estimated offering expenses payable by us. We have granted the underwriters a 30-day option to purchase up to an additional 1.35 million shares of common stock. Any proceeds from the underwriters' over-allotment will be incremental to the initial offering proceeds. The offering is expected to close on or about May 7, 2014.

We continue to actively pursue various financing alternatives through collaborative licensing and partnership agreements. 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. Current cash flow requirements in fiscal year 2014 are expected to be approximately \$30.0 million and we estimate that the cash flow requirements will be approximately \$43.0 million in fiscal 2015.

As of March 31, 2014, we have \$20.9 million of cash, cash equivalents and marketable securities. Based on our expected cash flow projections, we believe we have sufficient funds to continue our operations and research and development programs for at least the next twelve months, after taking into consideration the proceeds from the issuance and sale of our common stock in May 2014. The expected higher level of expenses for fiscal year 2014 and 2015 related primarily to the start of the clivatuzumab tetraxetan Phase III clinical trial for the treatment of patients with pancreatic cancer and expenses for the ongoing Antibody Drug Conjugate (ADC) programs, as well as increased legal and professional fees.

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The Phase Ib clinical trial of clivatuzumab tetraxetan in patients with advanced pancreatic cancer was completed during the 2013 fiscal year. Based on the results of such trial, we decided to proceed with a Phase III clinical trial. We recognize that the completion of this trial will require additional funding. There can be no assurances that licensing arrangements or other financing will be available when needed on terms acceptable to it, if at all. If we are unable to raise capital on acceptable terms, our ability to complete the Phase III trial and continue our business would be materially and adversely affected. Furthermore, the terms of any such licensing activity, debt or equity financing may include covenants which may limit our future ability to manage the business. 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.

Our ability to raise capital through public and private equity or debt financings is dependent upon economic conditions that may be present at the time of these fund raising events. There can be no assurances that financing will be available when needed with acceptable terms to us, 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. Furthermore, the terms of any such debt or equity financing may include covenants which may limit our future ability to manage the business. 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 Form 10-Q. Our working capital and working capital requirements are affected by numerous factors and such factors may have a negative impact on our liquidity. Principal among these are the success of product commercialization and marketing products, the technological advantages and pricing of our products, the impact of the regulatory requirements applicable to us, and access to capital markets that can provide us with the resources, when necessary, to fund our strategic priorities.

Effects of Inflation

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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ITEM 4. CONTROLS AND PROCEDURES

Subsequent to the issuance of our consolidated financial statements as of and for the fiscal year ended June 30, 2013, we identified the following deficiency in our internal control over financial reporting as of June 30, 2013 that we consider to be a material weakness.

The Company determined that it did not maintain effective controls over the measurement of clinical trial accrued liabilities and related expense including the accuracy of information used in the measurement of services on an as incurred basis.

As a result of the internal control deficiency, the Company's accrued liabilities were overstated by an immaterial amount during each of the fiscal years 2008-2013 and as of September 30, 2013. The Company has adjusted the comparative presentation of amounts reported in the condensed consolidated interim financial statements as at for the three and nine months ended March 31, 2014 included in this Report as a correction of immaterial error.

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the company's annual or interim financial information will not be prevented or detected on a timely basis.

Based on the evaluation of our disclosure controls and procedures by the Company's Chief Executive Officer and Chief Financial Officer and the identification of the material weakness discussed above, the Company's disclosure controls and procedures were not effective as of June 30, 2013 and through March 31, 2014.

(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 and the identification of the material weaknesses discussed above, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report.

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

We are taking actions to remediate the material weakness related to our preventive and detective internal controls over the completeness and accuracy of our clinical trial accruals and related expense. This will include the validation and reconciliation of the clinical trial accrual on a patient by patient and site by site basis using data provided by third parties to quantify the liability and reflect it on an as services incurred basis. We will continue to strengthen our internal controls over clinical trial expense during the remainder of the fiscal year.

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We are in the process of performing our plan for testing and certification as provided under Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404). If we are unable to correct the material weakness we have identified prior to the end of fiscal year ending June 30, 2014, or if we experience other problems that prevent the favorable assessment of the effectiveness of our internal control over financial reporting, we will be required to conclude and report that our internal control over financial reporting is not effective as of that date and investor confidence and our stock price could be adversely affected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we may be subject to legal proceedings and claims. At this time, we are not a party to any legal proceedings, claims or assessments that, in management's opinion, would have a material adverse effect on our business, financial condition or results of operations.

A summary of our dispute with Takeda-Nycomed follows. We do not believe the outcome of such dispute will have a material adverse effect on our business, financial condition or results of operations.

On October 3, 2013, we received notification from Takeda Pharmaceutical Company Limited/Nycomed GmbH of termination of the licensing agreement between Nycomed GmbH and Immunomedics for the worldwide rights to veltuzumab, the humanized anti-CD20 antibody, in a subcutaneous formulation for all non-cancer indications. The notification was received subsequent to our filing of arbitration proceedings in an effort to resolve the dispute we have with Nycomed concerning delays in the development of veltuzumab, which we argue is a material breach of the licensing agreement.

As a result of the termination, all rights to veltuzumab revert to us and both parties have begun discussions regarding the transition of veltuzumab back to us. In addition, we will continue to pursue the arbitration procedure to address our claim for damages due to, among other things, delays in the development of veltuzumab.

On October 11, 2013, Takeda and Takeda-Nycomed filed their Statement of Defense and Counterclaims alleging, among other things, that we wrongfully terminated the licensing agreement and caused Takeda and Takeda-Nycomed to suffer significant damages and delays in developing veltuzumab. We responded by filing our own Statement of Defense on November 12, 2013, denying Takeda and Takeda-Nycomed's allegations and contesting Takeda or Takeda-Nycomed's rights to any relief. An arbitrator was appointed later that month. On December 20, 2013 the arbitrator issued a pre-hearing scheduling and discovery in the arbitration is proceeding in accordance with that schedule. A hearing is planned for August 2014. We expect the arbitration to continue after veltuzumab has fully transitioned back to us.

Shareholder complaints:

The following is a summary of certain shareholder complaints that are outstanding:

Two separate shareholder derivative complaints have been filed against the Company. First, on March 24, 2014, a complaint styled *Kops v. Goldenberg, et al.*, was filed in the Superior Court of New Jersey, Chancery Division, General Equity Part, Morris County. Second, on April 18, 2014, a complaint styled *Breitman v. Sullivan, et al.*, was filed in the United States District Court for the District of New Jersey. The complaints allege, among other things, that we and certain directors and officers breached their fiduciary duties for disseminating false and misleading information relating to the termination of the Nycomed Agreement. In particular, the complaints allege that defendants failed to make timely disclosure concerning a dispute concerning a delay in the development of veltuzumab. On October 9, 2013, the Company announced that the Nycomed Agreement was terminated. The complaints allege that the breaches in fiduciary duties by the directors and officers caused damages to the Company and stockholders, including a decline in value of the Company's common stock, increased investigatory and litigation costs, and exposure to civil liability as a result of a pending

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securities fraud class action suit. Plaintiffs bring the derivative actions to recover damages against the directors and officers for the benefit of the Company, and to require the Company to reform and improve its corporate governance and internal procedures. With respect to Kops, the complaint was served on April 1, 2014, and defendants are to file their answer or otherwise move by May 6, 2014. However, counsel is in the process of negotiating a proposed consent order in which plaintiff will have the option to file an amended complaint after the time has expired for an amended complaint to be filed in the putative class action, Nasyrova, as described below. The time in which defendants are to answer or file a dispositive motion is based upon the expiration of the time period for which Kops has to file an amended complaint. A proposed consent order has not yet been filed with the Court. Regarding Breitman, the complaint was served on April 29, 2014, and defendants are to file their answer or otherwise move by May 20, 2014. At this time, no extensions or stipulations have been agreed to that would alter the defendants' time to answer. The defendants believe that the allegations in the derivative complaints are without merit and intend to defend the lawsuits vigorously; however, there can be no assurance regarding the ultimate outcome of these lawsuits.

A putative class action lawsuit, styled *Nasyrova v. Immunomedics, Inc.*, was filed on February 27, 2014 in the United States District Court for the District of New Jersey. The lawsuit alleges that we and certain of our current and former officers and directors failed to disclose and/or made material misstatements in the Company's public filings relating to the termination of the Nycomed Agreement. In particular, the complaint alleges that defendants failed to make timely disclosure concerning a dispute concerning a delay in the development of veltuzumab. On October 9, 2013, we announced that the Nycomed Agreement was terminated. The lawsuit alleges that the disclosure of the termination of the agreement caused a decline in the value of our stock price. Plaintiff purports to represent purchasers of our common stock between May 9, 2013 and October 9, 2013. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. On April 28, 2014, competing motions were filed for the appointment of lead plaintiff and approval of each proposed lead plaintiff's selection of counsel. Specifically, John Neff moved to be appointed as lead plaintiff with The Rosen Law Firm, P.A. as counsel, and Marianna Nasyrova (the named plaintiff in the lawsuit) also moved to be appointed as lead plaintiff with Cohn Lifland Pearlman Herrmann & Knopf LLP as counsel. The motions are returnable on June 2, 2014. Furthermore, on April 29, 2014, the Court entered a Stipulation and Order Extending Time to Respond to the Complaint (the "Stipulation"). The Stipulation provides that (i) within 45 days after the appointment of lead counsel, plaintiff has the option to file a consolidated or amended complaint, or designate the complaint already filed as the operative complaint; and (ii) after the designation is made, or a consolidated or amended complaint is filed, defendants thereafter have 45 days to answer or file a dispositive motion. The defendants believe that the allegations in the class action complaint are without merit and intend to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

From time to time, we are a party to litigation in the ordinary course of our business and may become a party to additional litigation in the future. We do not believe these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows.

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Item 1A. Risk Factors

Factors That May Affect Our Business and Results of Operations

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

Risks Relating to Our Business, Operations and Product Development

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

We have incurred significant operating losses since our formation in 1982. As of March 31, 2014, we had an accumulated deficit of approximately \$249.6 million. We continue to spend our cash resources to fund our research and development programs and, subject to adequate funding, we expect these expenses to increase for the foreseeable future. Our only significant sources of revenue in recent years have been derived from our existing licensing agreement with UCB. The timing of when we are able to record licensing fee revenue from such agreements has varied historically and may result in quarterly or annual profits or losses that are not necessarily reflective of our business operations or related cash flows. There can be no assurance that we will be profitable in future quarters or other periods. Additionally, the only product sales we have earned to date have come from the limited sales of our diagnostic imaging product. In addition, we have made the strategic decision to de-emphasize sales of our diagnostic product and focus on our therapeutic pipeline. We have never had product sales of any therapeutic product. Although we may have net income from time to time based on the timing and amount of proceeds received under collaborative agreements, we expect to experience significant operating losses as we invest further in our research and development activities while simultaneously attempting to develop and commercialize our other therapeutic product candidates. If we are unable to develop commercially viable therapeutic products or to license them to third parties, it is likely that we will never achieve significant revenues or become profitable, either of which would jeopardize our ability to continue as a going concern.

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

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

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

later-stage clinical trials may raise safety or efficacy concerns not readily apparent in earlier trials;

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unforeseen difficulties in manufacturing the product candidate in compliance with all regulatory requirements and in the quantities needed to complete the trial which may become 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 or changes required by the FDA;

we or our collaboration partner(s) may suspend or cease trials in our or 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, including the anticipated Phase III trial for Y-90-labeled clivatuzumab tetraxetan in pancreatic cancer, we may be forced to cancel or otherwise curtail such trials and other studies.

Any failure or substantial delay in successfully completing clinical trials for our product candidates, particularly the ongoing trials for our most advanced product candidates, epratuzumab, veltuzumab and Y-90-labeled clivatuzumab tetraxetan, could severely harm our business and results of operations.

Our clinical trials may not adequately show that our drugs are safe or effective.

Progression of our drug products through the clinical development process is dependent upon our trials indicating our drugs have adequate safety and efficacy in the patients being treated by achieving pre-determined safety and efficacy endpoints according to the trial protocols. Failure to achieve either of these could result in delays in our trials or require the performance of additional unplanned trials. This could result in delays in the development of our product candidates and could result in significant unexpected costs or the termination of programs.

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. In certain countries, even if the health regulatory authorities approve a drug, it cannot be marketed until pricing for the drug is also approved. 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 fund future operations, we will need to raise significant amounts of additional capital. Because it can be difficult for a small-cap company like ours to raise equity capital on acceptable terms and given the continued downturn in the economy, we cannot assure you that we will be able to obtain the necessary capital when we need it, or on acceptable terms, if at all.

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

Upfront payments, milestone payments and payments for limited amounts of our antibodies received from licensing partners;

Proceeds from the public and private sale of our equity or debt securities; and

Limited product sales of LeukoScan®, licenses, grants and interest income from our investments. We are actively pursuing various financing alternatives through collaborative licensing and partnership agreements. We continue to evaluate various programs to raise additional capital and to seek additional revenues from the licensing of 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 additional funding through licensing and/or partnership agreements, we will need to pursue other forms of financing including equity or debt financings. Current cash flow requirements in fiscal year 2014 are expected to be approximately \$30.0 million and increase to approximately \$43.0 million in fiscal 2015.

As of March 31, 2014, we have \$20.9 million of cash, cash equivalents and marketable securities. Based on our expected cash flow projections, we believe we have sufficient funds to continue our operations and research and development programs for at least the next twelve months, after taking into consideration the proceeds from the issuance and sale of our common stock announced on May 2, 2014. Our estimated increased expenses for fiscal year 2014 and 2015 related primarily to expenses related to the clivatuzumab tetraxetan Phase III clinical trial for the treatment of patients with pancreatic cancer and expenses for the ongoing Antibody Drug Conjugate (ADC) programs, as well as increased legal and professional fees.

We plan to continue pursuing sources of financing including, potential payments from partners, licensing arrangements or other financing sources.

Over the long term, we expect research and development activities to continue to expand and we do not believe we will have adequate cash to continue to conduct development of product candidates in line with our pipeline included in our long term corporate strategy. 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

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associated with any acquisitions of other businesses, assets or technologies that we may choose to undertake. If we deplete our existing capital resources, we will be required to either obtain additional capital quickly, or else significantly reduce our operating expenses and capital expenditures, either of which could have a material adverse effect on us.

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

If we, or our collaboration partners, cannot successfully and efficiently manufacture the compounds that make up our products and product candidates, our ability, and the ability of our collaboration partners, 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. We have limited historical experience in manufacturing these compounds in significant quantities, and we may not be able to do so in the quantities required to commercialize these products. Any interruption in manufacturing at this site, whether by natural acts or otherwise, could significantly and adversely affect our operations, and delay our research and development programs.

We and our collaboration partners also depend on third parties to provide certain raw materials, manufacturing and processing services. All manufacturers of pharmaceutical products must comply with current Good Manufacturing Practice regulations, or cGMPs, required by the FDA and other regulatory agencies. Such regulations address, among other matters, controls in manufacturing processes, quality control and quality assurance requirements and the maintenance of proper records and documentation. The FDA and other regulatory agencies routinely inspect manufacturing facilities. The FDA generally will issue a notice on Form 483 if it finds issues with respect to its inspections. Certain of our contract manufacturers have received Form 483 notices. If our manufacturing facility or those facilities of our partners and our respective contract manufacturers or processors do not comply with applicable cGMPs and other regulatory requirements, we may be subject to product liability claims, we may be unable to meet clinical demand for our products, and we could suffer delays in the progress of clinical trials for products under development.

We are dependent upon UCB for the final development and commercialization of epratuzumab for the treatment of non-cancer indications worldwide, and they may not be successful.

We have licensed the exclusive worldwide rights for the treatment of non-cancer indications to one of our most advanced therapeutic compounds, epratuzumab to UCB. As a result, UCB is solely responsible, and we are depending upon them, for completing the clinical development of these compounds, obtaining all necessary regulatory approvals, and then commercializing and manufacturing the compounds for sale. If they do not fully perform their responsibilities under our agreements, or if the clinical trials to be conducted are not initiated, are unsuccessful or are terminated by them 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 them, would be severely jeopardized. In such event, it is likely we would never receive any additional 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.

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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 as avoiding the infringement of the rights of others.

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

The successful development of therapeutic products frequently requires the application of multiple technologies that may be subject to the patent or other intellectual property rights of third parties. Although we believe it is likely we will need to license technologies and processes from third parties in the ordinary course of our business, we are not currently aware of any material conflict involving our

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technologies and processes with any valid patents or other intellectual property rights owned or licensed by others. In the event that a third party was to claim such a conflict existed, they could sue us for damages as well as seek to prevent us from commercializing our product candidates. It is possible that a third party could successfully claim that our products infringe on their intellectual property rights. Uncertainties resulting from the litigation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Any patent litigation or other proceeding, even if resolved in our favor, would require significant financial resources and management time.

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

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

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

The biotechnology industry is highly competitive, particularly in the area of diagnostic and therapeutic oncology and autoimmune disease 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, Roche, GlaxoSmithKline, Seattle Genetics, ImmunoGen, Merck Serono, Genmab, Amgen, Bristol-Myers Squibb, Bayer Healthcare Pharmaceuticals, Pfizer, AstraZeneca and Eli Lilly, are engaged in the development of therapeutic autoimmune and oncology products. For example, Human Genome Sciences, a wholly owned subsidiary of GlaxoSmithKline, has received approval from the FDA for belimumab, their human monoclonal antibody against B-lymphocyte stimulator, or BlyS, for the therapy of patients with systemic lupus erythematosus. 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 and autoimmune disease 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.

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

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

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

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

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

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

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

Certain members of our senior management and Board of Directors have relationships and agreements, both with us as well as among themselves and their respective affiliates, which create the potential for both real, as well as perceived, conflicts of interest. These include Dr. David M. Goldenberg, our Chairman, Chief Scientific Officer and Chief Medical Officer, Ms. Cynthia L. Sullivan, our President and Chief Executive Officer (who is also the wife of Dr. Goldenberg), and certain companies with which we do business, including the Center for Molecular Medicine and Immunology and the Garden State Cancer Center (which operates as the clinical arm of CMMI to facilitate the translation of CMMI's research efforts in the treatment of patients), collectively defined as CMMI. For example, Dr. Goldenberg is the President and a Trustee of CMMI, a not-for-profit cancer research center that we used to conduct certain research activities. Dr. Goldenberg's employment agreement with us permits him to devote more of his time working for CMMI than for us, and other key personnel of our company also have research collaborations with CMMI. Dr. Goldenberg is also a minority stockholder, director and officer of our majority-owned subsidiary, IBC Pharmaceuticals, Inc. Dr. Goldenberg is the primary inventor of new intellectual property for Immunomedics and IBC

and is largely responsible for allocating ownership between the two companies.

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

Given that autoimmune and cancer therapeutics such as the ones we are developing can cost upwards of \$30,000 per treatment (or more), even if our product candidates become available for sale it is likely that federal and state governments, insurance companies and other payers of health care costs will try to first limit the use of these drugs to certain patients, and may be reluctant to provide a level of reimbursement that permits us to earn a significant profit on our investment, if any.

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

A portion of our funding has come from federal government grants and research contracts. Due to reductions in funding, we may not be able to rely on these grants or contracts as a continuing source of funds.

During the last few years, we have generated revenues from awards made to us by the National Institutes of Health and the Department of Defense to partially fund some of our programs. We cannot rely on grants or additional contracts as a continuing source of funds. Funds available under these grants and contracts must be applied by us toward the research and development programs specified by the government rather than for all our programs generally. The government's obligation to make payments under these grants and contracts is subject to appropriation by the U.S. Congress for funding in each year. It is possible that Congress or the government agencies that administer these government research programs will continue to scale back these programs or terminate them due to their own budgetary constraints, as they have recently been doing. Additionally, these grants and research contracts are subject to adjustment based upon the results of periodic audits performed on behalf of the granting authority. Consequently, the government may not award grants or research contracts to us in the future, and any amounts that we derive from existing awards may be less than those received to date. In those circumstances, we would need to provide funding on our own, obtain other funding, or scale back or terminate the affected program. In particular, we cannot assure you that any currently-contemplated or future efforts to obtain funding for our product candidate programs through government grants or contracts will be successful, or that any such arrangements which we do conclude will supply us with sufficient funds to complete our development programs without providing additional funding on our own or obtaining other funding.

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Risks Related to Government Regulation of our Industry

Legislative or regulatory reform of the healthcare system may affect our ability to sell our products profitably.

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our ability to sell our future products and profitability. On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (PPACA), which includes a number of health care reform provisions and requires most U.S. citizens to have health insurance. The new law imposes a significant annual fee on companies that manufacture or import branded prescription drug products. Substantial new provisions affecting compliance also have been added, which may require modification of business practices with health care practitioners.

The reforms imposed by the new law will significantly impact the pharmaceutical industry; however, the full effects of PPACA cannot be known until these provisions are implemented and the Centers for Medicare & Medicaid Services and other federal and state agencies issue applicable regulations or guidance. Moreover, in the coming years, additional changes could be made to governmental healthcare programs that could significantly impact the success of our future products, and we could be adversely affected by current and future health care reforms.

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

These governmental and other regulatory risks include:

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

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

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

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

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

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

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

Risks Related to Our Securities

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

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

If our stock is not accepted for listing on the NASDAQ, we will make every possible effort to have it listed on the Over the Counter Bulletin Board, or the OTC Bulletin Board. If our common stock were to be traded on the OTC Bulletin Board, the Securities Exchange Act of 1934, as amended, and related Securities and Exchange Commission, or SEC, rules would impose additional sales practice

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requirements on broker-dealers that sell our securities. These rules may adversely affect the ability of stockholders to sell our common stock and otherwise negatively affect the liquidity, trading market and price of our common stock.

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

Penny Stock rules require, among other things, that any broker engaging in a purchase or sale of our securities provide its customers with: (i) a risk disclosure document, (ii) disclosure of market quotations, if any; (iii) disclosure of the compensation of the broker and its salespersons in the transaction; and (iv) monthly account statements showing the market values of our securities held in the customer's accounts.

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

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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 and the market for stocks of relatively small biopharmaceutical companies like ours have from time to time experienced, and likely will again experience, significant price and volume fluctuations that are unrelated to actual operating performance.

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

Announcements by us, our current collaboration partners, any future alliance partners or our competitors of pre-clinical studies and clinical trial results, regulatory developments, technological innovations or new therapeutic products, product sales, new products or product candidates and product development timelines;

The formation or termination of corporate alliances;

Developments in patent or other proprietary rights by us or our respective competitors, including litigation;

Developments or disputes concerning our patent or other proprietary rights, and the issuance of patents in our field of business to others;

Government regulatory action;

Period-to-period fluctuations in the results of our operations; and

Developments and market conditions for emerging growth companies and biopharmaceutical companies, in general.

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

In the past, following periods of volatility in the market prices of the securities of companies in our industry, securities class action litigation has often been instituted against those companies. If we face such litigation in the future, it would result in substantial costs and a diversion of management's attention and resources, which could negatively impact our business. For example, as described above, two separate shareholder derivative complaints have been filed against the Company. First, on March 24, 2014 a complaint styled *Kops v. Goldenberg, et al.*, was filed in the Superior Court of New Jersey, Chancery Division, General Equity Part, Morris County. Second, on April 8, 2014, a complaint styled *Breitman v. Sullivan, et al.*, was filed in the United States District Court for the District of New Jersey. In addition, a putative class action lawsuit, styled *Nasyrova v. Immunomedics, Inc.*, was filed on February 27,

2014 in the United States District Court for the District of New Jersey. All three complaints are based on the allegation that we and certain of our current and former officers and directors failed to disclose and/or made material misstatements in the Company's public filings relating to the termination of the Nycomed Agreement. There can be no assurance that such litigation will be resolved in our favor, and we might be required to devote significant resources and management time defending the company from these claims, which could adversely affect our business, financial condition and results of operations.

At May 6, 2014, we had 83,506,808 shares of common stock outstanding, 6,358,212 additional shares reserved for the exercise of outstanding options and restricted stock units 3,608,219 shares available for future grant under our stock option plan and 1,000,000 shares of common stock reserved for issuance upon the exercise of outstanding warrants.

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

As of March 31, 2014, Dr. David M. Goldenberg, our Chairman, Chief Scientific Officer and Chief Medical Officer, together with certain members of his family, including Ms. Cynthia L. Sullivan, our President and Chief Executive Officer, who is Dr. Goldenberg's wife, and other affiliates, controlled the right to vote approximately 10% 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.

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

Our certificate of incorporation limits, to the maximum extent permitted under Delaware law, the personal liability of our directors for monetary damages for breach of their fiduciary duties as directors. Our bylaws provide that we will indemnify our officers and directors and may indemnify our employees and other agents to the fullest extent permitted by law. These provisions may be in some respects broader than the specific indemnification provisions under Delaware law. The indemnification provisions may require us, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified and to obtain directors' and officers' insurance. Section 145 of the DGCL provides that a corporation may indemnify a director, officer, employee or agent made or threatened to be made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or was serving at the request of the corporation, against expenses actually and reasonably incurred in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Delaware law does not permit a corporation to eliminate a director's duty of care and the provisions of our certificate of incorporation have no effect on the availability of equitable remedies, such as injunction or rescission, for a director's breach of the duty of care.

We believe that our limitation of officer and director liability assists us to attract and retain qualified employees and directors. However, in the event an officer, a director or the board of directors commits an act that may legally be indemnified under Delaware law, we will be responsible to pay for such officer(s) or director(s) legal defense and potentially any damages resulting there from. 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.

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

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

If we are unable to successfully assess the effectiveness of internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our assessment, our stock price could be adversely affected.

The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, for the year ending June 30, 2014, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. There can be no assurance that we will successfully and timely report on the effectiveness of our internal control over financial reporting as of the end of fiscal 2014. For example, during our review of the results of operations for the quarter ended December 31, 2013, we identified a material weakness in the operation of our internal controls over financial reporting, as defined in Public Company Accounting Oversight Board Standard No. 5, in connection with the accruals of expenses for clinical trials. We have commenced efforts to remediate this material weakness through process and internal control improvements. However, if we cannot correct the material weakness we have identified prior to the end of fiscal year 2014, or if we experience other problems that prevent the favorable assessment of the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our assessment in the future, investor confidence and our stock price could be adversely affected.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. We continue to implement, improve and refine our disclosure controls and procedures and our internal control over financial reporting.

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

The exhibits required by Item 601 of Regulation S-K are included with this Form 10-Q and are listed on the Exhibit Index immediately following the Signatures.

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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 7, 2014

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

May 7, 2014

By: /s/ Peter P. Pfreundschuh
Peter P. Pfreundschuh
Vice President, Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description of Document
10.1	Change in Control and Severance Agreement, dated March 4, 2014, by and between the Company and Peter P. Pfreundschuh (incorporated by reference to the Current Report filed on March 7, 2014).
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.*
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Comprehensive Loss; (iii) the Condensed Consolidated Statements of Cash Flows; and, (iv) the Notes to Unaudited Condensed Consolidated Financial Statements.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith.