IMMUNOMEDICS INC

FORM 10-K
(Annual Report)

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On December 14, 2018, the Company's Board of Directors approved a change in the Company's fiscal year end from June 30 to December 31. In connection with this change, we previously filed a Transition Report on Form 10-K to report the results of the six-month transition period from July 1, 2018 to December 31, 2018 (which we sometimes refer to as the "Transition Period"). In this Annual Report, the periods presented are the year ended December 31, 2019, the Transition Period ended December 31, 2018 and our fiscal years ended June 30, 2018 and 2017 (which are referred to as "fiscal 2018," and "fiscal 2017," as if we had not changed our fiscal year to a calendar year). For comparison purposes, we have also included unaudited data for the year ended December 31, 2018.

Overview

Immunomedics is a clinical-stage biopharmaceutical company developing monoclonal antibody-based products for the targeted treatment of cancer. Our advanced proprietary technologies allow us to create humantum antibodies that can be used alone in unlabeled or "naked" form, or conjugated with chemotherapeutics, cytokines or toxins. Our most advanced product candidate is sacituzumab govitecan ("SMG-112"), an antibody-drug conjugate ("ADC") that has received Breakthrough Therapy Designation ("BTD") from the United States Food and Drug Administration for the treatment of patients with metastatic triple-negative breast cancer ("mTNBC") who previously received at least two prior therapies for metastatic disease.

Our current focus is to commercialize sacituzumab govitecan as a third-line therapy for patients with mTNBC in the United States. In May 2018, we submitted a Biologics License Application ("BLA") to the United States Food and Drug Administration ("FDA") for sacituzumab govitecan for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease. In July 2018, we received notification from the FDA that the BLA was accepted for filing and the original application was granted Priority Review with a Prescription Drug User Fee Act ("PDUFA") target action date in January 2019. In January 2019, we received a Complete Response Letter ("CRL") from the FDA for the BLA. We subsequently met with the FDA in May 2019 to review the FDA’s findings and discussed our BLA re-submission. Since then, we have developed a detailed plan to address the chemistry, manufacturing, and controls ("CMC") matters raised in the CRL and in our pre-approval inspection. We held another meeting with the FDA in September 2019 to update the FDA on our progress in addressing those matters and to receive feedback from the FDA on our approach. On November 30, 2019, we resubmitted our BLA to the FDA and on December 23, 2019 we received notification from the FDA that the BLA was accepted for filing and further mandated a new PDUFA target action date as June 2, 2020. We have dedicated, and continue to commit, significant resources to address the CMC matters identified by the FDA, while, in parallel, preparing our manufacturing facility to be ready for re-inspection by the FDA. Our Phase 3 confirmatory ASCENT study for sacituzumab govitecan has reached its target enrollment for mTNBC patients previously treated with at least two systemic chemotherapy regimens. Top-line data for the ASCENT study is expected to be available around mid-2020.

On March 29, 2019, the Company entered into a sales agreement (the "ATM Agreement") with Cowen and Company, LLC ("Cowen") to issue and sell shares of the Company’s common stock, par value $0.01 per share, having an aggregate offering price of up to $150.0 million, from time to time during the term of the ATM Agreement, through an "at-the-market" equity offering program at the Company’s discretion. Cowen will act as the Company’s agent and/or principal. The Company will pay Cowen a commission up to 3.0% of the gross sales proceeds of any common stock sold through Cowen under the ATM Agreement. During the year ended December 31, 2019, the Company sold 4,432,416 shares of common stock with net proceeds of $71.6 million at a weighted average price of $16.40 (excluding commissions) under the ATM Agreement.

On April 5, 2019, the Company entered into a promotion agreement (the "Promotion Agreement") with Janssen Biotech Inc., ("Janssen") pursuant to which the Company will provide non-exclusive product detailing services to Janssen for erdafitinib (the "Product"). Pursuant to the Promotion Agreement, the Company will provide a dedicated sales team to detail the Product to oncologists and other targeted health care providers in the United States. Under the terms of the Promotion Agreement, Janssen maintains ownership of the New Drug Application for the Product as well as legal, regulatory, distribution, commercialization and manufacturing responsibilities for the Product, while the Company will provide product detailing services to Janssen. Following the achievement of certain sales targets in 2019 and 2020, Janssen will pay the Company (a) a service fee equal to a percentage in the low double digits of the portion of Cumulative Net Sales (as defined in the Promotion Agreement) in excess of a baseline amount during each of 2019 and 2020, and (b) potential milestone payments of up to $15.0 million when Cumulative Net Sales exceed certain thresholds during each of 2019 and 2020. On April 12, 2019, the Company was informed that the FDA granted accelerated approval to Janssen's Balversa® (erdafitinib) for the treatment of adult patients with locally advanced or
metastatic urothelial carcinoma that has a type of susceptible genetic alteration known as FGFR3 or FGFR2, and that has progressed during or following prior platinum-containing chemotherapy. Refer to "Note 2 - Revenue Recognition" for additional information.

On April 29, 2019, we entered into a license agreement (the “License Agreement”) with Everest Medicines II Limited, a China limited company (“Everest”). Pursuant to the License Agreement, we granted Everest an exclusive license to develop and commercialize sacituzumab govitecan in the People’s Republic of China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore and Mongolia (the “Territory”). In consideration for entering into the License Agreement, Everest made a one-time, non-refundable upfront payment to us in the aggregate amount of $65.0 million which is recorded as deferred revenue on the consolidated balance sheet as of December 31, 2019. The License Agreement contains a development milestone payment of $60.0 million based upon our achievement of FDA approval for sacituzumab govitecan. The License Agreement also contains additional development milestone payments in a total amount of up to $130.0 million based upon the achievement of certain other development milestones. In addition, the License Agreement contains sales milestone payments, in a total amount of up to $85.0 million based upon the achievement of certain sales milestones. Everest will make royalty payments to us based upon percentages of net sales of sacituzumab govitecan, ranging from 14% to 20%. Refer to “Note 2 - Revenue Recognition” for additional information.

On December 9, 2019, we closed an underwritten public offering of 14,285,715 shares of common stock at a public offering price of $17.50 per share, representing gross proceeds of approximately $250.0 million. In addition, the Company granted the underwriters a 30-day option to purchase up to 2,142,857 additional shares of common stock for a total of 16,428,572 shares. We received gross proceeds of $287.3 million and net proceeds of $273.0 million after deducting the underwriting discounts and commissions and expenses related to the offering. We intend to use the net proceeds from this offering primarily to accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, (ii) continue to expand the clinical development programs for developing sacituzumab govitecan in mTNBC, metastatic colorectal cancer (“mCRC”), hormone receptor-positive (“HR+”)/human epidermal growth factor receptor 2-negative (“HER2-”) metastatic breast cancer (“mBC”), and other indications of high medical need, (iii) invest in the broader clinical development of the platform (including IMMU-130 and IMMU-140), continued scale-up of manufacturing and manufacturing process improvements, as well as for working capital and general corporate purposes.

As of December 31, 2019, we had $613.2 million in cash, cash equivalents and marketable securities. We believe our projected financial resources are adequate to (i) accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, (ii) continue to expand the clinical development programs for developing sacituzumab govitecan in mTNBC, metastatic colorectal cancer (“mCRC”), hormone receptor-positive (“HR+”)/human epidermal growth factor receptor 2-negative (“HER2-”) metastatic breast cancer (“mBC”), and other indications of high medical need, (iii) invest in the broader clinical development of the platform (including IMMU-130 and IMMU-140), (iv) continued scale-up of manufacturing and manufacturing process improvements, and (v) general working capital requirements. However, in case of regulatory delays or other unforeseen events, we may require additional funding. Potential sources of funding in such a case could include (i) the entrance into potential development and commercial partnerships to advance and maximize our full pipeline in mTNBC and beyond in the United States and globally, and (ii) potential private and public capital markets financing. Refer to “Note 9 - Stockholders’ Equity” for additional information.

For 2020, our strategic priorities for sacituzumab govitecan include:

1. FDA approval of sacituzumab govitecan for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease under the FDA’s Accelerated Approval Pathway;
2. Commercial launch of sacituzumab govitecan, pending FDA approval, in the United States;
3. Execution of our clinical development plan, which includes:
   a. Complete patient enrollment into registrational Phase 3 TROPiCS-02 study in HR+/HER2- mBC;
   b. Complete enrolling cisplatin-ineligible patients into cohort 2 of the pivotal Phase 2 TROPHY U-01 study in mUC and report top-line results from full 100 cohort 1 patients with prior platinum-based and immune checkpoint inhibitor therapies;
   c. Include an additional exploratory cohort of patients who have relapsed or are refractory to platinum-based therapies but naive to immune-oncology therapies to evaluate sacituzumab govitecan in combination with pembrolizumab in the ongoing TROPHY U-01 study;
d. Report initial results in non small cell lung cancer ("NSCLC") from the TROPiCS-03 study, a Trop-2 enriched Phase 2 multi-cohort study in refractory adenoid and squamous NSCLC, head and neck cancer, and endometrial cancer; and

e. Report top-line results from the confirmatory Phase 3 ASCENT study in mTNBC.

4. Establishing Samsung BioLogics Co., Ltd. as our primary source of commercial antibody in the supply chain for sacituzumab govitecan, while also investing in the scale up of our global supply chain.

Our Clinical and Preclinical Programs

We believe that our antibodies have therapeutic potential, in some cases as a naked antibody or when conjugated with chemotherapeutics, cytokines or other toxins to create unique and potentially more effective treatment options. The attachment of effective anti-tumor compounds to antibodies is intended to allow the delivery of these therapeutic agents to tumor sites with better specificity than conventional chemotherapy. This treatment method is designed to optimize the therapeutic window through reducing the systemic exposure of the patient to the therapeutic agents, which ideally maximizes desirable effects while minimizing the concentration of the therapeutic agent at the tumor, potentially leading to better efficacy.

One portfolio of investigational products includes ADCs that are designed to deliver a specific payload of a chemotherapeutic directly to the tumor while reducing overall toxicities that are usually associated with conventional administration of these chemotherapeutic agents. Sacituzumab govitecan is our most advanced ADC and our lead product candidate that has received Breakthrough Therapy Designation from the FDA for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease.

To accelerate the clinical and preclinical development of sacituzumab govitecan, we have entered into the following clinical collaborations: with AstraZeneca PLC ("AstraZeneca") to investigate sacituzumab govitecan in combination with the checkpoint inhibitor, durvalumab (Imfinzi®), in earlier lines of therapy for mTNBC, advanced urothelial cancer ("UC") and metastatic NSCLC ("mNSCLC"), with Clovis Oncology, Inc. ("Clovis") to combine sacituzumab govitecan with its poly (ADP-ribose) polymerase (PARP) inhibitor, rucaparib (Rubraca®), in mTNBC, advanced UC and ovarian cancer; and with Roche to initiate a Phase 1b/2 study (MORPHEUS) comparing the safety and efficacy of the combination of atezolizumab (Tecentriq®) and sacituzumab govitecan as a frontline treatment for patients with metastatic or recurrent locally advanced mTNBC versus atezolizumab plus nab-paclitaxel as standard of care. Additionally, we have entered into a collaboration with the German Breast Group ("GBG") to conduct a multinational, post-neoadjuvant registrational Phase 3 study (SASCIA) that will evaluate sacituzumab govitecan as a treatment for newly-diagnosed breast cancer patients who do not achieve a pathological complete response ("pCR") following standard neoadjuvant therapy.

We are also working with (i) Massachusetts General Hospital ("MGH") on a Phase 1b/2 study of sacituzumab govitecan combining with Pfizer’s PARP inhibitor, talazoparib (TALZENNA®), in patients with mTNBC previously treated with no more than one prior therapeutic regimen for metastatic disease; (ii) Yale University on a Phase 2 study of sacituzumab govitecan in patients with persistent and recurrent endometrial cancer; and (iii) the University of Wisconsin in patients with metastatic castration-resistant prostate cancer who have progressed on second-generation androgen receptor-directed therapy on a Phase 2 study. Refer to “Corporate Collaboration” and “Other Collaborations” below for additional information.
Sacituzumab govitecan has been studied in over 1,000 cancer patients in more than 15 types of solid cancers. Sacituzumab govitecan received BTD from the FDA for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease. The FDA has also granted sacituzumab govitecan fast track designation, designed to expedite the development and review of applications for products intended for the treatment of a serious or life-threatening disease or condition, for the same indication and for patients with NSCLC or small-cell lung cancer (“SCLC”). Sacituzumab govitecan has also been designated an orphan drug by the FDA for the treatment of patients with SCLC or pancreatic cancer and by the European Medicines Agency (“EMA”) for the treatment of patients with pancreatic cancer.

In February 2019, updated data from the Phase 1/2 trial of sacituzumab govitecan in patients with mTNBC were published in the New England Journal of Medicine. The data (from 108 subjects with mTNBC) showed an overall response rate of 33% and continue to support a favorable benefit-risk profile of the ADC in the mTNBC cohort. The confirmatory Phase 3 ASCENT study in patients with mTNBC with at least two prior therapies for metastatic disease has completed enrollment. Top-line data for the ASCENT study is expected to be available around mid-2020.

Updated results from the Phase 1/2 study of sacituzumab govitecan in the cohort of patients with previously treated mUC was presented in an oral presentation at the 2019 Genitourinary Cancers Symposium. The results showed an overall response rate of 31% and a median duration of response of 12.9 months in 45 relapsed/refractory patients. Further supportive clinical data was reported in the interim analysis of the first 35 patients from cohort 1 of the pivotal TROPHY-U-01 study and confirmed the safety and efficacy profile of sacituzumab govitecan with an overall response rate of 29% in mUC patients who progressed after both platinum-based chemotherapy and immune checkpoint inhibitor therapy.

We have an extensive intellectual property portfolio protecting sacituzumab govitecan. Specifically, 57 patents were issued covering composition of matter, synthesis and uses. Certain patents relating to the protein sequence of the hRS7 antibody used in sacituzumab govitecan expired in 2017 in the United States and will expire in 2023 overseas. Other patents relating to methods of cancer therapy with the SN-38 conjugated form of hRS7 used in sacituzumab govitecan extend to 2028 in the United States, patents were issued in Australia, Canada, China, Europe, Israel, Japan, Mexico, South Korea, and other key global markets.
Our Platform Technologies

In our drive to improve targeted therapies of diseases, we have built significant expertise in antibody engineering, particularly proprietary complementarity determining region (CDR)-grafting (antibody humanization) methods, antibody production and formulation, immunochemistry, molecular biology, antibody conjugation, peptide chemistry, synthetic organic chemistry, and protein engineering.

Beginning with our unique grafting technique to engineer humanized antibodies, our antibody humanization platform has produced a diverse portfolio of therapeutic agents that are well tolerated and also have a low incidence of immunogenicity.

With the successful humanized antibody platform as a foundation, we have built a robust ADC program using our own proprietary ADC linker technology.

**ADC Linker Technology**

We developed a novel ADC platform using our proprietary linker, CL2A, which was designed with targeted delivery of SN-38 in mind. SN-38 is about 3 orders of magnitude (100 to 1,000 times) more potent than irinotecan, its parent drug, but it cannot be administered systemically to patients because of its poor water solubility and toxicity. Our linker, CL2A, allows us to produce SN-38 conjugates that are soluble in water with excellent yields while preserving antibody binding and drug activity.

CL2A contains an antibody coupling group on one end and a chemical group on the other for binding with a drug. We have also added a short polyethylene glycol to improve the solubility of CL2A.

**Short PEG for solubility**

Furthermore, because SN-38 can be converted from its active lactone form to the inactive carboxylate form, CL2A was designed to attach close to the lactone ring to prevent it from opening up, thereby maintaining the activity of SN-38. Another key feature of our ADC platform is that the linkage between CL2A and SN-38 is hydrolyzable and will allow the detachment of SN-38 at a rate of about 50% per day in vivo.
The final structure of our ADC is depicted below, with the hydrolysable linker indicated. What differentiates our ADC platform from those of other companies is the high drug-to-antibody ratio of about seven to eight molecules of drug per antibody. That is to say, when our ADCs bind to their targets on cancer cells, they are delivering up to eight molecules of SN-38 per antibody molecule into the blood or at the vicinity of the tumor, which may explain why our ADCs can deliver more than 120-times the amount of SN-38 to the tumor when studied in an animal model, as compared to irinotecan, the parent compound. We can deliver this drug concentration because our drug is not supertoxic, thus permitting us to give higher antibody doses, in repeated therapy cycles, that we believe provide a better therapeutic index.

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Our Patents

We have accumulated a sizable portfolio of patents and patent applications in the course of our research, which we believe constitutes a valuable business asset. Our key patents relate primarily to our therapeutic product candidates as well as our technologies and other discoveries for which no product candidates have yet been identified. As of December 31, 2019, our portfolio included approximately 285 active United States patents. In addition, as of such date, the portfolio included approximately 384 foreign patents, with a number of United States and foreign patent applications pending.

The chart below highlights our material patents and product groups as of December 31, 2019, the major jurisdictions, and relevant expiration periods. Additional patents have been filed to extend the patent life on some of these products, but there can be no assurance that these will be issued as filed.

<table>
<thead>
<tr>
<th>Program &amp; Product Group</th>
<th>Targeted Antigen/Description</th>
<th>Patent Expiration</th>
<th>Major Jurisdictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antibody-Drug Conjugates</td>
<td>Trop-2, CEA, SEACAMS and HLA-DR</td>
<td>2023-2033</td>
<td>U.S., Europe, Japan</td>
</tr>
<tr>
<td>Subcutaneous Formulation</td>
<td>All Antibodies</td>
<td>2032</td>
<td>U.S., Europe, Japan</td>
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<tr>
<td>Epratuzumab</td>
<td>C322</td>
<td>2023</td>
<td>U.S., Europe</td>
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<tr>
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<td>C3220</td>
<td>2023-2029</td>
<td>U.S., Europe, Japan</td>
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<td>C374</td>
<td>2023-2032</td>
<td>U.S., Europe, Japan</td>
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<tr>
<td>IMMU-114</td>
<td>HLA-DR</td>
<td>2026-2027</td>
<td>U.S., Europe, Japan</td>
</tr>
<tr>
<td>DNL® Program - (E1)-3s</td>
<td>Trop-2</td>
<td>2033</td>
<td>U.S., Japan</td>
</tr>
</tbody>
</table>

* pending in Europe
On April 4, 2018, we entered into a license agreement with The Scripps Research Institute (“TSRI”). Pursuant to the license agreement, TSRI granted to us an exclusive, worldwide, sub-licensable, royalty-bearing license to use certain patent rights relating to our ADC sacituzumab govitecan. The license agreement expires on a country-by-country basis on the expiration date of the last to expire licensed patent rights in each country covering a licensed product. The license agreement may be terminated by the mutual written consent of us and TSRI, and TSRI may terminate the license agreement upon the occurrence of certain events, including, but not limited to, if we do not make a payment due pursuant to the license agreement and fail to cure such non-payment within 30 days after the date of TSRI’s written notice of such non-payment. As consideration for the license granted, we made a cash payment of $250,000 to TSRI. Additionally, we will pay TSRI (i) product development milestones payments that range from the mid-six digit dollar figure to the low-seven digit dollar figure and (ii) royalties on net sales of licensed products in the low-single digit percentage figure range capped at an annual amount. We have agreed to use reasonable efforts to develop and market the licensed products. During the year ended December 31, 2019, we recognized a $0.5 million milestone payment expense.

Our Trademarks
The mark “IMMUNOMEDICS” is registered in the United States and 21 foreign countries and a European Community Trademark has been granted. Our logo is also registered in the United States and in one foreign country. The mark “IMMUSTIP” is registered in the United States and Canada. The mark “LEUKOSCAN” is registered in eight foreign countries, and a European Community Trademark has been granted. In addition, we have applied for registration in the United States for several other trademarks for use on products now in development or testing, and for corresponding foreign and European Community Trademarks for certain of those marks. The marks “EPRATUCYN,” “VELTUCYN” and “MILATUCYN” have been registered in the United States and International Trademark Registrations which claim priority to the respective United States applications have been filed for “EPRATUCYN” and “VELTUCYN.” The International Registrations request registration in China, Japan and the European Union. The marks “DOCK-AND-LOCK,” “DNL,” and “PANCRIT” have been registered in the United States. Registrations for “SCIGOVI,” “TRODELVY” and “HUMANLY” have been filed in the United States and internationally and for “TUMIMI” in the United States. The U.S. Patent and Trademark Office has issued Notices of Allowance for the marks “TRODELVY,” “SCIGOVI,” “HUMANLY” and “TUMIMI.”

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

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

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Corporate Collaborations

AstraZeneca/MedImmune

In June 2018, we entered into a clinical collaboration with AstraZeneca and its global biologics research and development arm, MedImmune, to evaluate in Phase 1/2 studies the safety and efficacy of combining AstraZeneca’s Imfinzi® (durvalumab), a human monoclonal antibody directed against programmed cell death ligand 1 (“PD-L1”), with sacituzumab govitac as a treatment of patients with TNBC and UC, which was broadened in October 2018 to include second-line mNSCLC.

Part one of the two-part Phase 1/2 studies will be co-funded by the two companies. Immunomedics will supply the study drug and AstraZeneca will utilize its existing clinical trial infrastructure to accelerate the enrollment of the sacituzumab govitac and durvalumab combination. The trial design allows for rapid transition into randomized Phase 2 studies should the first part of these studies show promising data and the companies agree to proceed based on efficacy and safety results obtained.

Clovis Oncology

In June 2018, we signed a letter of intent with Clovis, and in December 2018, we entered into a clinical collaboration to investigate the combination of Clovis’ Rubraca® (rucaparib), a poly (ADP ribose) polymerase inhibitor (PARPi), and sacituzumab govitac as a second-line treatment of patients with mTNBC and mUC in a phase 1/2 study (SEASTAR), which has been expanded to include platinum resistant ovarian cancer. The dose escalation phase of the study is currently enrolling patients.

GBG Forschungs GmbH

In September 2019, we entered into a clinical collaboration with GBG, Neu-Isenburg, Germany, to develop sacituzumab govitac as a treatment for newly-diagnosed breast cancer patients who do not achieve a pCR following standard neoadjuvant therapy.

The multinational, post-neoadjuvant Phase 3 SASCIA study developed by GBG will be conducted under the sponsorship of GBG. Approximately 1,200 high-risk patients with newly-diagnosed HER2- breast cancer not achieving a pCR following standard neoadjuvant therapy will be randomized to receive either sacituzumab govitac or treatment of physician’s choice. Primary endpoint is invasive disease-free survival with overall survival, patient reported outcomes/quality of life, circulating tumor DNA clearance, and safety serving as secondary endpoints.

Under the terms of the agreement, GBG is eligible to receive up to €33.0 million in potential clinical and regulatory milestone payments over a span of approximately six years, of which €0.5 million was paid during the year ended December 31, 2019.

F. Hoffmann-La Roche Ltd

In September 2019, we entered into a clinical collaboration with F. Hoffmann-La Roche Ltd (“Roche”) to compare the safety and efficacy of the combination of atezolizumab (Tecentriq®), a programmed cell death ligand 1 blocking checkpoint inhibitor, and sacituzumab govitac, as a frontline treatment of patients with metastatic or resectable locally advanced TNBC versus atezolizumab plus nab-paclitaxel as standard of care. Roche will be responsible for conducting the randomized trial.

Other Collaborations

In breast cancer, we are collaborating with MGH on a Phase 1b/2 study of sacituzumab govitac combining with Pfizer’s PARP inhibitor, TALZENNA®3, in patients with mTNBC previously treated with no more than one prior therapeutic regimens for metastatic disease. In endometrial cancer, we are collaborating with Yale University on a Phase 2 study of sacituzumab govitac in patients with persistent and recurrent endometrial cancer. Through an agreement with The Prostate Cancer Clinical Trials Consortium, we are collaborating with the University of Wisconsin Carbone Cancer Center to investigate sacituzumab govitac in a Phase 2 study to assess whether targeting Trop-2 with sacituzumab govitac is promising in prostate cancer patients. In addition to the Phase 2 study, Dr. Lang, the lead investigator at the University of Wisconsin, is also leading a broad translational program integrated into the clinical study to further validate the expression and importance of Trop-2 as a therapeutic target in various stages of prostate cancer.

A separate research collaboration was also established with Fred Hutchinson Cancer Research Center to investigate sacituzumab govitac and IMMU-130 as a single agent and in combination in prostate cancer xenograft models.
Funding Agreement

On January 7, 2018, we entered into a funding agreement (the “Funding Agreement”) with RPI Finance Trust, a Delaware statutory trust (“RPI”). Pursuant to the Funding Agreement, we granted RPI the right to receive certain royalty amounts, subject to certain reductions, based on the net sales of the antibody-drug conjugate IMMU-132 (sacituzumab govitecan) (the “Product”), for each calendar quarter during the term of the Funding Agreement (“Revenue Participation Right”), in exchange for $175,000,000 in cash (the “Purchase Price”). Specifically, the royalty rate commences at 4.15 percent on net annual sales of up to $2 billion, declining step-wise based on sales tiers to 1.75 percent on net global annual sales exceeding $6 billion. In addition, after the seventh anniversary of the First Commercial Sale (as defined in the Funding Agreement) in the United States and following a change of control of the Company, we shall have the option to repurchase fifty percent (50%) of the Revenue Participation Right from RPI, at the present value (calculated using a 5% discount rate) of the projected royalty payments based upon the then projected sales of the Product.

Government Regulation

Regulatory Compliance

Our research and development activities, including testing in laboratory animals and in humans, our manufacture of antibodies and oversight of suppliers and contract manufacturers involved in the production of our product candidates, as well as the design, manufacturing, safety, efficacy, handling, labeling, storage, recall/keeping, advertising, promotion and marketing of the product candidates that we are developing, are all subject to stringent regulation, primarily by the FDA in the United States under the Federal Food, Drug, and Cosmetic Act (the “FDCA”) and its implementing regulations, and by comparable authorities under similar laws and regulations in other countries. If, for any reason, we do not comply with applicable requirements, such noncompliance can result in various adverse consequences, including one or more delays in approval of, or even the refusal to approve, product candidates or applications, the suspension or termination of clinical investigations, the revocation of approvals previously granted, as well as fines, criminal prosecution, recall or seizure of products, injunctions against shipping products and total or partial suspension of production and/or refusal to allow us to enter into or termination of governmental supply contracts.

Product Approval

In the United States, our product candidates are regulated as biologic pharmaceuticals, or biologics. The FDA’s regulatory authority for the approval of biologics resides in the PHS Act. However, biologics are also subject to regulation under the FDCA because most biological products also meet the FDCA’s definition of “drugs.” Most pharmaceuticals or “conventional drugs” consist of pure chemical substances and their structures are known. Most biologies, however, are complex mixtures that are not easily identified or characterized. Biological products differ from conventional drugs in that they tend to be heat-sensitive and susceptible to microbial contamination, thus requiring sterile manufacturing processes. The process required by the FDA before biologic product candidates may be marketed in the United States generally involves the following:

• completion of preclinical laboratory tests and animal studies performed in accordance with the FDA’s current Good Laboratory Practices regulations;
• submission to the FDA of an Investigational New Drug Application ("IND"), which must become effective before human clinical trials may begin and must be updated annually;
• approval by an independent Institutional Review Board ("IRB") ethics committee at each clinical site before the trial is initiated;
• performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the proposed biologic, and its safety and efficacy for each indication;
• submission of an application to the FDA of a BLA for a new biologic, after completion of all pivotal clinical trials;
• satisfactory completion of an FDA Advisory Committee review, if applicable;
• a determination by the FDA within 60 days of its receipt of a BLA to file the application for review;
• satisfactory completion of an FDA pre-approval inspection of the manufacturing facilities to assess compliance with current Good Manufacturing Practice ("cGMP") regulations; and
• FDA review and approval of a BLA for a new biologic, prior to any commercial marketing or sale of the product in the United States.

Preclinical tests assess the potential safety and efficacy of a product candidate in animal models. Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with current Good Clinical Practices ("cGCPs"), which include the requirement that all research subjects provide their informed consent for their participation in any clinical trial. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. Additionally, approval must also be obtained from each clinical trial site’s IRB before the trials may be initiated, and the IRB must monitor the study until completed. There are also requirements governing the reporting of ongoing clinical trials and clinical trial results to public registries.

The clinical investigation of a pharmaceutical, including a biologic, is generally divided into three phases. Although the phases are usually conducted sequentially, they may overlap or be combined.

• Phase 1 studies are designed to evaluate the safety, dosage tolerance, metabolism and pharmacologic actions of the investigational product in humans, the side effects associated with increasing doses, and if possible, to gain early evidence on effectiveness.

• Phase 2 includes controlled clinical trials conducted to preliminarily or further evaluate the effectiveness of the investigational product for a particular indication(s) in patients with the disease or condition under study, to determine dosage tolerance and optimal dosage, and to identify possible adverse side effects and safety risks associated with the product.

• Phase 3 clinical trials are generally controlled clinical trials conducted in an expanded patient population generally at geographically dispersed clinical trial sites, and are intended to further evaluate dosage, clinical effectiveness and safety, to establish the overall benefit-risk relationship of the investigational product, and to provide an adequate basis for product approval.

The FDA may place clinical trials on hold at any point in this process if, among other reasons, it concludes that clinical subjects are being exposed to an unacceptable health risk. Trials may also be terminated by IRBs, which must review and approve all research involving human subjects. Side effects or adverse events that are reported during clinical trials can delay, impede or prevent marketing authorization.

The results of the preclinical and clinical testing, along with information regarding the manufacturing of the product and proposed product labeling, are evaluated and, if determined appropriate, submitted to the FDA through a BLA. The application includes all relevant data available from pertinent preclinical and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product’s chemistry, manufacturing, controls and proposed labeling, among other things. Once the BLA submission has been accepted for filing, the FDA’s standard goal is to review applications within ten months of the filing date or, if the application relates to a drug that treats a serious condition and would provide a significant improvement in safety or effectiveness qualifying for Priority Review, six months from the filing date. The review process is often significantly extended by FDA requests for additional information or clarification.

The FDA offers certain programs, such as BTD and Fast Track designation, designed to expedite the development and review of applications for products intended for the treatment of a serious or life-threatening disease or condition. For BTD, preliminary clinical evidence of the product indicates that it may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. If BTD or Fast Track designation is obtained, the FDA may initiate review of sections of a BLA before the application is complete, and the product may be eligible for accelerated approval. However, receipt of BTD or Fast Track designation for a product candidate does not ensure that a product will be developed or approved on an expedited basis, and such designations may be rescinded if the product candidate is found to no longer meet the qualifying criteria.

The FDA reviews the BLA to determine, among other things, whether the proposed product is safe, pure and potent, which includes determining whether it is effective for its intended use, and whether the product is being manufactured in accordance with cGMP, to assure and preserve the product’s identity, strength, quality and purity. The FDA may refer an application to an advisory committee for review, evaluation and recommendation as to whether the application should be approved, and applications for new molecular entities and original BLAs are generally discussed at advisory committee meetings unless the FDA determines that this type of consultation is not needed under the circumstances. The FDA is not bound by the recommendation of an advisory committee, but it typically follows such recommendations.
After the FDA evaluates the BLA and conducts inspections of manufacturing facilities, it may issue an approval letter or a CRL. An approval letter authorizes commercial marketing of the biologic with specific prescribing information for specific indications. A CRL indicates that the review cycle of the application is complete, and the application is not ready for approval. A CRL may require additional inspections, and/or other significant, expensive and time-consuming requirements related to clinical trials, preclinical studies or manufacturing. Even if such additional information is submitted, the FDA may ultimately decide that the BLA does not satisfy the criteria for approval. The FDA could approve the BLA with a Risk Evaluation and Mitigation Strategy ("REMS") to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling, development of adequate controls and specifications, or a commitment to conduct one or more post-market studies or clinical trials. Such post-market testing may include Phase 4 clinical trials and surveillance to further assess and monitor the product’s safety and effectiveness after commercialization.

The Biologics Price Competition and Innovation Act of 2009 ("BPCIA") created an abbreviated pathway for the approval of biosimilar and interchangeable biologic products. The abbreviated pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as “interchangeable” based on its similarity to an existing branded product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product was approved under a BLA. In March 2015, the FDA approved Novartis’s Zarzio as a biosimilar product to Amgen’s Neupogen. Since then, as of January 2019, twenty-six biosimilar drugs have received FDA approval.

In 2020, the FDA and FTC announced collaborative regulatory efforts to support the adoption of biosimilars and interchangeable products and indicated that they will take measures to discourage anti-competitive behavior and promotional statements that they deem false and misleading.

**Expedited Review and Approval**

The FDA has four program designations/approval pathways — Fast Track, BTD, Accelerated Approval, and Priority Review — to facilitate and expedite development and review of new drugs and biologics to address unmet medical needs in the treatment of serious or life-threatening conditions. The Fast Track designation provides pharmaceutical manufacturers with opportunities for frequent interactions with FDA reviewers during the product’s development and the ability for the manufacturer to do a rolling submission of the BLA. A rolling submission allows completed portions of the application to be submitted and reviewed by the FDA on an ongoing basis. The BTD provides manufacturers with all of the features of the Fast Track designation as well as intensive guidance on implementing an efficient development program for the product and a commitment by the FDA to involve senior managers and experienced review staff in the review. The Accelerated Approval designation allows the FDA to approve a product based on an effect on a surrogate or intermediate endpoint that is reasonably likely to predict a product’s clinical benefit and generally requires the manufacturer to conduct required post-approval confirmatory trials to verify the clinical benefit. The Priority Review designation means that the FDA’s goal is to take action on the BLA within six months, compared to ten months under standard review. The BLA submitted in 2018 for sacituzumab govitecan in patients with mTNBC was accepted by the FDA and the original application was granted Priority Review. On January 17, 2019, we received a CRL from the FDA for the sacituzumab govitecan BLA. We requested a meeting with the FDA to gain a full understanding of its requirements and the resulting timelines for preparation of the resubmission, agency review, and an agency decision on the resubmission. On November 30, 2019 we resubmitted our BLA to the FDA and on December 23, 2019 we received notification from the FDA that the BLA was accepted for filing and further assigned a new PDUFA target action date as June 2, 2020. Refer to “Overview” above for additional information.

**Post-Approval Requirements**

Any products manufactured or distributed by us or on our behalf pursuant to FDA approvals are subject to continuing regulation by the FDA and certain state agencies, including requirements for record-keeping, reporting of adverse experiences with the biologic, submitting biological product deviation reports to notify the FDA of unanticipated changes in distributed products, establishment registration, compliance with cGMP standards (including investigation and correction of any deviations from cGMP), and certain state licensing requirements. Additionally, any significant change in the approved product or in how it is manufactured, including changes in formulation or the site of manufacture, generally require prior FDA approval, and even changes that may seem less significant must be evaluated under change control procedures to assess their potential impact on product quality and relative to the specifications on file with the FDA, and whether they trigger notifications or approval requirements. The packaging and labeling of all products developed by us are also subject to FDA approval and ongoing regulation. Noncompliance with any regulatory requirements can result in, among other things, issuance of warning letters, civil and criminal penalties, seizure, and injunctive action. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.
The commercial distribution of prescription drugs is subject to the Drug Supply Chain Security Act ("DSCSA"), which regulates the distribution of the products at the federal level, and sets certain standards for federal or state registration and compliance of entities in the supply chain (manufacturers and packages, wholesale distributors, third-party logistics providers, and dispensers). The DSCSA preempts certain previously enacted state laws and the pedigree requirements of the Prescription Drug Marketing Act ("PDMA"). Trading partners within the drug supply chain must now ensure certain product tracing requirements are met, and are required to exchange transaction information, transaction history, and transaction statements. Further, the DSCSA limits the distribution of prescription biopharmaceutical products and imposes requirements to ensure overall accountability and security in the drug supply chain. Product identifier information (an aspect of the product tracing scheme) is also now required. The DSCSA requirements, development of standards, and the system for product tracing have been and will continue to be phased in over a period of years through 2023, and subject companies will need to continue their implementation efforts. The distribution of product samples continues to be regulated under the PDMA, and some states also impose regulations on drug sample distribution.

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the regulatory provisions governing the approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, FDA regulations, guidance documents, and policies are often revised or reinterpreted by the agency in ways that may significantly affect our business and our product candidates. It is impossible to predict whether further legislative or FDA regulation or policy changes will be enacted or implemented and what the impact of such changes, if any, may be.

**Orphan Drug Act**

We have successfully obtained Orphan Drug designation by the FDA under the Orphan Drug Act of 1983 for sacituzumab govocin for SCLC and pancreatic cancer. Under the Orphan Drug Act, FDA may grant Orphan Drug designation to drugs intended to treat a rare disease or condition, which is generally defined as a disease or condition that affects fewer than 200,000 individuals in the United States. Orphan Drug designation must be requested before submitting a BLA. In the United States, Orphan Drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages, and user-fee waivers. Orphan Drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. The first BLA applicant to receive FDA approval for a particular active ingredient to treat a particular disease with FDA Orphan Drug designation is entitled to a seven-year exclusive term for that indication. During the seven-year exclusivity period, FDA may not approve any other applications to market the same drug for the same orphan indication, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity or where the manufacturer of the approved product cannot assure sufficient quantities. As a result, there can be no assurance that our competitors will not receive approval of drugs or biologics that have a different active ingredient for treatment of the diseases for which our products and product candidates are targeted.

**Foreign Regulation**

In addition to regulations in the United States, we are subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our product candidates being developed, and products being marketed outside of the United States. We must obtain approval by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of our products in those countries. The approval process varies from country to country, and the time may be longer or shorter than required by the FDA for BLA licensure. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country. As in the United States, we are subject to post-approval regulatory requirements, such as those regarding product manufacturing, marketing, or distribution.

**Other Regulatory Considerations**

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

We may also be subject to healthcare regulation and enforcement by the federal government and the states and foreign governments where we may market our products and product candidates, if approved. These laws and regulations include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, data privacy and security, aggregate spend reporting, and product price advertising.

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The federal Anti-Kickback Statute, which prohibits, among other things, persons and entities including pharmaceutical manufacturers from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, overtly or covertly, in case or in kind, to induce or reward, or in return for, or either the referral of an individual for, or the purchase, lease or order or recommendation of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. This statute has been interpreted broadly to apply to, among other things, arrangements between pharmaceutical manufacturers on the one hand and pharmacies, purchasers and formulary managers on the other hand. The term “remuneration” expressly includes kickbacks, bribes or rebates and also has been broadly interpreted to include anything of value. There are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions; however, the exceptions and safe harbors are drawn narrowly, and practices that do not fit squarely within an exception or safe harbor may be subject to scrutiny. The failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Our practices may not meet all of the criteria for safe harbor protection from federal Anti-Kickback Statute liability in all cases. A person or entity does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it to have committed a violation. In addition, Price Protection and Affordable Care Act of 2010, as amended (“ACA”) codified a new law that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.

The federal civil False Claims Act prohibits individuals or entities from, among other things, knowingly presenting or causing the presentation of a claims payment or, or approval by, the federal government that are false, fictitious or fraudulent, or knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the federal government. Although we do not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to “cause” the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers, promoting a product for unapproved uses (also known as “off-label promotion”), marketing products of substandard quality, or, as noted above, paying a kickback that results in a claim for items or services in violation of the Anti-Kickback Statute. In addition, our activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebates information and other information affecting federal, state and third-party reimbursement for our products, and the sale and marketing of our products, are subject to scrutiny under the False Claims Act. For example, several pharmaceutical and other healthcare companies have faced enforcement actions under these laws for allegedly inflating drug prices they report to pricing services, which in turn were used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal healthcare programs for the product. The federal civil False Claims Act also permits a private individual acting as a “whistleblower” to bring actions on behalf of the federal government alleging violations of the False Claims Act and to share in any monetary recovery. In addition, certain marketing practices, including off-label promotion, may also implicate the False Claims Act. Although the False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes.

In addition to the Anti-Kickback Statute and False Claims Act, there are state statutes and regulations equivalent or substantially similar to the federal laws which may extend to items and services reimbursed by commercial insurers and/or by patients directly. State law equivalents to the Anti-Kickback Statute and False Claims Act may not have adopted exceptions and safe harbors available at the federal level and therefore, may implicate a broader range of activities.

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The federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) imposes criminal and civil liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud or obtain, by any means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payers, and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.
There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The federal physician payment transparency requirements, sometimes referred to as the "Physician Payments Sunshine Act," created under the ACA, and its implementing regulations, which require applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the State Children’s Health Insurance Program (with certain exceptions) to annually report to the United States Department of Health and Human Services, or HHS, information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Under recent legislation, the Sunshine Act will extend to payments and transfers of value to physician assistants, nurse practitioners, and other mid-level healthcare providers (with reporting requirements going into effect in 2022 for payments and transfers made in 2021). Centers for Medicare and Medicaid Services (“CMS”) has the potential to impose penalties of up to $1.15 million per year for violations of the Sunshine Act, depending on the circumstances, and payments reported under the Sunshine Act also have the potential to draw scrutiny on payments to and relationships with physicians and teaching hospitals, which may have implications under the Anti-Kickback Statute and other healthcare laws.

We may also be subject to data privacy and security regulation by both the federal government and the state governments in which we conduct our business. HIPAA, as amended by the Health Information Technology and Clinical Health Act of 2009 (“HITECH”) and their respective implementing regulations, including the Final Omnibus Rule published on January 25, 2013, imposes, among other things, obligations, including mandatory contractual terms with respect to safeguarding the privacy, security and transmission of individually identifiable health information held by certain healthcare providers, health plans and healthcare clearinghouses, known as covered entities, and business associates. Among other things, HITECH made certain aspects of HIPAA’s rules (notably the Security Rule) directly applicable to business associates, defined as independent contractors or agents of covered entities that receive or obtain individually identifiable health information in connection with providing a service for or on behalf of a covered entity. HITECH created four tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal court to enforce the federal HIPAA laws and seek attorney’s fees and costs associated with pursuing federal civil actions. The Department of Health and Human Services Office of Civil Rights (“OCR”) has increased its focus on compliance and continues to train state attorneys general for enforcement purposes. The OCR has recently increased both its efforts to audit HIPAA compliance and its level of enforcement, with one recent penalty exceeding $50 million.

Even where HIPAA does not apply, according to the United States Federal Trade Commission (“FTC”), failing to take appropriate steps to keep consumers’ personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act (“FTCA”), 15 United States C § 45(a). The FTC expects a company’s data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Medical data is considered sensitive data that merits stronger safeguards. The FTC’s guidance for appropriately securing consumers’ personal information is similar to what is required by the HIPAA Security Rule.

There are numerous other laws and legislative and regulatory initiatives at the federal and state levels addressing privacy and security concerns, and some state privacy laws apply in broader circumstances than HIPAA. California recently enacted legislation – the California Consumer Privacy Act (“CCPA”), which took effect January 1, 2020. The CCPA, among other things, created new data privacy obligations for covered companies and provided new privacy rights to California residents, including the right to opt out of certain disclosures of their information. The CCPA also created a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with a data breach. The California Attorney General will issue clarifying regulations. Although the law, as initially enacted, included certain limited exceptions, including for information collected as part of clinical trials as specified in the law, it remains unclear what language the final Attorney General regulations will contain or how the statute and regulations will be interpreted.

We are subject to the United States Foreign Corrupt Practices Act (“FCPA”), which prohibits corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. Under this act, it is illegal to pay, offer to pay, or authorize the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. Our present and future business has been and will continue to be subject to various other laws and regulations.
As noted above, we intend to bring sacituzumab govitecan to the United States market on our own for patients with mTNBC. In anticipation of bringing sacituzumab govitecan to market, we have built a commercial operation with a total sales force of approximately 56 colleagues. We also have maintained a core commercial infrastructure preparing for launch readiness.

In April 2019, we entered into the Promotion Agreement with Janssen pursuant to which we will provide non-exclusive product detailing services to Janssen. Pursuant to the Promotion Agreement, we will provide a dedicated sales team to market Janssen’s Balversa (erdafitinib) oncoligons and other targeted health care providers in the United States. Under the terms of the Promotion Agreement, Janssen maintains ownership of the New Drug Application for the product as well as legal, regulatory, distribution, commercialization and manufacturing responsibilities for the product, while we will provide product detailing services to Janssen. Refer to "Note 2 – Revenue Recognition" for additional information.

Manufacturing

We operate a cGMP manufacturing facility in Morris Plains, New Jersey for the production of ADC product candidates for clinical trials, as well as, potentially, for commercial use. Presently, we believe our Morris Plains facility has enough capacity to produce sufficient quantities of hRS7, the anti-Trop-2 antibody used in sacituzumab govitecan, to support the initial commercial launch of sacituzumab govitecan in the United States, pending FDA approval. To meet our projected future demand of sacituzumab govitecan, we have contracted with Samsung Biologics Co., Ltd. for commercial-scale antibody production. Our global supply chain also includes two outside contract manufacturing organizations: Johnson Matthey Pharma Services of Devens, Massachusetts for the manufacture of the linker-drug payload, and ISP Pharmaceuticals of Latina Scalo, Italy for the conjugation of the antibody with the linker-drug and fill/finish of the sacituzumab govitecan drug product. Together, our end-to-end supply chain has capacity to support the potential commercial launch of sacituzumab govitecan in the United States, as well as the multitude of clinical development programs globally.

Manufacturing Regulatory Considerations

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

Employees

As of December 31, 2019, we employed 366 persons on a full-time basis, 71 of whom were engaged in research, clinical research and regulatory affairs, 182 of whom were engaged in operations and manufacturing and quality control, and 113 of whom were engaged in finance, administration, sales and marketing. We believe that while we have been successful to date in attracting skilled and experienced scientific personnel, competition for such personnel continues to be intense and there can be no assurance that we will continue to be able to attract and retain the professionals we will need to grow our business. Our employees are not covered by a collective bargaining agreement and we believe that our relationship with our employees is excellent.

Corporate Information

We were incorporated in Delaware in 1982. Our principal offices are located at 300 The American Road, Morris Plains, New Jersey 07950 and 410 The American Road, Morris Plains, New Jersey 07950. Our telephone number is (973) 605-8200. In addition, to our majority-owned subsidiary, IBC Pharmaceuticals, Inc. (“IBC”), we also have one foreign subsidiary, Immunomedics GmbH in Rodermark, Germany, to assist us in managing sales and marketing efforts, coordinating clinical trials in Europe, and providing related regulatory affairs support. Immunomedics has incurred expenses on behalf of the IBC operations, including interest, over the past fifteen years. As of December 31, 2019, IBC has a liability to Immunomedics Inc. of approximately $18.1 million, which is eliminated in consolidation. Our web address is www.immunomedics.com. We have not incorporated by reference into this Annual Report on Form 10-K, the information on our website and you should not consider it to be a part of this document.
RISK FACTORS

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. 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. There can be no assurance that we will be profitable in future quarters or other periods. Further, we have made the strategic decision to focus on our therapeutic pipeline. We have never had product sales of any therapeutic product. 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. Even if we are able to develop commercially viable therapeutic products, certain obligations the Company has to third parties, including, without limitation, our obligation to pay RPI Finance Trust, a Delaware statutory trust (“RPI”), royalties on certain sacituzumab govitecan revenues pursuant to the Royalty Agreement may erode profitability of such products. 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.

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

We believe our projected financial resources are adequate to (i) accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, (ii) continue to expand the clinical development programs for developing sacituzumab govitecan in mTNBC, metastatic urothelial cancer (“mUC”), hormone receptor-positive (“HR+”)/human epidermal growth factor receptor-2 negative (“HER2-”) metastatic breast cancer (“mBC”), and other indications of high medical need, (iii) invest in the broader clinical development of the platform (including IMMU-130 and IMMU-140), (iv) continued scale up of manufacturing and manufacturing process improvements, and (v) general working capital requirements. However, in case of regulatory delays or other unforeseen events, we may require additional funding.

We may require additional funding in the future to complete our clinical trials currently planned or underway, continue research and new development programs, and continue operations. Potential sources of funding include (i) the entrance into various potential strategic partnerships targeted at advancing and maximizing our full pipeline for mTNBC and beyond, (ii) the sales and marketing of sacituzumab govitecan as a third-line therapy for mTNBC in the United States (pending FDA approval), and (iii) potential equity and debt financing transactions. Refer to “Note 9 - Stockholders’ Equity” for additional information.

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Until we can generate significant cash through (i) the entrance into various potential strategic partnerships towards advancing and maximizing our full pipeline for mTNBC and beyond, or (ii) the sales and marketing of sacituzumab govitecan as a third-line therapy for mTNBC in the United States (pending FDA approval), we expect to continue to fund our operations with our current financial resources. In the future, if we cannot obtain sufficient funding through the above methods, we would be required to finance future cash needs through the sale of additional equity and/or issuance of debt. However, there can be no assurance that we will be able to raise the additional capital needed to complete our pipeline of research and development programs on commercially acceptable terms, if at all. The capital markets have experienced volatility in recent years, which has resulted in uncertainty with respect to availability of capital and hence the timing to meet an entity’s liquidity needs. Our existing debt may also negatively impact our ability to raise additional capital. If we are unable to raise capital on acceptable terms, our ability to continue our business would be materially and adversely affected.

Other than our pending BLA resubmission for sacituzumab govitecan for patients with metastatic triple-negative breast cancer, our other most advanced therapeutic product candidates are still only in the clinical development stage, and may 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. A failure of a clinical trial could severely harm our business and results of operations.

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, delayed or otherwise fail for any number of reasons, including:

• late-stage clinical trials may raise safety or efficacy concerns not readily apparent in earlier trials or fail to meet the primary endpoint;
• 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;
• we or any of our collaboration partners may experience delays in obtaining, or be unable to obtain, agreement for the conduct of our clinical trials from the FDA, IRBs, or other reviewing entities at clinical sites selected for participation in our clinical trials;
• 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 or conditions imposed by the FDA, an IRB, a data and safety monitoring board (“DSMB”), or any other regulatory authority;
• our third-party contractors may fail to meet their contractual obligations to us in a timely manner;
• the FDA or other regulatory authorities may impose cGMP to manufacture the product candidate, or within the quantities needed to complete the trial which may become cost-prohibitive;
• we or any of our collaboration partners 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, we may be forced to cancel or otherwise curtail such trials and other studies.

Any substantial delay in successfully completing clinical trials for our product candidates, sacituzumab govitecan and labetuzumab govitecan, could severely harm our business and results of operations.

Our clinical trials may not adequately show that our drugs are safe or effective, and a failure to achieve the planned endpoints could result in termination of product development.

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 endpoints could result in delays in our trials, require the performance of additional unplanned trials or require termination of any further development of the product for the intended indication.
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. The FDA or comparable regulatory authorities in other countries may delay, limit or deny approval of our product candidates for various reasons. For example, such authorities may disagree with the design, scope or implementation of our clinical trials, or with our interpretation of data from our preclinical studies or clinical trials, or may otherwise take the position that our product candidates fail to meet the requirements and standards for regulatory approval. There is limited FDA precedent or guidance on ADCs, and ADC product candidates may present more complex review considerations than conventional drugs, given their biologic (antibody), drug, and linker components. There are numerous FDA personnel assigned to review different aspects of a BLA, and uncertainties can be presented by their ability to exercise judgment and discretion during the review process. During the course of review, the FDA may request or require additional preclinical, clinical, chemistry, manufacturing, and controls (“CMC”), or other data and information, and the development and provision of these data and information may be time consuming and expensive. Regulatory 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. On May 21, 2018, we submitted a Biologics License Application (“BLA”) to the FDA for sacituzumab govitecan for the treatment of patients with triple negative breast cancer ("mTNBC") who have failed to respond to at least two prior therapies for metastatic disease. The FDA accepted our BLA for review on July 18, 2018. On September 21, 2018, we were informed by the FDA that the BLA was accepted for filing and assigned a new PDUFA target action date of January 18, 2019. In January 2019, we received a Complete Response Letter ("CRL") from the FDA for the BLA, which identified CMC matters for the Company to address to place our application in condition for approval. In February 2019, we received a written communication from the FDA enclosing the Establishment Inspection Report ("EIR") from the chemistry, manufacturing and controls BLA pre-approval inspection conducted by FDA at the Company’s Morris Plains, New Jersey antibody manufacturing facility for our ADC product candidate sacituzumab govitecan, which took place from August 6, 2018 through August 14, 2018. The FDA also notified the Company that the FDA will be conducting a re-inspection of the Company’s Morris Plains, New Jersey antibody manufacturing facility as part of the BLA resubmission process. The Company met with the FDA on May 2, 2019 to review the FDA’s findings and discussed the Company’s BLA re submission and held another meeting with the FDA in September 2019 to update the FDA on our progress in addressing the issues identified in the CRL and in our pre-submission inspection and to receive feedback from FDA on our approach. On November 30, 2019 we resubmitted our BLA to the FDA and on December 23, 2019 we received notification from the FDA that the BLA was accepted for filing and further assigned a new PDUFA target action date of January 23, 2020. The Company has developed a detailed plan and has dedicated, and continues to commit, significant resources to addressing the CMC matters identified by the FDA, while in parallel, preparing our manufacturing facility to be ready for re-inspection by the FDA. If the FDA determines that those actions were not sufficient, or based on the re-inspection FDA officials do not recommend approval relative to our manufacturing facility, or if information deemed necessary by the FDA cannot be provided as part of our BLA submission or during the review period, or deemed appropriate on a timely basis, such events could further delay the progress of our BLA and could require additional Company actions that cannot be completed during the review period which may adversely impact our business. Further, 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.

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

Even if our technologies and product candidates are superior, if we lack the capital needed to bring our future products to market, we may not 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
• licenses and interest income from our investments.

Over the long term, we expect to commercialize sacituzumab govitecan in mTNBC in the United States and globally, to expand sacituzumab govitecan to treat patients with other solid tumors, including UC, HR+/HER2- mBC, NSCLC and other serious cancers, to expand research and development activities to continue to expand and we do not believe we will have adequate cash to continue commercial expansion and development of sacituzumab govitecan, or to complete 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 of progress of commercialization of sacituzumab govitecan in mTNBC and our ability to develop it for other cancers;
• the rate at which we progress our research programs and the number of product candidates we have in preclinical 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; and
• our ability to enter into licensing and other collaborative agreements to help offset some of these costs.

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

Until we can generate significant cash through either (i) the entrance into various potential strategic partnerships targeted at advancing and maximizing the Company’s full pipeline for mTNBC and beyond, or (ii) the sales and marketing of sacituzumab govitecan as a third-line therapy for mTNBC. We believe our projected financial resources are adequate to (i) accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, (ii) continue to expand the clinical development programs for developing sacituzumab govitecan in mTNBC, metastatic urothelial cancer (“mUC”), hormone receptor-positive (“HR+”)/human epidermal growth factor receptor 2-negative (“HER2-“) metastatic breast cancer (“mBC”), and other indications of high medical need, (ii) invest in the broader clinical development of the platform (including IMMU-130) and
IMMU-140), (iv) continued scale up of manufacturing and manufacturing process improvements, and (v) general working capital requirements. However, in case of regulatory delays or other unforeseen events, we may require additional funding. If, however, we cannot obtain sufficient funding through the entrance into various potential strategic partnerships targeted at advancing and maximizing the Company’s full pipeline for mTNBC and beyond, we could be required to finance future cash needs through the sale of additional equity securities and/or the issuance of debt. However, there can be no assurance that we will be able to raise the additional capital needed to complete our pipeline of research and development programs on commercially acceptable terms, if at all. The capital markets have experienced volatility in recent years, which has resulted in uncertainty with respect to availability of capital and hence the timing to meet an entity’s liquidity needs. The Company’s existing debt will also negatively impact the Company’s ability to raise additional capital. If the Company is unable to raise capital on acceptable terms, its ability to continue its business would be materially and adversely affected. Having insufficient funds may require us to delay, scale-back, or eliminate some or all of our programs, or renegotiate less favorable terms than we would otherwise choose. Failure to obtain adequate financing also may adversely affect our ability to operate as a going concern.

Additionally, if we raise funds by issuing equity securities, dilution to existing stockholders would result; and if we raise funds by incurring additional debt financing, the terms of the debt may involve future cash payment obligations and/or conversion to equity as well as restrictions that may limit our ability to operate our business.

If we, or any of our collaboration partners, or our or their contract manufacturers, 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 preclinical and clinical research and development programs depends, in large part, upon our ability to manufacture our proprietary compounds in accordance with the 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 across the supply chain, whether by natural disasters, global disease outbreaks such as COVID-19 (coronavirus) 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, and contract manufacturing and processing services. All manufacturers of biopharmaceutical products must comply with current cGMP standards, 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, including in connection with the review of a BLA. The FDA generally will issue a notice on Form 483 if it finds issues with respect to its inspections, to which the facility must adequately respond in order to avoid escalated regulatory concerns. If our manufacturing facility or those facilities of our collaboration partners and our respective contract manufacturers or processors do not comply with applicable cGMP standards and other regulatory requirements, in addition to regulatory enforcement, 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 and of potential approval and commercialization.

We have historically been engaged primarily in research and development activities, but plan to commercialize our lead product candidate, neoctamab gevemme, ourselves. There can be no assurance that we will be able to successfully manage the balance of our research and development operations with our planned commercialization activities. Potential investors should be aware of the problems, delays, expenses and difficulties frequently encountered by companies balancing development of product candidates, which may include problems such as unanticipated issues relating to clinical trials and receipt of approvals from the FDA and foreign regulatory bodies, with commercialization efforts, which can include problems relating to managing manufacturing and supply, reimbursement, marketing problems and additional costs. Our product candidates will require significant additional research and clinical trials, and we will need to overcome significant regulatory hurdles prior to commercialization in the United States and other countries. In addition, we may be required to spend significant funds on building out our commercial operations.

Factors that may impact our efforts to commercialize our current or future product candidates and generate product revenues include:
the need to recruit, train, manage, and retain adequate numbers of effective sales and marketing personnel over a large geographic area;

the costs and time associated with the initial and ongoing training of sales and marketing personnel on legal and regulatory compliance matters and monitoring their actions;

the clinical indications for which the products are approved and the claims that we may make for the products;

any distribution and use restrictions imposed by the FDA or to which we agree;

understanding and training relevant personnel on the limitations on, and the transparency and reporting requirements applicable to, remuneration provided to actual and potential referral sources; and

liability for sales or marketing personnel who fail to comply with the applicable legal and regulatory requirements.

Additionally, commercial products must now meet the requirements of the DSCSA, which imposes obligations on manufacturers of prescription drug products for commercial distribution, regulating the distribution of the products at the federal level, and sets certain standards for federal or state registration and compliance of entities in the supply chain (manufacturers and repackagers, wholesale distributors, third-party logistics providers, and dispensers). The DSCSA preempts previously enacted state pedigree laws and the pedigree requirements of the PDMA. Trading partners within the drug supply chain must now ensure certain product tracing requirements are met that they are doing business with other authorized trading partners, and they are required to exchange transaction information, transaction history, and transaction statements. Further, the DSCSA limits the distribution of prescription pharmaceutical products and imposes requirements to ensure overall accountability and security in the drug supply chain. Product identifier information (an aspect of the product tracing scheme) is also now required. The DSCSA requirements, development of standards, and the system for product tracing have been and will continue to be phased in over a period of years through 2023, and subject companies will need to continue their implementation efforts. The distribution of product samples continues to be regulated under the PDMA, and some states also impose regulations on drug sample distribution.

If we are unable to develop commercially viable therapeutic products, certain obligations the Company has to third parties, including, without limitation, our obligation to pay RPI royalties on certain sacituzumab govitecan revenues pursuant to the funding agreement may also erode profitability of this product. There can be no assurance that after the expenditure of substantial funds and efforts, we will successfully develop and commercialize any of our product candidates, generate any significant revenues or ever achieve and maintain a substantial level of sales of our products.

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

A key element of our business strategy has been to develop, market and commercialize our product candidates through collaborations with more established pharmaceutical companies, including, but not limited to, our collaborations with Everest, Clovis, Roche and AstraZeneca. To the extent we continue to rely on this business strategy, 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 any of our product candidates. Even if we are able to maintain or establish licensing or collaboration arrangements on favorable terms we could adversely affect our business prospects, financial condition or ability to develop and commercialize 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 certain of our product candidates, including the manufacturing of product materials, the design and conduct of clinical trials for certain of 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 impact their development, our business could be negatively affected. Our expenses may also increase as a result of our plan to undertake these activities internally to commercialize sacituzumab govitecan.
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 United States and certain foreign countries. Although we have obtained a number of issued United States patents to-date, the patent applications owned or licensed by us may not result in additional patents being issued. Moreover, those patents may not afford us the protection we need against competitors with similar technologies or products. A number of jurisdictions where we have sought, or may in the future choose to seek, intellectual property protection, have intellectual property laws and patent offices which are still developing. Accordingly, we may have difficulty obtaining intellectual property protection in those markets, and any intellectual property protections which we do obtain may be less protective than in the United States, which could have an adverse effect on our operations and financial prospects.

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 proprietary technologies and processes with any valid patents or other intellectual property rights owned or licensed by others that would affect commercial sales of sacituzumab govitecan or other products starting in 2020. In the event that a third party were 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.

Expiration of our intellectual property rights could lead to increased competition.

Even where we are able to obtain and then defend patent and other intellectual property rights necessary for research, development and commercialization of our product candidates, such intellectual property rights will be for a limited term. Where patents which we own or license expire, the technology comprising the subject of the patent may be utilized by third parties in research and development or competing products (for example, biosimilars). We endeavor to maintain robust intellectual property protection, as our existing issued patents expire, it may 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 therapeutic oncology products. In recent years, there have been extensive technological innovations achieved in short periods of time, and it is possible that future technological changes and discoveries by others could result in our products and product candidates quickly becoming uncompetitive or obsolete. A number of companies, including ADC Therapeutics, AlloVir, Astellas Pharma, AstraZeneca, Bristol-
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. It is possible that such competition could come from universities with which we have, or have previously had, collaborative research and development relationships, notwithstanding our efforts to protect our intellectual property in the course of such relationships.

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.

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

Certain of our former officers and 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 former Chairman of our Board of Directors, our former Chief Scientific Officer and our former Chief Patent Officer, and Ms. Cynthia L. Sullivan, a former Director and our former President and Chief Executive Officer (who is also the wife of Dr. Goldenberg). Dr. Goldenberg is also a minority stockholder of our majority-owned subsidiary, IBC. Dr. Goldenberg was the primary inventor of new intellectual property owned by Immunogen and IBC, and was largely responsible for allocating ownership between the two companies. Immunogen has incurred expenses on behalf of the IBC operations, including interest, over the past fifteen years. As of December 31, 2019, IBC has a liability to Immunogen Inc. which is eliminated in consolidation.

On January 8, 2018, Morris Rosenberg joined the Company as Chief Technology Officer and became a full-time employee and was permitted to continue to provide certain limited outside consulting services through M Rosenberg BioPharma Consulting LLC.

On March 5, 2019, we entered into a Letter Agreement with Scott Canute, a member of our Board of Directors, in connection with his appointment as Executive Director of the Company.
On November 19, 2019, pursuant to the Plan, the Board of Directors approved a stock option grant to Behzad Aghazadeh, Executive Chairman of the Board of Directors of the Company, to purchase 150,000 shares of the Company’s common stock (the “Performance-Based Option”) for certain duties performing this role, including providing consulting and advisory services to the Company. The Performance-Based Option will be a nonqualified stock option and one third vested upon FDA acceptance of the BLA resubmission, and two thirds shall vest upon approval from the FDA for the Company’s BLA for axicinumab vismodegib.

As a result of these and other relationships, the potential for both real and perceived conflicts of interest exist 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.

The commercial success of our product candidates depends on the availability and sufficiency of third-party payer coverage and reimbursement. Given that recent cancer therapeutics for solid cancers such as the ones we are developing can cost approximately in the range of $1,000 to $5,000 a month, 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. Many commercial payers employ “site-of-service blocks,” for newly launched medications and other products until the payers have the opportunity to make a coverage decision based upon their internal review of such products. When a medication or other product is not covered, the patient is responsible to pay the full price, which can significantly limit utilization. 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.

The United States government, state legislatures and foreign governmental entities have shown significant interest in implementing cost containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement and coverage and requirements for substitution of generic products for branded prescription drugs. Adoption of government controls and measures and tightening of restrictive policies in jurisdictions with existing controls and measures, could exclude or limit our product candidates from coverage and limit payments for pharmaceuticals. We continue to monitor the potential impact of proposals to lower prescription drug costs at the federal and state level. For example, on May 11, 2019, President Trump laid out his administration’s “Blueprint” to lower drug prices and reduce out-of-pocket costs of drugs, as well as additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, and incentivize manufacturers to lower the list price of their products. Although some proposals related to the administration’s Blueprint require additional authorization to become effective, may ultimately be withdrawn, or may face challenges in the courts, the U.S. Congress and the Trump administration have indicated that they will continue to seek new legislative and administrative measures to control drug costs. Drug pricing remains a key bipartisan issue and drug pricing legislation has been introduced in both the Senate and the House. The Prescription Drug Pricing Reduction Act of 2019, which includes changes to Medicare and Medicaid drug pricing and targets certain pharmacy benefit manager (“PBM”) and pharmaceutical manufacturer pricing practices such as: (i) revisions to Medicare Part D benefit design and capping beneficiary out-of-pocket costs at $3,100; (ii) an inflationary rebate policy that would require pharmaceutical manufacturers to pay rebates when the price of their drug or biologic increases faster than inflation; (iii) manufacturer reporting requirements to HHS for certain drug price increases; and (iv) PBM transparency requirements and a ban on spread pricing in Medicaid. In December 2019, the House passed a drug pricing bill, “Lower Drug Costs Now Act of 2019,” which features Medicare Parts B and D direct negotiation with manufacturers, inflationary rebates and a restructuring of the Part D benefit. Direct price negotiations would occur for at least 50 of the most costly drugs to Medicare and would target drugs without a comparable generic or biosimilar on the market. Negotiated prices under the法案 would be used by any payer, both governmental and commercial. Republicans in both chambers have opposed the drug pricing bills but the Trump administration has expressed support for the Senate bill and continues to push for drug pricing controls. If drug pricing reform is not meaningfully addressed before the 2020 election, policies to be pursued in the future may be more aggressive, regardless of which party controls the White House.

At the state level, legislatures have increasing passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.
In addition, we expect that increased emphasis on managed care and cost containment measures in the United States by third-party payers and government authorities to continue and will place pressure on pharmaceutical pricing and coverage. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is obtained for one or more product candidates for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

If we are unable to obtain and maintain sufficient third-party coverage and adequate reimbursement for our product candidates, the commercial success of our product candidates may be greatly hindered, and our financial condition and results of operations may be materially and adversely affected.

Our products may not achieve market acceptance.

If any of our product candidates fail to achieve sufficient market acceptance, we may not be able to generate sufficient revenue to become profitable. The degree of market acceptance of our product candidates, if and when they are approved for commercial sale, will depend on a number of factors, including but not limited to:

- the timing of our receipt of marketing approvals, the terms of such approvals and the countries in which such approvals are obtained;
- the safety, efficacy, reliability and ease of administration of our product candidates;
- the prevalence and severity of undesirable side effects and adverse events;
- the extent of the limitations or warnings required by the FDA or comparable regulatory authorities in other countries to be contained in the labeling of our product candidates;
- the clinical indications for which our product candidates are approved;
- the availability and perceived advantages of alternative therapies;
- any publicity related to our product candidates or those of our competitors;
- the quality and price of competing products;
- our ability to obtain third-party payer coverage and sufficient reimbursement;
- the willingness of patients to pay out of pocket in the absence of third-party payer coverage; and
- the selling efforts and commitment of our commercialization collaborators.

If any of our product candidates fail to receive a sufficient level of market acceptance, our ability to generate revenue from sales of our product candidates will be limited, and our business and results of operations may be materially and adversely affected.

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 United States 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. Where funding is obtained from government agencies or research bodies, our intellectual property rights in the research or technology funded by the grant are typically subject to certain licenses to such agencies or bodies, which could have an impact on our utilization of such intellectual property in the future.

We face a number of risks relating to the maintenance of our information systems and our use of information relating to clinical trials.

In managing our operations, we rely on computer systems and electronic communications, including systems relating to record keeping, financial information, sourcing, and back-up and the Internet (“Information Systems”). Our Information Systems include the electronic storage of financial, operational, research, patient and other data. Our Information Systems may be subject to interruptions or damage from a variety of causes, including power outages, computer and communications failures, system capacity constraints, catastrophic events (such as fires, tornadoes and other natural disasters), cyber risks, computer viruses and security breaches. If our Information Systems cease to function properly, are damaged or are subject to unauthorized access, we may suffer interruptions in our operations, be required to make significant investments to fix or replace systems and/or be subject to fines, penalties, lawsuits, or government action. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations. Our clinical trials information and patient data (which may include personally identifiable information) is part of our Information Systems and is therefore subject to all of the risks set forth above, notwithstanding our efforts to control and protect such information.

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 recent years, there have been numerous initiatives on the federal and state levels in the United States for comprehensive reforms affecting the payment for, the availability of, and reimbursement for, healthcare services. As discussed above, there have been a number of federal and state proposals during the last few years regarding the pricing of pharmaceutical and biopharmaceutical products, limiting coverage and reimbursement for drugs and other medical products, government control and other changes to the healthcare system in the United States. For example, the Patient Protection and Affordable Care Act (“ACA”) and the Health Care and Education Reconciliation Act of 2010, which amends the ACA, collectively, the United States Health Reform Laws, were signed into law in the United States in March 2010.

Among the provisions of the ACA of importance to the pharmaceutical industry are the following:

• the Medicaid Drug Rebate Program requires pharmaceutical manufacturers to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services as a condition of Medicare Part B and Medicaid coverage of the manufacturer’s outpatient drugs furnished to Medicaid patients. Effective in 2010, the ACA made several changes to the Medicaid Drug Rebate Program, including increasing pharmaceutical manufacturers’ rebate liability by raising the minimum base Medicaid rebate on most branded prescription drugs from 15.1% of average manufacturer price, or AMP, to 23.1% of AMP, establishing new methodologies by which AMP is calculated and rebates owed by manufacturers under the Medicaid Drug Rebate Program are collected for drugs that are inhaled, infused, implanted or injected, adding a new rebate calculation for “line extensions” (i.e., new formulations, such as extended release formulations) of solid oral dosage forms of branded products, expanding the universe of Medicaid utilization subject to drug rebates to covered drugs dispensed to individuals who are enrolled in Medicaid managed-care organizations, and expanding the population potentially eligible for Medicaid drug benefits;
• the expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals beginning in April 2010 and by adding new mandatory eligibility categories for certain individuals with income at or below 133.0% of the federal poverty level beginning in 2014, thereby potentially increasing both the volume of sales and manufacturers’ Medicaid rebate liability;
• in order for a pharmaceutical product to receive federal reimbursement under the Medicare Part B and Medicaid programs or to be sold directly to United States government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a given product is calculated based on the AMP and Medicaid rebate amounts reported by the manufacturer. Effective in 2010, the ACA expanded the types of entities eligible to receive discounted 340B pricing, although, under the current state of the law, with the exception of children’s hospitals, these newly eligible entities will not be eligible to receive discounted 340B pricing on orphan drugs

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when used for the orphan indication. In addition, as 340B drug pricing is determined based on AMP and Medicaid rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase. Proposal guidance from the United States Department of Health and Human Services Health Resources and Services Administration, if adopted in its current form, may affect manufacturers’ rights and liabilities in conducting audits and resolving disputes under the 340B program;

- the ACA imposed a requirement on manufacturers of branded drugs to provide a 50%, which increased to 70% on January 1, 2019, discount off the negotiated price of branded drugs dispensed to Medicare Part D patients in the coverage gap (i.e., the “donut hole”);

- the ACA imposed an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs, apportioned among those entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications;

- the ACA implemented the Physician Payments Sunshine Act;

- the ACA requires annual reporting of drug samples that manufacturers and distributors provide to physicians;

- the ACA expanded healthcare fraud and abuse laws in the United States, including the False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for non-compliance;

- the ACA established a licensing framework for follow-on biologics;

- the ACA established the Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with the funding for such research. The research conducted by the Patient-Centered Outcomes Research Institute may affect the market for certain pharmaceutical products by influencing decisions relating to coverage and reimbursement rates; and

- the ACA established the Center for Medicare & Medicaid Innovation within the Centers for Medicare & Medicaid Services (“Innovation Center”), to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending. The Innovation Center was funded through 2019, and funding will be automatically renewed for each 10-year budget window thereafter.

Some of the provisions of the ACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017 (“TCJA”), includes a provision repealing, effective January 1, 2019, the excise tax imposed by the ACA on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. Further, the Bipartisan Budget Act of 2018, or the BBBA, among other things, extends the ACA’s effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the “donut hole.” In July 2018, CMS published a final rule permitting further collections and payments to and from certain ACA qualified health plans and market insurance issuers under the ACA risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. Congress may consider additional legislation regarding the method CMS uses to determine this risk adjustment. Congress may consider additional legislation to repeal or replace and replace other elements of the ACA. On December 14, 2018, the U.S. District Court for the Northern District of Texas struck down the ACA in Texas v. Suerke, deeming it unconstitutional given that Congress repealed the individual mandate in 2017, on July 9, 2019, the U.S. Court of Appeals for the Fifth Circuit heard arguments on appeal in this matter. On December 16, 2019, the Fifth Circuit ruled that the ACA’s individual mandate is unconstitutional. In concluding that the individual mandate is unconstitutional, the question remains whether, or how much of, the rest of the ACA is severable from that constitutional defect. The Fifth Circuit further remanded the case to the U.S. District Court for the Northern District of Texas to further analyze whether the other provisions of the ACA are severable as they currently exist under the law. It is unclear how the eventual decision from this appeal, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA and our business.
In addition, other legislative changes have been proposed and adopted since the ACA was enacted. For example, in August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation’s automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2.7% per fiscal year, which went into effect in 2013, and due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2027 unless additional Congressional action is taken. In January 2013, then-President Barack Obama signed into law the American Taxpayer Relief Act of 2012 (“ATRA”), which, among other things, delayed for another two months the budget cuts mandated by those sequestration provisions of the Budget Control Act of 2011. The ATRA also reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover over-payments to providers from three to five years. Moreover, CMS has promulgated or amended a number of cost containment and value-based reimbursement measures in the ordinary course of business, and it is expected to continue revising its regulations and policies in response to market conditions and administration directives. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material and adverse effect on our customers and accordingly, our financial operations.

Further, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent United States Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, restructure the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs.

In addition, there have been a number of other policy, legislative, and regulatory proposals aimed at changing the pharmaceutical industry. For instance, on May 11, 2018, President Trump laid out his administration’s “Blueprint” to lower drug prices and reduce out of pocket costs of drugs, as well as additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, and incentivize manufacturers to lower the list price of their products. Although some proposals related to the administration’s Blueprint may require additional authorization to become effective, may ultimately be withdrawn, or may face challenges in the courts, the U.S. Congress and the Trump administration have indicated that they will continue to seek new legislative and administrative measures to control drug costs, including by addressing the role of pharmacy benefit managers in the supply chain.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosures and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. We are unable to predict the future course of federal or state healthcare legislation in the United States directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. The ACA and any further changes in the law or regulatory framework that reduce our revenue or increase our costs could also have a material and adverse effect on our business, financial condition and results of operations.

On May 30, 2018, the Trickett Wendler, Frank Mongiello, Jordan McLinn, and Matthew Bellina Right to Try Act of 2017, or Right to Try Act, was signed into law. The law, among other things, provides a federal framework for patients to access certain investigational new product candidates that have completed a Phase I clinical trial. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without obtaining FDA approval under the FDA expanded access program. The Right to Try Act did not establish any new entitlement or positive right to any party or individual, nor did it create any new mandates, directives, or additional regulations requiring a manufacturer or sponsor of an eligible investigational new product candidates to provide expanded access.

We are unable to predict the future course of federal or state healthcare legislation in the United States directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. The United States Health Reform Laws and any further changes in the law or regulatory framework that reduce our revenue or increase our costs could also have a material and adverse effect on our business, financial condition and results of operations.

Healthcare laws and regulations may affect the pricing of our product candidates and may affect our profitability.

In certain countries, the government may provide healthcare at a subsidized cost to consumers and regulate prices, patient eligibility or third-party payer reimbursement policies to control the cost of product candidates. Such a system may lead to inconsistent pricing of our product candidates from one country to another. The availability of our product candidates at lower prices in certain countries may undermine our sales in other countries where our product candidates are more expensive. In addition, certain countries may set prices by reference to the prices of our product candidates in other countries. Our inability to secure...
adequate prices in a particular country may adversely affect our ability to obtain an acceptable price for our product candidates in existing and potential markets. If we are unable to obtain a price for our product candidates that provides an appropriate return on our investment, our profitability may be materially and adversely affected.

Our industry and we are subject to intense regulation from the United States Government and other governments and quasi-official authorities regulating where our products are sold and product candidates may be sold.

Both before and after regulatory approval to market a particular product candidate, including our biologic product candidates, the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, distribution and record keeping related to the product are subject to extensive, ongoing regulatory requirements, including, without limitation, submissions of safety and other post-marketing information and reports, registrations, as well as continued compliance with cGMP requirements and good clinical practice requirements for any clinical trials that we conduct post-approval. As a result, we are subject to a number of governmental and other regulatory risks, which 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 may not approve a clinical trial protocol or may place a clinical trial on hold;
- we rely on third-parties, such as consultants, contract research organizations, medical institutions, and clinical investigators, to conduct clinical trials for our drug candidates and if we or any of our third-party contractors fail to comply with applicable regulatory requirements, such as cGCP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional clinical trials;
- 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 is 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 for the commercial sale of any of our biologic product candidates;
- even if one or more of our product candidates does obtain approval, regulatory authorities may approve each product candidate for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate;
- undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign authorities;
- later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with the regulatory requirements of FDA and other applicable United States and foreign regulatory authorities could subject us to administrative or judicially imposed sanctions;
- although several of our product candidates have received orphan drug designation in the United States and the European Union ("EU"), for particular indications, we may not receive orphan drug exclusivity for any or all of these product candidates or indications upon approval, and even if we do obtain orphan drug exclusivity, that exclusivity may not effectively protect the product from competition; and
... the 12 years of exclusivity from biosimilars for which innovator biologics are eligible, and even if it does obtain such exclusivity, that exclusivity may not effectively protect the product from competition; the FDA’s policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates, and if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, and we may be liable for contamination or other harm caused by hazardous materials used in the operations of our business.

Healthcare providers, physicians and third-party payers often play a primary role in the recommendation and prescription of any currently marketed products and product candidates for which we may obtain marketing approval. Our current and future arrangements with healthcare providers, physicians, third-party payers and customers, and our sales, marketing and educational activities, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations (at the federal and state level) that may constrain our business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. In addition, our operations are also subject to various federal and state fraud and abuse, physician payment transparency and privacy and security laws, including, without limitation:

- The federal Anti-Kickback Statute, which prohibits, among other things, persons and entities including pharmaceutical manufacturers from knowingly and willfully soliciting, receiving or offering remuneration, directly or indirectly, overtly or covertly, in whole or in part, under a federal healthcare program, such as the Medicare or Medicaid programs. This statute has been interpreted broadly to apply to, among other things, arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other hand. The term “remuneration” expressly includes kickbacks, bribes or rebates and also has been broadly interpreted to include anything of value, including, for example, gifts, discounts, waivers of payment, ownership interests and providing anything of less than fair market value. There are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions; however, the exceptions and safe harbors are drawn narrowly, and practices that do not fit squarely within an exception or safe harbor may be subject to scrutiny. The failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Our practices may not meet all of the criteria for safe harbor protection from federal Anti-Kickback Statute liability in all cases. A person or entity does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it to have committed a violation. In addition, the ACA codified case law supporting that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

- Federal enforcement agencies and private whistleblowers recently have shown interest in pharmaceutical companies’ product and patient assistance programs (PAPs), including reimbursement support, co-pay support, nursing, adherence and educational services, referrals to other providers, donations to independent patient assistance charities, and relationships with specialty pharmacies. Co-pay assistance programs are intended to assist qualified patients with private insurance with any out-of-pocket financial obligations but must exclude any government healthcare program beneficiaries. Several investigations into patient assistance practices have resulted in significant civil and criminal settlements. Recently, the HHS-Office of the Inspector General has released several industry guidance documents, special bulletins, and advisory opinions addressing PAPs. Failure to implement certain measures and safeguards may be found by government agencies to courts to be evidence of intent to induce the purchase of drugs paid for by federal programs, in violation of the Anti-Kickback Statute. PAPs have also been subject of recent Congressional review.

- The federal civil and criminal false claims laws and civil monetary penalty laws, including the False Claims Act, which prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, claims for payment to, or approval by, the federal government that are false, fictitious or fraudulent or knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. Although we do not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to “cause” the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers, promoting a product off-label, marketing products of sub-standard quality, or, as noted above, paying a kickback that results in a claim for items or services in violation of the Anti-Kickback Statute. In addition, our activities relating to the reporting of wholesale or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state and third-party reimbursement for our products,
and the sale and marketing of our products, are subject to scrutiny under this law. For example, several pharmaceutical and other healthcare companies have faced enforcement actions under these laws for allegedly inflating drug prices they report to pricing services, which in turn were used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. The False Claims Act also permits a private individual acting as a "whistleblower" to bring actions on behalf of the federal government alleging violations of the False Claims Act and to share in any monetary recovery. In addition, certain marketing practices, including off-label promotion, may also implicate the False Claims Act. Although the False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes.

• The Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), which imposes criminal and civil liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payers and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation.

• HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH"), and their respective implementing regulations, including the Final Omnibus Rule published on January 25, 2013, impose, among other things, obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information held by certain healthcare providers, health plans and healthcare clearinghouses, known as covered entities, and business associates. Among other things, HITECH made certain aspects of HIPAA's rules (notably the Security Rule) directly applicable to business associates— independent contractors or agents of covered entities that receive or obtain individually identifiable health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal court to enforce the federal HIPAA laws and sue attorney's fees and costs associated with pursuing federal civil actions. The Department of Health and Human Services Office of Civil Rights ("OCR"), has increased its focus on compliance and continues to train state attorneys general for enforcement purposes. The OCR has recently increased both its efforts to audit HIPAA compliance and its level of enforcement, with one recent penalty exceeding $5 million.

• The federal physician payment transparency requirements, sometimes referred to as the "Physician Payments Sunshine Act," created under the United States Patient Protection and Affordable Care Act of 2010, as amended, or the ACA, and its implementing regulations, which requires applicable manufacturers of covered drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the State Children's Health Insurance Program (with certain exceptions) to annually report to the United States Department of Health and Human Services ("HHS"), or its designated agent, the name of each physician, teaching hospital, or entity, or both, that received any payment or transfer of value from such manufacturer or group purchasing organization during the calendar year. The ACA requires annual reporting of information about drug samples that manufacturers and authorized distributors provide to healthcare providers.

• On October 25, 2018, President Trump signed into law the "Substance Use-Disorder Prevention that Promoted Opioid Recovery and Treatment for Patients and Communities Act." This law, in part (under a provision entitled “Fighting the Opioid Epidemic with Sunshine”), will extend the Sunshine Act to payments and transfers of value to physician assistants, nurse practitioners, and other mid-level practitioners (with reporting requirements going into effect in 2022 for payments made in 2021). In addition, Section 6004 of the ACA requires annual reporting of information about drug samples that manufacturers and authorized distributors provide to healthcare providers.

• According to the United States Federal Trade Commission ("FTC"), failing to take appropriate steps to keep consumers' personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, or the FTCA, 15 USC § 45(a). The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Medical data is considered sensitive data that merits stronger safeguards. The FTC's guidance for appropriately securing consumer
personal information is similar to what is required by the HIPAA Security Rule.

• To the extent we obtain coverage for our products by state Medicaid programs, we may be required to pay a rebate to each state Medicaid program for any covered outpatient drugs that are dispensed to Medicaid beneficiaries and paid for by a state Medicaid program, and to comply with all Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 and the Veterans Healthcare Act of 1992. Moreover, federal law requires that any company participating in the Medicaid Drug Rebate program also participate in the Public Health Service’s 340B Program, which impose additional reporting requirements and price concessions. Manufacturer compliance with 340B Program requirements can be costly. In addition, if our products are made available to authorized users of the Federal Supply Schedule of the General Services Administration or to low income patients of certain hospitals, additional laws and requirements may apply.

• Analogous state laws and regulations, such as state anti-kickback and false claims laws, and other state laws addressing the pharmaceutical and healthcare industries, which may apply to items or services reimbursed by any third-party payer, including commercial insurers, and in some cases that may apply regardless of payer, i.e., even if reimbursement is not available, some state laws require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines (the PhRMA Code) and the relevant compliance program guidance promulgated by the federal government (HHS-OIG) in addition to requiring drug manufacturers to report pricing and marketing information, including, among other things, information related to gifts, payments, or other remunerations to physicians and other healthcare providers, state and local laws that require the registration of pharmaceutical sales representatives, and state laws governing the privacy and security of health information and the use of prescriber identifiable data in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts. For example, California enacted legislation—the California Consumer Privacy Act (“CCPA”)—which goes into effect January 1, 2020. The CCPA, among other things, creates new data privacy obligations for covered companies and provides new privacy rights to California residents, including the right to opt out of certain disclosure of their information. The CCPA also creates a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with data breach. The California Attorney General will issue clarifying regulations. Although the law includes limited exceptions, including for certain information collected as part of clinical trials as specified in the law and for protected health information collected by covered entities or business associates subject to HIPAA as specified in the law, it may regulate or impact our processing of personal information depending on the context. It remains unclear what language the final Attorney-General regulations will contain or how the statute and regulations will be interpreted.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under such laws, it is possible that certain business activities could be subject to challenge under one or more of such laws. The scope and enforcement of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Ensuring that business arrangements with third parties comply with applicable healthcare laws, as well as responding to possible investigations by government authorities, can be time- and resource-consuming and can divert management’s attention from the business.

If our operations are found to be in violation of any of the health regulatory laws described above or any other laws that apply to us, we may be subject to penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from participation in government healthcare programs, injunctions, private qui tam actions brought by individual whistleblowers in the name of the government and the curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, any of which could adversely affect our ability to operate our business and our results of operations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management’s attention from the operation of our business, and damage our reputation.

Many aspects of these laws have not been definitively interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of subjective interpretations that increases the risk of potential violations. In addition, these laws and their interpretations are subject to change. In addition, from time to time in the future, we may become subject to additional laws or regulations administered by the FDA, the FTC, HHS, or by other federal, state, local, or foreign regulatory authorities, or the repeal of laws or regulations that we generally consider favorable, or to more stringent interpretations of current laws or regulations. We are not able to predict the nature of such future laws, regulations, rules, or interpretations, and we cannot predict what effect additional governmental regulations, if and when they occur, would have on our business in the future.
Our failure to comply with foreign data protection laws and regulations could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results.

EU member states and other foreign jurisdictions, including Switzerland, have adopted data protection laws and regulations which impose significant compliance obligations. Moreover, the collection and use of personal health data in the EU, which was formerly governed by the provisions of the European Union Data Protection Directive ("GDPR"), in May 2018. The GDPR, which is wide-ranging in scope, imposes several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification and the use of third party processors in connection with the processing of personal data. The GDPR also imposes strict rules on the transfer of personal data out of the EU to the United States, provides an enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to €20 million or 4% of the annual global revenues of the non-compliant company, whichever is greater. The recent implementation of the GDPR has increased our responsibility and liability in relation to personal data that we process, including in clinical trials, and we may in the future be required to put in place additional mechanisms to ensure compliance with the GDPR, which could divert management's attention and increase our cost of doing business. In addition, new regulation or legislative actions regarding data privacy and security (together with applicable industry standards) may increase our costs of doing business. In this regard, we expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy and data protection in the United States, the EU and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business.

Our employees and our independent contractors, principal investigators, consultants or commercial collaborators, as well as their respective sub-contractors, if any, may engage in misconduct or fail to comply with certain regulatory standards and requirements, which could expose us to liability and adversely affect our reputation.

Our employees and our independent contractors, principal investigators, consultants or commercial collaborators, as well as their respective sub-contractors, if any, may engage in fraudulent conduct or other illegal activity, which may include intentional, reckless or negligent conduct that violates, among others, (a) FDA laws and regulations, or those of comparable regulatory authorities in other countries, including those laws that require the reporting of true, complete and accurate information to the FDA, (b) manufacturing standards, (c) healthcare fraud and abuse laws (d) anti-bribery and anti-corruption laws, including the FCPA, or (e) laws that require the true, complete and accurate reporting of financial information or data. For example, such persons may improperly use or misrepresent information obtained in the course of our clinical trials, create fraudulent data in our preclinical studies or clinical trials or misappropriate our drug products, which could result in regulatory sanctions being imposed on us and cause serious harm to our reputation. It is not always possible for us to identify or deter misconduct by our employees and third parties, and any precautions we may take to detect or prevent such misconduct may not be effective. Any misconduct or failure by our employees and our independent contractors, principal investigators, consultants or commercial collaborators, as well as their respective sub-contractors, if any, to comply with applicable laws or regulations may expose us to governmental investigations, other regulatory action or lawsuits. If any action is instituted against us as a result of the alleged misconduct of our employees or other third parties, regardless of the final outcome, our reputation may be adversely affected, and our business may suffer as a result. If we are unsuccessful in defending against any such action, we may also be liable to significant fines or other sanctions, which could have a material and adverse effect on us.

Inadequate funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes. Average review times at the FDA have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including from December 22, 2018 until January 25, 2019, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical FDA, SEC and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, in our operations as a public company,
future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

Risks Related to Our Securities

Our indebtedness and debt service obligations may adversely affect our cash flow.

We intend to fulfill our current debt service obligations, including repayment of the principal of, to pay interest on, or to refinance, our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow to meet these obligations, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive, or delaying or curtailing research and development programs. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on acceptable terms, which could result in a default on our debt obligations.

We may add lease lines to finance capital expenditures and may obtain additional long-term debt and lines of credit. If we issue other debt securities in the future, our debt service obligations will increase further.

Our indebtedness could have significant additional negative consequences, including, but not limited to:

• requiring the dedication of a substantial portion of our existing cash and marketable securities balances and, if available, future cash flow from operations to service our indebtedness, thereby reducing the amount of our expected cash flow available for other purposes, including capital expenditures;
• increasing our vulnerability to general adverse economic and industry conditions;
• limiting our ability to obtain additional financing;
• limiting our ability to sell assets if deemed necessary;
• limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
• placing us at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources.

Shares eligible for future sale may adversely affect our ability to sell equity securities.

Sales of our common stock (including the issuance of shares upon conversion of convertible debt) in the public market could materially and adversely affect the market price of shares. As of December 31, 2019 we had 212,529,313 shares of common stock issued, plus (1) outstanding options to purchase 5,900,099 shares of common stock with a weighted-average exercise price of $16.54 per share, (2) 50,082 outstanding restricted stock units held by certain directors of the Company, (3) 836,769 outstanding performance stock options held by certain executive officers and employees of the Company, (4) 4,588,632 shares of common stock reserved for potential future grant under the Plan, and (5) $7.1 million of principal amount of Convertible Senior Notes convertible into approximately 1,393,160 shares of common stock at the conversion rate of $5.11 subject to adjustment as described in the indenture. Of the 250,000,000 shares of common stock authorized under our Certificate of Incorporation, there are 24,694,025 shares of common stock that remain available for future issuance.

Our outstanding options may adversely affect our ability to consummate future equity-based financings due to the dilution potential to future investors.

Due to the number of shares of common stock we are obligated to issue pursuant to outstanding options, potential investors may not purchase our future equity offerings at market price because of the potential dilution such investors may suffer as a result of the exercise of the outstanding options.

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.

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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 comparable 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, any 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. Refer to “Legal Proceedings” for more information. 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.

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

As of December 31, 2019, Avoro Capital Advisors LLC, (“Avoro”) is the beneficial owner of approximately 11.5% of our outstanding common stock. Avoro is our largest stockholder, and Dr. Behzad Aghazadeh, the portfolio manager and controlling person of Avoro, serves as Executive Chairman of our Board of Directors.

As a result of this voting power, Avoro 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 or a culpable nature), to advance their expenses incurred as a result of certain proceedings against them as to which they could be indemnified and to obtain directors’ and officers’ insurance. Section 145 of the Delaware General Corporation Law 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

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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.

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 (“Section 404”). 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 Stock Market or other regulatory authorities that would require additional financial and management resources and could adversely affect the market price of our common stock.

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

We have never declared or paid dividends on our common stock. We intend to retain future earnings to develop and commercialize our product candidates 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 the market price of our common stock for appreciation of their investment.

Item 1B. Unresolved Staff Comments

None.
Item 2. Properties

Our corporate headquarters is located in Morris Plains, New Jersey. Summarized below are the locations, primary usage and approximate square footage of the facilities we lease. Under these lease agreements, we may be required to reimburse the lessors for real estate taxes, insurance, utilities, maintenance and other operating costs. All leases are with unaffiliated parties.

<table>
<thead>
<tr>
<th>Location</th>
<th>Primary Usage</th>
<th>Approximate Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 The American Road, Morris Plains, New Jersey</td>
<td>Office space, research, manufacturing and clinical trial management</td>
<td>85,000</td>
</tr>
<tr>
<td>400 The American Road, Morris Plains, New Jersey</td>
<td>Office space, warehouse, research and clinical trial management</td>
<td>45,700</td>
</tr>
</tbody>
</table>

Item 3. Legal Proceedings

The following is a summary of legal matters that are outstanding.

Stockholder Complaints:

Class Action Stockholder: Federal Securities Cases

Two purported class action cases were filed in the United States District Court for the District of New Jersey, namely, Fergus v. Immunomedics, Inc., et al., filed June 9, 2016; and Becker v. Immunomedics, Inc., et al., filed June 10, 2016. These cases arise from the same alleged facts and circumstances and seek class certification on behalf of purchasers of our common stock between April 20, 2016 and June 2, 2016 (with respect to the Fergus matter) and between April 20, 2016 and June 3, 2016 (with respect to the Becker matter). These cases concern the Company’s statements in press releases, investor conference calls, and filings with the U.S. Securities and Exchange Commission (the "SEC") beginning in April 2016 that the Company would present updated information regarding its IMMU-132 breast cancer drug at the 2016 American Society of Clinical Oncology (“ASCO”) conference in Chicago, Illinois. The complaints allege that these statements were false and misleading in light of June 2, 2016 reports that ASCO had canceled the presentation because it contained previously reported information. The complaints further allege that these statements resulted in artificially inflated prices for our common stock, and that the Company and certain of its officers are thus liable under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). An order of voluntary dismissal without prejudice was entered on November 10, 2016 in the Becker matter. An order granting motion to consolidate cases, appoint lead plaintiff and approve lead and liaison counsel was entered on February 7, 2017 in the Fergus matter. A consolidated complaint was filed on October 4, 2017. The Company filed a motion to dismiss the consolidated complaint on January 26, 2018. On March 11, 2019, the court granted the Company's motion to dismiss, without prejudice, and left plaintiffs with the ability to file an amended complaint within thirty (30) days. Counsel for the Company has consented to an extension of time for plaintiffs to file the proposed amended complaint for an additional thirty (30) days. On May 30, 2019, plaintiffs filed an amended complaint alleging many of the same allegations that were set forth in the previously filed complaints, and the Company has filed a motion to dismiss.

A third purported class action case was filed in the United States District Court for the District of New Jersey, namely, Odell v. Immunomedics, Inc., et al., filed December 27, 2018. The complaint in this action alleges that the Company failed to disclose the results of observations made by the FDA during an inspection of the Company’s manufacturing facility in Morris Plains, New Jersey in August 2018. The complaint alleges that Immunomedics misled investors by failing to disclose the Form 483 inspection report issued by the FDA which set forth the observations of the FDA inspector during the inspection. Such observations purportedly included, inter alia, manipulated bioburden samples, misrepresentation of an integrity test procedure in the batch record, and backdating of batch records. The complaint further alleges that the Company’s failure to disclose the Form 483 resulted in an artificially inflated price for our common stock, and that the Company and certain of its officers are thus liable under Sections 10(b) and 20(a) of the Exchange Act.

On February 8, 2019, a purported class action case was filed in the United States District Court for the District of New Jersey, namely, Choi v. Immunomedics, Inc., et al. The complaint asserts violations of the federal securities laws based on claims that the Company violated the federal securities laws by making alleged misstatements in various press releases and securities filings from February 8, 2018 to November 7, 2018 and by failing to disclose the substance of its interactions with the FDA in connection with the Company's submission of its BLA for sacituzumab govitecan.

Motions for the appointment of a lead plaintiff and lead counsel and to consolidate the Odell and Choi actions were granted on September 10, 2019. Pursuant to a scheduling order entered by the court on October 7, 2019, the plaintiffs filed an...

On April 8, 2019, a putative stockholder of the Company filed a derivative action purportedly on behalf of the Company and against the Company’s board of directors and certain Company current and former officers, in the Superior Court of New Jersey, Law Division (Morris County); namely, Crow v. Aghazadeh, et al. The Crow complaint alleges that the individual defendants breached their fiduciary duties and committed other violations of law based on the same core allegations in the Odeh and Choi actions. The Crow complaint was served on the Company and other defendants on July 18, 2019. On August 13, 2019, the parties submitted to the court a stipulation and proposed order to stay the action until either the entry of an order dismissing all motions to dismiss the now-consolidated federal actions or the entry of an order dismissing the federal actions with prejudice. That stipulation is currently pending court approval.

Stockholder Claim in the Court of Chancery of the State of Delaware

On February 13, 2017, venBio commenced an action captioned venBio Select Advisor LLC v. Goldenberg, et al., C.A. (Del. Ch.). The venBio Action, alleging that Company’s Board breached their fiduciary duties when the Board (i) amended the Company’s Amended and Restated By-laws (the “By-Laws”) to call for a plurality voting regime for the election of directors instead of majority voting, and providing for mandatory advancement of attorneys’ fees and costs for the Company’s directors and officers, (ii) rescheduled the Company’s 2016 Annual Meeting of Stockholders (the “2016 Annual Meeting”) from December 14, 2016 to February 16, 2017, and then again to March 3, 2017, and (iii) agreed to the proposed Licensing Transaction with Seattle Genetics. The venBio Action also named Seattle Genetics as a defendant and sought an injunction preventing the Company from closing the licensing transaction with Seattle Genetics. On March 8, 2017, venBio amended its complaint, adding further allegations. The Court of Chancery entered a temporary restraining order on March 9, 2017, enjoining the closing of the Licensing Transaction. venBio amended its complaint a second time on April 19, 2017, this time adding Greenhill & Co. Inc. and Greenhill & Co. LLC (together “Greenhill”), the Company’s financial advisor on the Licensing Transaction, as an additional defendant. On May 3, 2017, venBio and the Company and individual defendants Dr. Goldenberg, Ms. Sullivan and Mr. Brian A. Markison, a director of the Company (collectively, the “Individual Defendants”) entered into the Initial Term Sheet. On February 9, 2018, the Court of Chancery approved the Settlement, and entered an order and partial judgment releasing all claims that were asserted by venBio against the Individual Defendants and Greenhill in the venBio Action and awarding venBio fees and expenses. On May 3, 2018 the remaining parties to the venBio Action participated in a mediation of the claims against Geoff Cox, Robert Forrester, Bob Oliver, and Jason Arsb right (the “Remaining Defendants”). The mediation was unsuccessful. The Remaining Defendants filed submitted motions to dismiss the claims against them in the venBio Action. On March 18, 2019, venBio amended its complaint, adding further allegations. The Remaining Defendants filed a motion to dismiss the claims against them on May 1, 2019. The Court of Chancery held oral arguments for the motion to dismiss on November 13, 2019 and following arguments, denied Defendants’ motion to dismiss on that same date. The parties are now engaged in discovery activities.

Insurance Coverage Arbitration:

The Company has initiated an arbitration with two of its management liability insurers: Starr Indemnity & Liability Company (“Starr”), and Liberty Insurance Underwriters Inc. (“Liberty”) (collectively, “Insurers”). The arbitration arises from the 2015 Insurers’ refusal to cover $3.4 million in attorneys’ fees and expenses paid to venBio pursuant to a December 1, 2017, settlement agreement between venBio, the Company, Dr. Goldenberg, Ms. Sullivan, Mr. Markison, and Greenhill to partially settle the venBio Fee Award and fully settle the venBio Action and the Delaware Section 225 Action (the “venBio Fee Award”).

The Insurers argue that the venBio Fee Award does not satisfy their policies’ definitions of covered “loss” because the policies only cover defense costs incurred by the Company. The Company counters that the venBio Fee Award is a covered settlement, not a claim for defense costs. Insurers also argue that they have no obligation to pay any defense costs or settlement incurred in the Federal Action or 225 Action because Inmunomedics initiated those lawsuits. The Company’s position is that the Federal Action and 225 Action were defensive in nature and therefore covered because they were initiated to further the defense of the venBio Action. Additionally, Insurers argue the venBio Fee Award is not covered because the Company was required to obtain Insurers’ consent to enter into a binding term sheet in the venBio Action and to agree to pay the venBio Fee Award and that the Company failed to do so. The Company takes the position that Insurers at all times were aware of the developments in the venBio Action, that they sought consent to enter into the settlement, and that Insurers cannot show they were prejudiced by any alleged failure to obtain Insurers’ consent.

The Insurers argue that the venBio Fee Award does not satisfy their policies’ definitions of covered “loss” because the policies only cover defense costs incurred by the Company. The Company counters that the venBio Fee Award is a covered settlement, not a claim for defense costs. Insurers also argue that they have no obligation to pay any defense costs or settlement.
incurred in the Federal Action or 225 Action because Immunomedics initiated those lawsuits. The Company’s position is that the Federal Action and 225 Action were defensive in nature and therefore covered because they were initiated to further the defense of the venBio Action. Additionally, Insurers argue the venBio Fee Award is not covered because the Company was required to obtain Insurers’ consent to enter into a binding term sheet in the venBio Action and to agree to pay the venBio Fee Award and that the Company failed to do so. The Company takes the position that Insurers at all times were aware of the developments in the venBio Action, that they sought consent to enter into the settlement, and that Insurers cannot show they were prejudiced by any alleged failure to obtain Insurers’ consent.

In the event Insurers prevail on their argument that the venBio Fee Award is covered by a subsequent policy year, the Company will pursue coverage under its other insurance policies.

Starr is presently advancing the costs to defend the remaining claims in the venBio Action, i.e., those against the Company as Nominal Defendant and individual defendants Aryeh, Cox, Forrester, and Oliver. However, all Insurers have reserved their rights to contest coverage for any potential settlement of those claims.

Arbitration of Disputed Matters:

On January 15, 2019, the Company received an Arbitrator’s Findings of Fact and Conclusions of Law and Final Award (the “Final Award”) in the arbitration matter in which Dr. David M. Goldenberg, the Company’s former Chief Scientific Officer, Chief Patent Officer and Chairman of the Company’s Board of Directors, claimed entitlement to certain equity awards and severance payments, and Dr. Goldenberg and Ms. Cynthia Sullivan, a former director of the Company and former President and Chief Executive Officer, claimed right to certain bonus payments. The Final Award (i) denied Dr. Goldenberg’s claim that he was entitled to an award of 1.5 million restricted stock units, (ii) denied each of Dr. Goldenberg’s and Ms. Sullivan’s claims that they were entitled to certain discretionary cash bonuses relating to the Company’s 2017 fiscal year, and (iii) granted Dr. Goldenberg an award of approximately $1 million relating to certain claimed severance payments which was paid in March 2019. The arbitration took place pursuant to the Delaware Rapid Arbitration Act. Although the Delaware Rapid Arbitration Act permits challenges to arbitration awards in limited circumstances, pursuant to that certain stipulation and agreement of settlement, compromise, and release dated November 2, 2017, the Company, Dr. Goldenberg and Ms. Sullivan agreed that the Final Award would be the sole and exclusive final and binding remedy between and among the parties with respect to the matters disputed in the arbitration.

Other Matters:

Immunomedics is also a party to various claims and litigation arising in the normal course of business.

Item 4. Mine Safety Disclosures

Not applicable.
PART II
Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price and Dividend Information

Our common stock is quoted on the Nasdaq Global Market under the symbol “IMMU.” As of February 21, 2020, the closing sales price of our common stock on the Nasdaq Global Market was $18.03 and there were approximately 328 stockholders of record of our common stock. We have not paid dividends on our common stock since inception and do not plan to pay cash dividends in the foreseeable future.

Stock Performance Graph

This graph is not “soliciting material,” and is not deemed filed with the SEC and not to be incorporated by reference in any filing by our Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. The total return values data is prepared by the Nasdaq OMX Global Index Group. Total Return Indexes are posted on Nasdaq Online on a monthly basis.

The following graph compares the yearly change in cumulative total stockholder return on the Company’s common stock for the prior five years with the total cumulative return of the Nasdaq Composite Index and the Nasdaq Pharmaceutical Index. The returns are indexed to a value of $100.00 at December 31, 2014.
The following table sets forth our consolidated financial data for the year ended December 31, 2019, the Transition Period ended December 31, 2018 as well as for each of the four fiscal years ended June 30, 2018, 2017, 2016 and 2015, which has been derived from our audited consolidated financial statements. The audited consolidated financial statements for the year ended December 31, 2019, the Transition Period ended December 31, 2018, as well as the two fiscal years ended June 30, 2018 and 2017, are included elsewhere in this Annual Report on Form 10-K. The information below should be read in conjunction with the consolidated financial statements (and notes thereto) and Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

<table>
<thead>
<tr>
<th>Year Ended December 31, 2019</th>
<th>Transition Period Ended December 31, 2018</th>
<th>Fiscal Years Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues ($)</td>
<td>295</td>
<td>—</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>325,133</td>
<td>144,535</td>
</tr>
<tr>
<td>Operating loss ($)</td>
<td>(324,838)</td>
<td>(144,535)</td>
</tr>
<tr>
<td>Changes in fair market value of warrant liabilities</td>
<td>—</td>
<td>1,404</td>
</tr>
<tr>
<td>Warrant related expenses</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense ($)</td>
<td>(1)</td>
<td>(40,337)</td>
</tr>
<tr>
<td>Interest and other income</td>
<td>7,856</td>
<td>6,106</td>
</tr>
<tr>
<td>Loss on induced exchanges of debt</td>
<td>—</td>
<td>(987)</td>
</tr>
<tr>
<td>Other financing expenses</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Insurance reimbursement</td>
<td>—</td>
<td>190</td>
</tr>
<tr>
<td>Foreign currency transaction gain (loss), net</td>
<td>—</td>
<td>81</td>
</tr>
<tr>
<td>Loss before income tax ($)</td>
<td>(357,319)</td>
<td>(157,749)</td>
</tr>
<tr>
<td>Income tax (expense) benefit</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss after tax ($)</td>
<td>(357,319)</td>
<td>(157,749)</td>
</tr>
<tr>
<td>Net loss attributable to noncontrolling interest</td>
<td>(129)</td>
<td>(93)</td>
</tr>
<tr>
<td>Net loss attributable to Immunomedics, Inc. stockholders ($)</td>
<td>(357,448)</td>
<td>(157,652)</td>
</tr>
<tr>
<td>Loss per common share attributable to Immunomedics, Inc. stockholders (basic and diluted) ($)</td>
<td>(1.84)</td>
<td>(0.84)</td>
</tr>
<tr>
<td>Weighted average shares used to calculate loss per common share (basic and diluted)</td>
<td>193,617</td>
<td>188,554</td>
</tr>
</tbody>
</table>

($ in thousands, except per share amounts)

<table>
<thead>
<tr>
<th>Year Ended December 31, 2019</th>
<th>Transition Period Ended December 31, 2018</th>
<th>Fiscal Years Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash, cash equivalents and marketable securities ($)</td>
<td>613,178</td>
<td>497,001</td>
</tr>
<tr>
<td>Total assets ($)</td>
<td>675,722</td>
<td>528,040</td>
</tr>
<tr>
<td>Liability related to sale of future royalties ($)</td>
<td>242,234</td>
<td>221,295</td>
</tr>
<tr>
<td>Convertible senior notes, net ($)</td>
<td>7,186</td>
<td>7,055</td>
</tr>
<tr>
<td>Warrant liabilities ($)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total stockholders’ equity ($)</td>
<td>267,230</td>
<td>265,849</td>
</tr>
</tbody>
</table>
Interest expense represents interest on liability related to sale of future royalties of $39.9 million for the year ended December 31, 2019, $19.3 million for the Transition Period ended December 31, 2018, $19.8 million for fiscal 2018, the Convertible Senior Notes interest expense ($0.3 million, $0.3 million, $1.8 million, and $4.8 million for the year ended December 31, 2019, the Transition Period, fiscal 2018, and fiscal 2017, respectively) and amortized debt issuance costs ($0.1 million, $0.2 million, $1.7 million, and $0.7 million for the year ended December 31, 2019, the Transition Period ended December 31, 2018, fiscal 2018, and fiscal 2017, respectively).

We have never paid cash dividends on our common stock. Stockholders’ equity represents Immunomedics, Inc. stockholders’ equity and the non-controlling interest in our subsidiary.

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

Cautionary Note Regarding Forward-Looking Statements

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Annual Report on Form 10-K contains such “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this Annual Report, and they may also be made a part of this Annual Report by reference to other documents filed with the SEC, which is known as “incorporation by reference.”

Words such as “may,” “anticipate,” “estimate,” “expects,” “projects,” “intends,” “plans,” “believes” and words and terms of similar substance used in connection with any discussion of future operating or financial performance are intended to identify forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, among other things: the outcome of our submission of our BLA for sacituzumab govitecan for the treatment of patients with mEDBC who have received at least two prior therapies for metastatic disease; the FDA re-inspection of the Company’s manufacturing facility where we manufacture the monoclonal antibody for further manufacture into our ADC candidate sacituzumab govitecan; potential approval and commercial launch of sacituzumab govitecan for that indication and the Company’s development of sacituzumab govitecan for additional indications; clinical trials (including the finding thereby, anticipated patient enrollment, trial outcomes, timing or associated costs); regulatory applications and related timelines, including the filing and approval timelines for BLAs, BLA resubmissions, and BLA supplement; out-licensing arrangements; forecasts of future operating results, potential collaborations, capital raising activities, and the timing for bringing any product candidate to market; 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, as well as the risks discussed in the Company’s filings with the SEC. The Company is not under any obligation, and the Company expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. Refer to Item 1A “Risk Factors” in this Annual Report on Form 10-K for more information.

In light of these assumptions, risks or uncertainties, the results and events discussed in the forward-looking statements contained in this Annual Report on Form 10-K or in any document incorporated by reference might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of the document incorporated by reference in this Annual Report on Form 10-K, as applicable. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. Refer to Item 1A “Risk Factors” in this Annual Report on Form 10-K for more information.

Historically, our fiscal years ended on June 30. On December 14, 2018, the Company's Board of Directors approved a change in the Company's fiscal year and from June 30 to December 31. In connection with this change, we previously filed a Transition Report on Form 10-K to report the results of the six-month transition period from July 1, 2018 to December 31, 2018 (which we sometimes refer to as the “Transition Period”). In this Annual Report, the periods presented are the year ended December 31, 2019, the Transition Period ended December 31, 2018, fiscal 2018, and fiscal 2017 (which are referred...
Overview

We are a clinical-stage biopharmaceutical company developing monoclonal antibody-based products for the targeted treatment of cancer. Our advanced proprietary technologies allow us to create humanized antibodies that can be used either alone in unlabeled or “naked” form, or conjugated with chemotherapeutics, cytokines or toxins.

We believe that our antibodies have therapeutic potential, in some cases as a naked antibody or when conjugated with chemotherapeutics, cytokines or other toxins to create unique and potentially more effective treatment options. The attachment of effective anti-tumor compounds to antibodies is intended to allow the delivery of these therapeutic agents to tumor sites with better specificity than conventional chemotherapy. This treatment method is designed to optimize the therapeutic window through reducing the systemic exposure of the patient to the therapeutic agents, which ideally minimizes debilitating side effects while maximizing the concentration of the therapeutic agent at the tumor, potentially leading to better efficacy.

Our portfolio of investigational products includes ADCs that are designed to deliver a specific payload of a chemotherapeutic directly to the tumor while reducing overall toxicities that are usually associated with conventional administration of these chemotherapeutic agents. Sacituzumab govitecan is our most advanced ADC and our lead product candidate that has received Breakthrough Therapy Designation from the FDA for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease. In July 2018, we received notification from the FDA that the BLA was accepted for filing and the original application was granted Priority Review with a Prescription Drug User Fee Act ("PDUFA") target action date in January 2019. We subsequently met with the FDA in May 2019 to review the FDA’s findings and discussed our BLA resubmission. Since then, we have developed a detailed plan to address the chemistry, manufacturing, and controls ("CMC") matters raised in the CRL and in our pre-approval inspection. We held another meeting with the FDA in September 2019 to update the FDA on our progress in addressing these matters and to receive feedback from the FDA on our approach. On November 30, 2019, we resubmitted our BLA to the FDA and on December 23, 2019 we received a Complete Response Letter ("CRL") from the FDA. Since then, we have developed a detailed plan to address the CMC matters identified in the CRL and our pre-approval inspection. We held another meeting with the FDA in May 2020 to update the FDA on our progress in addressing these matters and to receive feedback from the FDA on our approach. On November 30, 2020, we resubmitted our BLA to the FDA and on December 23, 2020 we received a Complete Response Letter ("CRL") from the FDA. We have dedicated, and continue to commit, significant resources to address the CMC matters identified by the FDA, while, in parallel, preparing our manufacturing facility to be ready for re-inspection by the FDA.

On March 29, 2019, the Company entered into the ATM Agreement with Cowen to issue and sell shares of the Company’s common stock, par value $0.01 per share, having an aggregate offering price of up to $150.0 million, from time to time during the term of the ATM Agreement, through an “at-the-market” equity offering program at the Company’s sole discretion, under which Cowen will act as the Company’s agent and/or principal. The Company will pay Cowen a commission up to 3.0% of the gross sales proceeds of any common stock sold through Cowen under the ATM Agreement. During the year ended December 31, 2019, the Company sold 4,432,416 shares of common stock with net proceeds of $71.6 million at a weighted average price of $16.40 (excluding commissions) under the ATM Agreement.

On April 5, 2019, the Company entered into the Promotion Agreement with Janssen pursuant to which the Company will provide non-exclusive product detailing services to Janssen for the product. Pursuant to the Promotion Agreement, the Company will provide a dedicated sales team to detail the Product to oncologists and other targeted health care providers in the United States. Under the terms of the Promotion Agreement, Janssen maintains ownership of the New Drug Application for the product as well as legal, regulatory, distribution, commercialization and manufacturing responsibilities for the product, while the Company will provide product detailing services to Janssen. Following the achievement of certain sales targets in 2019 and 2020, Janssen will pay the Company (a) a service fee equal to a percentage in the low double digits of the portion of Cumulative Net Sales (as defined in the Promotion Agreement) in excess of a baseline amount during each of 2019 and 2020, and (b) potential milestone payments.
of up to $15.0 million when Cumulative Net Sales exceed certain thresholds during each of 2019 and 2020. On April 12, 2019, the Company was informed that the FDA granted accelerated approval to Janssen’s Balversa\textsuperscript{®} (erdafitinib) for the treatment of adult patients with locally advanced or metastatic urothelial carcinomas that have a type of susceptible genetic alteration known as FGFR3 or FGFR2, and that has progressed during or following prior platinum-containing chemotherapy. Refer to “Note 2 - Revenue Recognition” for additional information.

On April 29, 2019, we entered into the License Agreement with Everest. Pursuant to the License Agreement, we granted Everest an exclusive license to develop and commercialize sacituzumab govitecan in the People’s Republic of China, Taiwan, Hong Kong, Macao, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore and Mongolia (the “Territory”). In consideration for entering into the License Agreement, Everest made a one-time, non-refundable upfront payment to us in the aggregate amount of $60.0 million which is recorded as deferred revenue on the consolidated balance sheet as of December 31, 2019. The License Agreement contains a development milestone payment of $60.0 million based upon our achievement of FDA approval for sacituzumab govitecan. The License Agreement also contains additional development milestone payments in a total amount of up to $380.0 million based upon the achievement of certain other development milestones. In addition, the License Agreement contains sales milestone payments in a total amount of up to $350.0 million based upon the achievement of certain sales milestones. Everest will make royalty payments to us based upon percentages of net sales of sacituzumab govitecan, ranging from 14% to 20%. Refer to “Note 2 - Revenue Recognition” for additional information.

On December 9, 2019, we closed an underwritten public offering of 14,285,714 shares of common stock at a public offering price of $17.50 per share, representing gross proceeds of approximately $250.0 million. In addition, the Company granted the underwriters a 30-day option to purchase up to 2,142,857 additional shares of common stock at a public offering price of $17.50 per share, representing gross proceeds of approximately $38.2 million after deducting the underwriting discounts and commissions and expenses related to the offering. We intend to use the net proceeds from this offering primarily to accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, to continue to expand the clinical development programs for sacituzumab govitecan, invested in the broader clinical development of the platform (including IMMU-130 and IMMU-140), to continue scale-up of manufacturing and manufacturing process improvements, as well as for working capital and general corporate purposes.

As of December 31, 2019, we had $613.2 million in cash, cash equivalents and marketable securities. We believe our projected financial resources are adequate to (i) accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, (ii) continue to expand the clinical development programs for developing sacituzumab govitecan in mTNBC, metastatic urothelial cancer (“mUC”), hormone receptor-positive (“HR+”) human epidermal growth factor receptor 2-negative (“HER2-”) metastatic breast cancer (“mBC”), and other indications of high medical need, (iii) invest in the broader clinical development of the platform (including IMMU-130 and IMMU-140), (iv) continue scale-up of manufacturing and manufacturing process improvements, and (v) general working capital requirements. However, in the event of regulatory delays or other unforeseen events, we may require additional funding.

As part of our commitment to invest in and scale our global supply capacity with world-class partners in each component of its supply-chain, on September 11, 2018, we entered into a Master Services Agreement (the “MSA”) with Samsung BioLogics Co., Ltd. (“Samsung”), pursuant to which Samsung provides the Company with certain biologics manufacturing and development services in accordance with one or more product specific agreements. In connection with the MSA, on September 11, 2018, we also entered into a product specific agreement with Samsung for the production of HER2+ mBC, the antibody used in the Company’s lead antibody drug conjugate candidate, sacituzumab govitecan. In addition, on December 26, 2018, we expanded our long-term master supply agreement with Johnson Matthey who will continue to scale the manufacturing of CL2A-SN-3B, the drug-linker that is a key component of sacituzumab govitecan.

To accelerate the clinical development of sacituzumab govitecan, we are collaborating with Roche to evaluate the safety and efficacy of the combination of its programed cell death ligand 1 blocking checkpoint inhibitor and sacituzumab govitecan in frontline mTNBC. In the post-neoadjuvant setting in HER2- mBC, we are collaborating with the German Breast Group to assess sacituzumab govitecan as a single agent. We are also collaborating with AstraZeneca to investigate our ADC in earlier lines of therapy for mTNBC, advanced UC and ovarian cancer. In addition, Massachusetts General Hospital is working on a study combining sacituzumab govitecan with Pfizer’s PARP inhibitor in patients with mTNBC, University of Wisconsin is working on a clinical study of sacituzumab govitecan as a monotherapy in prostate cancer, and Yale University has a Phase 2 study of sacituzumab govitecan in patients with persistent and recurrent endometrial cancer.
We also have a number of other product candidates, which target solid tumors and hematologic malignancies in various stages of clinical and preclinical development. They include other ADCs such as labetuzumab govitecan, which binds the CEACAM5 antigen expressed on CRC and other solid cancers, and IMMU-140 that targets HLA-DR for the potential treatment of hematologic malignancies. We believe that our portfolio of intellectual property provides commercially reasonable protection for 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 time and expense 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 FDA (which receipt is uncertain);
- the time and expense required for us to establish and maintain compliant operations for commercial manufacturing, sale, and distribution of products (if approved) under FDA and healthcare law requirements, and risks of non-compliance;
- we may be unable to obtain additional capital through strategic collaborations, licensing, or potential private and public capital markets financings, including the use of the ATM Agreement, in order to continue our research and secure regulatory approval of and market our lead drug candidate;
- challenges based on 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 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.

(Refer to "Risk Factors" under Item 1A in this Annual Report on Form 10-K for more information.)

Critical Accounting Policies and Accounting Estimates

A critical accounting policy is one that is both important to the portrayal of our financial condition and results of operation and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our critical accounting estimates and assumptions impacting the consolidated financial statements relate to stock-based compensation expense, the fair value for the liability related to sale of future royalties and related interest expense. Refer to “Note 1 – Business Overview and Summary of Significant Accounting Policies”, “Note 4 – Debt”, and “Note 6 – Estimated Fair Value of Financial Instruments”, respectively, for more information.
Results of Operations

Revenues

($ in thousands)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$450</td>
<td>$450</td>
<td>nm</td>
</tr>
<tr>
<td>License fee and other revenues</td>
<td>295</td>
<td>265</td>
<td>30</td>
</tr>
<tr>
<td>Research and development</td>
<td>153</td>
<td>(unaudited 153)</td>
<td>nm</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$295</td>
<td>$868</td>
<td>(573) nm</td>
</tr>
</tbody>
</table>

nm - not meaningful

Total revenue for the year ended December 31, 2019 decreased compared to the comparable period ended December 31, 2018, primarily due to the discontinued sale of LenkoScan® during February 2018 to focus on our ADC business. Revenues for the year ended December 31, 2019 are service fee revenues earned related to the Janssen Promotion Agreement.

Costs and Expenses

The following table summarizes our costs and expenses for the year ended December 31, 2019 and the comparable period ended December 31, 2018:

($ in thousands)  

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>(unaudited) 2018</th>
<th>Increase/(Decrease) 2019 vs (unaudited) 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of goods sold</td>
<td>$47</td>
<td>$47</td>
<td>nm</td>
</tr>
<tr>
<td>Research and development</td>
<td>190,333</td>
<td>154,871</td>
<td>35,462</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>25,325</td>
<td>25,239</td>
<td>96</td>
</tr>
<tr>
<td>General and administrative</td>
<td>50,867</td>
<td>(unaudited 50,867)</td>
<td>(14,004)</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>$325,133</td>
<td>$235,426</td>
<td>$89,707</td>
</tr>
</tbody>
</table>

nm - not meaningful

Total costs and expenses for the year ended December 31, 2019 increased compared to the comparable period ended December 31, 2018, primarily due to an increase in research and development expenses and an increase in sales and marketing expenses. The increase was partially offset by a decrease in general and administrative expenses.

Research and Development

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

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

49
The following table summarizes our research and development costs for the year ended December 31, 2019 and the comparable period ended December 31, 2018:

<table>
<thead>
<tr>
<th>For the Year Ended December 31,</th>
<th>2019</th>
<th>(unaudited) 2018</th>
<th>Increase/(Decrease) 2019 vs (unaudited) 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$332,062</td>
<td>$254,871</td>
<td>$77.2 million (30.0%)</td>
</tr>
<tr>
<td>Labor</td>
<td>$48,285</td>
<td>$27,026</td>
<td>$21.2 million (78.7%)</td>
</tr>
<tr>
<td>Manufacturing and quality costs</td>
<td>$154,249</td>
<td>$77,772</td>
<td>$76,477 (98.3%)</td>
</tr>
<tr>
<td>Clinical development and operations</td>
<td>$46,627</td>
<td>$24,011</td>
<td>$22,616 (92.2%)</td>
</tr>
<tr>
<td>Other</td>
<td>$11,710</td>
<td>$23,526</td>
<td>$(11,814) (46.6%)</td>
</tr>
<tr>
<td>Total research and development costs</td>
<td>$254,871</td>
<td>$150,333</td>
<td>$104.5 million (69.5%)</td>
</tr>
</tbody>
</table>

Research and development costs increased for the year ended December 31, 2019 by approximately $104.5 million to $254.9 million compared to the comparable period ended December 31, 2018. The increase in research and development costs relate primarily to preparations for the approval and launch of sacituzumab govitecan in the United States for patients with mTNBC, CRL remediation costs including outside manufacturers’ organizations services costs, and outside consulting services to improve our manufacturing and regulatory functions.

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

<table>
<thead>
<tr>
<th>Clinical Phase</th>
<th>Estimated Completion Period (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0-1</td>
</tr>
<tr>
<td>II</td>
<td>1-2</td>
</tr>
<tr>
<td>III</td>
<td>1-4</td>
</tr>
</tbody>
</table>

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

- the length of time required to recruit qualified patients for clinical trials;
- the duration of patient follow-up in light of trial results;
- the number of clinical sites required for trials; and
- the number of patients that ultimately participate.

Sales and Marketing

The following table summarizes our sales and marketing expenses for the year ended December 31, 2019 and the comparable period ended December 31, 2018:

<table>
<thead>
<tr>
<th>For the Year Ended December 31,</th>
<th>2019</th>
<th>(unaudited) 2018</th>
<th>Increase/(Decrease) 2019 vs (unaudited) 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$30,859</td>
<td>$22,239</td>
<td>$8.6 million (39.0%)</td>
</tr>
<tr>
<td>Labor</td>
<td>$21,928</td>
<td>$7,825</td>
<td>$14,103 (nm)</td>
</tr>
<tr>
<td>Marketing and promotions</td>
<td>$1,440</td>
<td>$10,821</td>
<td>$(9,381) (86.7%)</td>
</tr>
<tr>
<td>Consulting services</td>
<td>$196</td>
<td>$2,626</td>
<td>$(2,430) (92.1%)</td>
</tr>
<tr>
<td>Other</td>
<td>$2,883</td>
<td>$3,967</td>
<td>$(1,084) (27.3%)</td>
</tr>
<tr>
<td>Total sales and marketing</td>
<td>$26,459</td>
<td>$25,239</td>
<td>$1,220 (4.8%)</td>
</tr>
</tbody>
</table>

Sales and marketing expenses increased during the year ended December 31, 2019 by approximately $1.2 million compared to the comparable period ended December 31, 2018, primarily due to an increase in labor costs due to a full year of expenses relating to our sales force, offset by a decrease in marketing and promotions as well as consulting services.
The following table summarizes our general and administrative expenses for the year ended December 31, 2019 and the comparable period ended December 31, 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>(unaudited) 2018</th>
<th>2019 vs (unaudited) 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ in thousands)</td>
<td>($ in thousands)</td>
<td>Decrease/Increase</td>
</tr>
<tr>
<td>Labor costs</td>
<td>19,393</td>
<td>17,397</td>
<td>$1,996</td>
</tr>
<tr>
<td>Legal and advisory fees</td>
<td>7,839</td>
<td>16,824</td>
<td>(8,985)</td>
</tr>
<tr>
<td>Consulting services</td>
<td>5,064</td>
<td>8,177</td>
<td>(3,113)</td>
</tr>
<tr>
<td>Other</td>
<td>11,807</td>
<td>17,409</td>
<td>(5,602)</td>
</tr>
<tr>
<td><strong>Total general and admin</strong></td>
<td>43,803</td>
<td>59,807</td>
<td>(16,004)</td>
</tr>
</tbody>
</table>

General and administrative expenses for the year ended December 31, 2019 decreased by approximately $16.0 million compared to the comparable period ended December 31, 2018, primarily due to decreased legal and advisory expenses due to reduced reliance on outside legal counsel, as well as a decrease in other and consulting services, partially offset by an increase in labor costs.

Changes in fair market value of warrant liabilities

We have no non-cash income or expense for the year ended December 31, 2019, compared to $47.6 million in non-cash expense for the comparable period ended December 31, 2018, as a result of the net appreciation in the fair value of the then outstanding warrants. There were no warrants outstanding at December 31, 2019 and 2018. Refer to “Note 9 - Stockholders’ Equity” for more information.

Interest expense

Interest expense for the year ended December 31, 2019 was $40.3 million compared to $40.4 million for the comparable period ended December 31, 2018. The $0.1 million decrease was due primarily to changes in the fair value of our debt balances as a result of the RPI agreement. Refer to “Note 4 - Debt” for more information.

Loss on induced exchanges of debt

On October 2, 2018, the Company entered into privately negotiated exchange agreements (the “October 2018 Exchange Agreements”), with a limited number of holders of the Convertible Senior Notes. As a result of the October 2018 Exchange Agreements, the Company recognized a non-cash loss on induced exchanges of debt of $8.9 million representing the fair value of the incremental consideration paid to induce the holders to exchange their Convertible Senior Notes for equity (i.e., 0.1 million shares of common stock), based on the closing market price of the Company’s Common Stock on the date of the October 2018 Exchange Agreements. Refer to “Note 4 - Debt” for more information.

Insurance reimbursement

We received no insurance reimbursements for the year ended December 31, 2019, compared to $2.5 million we received for the comparable period ended December 31, 2018, due to insurance reimbursements related to legal costs incurred during our proxy contest during fiscal 2017. Refer to “Note 14 - Commitments and Contingencies” for more information.

Income tax expense

There was no income tax expense for the year ended December 31, 2019, and $0.2 million of income tax expense for the comparable period ended December 31, 2018.

Net Loss Attributable to Immunomedics, Inc. Stockholders

Net loss attributable to Immunomedics, Inc. common stockholders for the year ended December 31, 2019 was $357.2 million, or $1.84 per share, compared to a net loss of approximately $310.2 million, or $1.74 per share, for the comparable period ended December 31, 2018, an increase in the loss of $47.0 million due primarily to a $89.7 million increase in costs and expenses related to preparations for the approval and launch of sacituzumab govitecan in the United States for patients with mTNBC, along
with a reduction of interest and other income of $2.9 million, a reduction of $2.5 million in non-recurring insurance reimbursement related to the proxy contest, offset by a decrease in the expense from the change in fair value of warrant liabilities of $47.6 million, in the comparable period ended December 31, 2018.


Management’s discussion and analysis of our results of operations for the Transition Period ended December 31, 2018, the comparable period ended December 31, 2017, and fiscal year ended June 30, 2018 compared to the fiscal year ended June 30, 2017 may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations sections of our Transition Report on Form 10-K for the transition period ended December 31, 2018, filed with the SEC on February 25, 2019.

Liquidity and Capital Resources

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, including up-front and milestone payments, funding of development programs, and other forms of funding from collaborations.

As of December 31, 2019, we had $613.2 million in cash, cash equivalents and marketable securities. We believe our projected financial resources are adequate to (i) accelerate commercial launch readiness, pending FDA approval, of sacituzumab govitecan in the United States in mTNBC, (ii) continue to expand the clinical development programs for developing sacituzumab govitecan in mTNBC, metastatic urothelial cancer (“mUC”), hormone receptor-positive (“HR+”)/human epidermal growth factor receptor 2-negative (“HER2-”) metastatic breast cancer (“mBC”), and other indications of high medical need, (iii) invest in the broader clinical development of the platform (including SMER-130 and IMMU-140), (iv) continued scale up of manufacturing and manufacturing process improvements, and (v) general working capital requirements. However, in case of regulatory delays or other unforeseen events, we may require additional funding. Potential sources of funding in such a case could include (i) the entrance into potential development and commercial partnerships to advance and maximize our full pipeline for mTNBC and beyond in the United States and globally, and (ii) potential private and public capital markets financing. Refer to “Note 9 - Stockholders’ Equity” for additional information.

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

Discussion of Cash Flow

The following table summarizes our cash flows for the years ended December 31, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash used in operating activities</td>
<td>$(222,442)</td>
<td>$(200,311)</td>
</tr>
<tr>
<td>Net cash used/provided by investing activities</td>
<td>$(6,849)</td>
<td>$54,635</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>$347,181</td>
<td>$579,010</td>
</tr>
</tbody>
</table>

Net cash used in operating activities for the year ended December 31, 2019 was approximately $222.4 million, compared to $200.3 million in the prior year. The increase in cash of $22.1 million used in operating for the period was primarily due to increased research and development expenses primarily related to preparations for the approval and launch of sacituzumab govitecan in the United States for patients with mTNBC, CRL remuneration costs including outside manufacturers’ organizations services costs, and outside consulting services to improve our manufacturing and regulatory functions.
Cash flows (used in)/provided by investing activities

Net cash used in investing activities for the year ended December 31, 2019 was $6.8 million, compared to $54.6 million of cash provided by investing activities in prior year. The decrease of $61.4 million was due primarily to a decrease in proceeds from sales or maturities of marketable securities of $73.8 million, offset by purchases of property and equipment of $12.3 million.

Cash flows provided by financing activities

Net cash provided by financing activities for the year ended December 31, 2019, was $347.2 million, compared to $579.0 million of cash provided by financing activities during the year ended December 31, 2018. The decrease of $231.8 million was primarily due to receipt of approximately $182.2 million in net proceeds from the issuance of non-recourse debt, warrant exercised of $29.4 million, and lower proceeds from the sale of our common stock of $22.6 million in the comparable period ended December 31, 2018.

Working Capital and Cash Requirements

Working capital was $566.9 million as of December 31, 2019 compared to $472.8 million as of December 31, 2018, a $94.1 million increase. The increase in cash was primarily due to net proceeds received from public offering and the at-the-market offering offset by increased research and development expenses primarily related to preparations for the approval and launch of sacituzumab govitecan in the United States for patients with mTNBC, CRL remediation costs including outside manufacturers' organizations services costs, and outside consulting services to improve our manufacturing and regulatory functions.

We expect to continue to fund our operations with our current financial resources. Potential sources of funding include (i) the entrance into various potential strategic partnerships targeted at advancing and maximizing our full pipeline for mTNBC and beyond, (ii) the sales and marketing of sacituzumab govitecan as a third-line therapy for mTNBC in the United States (pending FDA approval), and (iii) potential equity and debt financing transactions.

Until we can generate significant cash through (i) the entrance into various potential strategic partnerships towards advancing and maximizing our full pipeline for mTNBC and beyond, or (ii) the sales and marketing of sacituzumab govitecan as a third-line therapy for mTNBC in the United States (pending FDA approval), we expect to continue to fund our operations with our current financial resources. In the future, if we cannot obtain sufficient funding through the above methods, we could be required to finance future cash needs through the sale of additional equity and/or debt securities in capital markets. However, there can be no assurance that we will be able to raise the additional capital needed to complete our pipeline of research and development programs on commercially acceptable terms, if at all. The capital markets have experienced volatility in recent years, which has resulted in uncertainty as to the level of capital and the terms of financing available. Our existing debt may also negatively impact our ability to raise additional capital. If we are unable to raise capital on acceptable terms, our ability to continue our business would be materially and adversely affected. 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 our Annual Report on Form 10-K. Our working capital and working capital requirements are affected by numerous factors and such factors may have a negative impact on our liquidity. Principal among these are the success of product commercialization and marketing products, the technological advantages and pricing of our products, the impact of the regulatory requirements applicable to us, and access to capital markets that can provide us with the resources, when necessary, to fund our strategic priorities.


Management’s discussion and analysis of our cash flows for the Transition Period ended December 31, 2018, the comparable period ended December 31, 2017, and fiscal year ended June 30, 2018 compared to the fiscal year ended June 30, 2017 may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash Flows—section of our Transition Report on Form 10-K for the transition period ended December 31, 2018, filed with the SEC on February 25, 2019.

Off-Balance Sheet Arrangements

We did not have during the periods presented in this Annual Report on Form 10-K, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.
### Contractual Commitments

The following table summarizes our outstanding contractual obligations as of the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible senior notes</td>
<td>$7,106</td>
<td>$315</td>
<td>$256</td>
<td>$7,106</td>
<td>$315</td>
<td>$256</td>
<td>$7,106</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>453</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>453</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>7,569</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,569</td>
</tr>
<tr>
<td>Purchase obligations (1)</td>
<td>$90,015</td>
<td>$59,765</td>
<td>$40,796</td>
<td>$40,796</td>
<td>$33,026</td>
<td>$33,026</td>
<td>$297,424</td>
</tr>
<tr>
<td>Other (2)</td>
<td>1,958</td>
<td>592</td>
<td>100</td>
<td>26</td>
<td>24</td>
<td>23</td>
<td>2,723</td>
</tr>
<tr>
<td>Total</td>
<td>$92,052</td>
<td>$60,357</td>
<td>$40,896</td>
<td>$41,022</td>
<td>$33,050</td>
<td>$33,049</td>
<td>$307,706</td>
</tr>
</tbody>
</table>

(1) Purchase obligations are primarily to purchase commercial manufacturing services including minimum purchase commitments related to product supply contracts and e-sourcing software.

(2) Other contractual commitments represent: vehicles, printers, clinical supply agreements, facility and maintenance agreements, and other equipment.

Effective January 1, 2019, operating lease obligations are presented on our consolidated balance sheet as a right-of-use asset and lease liability for leases with a duration of greater than one year. See Note 1 of Notes to Consolidated Financial Statements contained elsewhere in this report for additional details related to adoption of this change in accounting standard. For more information on the facilities that we occupy under lease arrangements refer to Part I, Item 2. “Properties” of this report.

The above amounts exclude potential payments related to the sale of future royalties pursuant to our agreement with RPI, under which we are required to make certain royalty payments based on estimated future sales of sacituzumab govitecan. Due to the nature of this arrangement, the future potential payments related to the attainment of regulatory approval and sales-based milestones over a period of several years are inherently uncertain, and accordingly, no amounts have been presented for these future potential payments.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

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

As of the year ended December 31, 2019, we had $613.2 million in cash, cash equivalents and marketable securities. Such interest-earning instruments carry a degree of interest rate risk. We do not invest for trading or speculative purposes. We do not have any derivative financial instruments to manage our interest rate exposure. A hypothetical 1% change in interest rates at December 31, 2019, would not result in a significant change in the fair market value of our portfolio.

We may be exposed to fluctuations in foreign currencies with regard to certain agreements with service providers. Depending on the strengthening or weakening of the United States dollar, realized and unrealized currency fluctuations could be significant.
Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Immunomedics, Inc.:

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of Immunomedics, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive loss, changes in stockholders’ equity, and cash flows for the year ended December 31, 2019, the six-month transition period ended December 31, 2018, and each of the years in the two-year period ended June 30, 2018, and the results of its operations and its cash flows for the year ended December 31, 2019, the six-month transition period ended December 31, 2018 and each of the years in the two-year period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2020 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion
These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter
The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of liability related to the sale of future royalties
As discussed in Notes 1, 4, and 6 to the consolidated financial statements, on January 7, 2018, the Company entered into a funding agreement with RPI Finance Trust. The Company accounts for the liability related to the sale of future royalties as a debt financing. The Company estimates the amount of future royalty payments and expected interest expense using the effective interest rate method over the life of the agreement. The carrying value of the liability related to the sale of future royalties at December 31, 2019 was $261.2 million.

We identified the evaluation of the liability related to the sale of future royalties as a critical audit matter because evaluating the estimates of future royalties involved challenging auditor judgment. These estimates involve significant judgment and inherent uncertainties as it relates to the Company’s estimate of future sales for which royalties will be paid. Specifically,
the date of planned commercialization, anticipated pricing and the patient population assumptions used to calculate the revenue projections involved significant estimation uncertainty.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the measurement of the liability related to the sale of future royalties, including controls related to the Company’s estimate of future sales and use of third-party analysis in developing underlying assumptions. We evaluated the amount recorded for the liability, including classification between current and non-current. In addition, we evaluated the Company’s estimate of future sales, including the date of planned commercialization, anticipated pricing and the patient population, by comparing to available peer data and market research. We recalculated the current year interest expense based on the amortization schedule and estimate of royalties using the effective interest method.

/s/KPMG LLP

We have served as the Company’s auditor since 2013.

New York, NY

February 27, 2020
To the Stockholders and Board of Directors
Immunomedics, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Immunomedics, Inc.’s and subsidiaries (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of comprehensive loss, changes in stockholders’ equity, and cash flows for the year ended December 31, 2019, the six-month transition period ended December 31, 2018, and each of the years in the two-year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 27, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP
New York, NY
February 27, 2020

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### IMMUNOMEDICS, INC. AND SUBSIDIARIES
#### CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$608,628</td>
<td>$492,860</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>4,550</td>
<td>4,941</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances of $0 at December 31, 2019</td>
<td>295</td>
<td>—</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>21,818</td>
<td>5,554</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,413</td>
<td>1,548</td>
</tr>
<tr>
<td>Total current assets</td>
<td>664,704</td>
<td>504,503</td>
</tr>
<tr>
<td>Property and equipment, net of accumulated depreciation and amortization of $7,925 and $4,316 at December 31, 2019 and 2018, respectively</td>
<td>32,762</td>
<td>23,469</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>256</td>
<td>68</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$671,722</td>
<td>$528,040</td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$60,860</td>
<td>$31,722</td>
</tr>
<tr>
<td>Liability related to sale of future royalties - current</td>
<td>3,455</td>
<td>—</td>
</tr>
<tr>
<td>Lease liability - current</td>
<td>337</td>
<td>—</td>
</tr>
<tr>
<td>Convertible senior notes, net</td>
<td>7,106</td>
<td>7,106</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>74,756</td>
<td>35,935</td>
</tr>
<tr>
<td>Convertible senior notes, net</td>
<td>—</td>
<td>7,055</td>
</tr>
<tr>
<td>Liability related to sale of future royalties - non-current</td>
<td>297,769</td>
<td>221,295</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>83,080</td>
<td>—</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>8,965</td>
<td>2,119</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>404,492</td>
<td>262,191</td>
</tr>
<tr>
<td>Commitments and Contingencies (Note 14)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders' Equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, $0.01 par value, authorized 10,000,000 shares; no shares issued and outstanding at December 31, 2019 and 2018</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.01 par value, authorized 250,000,000 shares; issued 212,529,313 shares and outstanding 212,499,492 shares at December 31, 2019; issued 196,465,795 shares and outstanding 196,461,878 shares at December 31, 2018</td>
<td>2,125</td>
<td>1,905</td>
</tr>
<tr>
<td>Capital contributed in excess of par</td>
<td>1,579,205</td>
<td>1,219,237</td>
</tr>
<tr>
<td>Treasury stock, at cost: 119,621 shares at December 31, 2019 and 34,725 shares at December 31, 2018</td>
<td>(2,095)</td>
<td>(824)</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(1,310,406)</td>
<td>(953,216)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(569)</td>
<td>(551)</td>
</tr>
<tr>
<td>Total Immunomedics, Inc. stockholders' equity</td>
<td>268,261</td>
<td>260,751</td>
</tr>
<tr>
<td>Noncontrolling interest in subsidiary</td>
<td>14,910</td>
<td>10,062</td>
</tr>
<tr>
<td>Total Stockholders' Equity</td>
<td>283,171</td>
<td>270,813</td>
</tr>
<tr>
<td>Total Liabilities and Stockholders' Equity</td>
<td>$671,722</td>
<td>$528,040</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### IMMONUMEDICS, INC. AND SUBSIDIARIES
#### CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in thousands, except per share amounts)

<table>
<thead>
<tr>
<th>Year Ended December 31, 2019</th>
<th>For the Transition Period Ended December 31, 2018</th>
<th>Year Ended June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product sales</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>License fee and other revenue</td>
<td>260</td>
<td>330</td>
</tr>
<tr>
<td>Research and development</td>
<td>—</td>
<td>325</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>260</td>
<td>2,330</td>
</tr>
</tbody>
</table>

| **Costs and expenses:**      |                                               |                          |
| Costs of goods sold          | —                                             | 613                      |
| Research and development     | 254,871                                       | 99,283                   |
| Sales and marketing          | 26,459                                        | 6,822                    |
| General and administrative   | 41,803                                        | 36,485                   |
| **Total costs and expenses** | 325,133                                       | 143,203                  |

| **Operating loss**           |                                               |                          |
| (124,636)                   | (144,525)                                     | (141,047)                |
| **Changes in fair market value of warrant liabilities** |                                               |                          |
| Warrant related expenses    | —                                             | —                        |
| Interest expense            | (46,337)                                      | (23,235)                 |
| **Interest and other income:** |                                              |                          |
| Loss on induced exchanges of debt |                                              |                          |
| Other financing expenses    | —                                             | —                        |
| Insurance reimbursement      | —                                             | —                        |
| Foreign currency transactions gain, net |                                              |                          |
| **Loss before income tax**  | (157,319)                                     | (273,313)                |
| **Income tax expense**      | —                                             | (156)                    |
| **Net loss**                | (157,319)                                     | (273,469)                |
| Net loss attributable to noncontrolling interest | (129)                                         | (50)                     |
| **Net loss attributable to Immunomedics, Inc. stockholders** | (157,447)                                     | (273,519)                |
| Loss per common share attributable to Immunomedics, Inc. stockholders (basic and diluted) | (1.84)                                        | (1.47)                   |
| Weighted average shares used to calculate loss per common share (basic and diluted) | 198,557                                       | 103,436                  |
| Other comprehensive (loss) income, net of tax: |                                              |                          |
| Foreign currency translation adjustments | 174                                           | (105)                    |
| Unrealized gains (loss) on securities available for sale | (284)                                        | 19                        |
| **Other comprehensive (loss) income, net of tax:** |                                              |                          |
| **Comprehensive loss**      | (157,620)                                     | (273,627)                |
| **Comprehensive loss attributable to noncontrolling interest** | (129)                                         | (171)                    |
| **Comprehensive loss attributable to Immunomedics, Inc. stockholders** | (157,749)                                     | (273,808)                |

See accompanying notes to consolidated financial statements.
<table>
<thead>
<tr>
<th>Date</th>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Capital Contributed in Excess of Par</th>
<th>Treasury Stock</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Accumulated Deficit</th>
<th>Net Loss</th>
<th>Comprehensive Income (Loss)</th>
<th>Preferred Stock Dividend Payable</th>
<th>Preferred Stock Dividend Payable</th>
<th>Treasury Stock Dividend Payable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2018</td>
<td>$83,120</td>
<td>$705,000</td>
<td>$1,219,237</td>
<td>$1,194,998</td>
<td>$399,467</td>
<td>$92,475</td>
<td>$7,569</td>
<td>$15,731</td>
<td>$60,000</td>
<td>$16,000</td>
<td>$60,000</td>
<td>$399,467</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
<table>
<thead>
<tr>
<th>Table of Contents</th>
</tr>
</thead>
</table>

**IMMUNOMEDICS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Year Ended December 31, 2019</th>
<th>For the Transition Period Ended December 31, 2018</th>
<th>Years Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(157,319)</td>
<td>$(157,769)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in fair value of warrant liabilities</td>
<td>—</td>
<td>(1,494)</td>
</tr>
<tr>
<td>Non-cash related expenses</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,822</td>
<td>2,089</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment</td>
<td>1,953</td>
<td>—</td>
</tr>
<tr>
<td>Interest on non-recourse debt</td>
<td>29,429</td>
<td>19,286</td>
</tr>
<tr>
<td>Loss on induced exchanges of debt</td>
<td>—</td>
<td>887</td>
</tr>
<tr>
<td>Amortization of deferred revenue</td>
<td>—</td>
<td>(94)</td>
</tr>
<tr>
<td>Amortization of bond premium</td>
<td>—</td>
<td>5</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>50</td>
<td>179</td>
</tr>
<tr>
<td>Amortization of deferred rent</td>
<td>—</td>
<td>132</td>
</tr>
<tr>
<td>Non-cash lease expense</td>
<td>264</td>
<td>—</td>
</tr>
<tr>
<td>Loss on sale of marketable securities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease in allowance for doubtful accounts</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-cash expense related to stock-based compensation</td>
<td>11,736</td>
<td>386</td>
</tr>
<tr>
<td>Non-cash financing expenses</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>(222,442)</td>
<td>(222,442)</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>612,041</td>
<td>494,173</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(118,409)</td>
<td>(130,664)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>11,213</td>
<td>10,605</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>13,757</td>
<td>14,336</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(192)</td>
<td>(192)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(222,442)</td>
<td>(222,442)</td>
</tr>
</tbody>
</table>

**Supplemental disclosure of cash flow information:**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents, and restricted cash end of period</td>
<td>$401,175</td>
<td>$412,175</td>
<td>$451,258</td>
</tr>
<tr>
<td>Cash, cash equivalents, and restricted cash beginning of period</td>
<td>$401,175</td>
<td>$412,175</td>
<td>$451,258</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities:**

| Exercise of stock options, net | 2,313 | 2,261 | 4,290 | — |
| Exercise of warrants | 1,888 | 78,230 | — | — |
| Sales of property and equipment, net | — | — | — | — |
| Proceeds from disposal of marketable securities | 19,618 | 95,112 | 57,183 | — |
| Proceeds from the issuance of common stock in an at-the-market offering, net | 75,907 | — | 28,578 | — |
| Proceeds from the issuance of common stock in a private offering, net | 67,784 | — | 14,783 | — |
| Proceeds from the issuance of non-economic debt | — | — | 192,216 | — |
| Debt conversion fees | — | — | — | — |
| Taxes withheld from exercise of stock options and stock purchase plans | — | (316) | (546) | (196) |
| Net cash provided by financing activities: | 108,064 | 108,064 | 179,417 | 179,417 |
| Effect of changes in exchange rates on cash, cash equivalents and restricted cash | (22) | (22) | (190) | (180) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 117,848 | (1,494) | 166,828 | 178,238 |
| Cash, cash equivalents, and restricted cash beginning of period | 401,175 | 412,175 | 451,258 | 451,258 |
| Cash, cash equivalents, and restricted cash ending of period | $419,023 | $410,681 | $518,086 | $519,508 |

**Supplemental disclosure of cash flow information:**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$101</td>
<td>$785</td>
<td>$2,173</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Schedule of non-cash investing and financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares for debt conversion</td>
<td>$13,757</td>
<td>$92,287</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from stock-based compensation</td>
<td>$161</td>
<td>$785</td>
<td>$2,173</td>
</tr>
<tr>
<td>Non-cash component of warrant exercise</td>
<td>$7,569</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares exercised in warrants exercise</td>
<td>$2,980</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

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The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within our consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>For the Transition Period Ended December 31, 2018</th>
<th>Year Ended June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 608,628</td>
<td>$ 492,860</td>
<td>$ 612,057</td>
</tr>
<tr>
<td>Restricted cash in other current assets</td>
<td>$ 3,413</td>
<td>$ 1,313</td>
<td>$ 529</td>
</tr>
<tr>
<td><strong>Total cash, cash equivalents and restricted cash</strong></td>
<td><strong>$ 612,041</strong></td>
<td><strong>$ 494,173</strong></td>
<td><strong>$ 612,582</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
1. Business Overview and Summary of Significant Accounting Policies

Immunomedics, Inc., a Delaware corporation, together with its subsidiaries (collectively "we," "us," "our," "Immunomedics", or the "Company"), is a clinical-stage biopharmaceutical company that develops monoclonal antibody-based products for the targeted treatment of cancer. Immunomedics manages its operations as one line of business of researching, developing, manufacturing and marketing biopharmaceutical products, particularly antibody-based products for patients with difficult to treat solid tumor and blood cancers. The Company currently reports as a single industry segment with substantially all business conducted in the United States. Immunomedics conducts its research activities in the United States and runs its development studies in the United States and selected European countries. Our corporate objective is to become a fully-integrated biopharmaceutical company and a leader in the field of antibody-drug conjugates ("ADCs"). To that end, our immediate priority is to commercialize our most advanced ADC product candidate, sacituzumab govitecan ("IMMU-132"), beginning in the United States, with metastatic triple-negative breast cancer ("mTNBC") as the first indication. In May 2019, we submitted a Biologics License Application ("BLA") to the United States Food and Drug Administration ("FDA") for sacituzumab govitecan for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease. In July 2018, we received notification from the FDA that the BLA was accepted for filing and the original application was granted Priority Review with a Prescription Drug User Fee Act ("PDUFA") target action date in January 2019. In January 2019, we received a Complete Response Letter ("CRL") from the FDA for the BLA. We subsequently met with the FDA in May 2019 to review the FDA’s findings and discuss our BLA resubmission. Since then, we have developed a detailed plan to address the chemistry, manufacturing, and controls ("CMC") matters raised in the CRL and in our pre-approval inspection. We held another meeting with the FDA in September 2019 to update the FDA on our progress in addressing these matters and to receive feedback from the FDA on our approach. On November 30, 2019, we resubmitted our BLA to the FDA and on December 23, 2019 we received notification from the FDA that the BLA was accepted for filing and further assigned a new PDUFA target action date as June 2, 2020. We have dedicated, and continue to commit, significant resources to address the CMC matters identified by the FDA, while, in parallel, preparing our manufacturing facility to be ready for re-inspection by the FDA. Our Phase 3 confirmatory ASCENT study for sacituzumab govitecan has reached its target enrollment for mTNBC patients previously treated with at least two systemic chemotherapy regimens. Top-line data for the ASCENT study is expected to be available around mid-2020.

The Company has a foreign subsidiary, Immunomedics GmbH in Rodermark, Germany, that assists the Company in managing sales and marketing efforts and coordinating clinical trials in Europe. The accompanying consolidated financial statements include results for its foreign subsidiary and its majority-owned United States subsidiary, IBC Pharmaceuticals, Inc. ("IBC").

Immunomedics is subject to significant risks and uncertainties, including, without limitation, 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 its drug candidates, 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.

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, including up-front and milestone payments, funding of development programs, and other forms of funding from collaborations.

The Company expects to continue to fund its operations with its current financial resources.
Summary of Significant Accounting Policies:

Basis of Presentation

The consolidated financial statements include the accounts of Immunomedics and its subsidiaries. Noncontrolling interests in consolidated subsidiaries in the 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. In this Annual Report, the periods presented are the year ended December 31, 2019; the six-month transition period from July 1, 2018 to December 31, 2018 (which we sometimes refer to as the "Transition Period") and our fiscal years ended June 30, 2018 and 2017 (which are referred to as "Fiscal 2018," and "Fiscal 2017," as if we had not changed our fiscal year to a calendar year).

Use of Estimates

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company’s significant estimates and assumptions relate to stock-based compensation expenses, the fair value for the liability related to sale of future royalties and related interest expense.

Interest Expense on Liability Related to Sale of Future Royalties

The Company accounts for the liability related to the sale of future royalties as a debt financing. The Company has a significant continuing involvement in the generation of related royalty streams. The Company accrues this liability and recognizes expected interest expense using the effective interest rate method over the life of the related royalty streams, based on our current estimates of future royalty payments. These estimates include projections the Company makes and projections from outside the Company and involve significant judgment and inherent uncertainties. The Company periodically reassesses the projections and, to the extent our future projections are greater or less than its previous estimates or the estimated timing of such payments is materially different than its previous estimates, the Company will adjust the effective interest calculation.

Foreign Currencies

For our German subsidiary which operates in a local currency environment, income and expense items are translated to United States dollars at the monthly average rates of exchange prevailing during the year, assets and liabilities are translated at year-end exchange rates and equity accounts are translated at historical exchange rates. Translation adjustments are accumulated in a separate component of stockholders' equity in the consolidated balance sheets and the consolidated statements of changes in stockholders' equity and are included in the determination of comprehensive (loss) income in the consolidated statements of comprehensive loss. Transaction gains and losses are included in the determination of net loss in the consolidated statements of comprehensive loss.

Financial Instruments

The carrying amount of cash and cash equivalents, prepaid expenses, 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.

Marketable Securities

Marketable securities, all of which are available-for-sale, consist of United States Government sponsored agencies which are carried at fair value, with unrealized gains and losses, net of related income taxes, reported as accumulated other comprehensive loss, except for losses from impairments which are determined to be other-than-temporary. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in the determination of net loss and are included in interest and other income (net), at which time the average cost basis of these securities are adjusted to fair value. Fair values are based on quoted market prices at the reporting date. Interest and dividends on available-for-sale securities are included in interest and other income (net).
Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including leasehold improvements and capital lease assets that are amortized over the shorter of their useful lives or the terms of the respective leases. The Company generally uses the following range of useful lives for its property and equipment categories: leasehold improvements—7 to 10 years; computer equipment—5 years; machinery and equipment—5 to 10 years; and furniture and fixtures—10 years. Depreciation expense includes amortization of assets related to capital leases. The Company charges repairs and maintenance costs to expense as incurred.

Concentration of Credit Risk

Cash, cash equivalents, and marketable securities are financial instruments that potentially subject the Company to concentration of credit risk. Our investment policy is to invest only in institutions that meet high credit quality standards and establishes limits on the amount and time to maturity of investments with any individual counterparty. The policy also requires that investments are only entered into with corporate and financial institutions that meet high credit quality standards. Restricted cash represents funds the Company is required to set aside to cover vehicle operating leases and other purposes.

Revenue Recognition

Pursuant to Topic 606, we recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, Topic 606 includes provisions within a five-step model that includes: i) identifying the contract with a customer, ii) identifying the performance obligations in the contract, iii) determining the transaction price, iv) allocating the transaction price to the performance obligations, and v) recognizing revenue when, or as, an entity satisfies a performance obligation.

At contract inception, we assess the goods or services promised within each contract and assess whether each promised good or service is distinct and determine those that are performance obligations. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied.

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. Research and development costs include salaries and benefits, costs associated with producing biopharmaceutical compounds, laboratory supplies, the costs of conducting clinical trials, and facilities costs. In addition, the Company uses clinical research organizations and contract manufacturing operations to outsource portions of our research and development activities.

Treasury Shares

The Company records treasury stock at the cost to acquire it and includes treasury stock as a component of Stockholders’ Equity. In determining the cost of the treasury shares when either sold or issued, the Company uses the first-in, first-out method (“FIFO”). If the proceeds from the sale of the treasury shares are greater than the cost of the shares sold, the excess proceeds are recorded as additional paid-in capital. If the proceeds from the sale of the treasury shares are less than the original cost of the shares sold, the excess cost reduces any additional paid-in capital arising from previous sales of treasury shares for that class of stock.

Fair Value Measurements

The Company categorizes its financial instruments measured at fair value into a three-level fair value hierarchy that prioritizes the inputs used in determining the fair value of the asset or liability. The three levels of the fair value hierarchy are as follows:

- **Level 1** - Financial instruments 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 securities and most United States Government and agency securities).
- **Level 2** - Financial instruments 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 instruments 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.

The Company’s financial instruments consist of cash and cash equivalents, marketable securities, prepaid expenses, other current assets, accounts payable and accrued expenses, convertible senior notes, liabilities related to the sale of future royalties and Convertible Senior Notes. The carrying amount of prepaid expenses, other current assets, accounts payable and accrued expenses and certain other liabilities are generally considered to be representative of their respective fair values because of the short-term nature of these instruments.

Income Taxes

The Company uses the asset and liability method to account for income taxes, including the recognition of deferred tax assets and deferred tax liabilities for the anticipated future tax consequences attributable to differences between financial statements amounts and their respective tax bases. The Company reviews its deferred tax assets for recoverability. A valuation allowance is established when the Company believes 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 for the period in which they occur.

The Tax Cuts and Jobs Act (the “Act”) was signed into law on December 22, 2017. Among its numerous changes to the Internal Revenue Code, the Act reduces United States corporate rates from 35% to 21%. Additionally, the Act limits the use of net operating loss carrybacks, however any future net operating losses will instead be carried forward indefinitely. Only 80% of current income will be able to be offset with a net operating loss carryforward, with the remainder of the net operating loss continuing to carry forward. As a result of the reduction in the U.S. corporate income tax rate, the Company revised its ending net deferred tax assets as of June 30, 2018, which resulted in a provisional expense of $59.5 million which was offset by an associated change in valuation allowance. In the second quarter of the Transition Period, the Company completed its analysis to determine the effects of the Tax Act and recorded no further adjustments.

Net Loss Per Share Allocable to Common Stockholders

Net loss per basic and diluted common share allocable to common stockholders is based on the net loss for the relevant period, divided by the weighted-average number of common shares outstanding during the period. For purposes of dilution, the potential common shares are included when their effect would be dilutive. The number of potential common shares outstanding is determined at the end of each period. Potential common shares outstanding as of December 31, 2019, the Transition Period and the fiscal years ended June 2018, and 2017, respectively, consisted of convertible senior notes and options to purchase common stock.

Net Comprehensive Loss

Net comprehensive loss consists of net loss, unrealized gain (loss) on available-for-sale securities and foreign exchange translation adjustments and is presented in the consolidated statements of comprehensive loss.

Stock-Based Compensation

The Company utilizes stock-based compensation in the form of stock options, stock appreciation rights, stock awards, stock unit awards, performance shares, cash-based performance units and other stock-based awards, each of which may be granted separately or in tandem with other awards.

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. The Company uses the Black-Scholes option pricing formula for determining the grant-date fair value of such awards. The fair value of options awards that vest based on achievement of certain market conditions are determined using a Monte Carlo simulation technique.

The expected term of the options 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...
rate is based upon the implied yields currently available from the United States Treasury yield curve in effect at the time of the grant. Forfeitures are recorded as incurred.

Recently Issued Accounting Pronouncements

Accounting Pronouncements adopted during the year

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-01, "Leases Topic 842," requiring entities to recognize assets and liabilities on the balance sheet for all leases, with certain exceptions. Topic 842 allows for a modified retrospective application and is effective as of the first quarter of 2019. Entities are allowed to apply the new guidance using a modified retrospective approach at the beginning of the year in which new lease standard is adopted, rather than to the earliest comparative period presented in their financial statements. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. We elected the modified retrospective approach under the new guidance and elected the available practical expedients on adoption. Upon adoption, we recognized additional operating lease liabilities of $4.4 million with a corresponding right-of-use assets of $4.4 million based on the present value of the remaining lease payments under existing operating leases. As of December 31, 2019, we had $2.1 million in deferred charges related to our new operating leases and $11.5 million in other long-term liabilities on our consolidated balance sheets. In addition, the new guidance resulted in additional lease-related disclosures in the footnotes to our consolidated financial statements. Our leasing portfolio is comprised entirely of operating leases, and we do not recognize right-of-use assets or related lease liabilities with a lease term of twelve months or less on our consolidated balance sheets. Adoption of Topic 842 has required changes to our business processes and controls to comply with the provisions of the standard. Refer to Note 14 "Commitments and Contingencies" for additional information.

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation," to improve the usefulness of information provided in annual financial statements while reducing cost and complexity in financial reporting and provide guidance aligning the measurement and classification for share-based payments to nonemployees with the guidance for share-based payments to employees. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date. This standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted, but no earlier than an entity’s adoption date of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." We adopted ASU 2018-07 during the first quarter of 2019 and the adoption did not have a material impact to our consolidated financial statements.

Accounting Pronouncements yet to be adopted

In November 2018, the FASB issued ASU 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction with Topic 606." To clarify when ASC 606 should be used for collaborative arrangements when the counterparty is a customer. The guidance precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods therein. Early adoption is permitted to entities that have adopted ASC 606. We are currently assessing the impact of ASU 2018-18.

In August 2018, the FASB issued ASU 2018-15, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," to no longer require public companies to disclose transfers between Level 1 and Level 2 of the fair value hierarchy, and to require disclosure about the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. Entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. We are currently assessing the impact of ASU 2018-15.

2. Revenue Recognition

Everest Medicines II Limited

On April 29, 2019, we entered into a license agreement (the "License Agreement") with Everest Medicines II Limited, a China limited company ("Everest"). Pursuant to the License Agreement, we granted Everest an exclusive license to develop and commercialize sacituzumab govitecan in the People’s Republic of China, Taiwan, Hong Kong, Macao, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore and Mongolia (the "Territory"). In consideration for entering into the License Agreement, Everest made a one-time, non-refundable upfront payment to us in the aggregate amount of $65.0 million which is recorded as deferred revenue on the consolidated balance sheet as of December 31, 2019. The License Agreement contains a development milestone payment of $60.0 million based upon our achievement of FDA approval for sacituzumab govitecan.

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License Agreement also contains additional development milestone payments in a total amount of up to $180.0 million based upon the achievement of certain other development milestones. In addition, the License Agreement contains sales milestone payments in a total amount of up to $530.0 million based upon the achievement of certain sales milestones. Everest will make royalty payments to us based upon percentages of net sales of sacituzumab govitecan, ranging from 14% to 20%.

The Company assessed the arrangement in accordance with ASC 606 and concluded that the contract counterparty, Everest, is a customer based on the arrangement structure. The Company identified two material promises to deliver under the contract: (1) grant of license and the (2) clinical and commercial supply of the product. However, given the nature of the manufacturing of the product the license is not considered to be distinct from the clinical and commercial supply promise. The Company therefore concluded that there is one combined performance obligation.

The Company initially deferred and will recognize the $65.0 million over the performance obligation period of the combined performance obligation. As it relates to the upfront consideration, the $65.0 million is recorded as deferred revenue and will be recognized over the term of the of the contract performance obligation period, which the Company has concluded to be 15 years after initial sale of the product in the territory. As concluded above, the Company has a combined performance obligation, which includes delivering the license and clinical and commercial supply to Everest. As such, because the clinical and commercial supply obligation occur throughout the period of the License Agreement, the $65.0 million fixed consideration is recognized over the period in which commercial and clinical supply of product is delivered (over-time).

The future potential milestone payments are excluded from the transaction price, as the achievement of the milestone events require considerable judgment in determining whether it is probable of being achieved, and that a significant revenue reversal would not occur. As such, all milestone payments are fully constrained. The Company will reevaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur, and, if necessary, adjust its estimate of the transaction price.

Janssen Biotech Inc.

On April 5, 2019, the Company entered into a promotion agreement (the "Promotion Agreement") with Janssen Biotech Inc., ("Janssen") pursuant to which the Company will provide non-exclusive product detailing services to Janssen for erdafitinib (the "Product"). Pursuant to the Promotion Agreement, the Company will provide a dedicated sales team to detail the Product to oncologists and other targeted health care providers in the United States. Under the terms of the Promotion Agreement, Janssen maintains ownership of the New Drug Application for the Product as well as legal, regulatory, distribution, commercialization and manufacturing responsibilities for the Product, while the Company will provide product detailing services to Janssen. Following the achievement of certain sales targets in 2019 and 2020, Janssen will pay the Company (a) a service fee equal to a percentage in the low double digits of the portion of Cumulative Net Sales (as defined in the Promotion Agreement) in excess of a baseline amount during each of 2019 and 2020, and (b) potential milestone payments of up to $15.0 million when Cumulative Net Sales exceed certain thresholds during each of 2019 and 2020. On April 12, 2019, the Company was informed that the FDA granted accelerated approval to Janssen's Balversa® (erdafitinib) for the treatment of adult patients with locally advanced or metastatic urothelial carcinoma that has a type of susceptible genetic alteration known as FGFR3 or FGFR2, and that has progressed during or following prior platinum-containing chemotherapy. During the year ended December 31, 2019, $0.3 million of service fee revenues were recorded relating to the Promotion Agreement.
3. Marketable Securities

Immunomedics considers all of its current investments to be available-for-sale. Marketable securities are carried at fair value, with unrealized gains and losses, net of related income taxes, reported as accumulated other comprehensive (loss) income, except for losses from impairments which are determined to be other-than-temporary. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in the determination of net loss and are included in interest and other income (net), at which time the average cost basis of those securities are adjusted to fair value. Fair values are based on quoted market prices at the reporting date. Interest and dividends on available-for-sale securities are included in interest and other income (net). As of December 31, 2019, and 2018, the carrying value of our current investments due after one year or more are $4.5 million and $4.9 million, respectively.

The following table summarizes the marketable securities held as of December 31, 2019 and 2018 (in thousands):

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gain</th>
<th>Gross Unrealized (Loss)</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government Sponsored Agencies</td>
<td>$4,941</td>
<td>$—</td>
<td>$(391)</td>
<td>$4,550</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gain</th>
<th>Gross Unrealized (Loss)</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government Sponsored Agencies</td>
<td>$4,941</td>
<td>$—</td>
<td>$—</td>
<td>$4,941</td>
</tr>
</tbody>
</table>

4. Debt

Liability related to sale of future royalties

On January 7, 2018, the Company entered into a funding agreement (the “Funding Agreement”) with RPI Finance Trust, a Delaware statutory trust (“RPT”). Pursuant to the Funding Agreement, the Company issued to RPI the right to receive certain royalty amounts, subject to certain reductions, based on the net sales of the ADC sacituzumab govitecan, for each calendar quarter during the term of the Funding Agreement (“Revenue Participation Right”), in exchange for $175.0 million in cash (the “Purchase Price”). Specifically, the royalty rate commences at 4.15 percent on net annual sales of up to $2.0 billion, declining step-wise based on sales tiers to 1.75 percent on net global annual sales exceeding $6.0 billion.

On January 7, 2018, in connection with the Funding Agreement, the Company entered into a common stock purchase agreement (the “Purchase Agreement”) with RPI, pursuant to which the Company, in a private placement, issued and sold to RPI approximately 4.4 million unregistered shares (the “Shares”) of the Company’s Common Stock, at a price of $17.15 per share for gross proceeds to the Company of $75.0 million before deducting fees and expenses (the “Financing”).

The Company concluded that there were two units of accounting in the transaction. The Company allocated the transaction consideration on a relative fair value to the liability and common stock in accordance with ASC 470-10 as follows (in thousands):

<table>
<thead>
<tr>
<th>Units of Accounting</th>
<th>Allocated Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability related to sale of future royalties</td>
<td>$182,216</td>
</tr>
<tr>
<td>Common stock</td>
<td>$87,784</td>
</tr>
<tr>
<td></td>
<td>$250,000</td>
</tr>
</tbody>
</table>

Interest will be recognized using the effective interest method over a period of 20 years. The effective interest rate under the Funding Agreement, including issuance costs, is approximately 16.0% as of December 31, 2019. During the year ended December 31, 2019, the Transition Period, and the fiscal year ended June 30, 2018, the Company recognized $39.9 million, $19.5 million, and $19.8 million in interest expense, respectively.
The following table shows the activity within the liability related to sale of future royalties during the year ended December 31, 2019, the Transition Period and at the fiscal year ended June 30, 2018 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability related to sale of future royalties at January 7, 2018</td>
<td>$182,216</td>
</tr>
<tr>
<td>Interest expense recognized</td>
<td>19,791</td>
</tr>
<tr>
<td>Carrying value of liability related to sale of future royalties at June 30, 2018</td>
<td>$202,007</td>
</tr>
<tr>
<td>Interest expense recognized</td>
<td>19,288</td>
</tr>
<tr>
<td>Carrying value of liability related to sale of future royalties at December 31, 2018</td>
<td>$221,295</td>
</tr>
<tr>
<td>Interest expense recognized</td>
<td>39,929</td>
</tr>
<tr>
<td>Carrying value of liability related to sale of future royalties at December 31, 2019 (includes current portion of $3,455)</td>
<td>$261,224</td>
</tr>
</tbody>
</table>

**Convertible Senior Notes**

In February 2015, the Company issued $100.0 million of Convertible Senior Notes (the "Convertible Senior Notes") (net proceeds of approximately $96.3 million after deducting the initial purchasers’ fees and offering expenses) in a private offering exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon Rule 144A under the Securities Act. The Convertible Senior Notes had a maturity date of February 15, 2020, unless earlier purchased or converted. The debt issuance costs of approximately $3.7 million, primarily consisting of underwriting, legal and other professional fees, and are amortized over the term of the Convertible Senior Notes. The Convertible Senior Notes are senior unsecured obligations of the Company. Interest at 4.75% is payable semiannually on February 15 and August 15 of each year. The effective interest rate on the Convertible Senior Notes was 5.48% for the period from the date of issuance through the year ended December 31, 2019.

The Convertible Senior Notes are convertible at the option of holders into approximately 19.6 million shares of common stock at any time prior to the close of business on the day immediately preceding the maturity date. The exchange rate will initially be 195.8336 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately $5.11 per share of common stock).

If the Company undergoes a fundamental change (as defined in the indenture governing the Convertible Senior Notes), holders may require Immunomedics to purchase for cash all or part of the Convertible Senior Notes at a purchase price equal to 100% of the principal amount of the Convertible Senior Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. The indenture contains customary terms and covenants and events of default.

If the Company fails to make any interest payment on the Convertible Senior Notes when due, each holder of Convertible Senior Notes will have the right (with respect to such failure only) to require Immunomedics to repurchase all or part of its Convertible Senior Notes at a repurchase price equal to 103% of the outstanding principal amount of the Convertible Senior Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

If an event of default with respect to the Convertible Senior Notes occurs, holders may, upon satisfaction of certain conditions, accelerate the principal amount of the Convertible Senior Notes plus premium, if any, and accrued and unpaid interest, if any. In addition, the principal amount of the Convertible Senior Notes plus premium, if any, and accrued and unpaid interest, if any, will automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving the Company.

On September 21, 2017, the Company entered into separate privately negotiated exchange agreements, (the "September Exchange Agreements") with certain holders of the Convertible Senior Notes. Under the Exchange Agreements, such holders agreed to convert an aggregate $80.0 million of Convertible Senior Notes held by them. In total, the Company issued an aggregate 16.8 million shares of common stock in the September Exchange Agreements. The shares represent an aggregate of 1.1 million shares more than the number of shares into which the exchanged Convertible Senior Notes were convertible under their original terms. As a result of the September Exchange Agreements, the Company recognized a loss on induced exchanges of debt of $13.0 million representing the fair value of the incremental consideration paid to induce the holders to exchange their Convertible Senior Notes for equity (i.e., 1.1 million shares of common stock), based on the closing market price of the Company’s Common Stock on the date of the September 2017 Exchange Agreements.
On October 2, 2018, the Company entered into privately negotiated exchange agreements (the “October 2018 Exchange Agreements”), with a limited number of holders of the Convertible Senior Notes. Under the Exchange Agreements, such holders agreed to convert an aggregate $12.9 million of Convertible Senior Notes held by them. In total, the Company issued an aggregate 2.6 million shares of common stock in the October 2018 Exchange Agreements. The shares represent an aggregate of 0.1 million shares more than the number of shares into which the exchanged Convertible Senior Notes were convertible under their original terms. As a result of the October 2018 Exchange Agreements, the Company recognized a loss on induced exchanges of debt of $0.9 million representing the fair value of the incremental consideration paid to induce the holders to exchange their Convertible Senior Notes for equity (i.e., 0.1 million shares of common stock), based on the closing market price of the Company’s Common Stock on the date of the October 2018 Exchange Agreements. As a result of the October 2018 Exchange Agreements, the balance of the outstanding Convertible Senior Notes was $7.1 million at December 31, 2019 and 2018. As of February 14, 2020, the remaining $7.1 million of Convertible Senior Notes converted into 1.4 million shares of common stock based on the initial conversion price of approximately $5.11 per share of common stock.

Total interest expense for the Convertible Senior Notes were $0.4 million, $0.5 million, $5.5 million, and $5.5 million, for the year ended December 31, 2019, the Transition Period and the fiscal years ended 2018 and 2017, respectively. Included in interest expense is the amortization of debt issuance costs of $0.1 million for the year ended December 31, 2019, $0.2 million in the Transition Period ($0.1 million of which related to the accelerated amortization of debt issuance costs associated with the October 2018 Exchange Agreements), $1.7 million in fiscal 2018 ($1.4 million of which related to the accelerated amortization of debt issuance costs associated with the September Exchange Agreements), and $0.7 million in fiscal 2017.

5. Stock-Based Compensation

Stock Incentive Plan

The Company has a stock incentive plan, the Immunomedics, Inc. 2014 Long-Term Incentive Plan (the “Plan”). The Plan was established to promote the long-term financial interests and growth of the Company, by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of the Company’s business. The Plan is designed to motivate management personnel by means of growth-related incentives to achieve long-range goals and further the alignment of interests with those of the stockholders of the Company through opportunities for increased stock or stock-based ownership in the Company. Toward these objectives, the Company may grant stock options, stock appreciation rights, stock awards, stock units, performance shares, performance options, performance units, and other stock-based awards to eligible individuals on the terms and subject to the conditions set forth in the Plan. There have been no significant modifications to the Plan during the year ended December 31, 2019, the Transition Period or fiscal years ended June 30, 2018, or 2017.

Stock compensation expense was $11.7 million, $6.9 million, $4.0 million, and $4.3 million for the year ended December 31, 2019, the Transition Period, and fiscal years ended June 30, 2018 and 2017, respectively. On January 15, 2019, the Company received a final award finding from an arbitrator that denied Dr. Goldenberg 1.5 million of RSU’s. As a result, during the Transition Period, $3.4 million of the stock-based compensation expense was reversed. Refer to “Note 14 - Commitments and Contingencies” for more information.

Stock Options

Stock option grants provide the right to purchase a specified number of shares of Common Stock from the Company at a specified price during a specified period of time. The stock option exercise price per share is the fair market value of one share of Common Stock on the date of the grant of the stock option and generally have a vesting period of four years.

As of December 31, 2019, there was $40.6 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the plan. That cost is being recognized over a weighted-average period of 3.0 years.

The weighted average grant date fair value of the stock options granted during the year ended December 31, 2019, the Transition Period, and fiscal years ended June 30, 2018, and 2017 was $8.85 per share, $12.90 per share, $8.76 per share, and $2.21 per share, respectively. The weighted average grant date fair value of the performance-based stock options granted during the year ended December 31, 2019, the Transition Period, and fiscal years ended June 30, 2018, and 2017 was $9.56, $0.00, $7.29 and $0.00 per share, respectively. There were no performance-based stock options granted during the Transition Period, or for the fiscal year ended June 30, 2017.
We estimated the fair value of options granted using a Black-Scholes option pricing model with the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Transition Period December 31, 2018</th>
<th>Fiscal Years Ended June 30, 2018, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected dividend yield</td>
<td>—%</td>
<td>—%</td>
<td>—%</td>
</tr>
<tr>
<td>Expected option term (years)</td>
<td>4.52</td>
<td>4.76</td>
<td>4.84</td>
</tr>
<tr>
<td>Expected stock price volatility</td>
<td>75%</td>
<td>89%</td>
<td>70%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.3% - 2.58%</td>
<td>2.60% - 3.00%</td>
<td>1.72% - 2.69%</td>
</tr>
</tbody>
</table>

The following table summarizes all stock option activity for the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Options (in thousands)</th>
<th>Weighted Average Exercise Price Per Option</th>
<th>Weighted Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding, January 1, 2019</td>
<td>$4,757</td>
<td>$14.30</td>
<td>5.42</td>
</tr>
<tr>
<td>Changes during the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>3,614</td>
<td>15.46</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(1,207)</td>
<td>3.17</td>
<td></td>
</tr>
<tr>
<td>Options outstanding, end of year</td>
<td>5,268</td>
<td>16.54</td>
<td>5.80</td>
</tr>
<tr>
<td>Vested as of December 31, 2019</td>
<td>1,116</td>
<td>18.72</td>
<td>4.67</td>
</tr>
</tbody>
</table>

The following table summarizes all stock option activity for the Transition Period ended December 31, 2018:

<table>
<thead>
<tr>
<th>Options (in thousands)</th>
<th>Weighted Average Exercise Price Per Option</th>
<th>Weighted Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding, July 1, 2018</td>
<td>$3,448</td>
<td>$15.36</td>
<td>5.54</td>
</tr>
<tr>
<td>Changes during the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>2,382</td>
<td>22.54</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(761)</td>
<td>3.33</td>
<td></td>
</tr>
<tr>
<td>Options outstanding, end of year</td>
<td>4,757</td>
<td>14.50</td>
<td>5.47</td>
</tr>
<tr>
<td>Vested as of December 31, 2018</td>
<td>1,361</td>
<td>18.32</td>
<td>4.87</td>
</tr>
</tbody>
</table>

The total fair value of shares vested during the year ended December 31, 2019, the Transition Period, and fiscal years ended June 30, 2018, and 2017 was $8.9 million, $1.3 million, $0.3 million, and $1.4 million, respectively. The total intrinsic value of stock options exercised during the fiscal year ended December 31, 2019, the Transition Period, and fiscal years ended June 30, 2018, and 2017 was $14.7 million, $13.3 million, $7.8 million, and $2.6 million, respectively.
Restricted Stock Units ("RSU’s")

The Company may grant awards of RSU’s to eligible individuals. An RSU represents a contractual obligation by the Company to deliver a number of shares of Common Stock equal to the fair market value of the specified number of shares subject to the award, or a combination of shares of Common Stock and cash. Vesting requirements may include performance goals, the attainment of performance goals with continued service, or both.

Information regarding the Company's RSU’s for the year ended December 31, 2019 is as follows:

<table>
<thead>
<tr>
<th>Non-Vested Restricted Stock Units</th>
<th>Share Equivalent (in thousands)</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested at January 1, 2019</td>
<td>15</td>
<td>$14.29</td>
</tr>
<tr>
<td>Changes during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Units Granted</td>
<td>58</td>
<td>$12.93</td>
</tr>
<tr>
<td>Vested/Exercised</td>
<td>(15)</td>
<td>$14.29</td>
</tr>
<tr>
<td>Forfeited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-vested at December 31, 2019</td>
<td>58</td>
<td>$12.93</td>
</tr>
</tbody>
</table>

As of the year ended December 31, 2019, there was $0.3 million of total unrecognized compensation costs related to the awards. The cost is being recognized over a weighted-average period of 0.4 years.

Information regarding the Company's RSU's for the Transition Period ended December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th>Non-Vested Restricted Stock Units</th>
<th>Share Equivalent (in thousands)</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested at July 1, 2018</td>
<td>1,525</td>
<td>$2.83</td>
</tr>
<tr>
<td>Changes during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Units Granted</td>
<td>15</td>
<td>$14.29</td>
</tr>
<tr>
<td>Vested/Exercised</td>
<td>(15)</td>
<td>$14.29</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,500)</td>
<td>$2.28</td>
</tr>
<tr>
<td>Non-vested at December 31, 2018</td>
<td>15</td>
<td>$19.29</td>
</tr>
</tbody>
</table>

As of December 31, 2018, there was $0.3 million of total unrecognized compensation costs related to the awards. The cost was being recognized over a weighted-average period of 1.18 years. During the Transition Period, the Company received a final award finding from an arbitrator that denied Dr. Goldenberg 1.5 million of RSU’s that are included as forfeited in the table above. Refer to “Note 14 - Commitments and Contingencies” for more information.

Performance Stock Options ("PSO’s")

The Company may grant awards of PSO's to eligible individuals. PSO's are shares of Common Stock that vest based on performance measured against predetermined objectives that could include performance goals, continued employment, or a combination of both over a specified performance period. PSO's may be settled in shares of Common Stock, cash, or both as determined on the settlement date.

On March 14, 2019, performance stock options were granted to certain individuals that vest upon the Company’s receipt of approval from the FDA for the Company’s BLA for sacituzumab govitecan for the treatment of patients with metastatic triple-negative breast cancer who have received at least two prior therapies for metastatic disease under the Prescription Drug User Fee Act. There were additional stock options that were granted to certain eligible individuals that vest on the second anniversary of the date of grant. In addition, on April 17, 2019 performance stock options were granted to certain individuals that vest upon achievement of defined sales performance milestones.
The following table summarizes the Company's performance-based stock option activity for the year ended December 31, 2019 as follows:

<table>
<thead>
<tr>
<th>Options outstanding, January 1, 2019</th>
<th>Weighted Average Exercise Price Per Option</th>
<th>Weighted Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding, end of year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options vested as of December 31, 2019</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The total fair value of shares vested during the year ended December 31, 2019 was $1.1 million. As of the year ended December 31, 2019, there was $4.9 million of total unrecognized compensation costs related to the awards. The cost is being recognized over a remaining weighted-average period of 0.8 years.

The following table summarizes the Company's performance-based stock option activity for the Transition Period ended December 31, 2018 as follows:

<table>
<thead>
<tr>
<th>Options outstanding, July 1, 2018</th>
<th>Weighted Average Exercise Price Per Option</th>
<th>Weighted Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding, end of year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options vested as of December 31, 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of December 31, 2018, there was $3.0 million of total unrecognized compensation costs related to the awards. The cost was being recognized over a remaining weighted-average period of 3.05. There were no performance stock options granted during the Transition Period.
6. Estimated Fair Value of Financial Instruments

Cash Equivalents and Marketable Securities

<table>
<thead>
<tr>
<th></th>
<th>Level 1 (in thousands)</th>
<th>Level 2 (in thousands)</th>
<th>Level 3 (in thousands)</th>
<th>Total (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Funds Note (a)</td>
<td>$550,788</td>
<td>$</td>
<td>$</td>
<td>$550,788</td>
</tr>
<tr>
<td>U.S. Government Sponsored Agencies</td>
<td>$4,550</td>
<td>$</td>
<td>$</td>
<td>$4,550</td>
</tr>
<tr>
<td>Total</td>
<td>$555,338</td>
<td>$</td>
<td>$</td>
<td>$555,338</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1 (in thousands)</th>
<th>Level 2 (in thousands)</th>
<th>Level 3 (in thousands)</th>
<th>Total (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Funds Note (a)</td>
<td>$326,239</td>
<td>$</td>
<td>$</td>
<td>$326,239</td>
</tr>
<tr>
<td>U.S. Government Sponsored Agencies</td>
<td>$4,941</td>
<td>$</td>
<td>$</td>
<td>$4,941</td>
</tr>
<tr>
<td>Total</td>
<td>$331,180</td>
<td>$</td>
<td>$</td>
<td>$331,180</td>
</tr>
</tbody>
</table>

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

Convertible Senior Notes

The carrying amounts and estimated fair values (Level 2) of debt instruments are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2019</th>
<th>As of December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Amount</td>
<td>Estimated Fair Value</td>
</tr>
<tr>
<td>Convertible Senior Notes</td>
<td>$7,106</td>
<td>$28,900</td>
</tr>
</tbody>
</table>

The fair value of the Convertible Senior Notes, which differs from their carrying values, is influenced by interest rates, the Company’s stock price and stock price volatility and is determined by prices for the Convertible Senior Notes observed in market trading which are Level 2 inputs.

Liability Related to the Sale of Future Royalties

The Company has determined the fair value of the liability related to the sale of future royalties is based on the Company’s current estimates of future royalties expected to be paid to RPI, over the life of the arrangement, which are considered Level 1 (See Note 4 - “Debt”).

There were no transfers between Level 1, Level 2, and Level 3 during the periods presented.
7. Property and Equipment

Property and equipment consisted of the following as of December 31, (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>$14,331</td>
<td>$16,048</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>11,535</td>
<td>6,365</td>
</tr>
<tr>
<td>Right-of-use asset</td>
<td>8,368</td>
<td>—</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,990</td>
<td>291</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>2,896</td>
<td>1,830</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>2,467</td>
<td>1,211</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$40,687</td>
<td>$27,785</td>
</tr>
</tbody>
</table>

Accumulated depreciation and amortization:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(7,925)</td>
<td>$(4,316)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$32,762</td>
<td>$23,469</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the year ended December 31, 2019, the Transition Period, and the fiscal years ended June 30, 2018 and 2017, was $3.8 million, $2.1 million, $1.3 million and $0.9 million, respectively.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of December 31, (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable</td>
<td>$37,758</td>
<td>$20,125</td>
</tr>
<tr>
<td>Accrued contract manufacturing expenses</td>
<td>11,863</td>
<td>—</td>
</tr>
<tr>
<td>Accrued employee related expenses</td>
<td>7,413</td>
<td>315</td>
</tr>
<tr>
<td>Clinical trial accruals</td>
<td>2,225</td>
<td>5,114</td>
</tr>
<tr>
<td>Executive severance liabilities</td>
<td>561</td>
<td>2,198</td>
</tr>
<tr>
<td>Miscellaneous other current liabilities</td>
<td>1,250</td>
<td>3,970</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$60,860</td>
<td>$31,722</td>
</tr>
</tbody>
</table>

6) Certain 2018 amounts have been reclassified to conform with current year presentation.

9. Stockholders' Equity

At the June 29, 2017 Special Meeting, the Company’s stockholders approved the amendment and restatement of the Company’s Certificate of Incorporation to increase the maximum number of shares of the Company’s stock authorized up to 260,000,000 shares of stock consisting of 250,000,000 shares of common stock and 10,000,000 shares of preferred stock. Previously the Company’s Certificate of Incorporation authorized up to 165,000,000 shares of capital stock, consisting of 155,000,000 shares of common stock and 10,000,000 shares of preferred stock.

Preferred Stock

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

On May 10, 2017, the Company issued in a private placement 1,000,000 shares (the “Preferred Shares”) of the Company’s Series A-1 Convertible Preferred Stock at a price of $125 per share for gross proceeds to the Company of $125.0 million, before deducting fees and expenses (the “Financing”). Each Preferred Share will be convertible into 23.10536 shares of common stock (or an aggregate of 23,105,348 shares of common stock). The conversion price per share of common stock is $5.41. As of December 31, 2019 and 2018, the Company had no preferred stock outstanding.
Following the June 29, 2017 Special Meeting and filing the Charter Amendment with the State of Delaware, the Company had authorized a sufficient number of unreserved shares of common stock to permit the exchange of the Preferred Shares. On July 31, 2017, the Company filed a registration statement on Form S-3 to register for resale the 23,105,348 shares of the Company's common stock issuable upon the exchange of the Series A-1 Convertible Preferred Stock. The Preferred Shares converted to shares of common stock on August 24, 2017. The registration statement was declared effective on September 19, 2017.

Common Stock

On October 11, 2016, the Company completed an underwritten public offering of 5,000,000 shares of its common stock and accompanying warrants to purchase 10,000,000 shares of common stock at a purchase price of $3.00 per unit, comprising of one share of common stock and one warrant. The Company received gross and net proceeds of $150.0 million and approximately $147.4 million, respectively after deducting the underwriting discounts and commissions and estimated expenses related to the offering payable. The warrants became exercisable nine months following the date of issuance and will expire on the second anniversary of the date of issuance and have an exercise price of $3.75. On the date of issuance, the fair value of these warrants was determined to be $7.3 million and recognized as a liability. The warrants under certain situations require cash settlement by the Company. During fiscal 2018 there were 9,550,000 warrants exercised. The fair value of the 9,550,000 exercised warrants increased $102.1 million from June 30, 2017 to the date of exercise which has been recognized in the accompanying consolidated statements of comprehensive loss. As of the fiscal year ended June 30, 2018, there were 450,000 warrants outstanding. During the transition period ended December 31, 2018, the remaining 450,000 warrants were exercised for which we received $1.7 million in cash. As of December 31, 2019, and 2018, there were no warrants outstanding.

On February 16, 2017, in connection with the execution of a License Agreement, the Company entered into the Securities Purchase Agreement ("SPA") with Seattle Genetics. Under the SPA, Seattle Genetics purchased 3,000,000 shares (the "Common Shares") of the Company's common stock at a price of $49.00 per share, for aggregate proceeds of $147.0 million. Concurrently with the sale of the Common Shares, pursuant to the SPA, the Company also agreed to issue the three-year warrant to purchase an aggregate of 8,655,804 shares of common stock. On July 31, 2017, the Company filed a registration statement on Form S-3 to register the 3,000,000 shares of Company's common stock and 8,655,804 shares of common stock issuable upon the exercise of the warrants (in addition to the shares issuable upon the conversion of our Series A-1 Convertible Preferred Stock, as discussed above). The warrant became exercisable for cash on February 16, 2017 and expired on January 31, 2018. The warrant was issued on February 16, 2017 and was originally exercisable until February 10, 2020. On the date of issuance, the fair value of these warrants was determined to be $22.3 million. The difference between such fair value and the proceeds of $147.0 million has been recognized as an expense and presented in the consolidated statements of comprehensive loss as a "warrant related expense." On May 4, 2017, the Company and Seattle Genetics entered into the Termination Agreement, pursuant to which the Company and Seattle Genetics relinquished their respective rights under the License Agreement and agreed to amend the terms of the warrant to amend the expiration date from February 10, 2020 to December 31, 2017. On December 5, 2017, Seattle Genetics exercised the Warrants they held in full to acquire 8,655,804 shares of Common Stock for an aggregate purchase price of $424.8 million.

On June 15, 2018, we announced the closing of our public offering of 11,500,000 shares of our common stock at a price of $24.00 per share. Pursuant to the underwriter's full exercise of the over-allotment option granted by us, on June 22, 2018, we closed on the sale of an additional 1,725,000 shares of our common stock for a total of 13,225,000 shares. The total net proceeds from the offering, including the exercise of the over-allotment option, were $299.5 million, after deducting $17.4 million in underwriting discounts and commissions and other offering expenses payable by the Company.

On December 9, 2019, we closed an underwritten public offering of 14,285,715 shares of our common stock at a public offering price of $17.50 per share, representing gross proceeds of approximately $247.0 million. In addition, the Company granted the underwriters a 30-day option to purchase up to 2,142,857 additional shares of common stock for a total of 16,428,572 shares. We received gross proceeds of $287.3 million and net proceeds of $273.0 million after deducting the underwriting discounts and commissions and expenses related to the offering.

At-the-Market Offering

On March 29, 2019, the Company entered into a sales agreement (the "ATM Agreement") with Cowen and Company, LLC ("Cowen") to issue and sell shares of the Company's common stock, par value $0.01 per share, having an aggregate offering price of up to $150.0 million, from time to time during the term of the ATM Agreement, through an "at-the-market" equity offering program at the Company's sole discretion, under which Cowen will act as the Company's agent and/or principal. The Company will pay Cowen a commission up to 3.0% of the gross sale proceeds of any common stock sold through Cowen under the ATM Agreement. During the year ended December 31, 2019, the Company sold 4,432,416 shares of common stock with net proceeds of $71.6 million at a weighted average price of $16.40 (excluding commissions) under the ATM Agreement.
During the year ended December 31, 2019, there were 84,896 shares received in connection with a non-cash equity transaction related to the Company's Plan. During the Transition Period, there were 105,959 treasury shares received in connection with a non-cash equity transaction related to the Company's Plan and the shares were subsequently retired.

10. Accumulated Other Comprehensive (Loss) Income

The components of accumulated other comprehensive (loss) income were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Currency Translation Adjustments</th>
<th>Net Unrealized Gains (Losses) on Available-for-Sale Securities</th>
<th>Accumulated Other Comprehensive (Loss) Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2016</td>
<td>$ (172)</td>
<td>$ 48</td>
<td>$ (132)</td>
</tr>
<tr>
<td>Other comprehensive loss before reclassifications</td>
<td>(62)</td>
<td>(25)</td>
<td>(87)</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income (a)</td>
<td>—</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Net other comprehensive loss for the year</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at June 30, 2017</td>
<td>(254)</td>
<td>(109)</td>
<td>(363)</td>
</tr>
<tr>
<td>Other comprehensive income (loss) before reclassifications</td>
<td>(105)</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income (a)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net other comprehensive (loss) income for the year</td>
<td>(105)</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Balance at June 30, 2018</td>
<td>(309)</td>
<td>(14)</td>
<td>(323)</td>
</tr>
<tr>
<td>Other comprehensive income (loss) before reclassifications</td>
<td>(18)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income (a)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net other comprehensive (loss) income for the year</td>
<td>(18)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>(297)</td>
<td>0</td>
<td>(297)</td>
</tr>
<tr>
<td>Other comprehensive loss before reclassification</td>
<td>(21)</td>
<td>(38)</td>
<td>(387)</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income (a)</td>
<td>195</td>
<td>—</td>
<td>195</td>
</tr>
<tr>
<td>Net other comprehensive (loss) income for the year</td>
<td>178</td>
<td>(38)</td>
<td>(217)</td>
</tr>
<tr>
<td>Balance at December 31, 2019</td>
<td>$ (172)</td>
<td>$ 48</td>
<td>$ (132)</td>
</tr>
</tbody>
</table>

(a) For the year ended December 31, 2019, the Transition Period ended December 31, 2018, and the fiscal years ended June 30, 2018 and 2017, $0.2 million, $0, $0, and $16 thousand, respectively, were reclassified from accumulated other comprehensive (loss) income to interest and other income.

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

Income tax expense for income taxes is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Transition Period Ended December 31, 2018</th>
<th>Fiscal Year Ended June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$ —</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>Deferred</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total Federal</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>—</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>Deferred</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total State</td>
<td>—</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td><strong>Foreign</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>—</td>
<td>—</td>
<td>154</td>
</tr>
<tr>
<td>Deferred</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total Foreign</td>
<td>—</td>
<td>—</td>
<td>154</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 156</td>
</tr>
</tbody>
</table>

A reconciliation of the statutory tax rates and the effective tax rates for the year ended December 31, 2019, the transition period ended December 31, 2018 and fiscal years ended June 30, 2018 and 2017 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Transition Period Ended December 31, 2018</th>
<th>Fiscal Year Ended June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory rate</strong></td>
<td>(21.0%)</td>
<td>(21.0%)</td>
<td>(28.0%)</td>
</tr>
<tr>
<td>Foreign income tax</td>
<td>— %</td>
<td>— %</td>
<td>— %</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>29.9 %</td>
<td>34.4 %</td>
<td>21.1 %</td>
</tr>
<tr>
<td>State income taxes, (net of federal tax benefit)</td>
<td>(7.9%)</td>
<td>(8.8%)</td>
<td>(6.3%)</td>
</tr>
<tr>
<td>Permanent differences, (primarily warrant-related expense)</td>
<td>(1.4%)</td>
<td>(4.2%)</td>
<td>11.3%</td>
</tr>
<tr>
<td>Other</td>
<td>— %</td>
<td>— %</td>
<td>— %</td>
</tr>
<tr>
<td><strong>Effective rate</strong></td>
<td>— %</td>
<td>— %</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

The tax effects of temporary differences that give rise to significant portions of the Company’s deferred tax assets and liabilities as of December 31, (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOL carryforwards</td>
<td>$ 203,920</td>
<td>$ 122,841</td>
</tr>
<tr>
<td>Research and development credits</td>
<td>29,535</td>
<td>22,118</td>
</tr>
<tr>
<td>Liability related to sale of future royalties</td>
<td>40,228</td>
<td>40,217</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>18,286</td>
<td>—</td>
</tr>
<tr>
<td>Disallowed interest expense</td>
<td>13,474</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>5,807</td>
<td>3,088</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 319,258</td>
<td>$ 208,254</td>
</tr>
<tr>
<td><strong>Valuation allowance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOL carryforwards</td>
<td>$ (1,430)</td>
<td>$ (1,207)</td>
</tr>
<tr>
<td><strong>Net deferred assets and liabilities</strong></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

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A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowances for the year ended December 31, 2019, and the Transition Period ended December 31, 2018 have been applied to offset the deferred tax assets in recognition of the uncertainty that such tax benefits will be realized as the Company continues to incur losses. The differences between book income and tax income primarily relate to the temporary differences from depreciation and stock compensation expenses, and deferred book income that is realized for tax.

At December 31, 2019, and the Transition Period ended December 31, 2018, the Company has available net operating loss carry forwards for federal income tax reporting purposes of approximately $769.1 million and $516.6 million for state income tax purposes of approximately $593.6 million and $343.0 million, respectively, which expire at various dates between 2020 and 2038. For tax years 2018 onward, Federal net operating losses have an indefinite life but are limited to annual utilization by 80% taxable income.

The Company accounts for uncertain tax benefits in accordance with the provisions of section 740-10 of the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC. Of the total unrecognized tax benefits as December 31, 2019 and 2018, approximately $2.5 million was recorded in both years as a reduction to deferred tax assets, which caused a corresponding reduction in the Company’s valuation allowance of $2.5 million in both years. The Company does not anticipate that the amount of unrecognized tax benefits as of December 31, 2019 will change materially within the 12-month period following December 31, 2019. The change in unrecognized tax benefits are presented below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Transition Period Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$2,521</td>
<td>$—</td>
</tr>
<tr>
<td>Gross increases related to current period tax positions</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gross increases related to prior period tax positions</td>
<td>—</td>
<td>$2,521</td>
</tr>
<tr>
<td>Gross decreases in tax positions</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expiration of the statute of limitations</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$2,521</td>
<td>$2,521</td>
</tr>
</tbody>
</table>

The Company will recognize potential interest and penalties related to income tax positions as a component of the provision for income taxes on the Consolidated Statements of Comprehensive Loss in any future periods in which the Company must record a liability. The Company is subject to examination for United States Federal and Foreign tax purposes for 2013 and forward and for New Jersey 2015 and forward. The Company conducts business and files tax returns in New Jersey.

For fiscal year 2016, the Company sold certain State of New Jersey State Net Operating Losses ("NOL") and Research and Development ("R&D") tax credits through the New Jersey Economic Development Authority Technology Business Tax Certificate Transfer Program. Pursuant to such sale, for the year ended June 30, 2016, the Company recorded a tax benefit of $5.1 million, as a result of its sale of approximately $66.2 million, of New Jersey State NOL and $1.5 million of New Jersey R&D tax credits. There were no sales of NOL or R&D for the year ended December 31, 2019, the Transition Period or 2018 or 2017 fiscal years.

The Global Intangible Low-tax Income ("GILTI") provisions of the 2017 Tax Act require the Company to include in its United States income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company expects that it may be subject to incremental United States tax on GILTI income in the future but not for the year ended December 31, 2019. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements.

As a result of U.S. tax reform legislation, distributions of profits from non-U.S. subsidiaries are not expected to cause a significant incremental U.S. tax impact in the future. However, distributions may be subject to non-U.S. withholding taxes if profits are distributed from certain jurisdictions. U.S. federal income taxes have not been provided on undistributed earnings of our international subsidiaries as it is our intention to reinvest any earnings into the respective subsidiaries. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated due to the legal structure and complexity of U.S. and local tax laws. As of December 31, 2019, and 2018, there are no undistributed earnings.

As a result of the reduction in the U.S. corporate income tax rate, the Company reassessed its ending not deferred tax assets as of June 30, 2018, which resulted in a provisional expense of $59.5 million which was offset by an associated change in valuation allowance. In the second quarter of the Transition Period, the Company completed its analysis to determine the effect of the Tax Act and recorded no further adjustments.
12. Related Party Transactions

On January 8, 2018, Morris Rosenberg joined the Company as Chief Technology Officer and became a full-time employee. Between May 5, 2017, and January 7, 2018, Mr. Rosenberg was engaged by the Company as an independent consultant pursuant to a consulting agreement between the Company and Mr. Rosenberg’s consulting company, M Rosenberg BioPharma Consulting LLC. The Company paid M Rosenberg BioPharma Consulting LLC $0.6 million during this time and Morris Rosenberg was also granted stock options to purchase 45,000 shares of the Company's common stock pursuant to the Immunomedics, Inc. 2014 Long-Term Incentive Plan. From January 8, 2018, through June 30, 2018, the Company paid M Rosenberg BioPharma $0.8 million, and from July 1, 2018, through the transition period ending December 31, 2018, the Company paid M Rosenberg BioPharma $0.3 million for services agreed upon prior to Mr. Rosenberg becoming a full-time employee. As part of his employment contract, 50% of the 45,000 shares granted to Mr. Rosenberg as a consultant were forfeited, the remaining 50% continue to vest. Mr. Rosenberg received 104,389 stock options and was permitted to continue to provide certain limited outside consulting services through M Rosenberg BioPharma Consulting LLC based on certain restrictions outlined in the contract. Additionally, during his employment period, except with the prior written consent of the Board of Directors, Mr. Rosenberg is not permitted to enter into any contract, agreement or other transaction arrangement to provide goods and/or services to the Company through M Rosenberg BioPharma Consulting LLC.

On March 5, 2019, the Company appointed Scott Canute, a member of the Company’s Board, as the Company’s Executive Director. Upon recommendation of the Compensation Committee, the Board approved that Mr. Canute will be paid $16,667 per month for his service as Executive Director and was granted a nonqualified stock option to purchase 79,818 shares of the Company’s common stock (the “Initial Canute Compensation”). The Compensation Committee determined that in order to reflect the scope of his role and the significant time that Mr. Canute will be devoting to his role as Executive Director, Mr. Canute’s cash compensation shall be increased to $21,172 per month, and Mr. Canute was granted an additional nonqualified stock option to purchase 22,854 shares of the Company’s common stock (the “Revised Canute Compensation”). Each option has a seven-year term and an exercise price equal to the fair market value of the Company’s common stock on the closing price of the Company’s common stock on each date of grant and will be subject to the terms of a nonqualified stock option agreement (the “Canute NQSO Agreement”). Such options will vest in full upon the Company’s receipt of approval from the FDA for the Company’s BLA submission for sacituzumab govitecan for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease under the PDUFA. The Company and Mr. Canute entered into a letter agreement (the “Canute Letter Agreement”) to memorialize his appointment as the Company's Executive Director, and the Initial Canute Compensation. The Canute Letter Agreement may be terminated by either party at any time upon written notice to the other party. During the year ended December 31, 2019, the Company paid Mr. Canute $0.4 million for such services.

On November 19, 2019, pursuant to the Plan, the Board of Directors approved a stock option grant to Behzad Aghazadeh, Executive Chairman of the Board of Directors of the Company, to purchase 150,000 shares of the Company’s common stock (the “Performance-Based Option”) for certain duties performing this role; including providing consulting and advisory services to the Company. The Performance-Based Option will be a nonqualified stock option and one third vested upon FDA acceptance of the BLA resubmission in December 2019, and two thirds shall vest upon FDA acceptance from the FDA for the Company’s BLA for sacituzumab govitecan.

13. Collaboration Agreements

AstraZeneca/MedImmune

In June 2018, we entered into a clinical collaboration with AstraZeneca PLC ("AstraZeneca") and its global biologics research and development arm, MedImmune, to evaluate in Phase 1/2 studies the safety and efficacy of combining AstraZeneca’s Imfinzi® (durvalumab), a human monoclonal antibody directed against programmed cell death ligand 1 ("PD-L1"), with sacituzumab govitecan as a treatment of patients with triple-negative breast cancer ("mTNBC") and urothelial cancer ("UC"), which was broadened in October 2018 to include second-line metastatic non-small cell lung cancer ("mNSCLC").

Part of the two-part Phase 1/2 studies will be co-funded by the two companies. Immunomedics will supply the study drug and AstraZeneca will utilize its existing clinical trial infrastructure to accelerate the enrollment of the sacituzumab govitecan and durvalumab combination. The trial design allows for rapid transition into randomized Phase 2 studies should the first part of these studies show promising data and the companies agree to proceed based on efficacy and safety results obtained.
In September 2019, we entered into a clinical collaboration with the German Breast Group Forschungs-GmbH ("GBG"), Nato-Isenburg, Germany, to develop sacituzumab govitecan as a treatment for newly-diagnosed breast cancer patients who do not achieve a pathological complete response ("pCR") following standard neoadjuvant therapy.

The multinational, post-neoadjuvant Phase 3 SASCIA study developed by GBG will be conducted under the sponsorship of GBG. Approximately 1,200 high-risk patients with newly-diagnosed HER2-negative breast cancer not achieving a pCR following standard neoadjuvant therapy will be randomized to receive either sacituzumab govitecan or treatment of physician’s choice. Primary endpoint is invasive DFS with overall survival, patient reported outcome/quality of life, circulating tumor DNA clearance, and safety serving as secondary endpoints.

Under the terms of the agreement, GBG is eligible to receive up to €33.0 million in potential clinical and regulatory milestone payments over a span of approximately six years, of which €0.5 million was paid during the year ended December 31, 2019.

14. Commitments and Contingencies

a. Legal Matters

Arbitration of Disputed Matters:

On January 15, 2019, the Company received an Arbitrator’s Findings of Fact and Conclusions of Law and Final Award (the “Final Award”) in the arbitration matter in which Dr. David M. Goldenberg, the Company’s former Chief Scientific Officer, Chief Patent Officer and Chairman of the Company’s Board of Directors, claimed entitlement to certain equity awards and severance payments, and Dr. Goldenberg and Ms. Cynthia Sullivan, a former director of the Company and former President and Chief Executive Officer, claimed rights to certain bonus payments. The Final Award (i) denied Dr. Goldenberg’s claim that he was entitled to an award of 1.5 million restricted stock units, (ii) denied each of Dr. Goldenberg’s and Ms. Sullivan’s claims that they were entitled to certain discretionary cash bonuses relating to the Company’s 2017 fiscal year, and (iii) granted Dr. Goldenberg an award of approximately $1.0 million relating to certain claimed severance payments which was paid in March 2019. The arbitration took place pursuant to the Delaware Rapid Arbitration Act. Although the Delaware Rapid Arbitration Act permits challenges to arbitration awards in limited circumstances, pursuant to that certain stipulation and agreement of settlement, compromise, and release dated November 2, 2017, the Company, Dr. Goldenberg and Ms. Sullivan agreed that the Final Award would be the sole and exclusive final and binding remedy between and among the parties with respect to the matters disputed in the arbitration.

Stockholder Complaints:

Class Action Stockholder Federal Securities Cases

Two purported class action cases were filed in the United States District Court for the District of New Jersey; namely, Fergus v. Immunomedics, Inc., et al., filed June 9, 2016; and Becker v. Immunomedics, Inc., et al., filed June 10, 2016. These cases arise from the same alleged facts and circumstances and seek class certification on behalf of purchasers of our common stock between April 20, 2016 and June 2, 2016 (with respect to the Fergus matter) and between April 20, 2016 and June 3, 2016 (with respect to the Becker matter). These cases concern the Company’s statements in press releases, investor conference calls, and filings with the U.S. Securities and Exchange Commission (the “SEC”) beginning in April 2016 that the Company would present updated information regarding its IMMU-132 breast cancer drug at the 2016 American Society of Clinical Oncology (“ASCO”) conference in Chicago, Illinois. The complaints allege that these statements were false and misleading in light of June 7, 2016 reports that ASCO had canceled the presentation because it contained previously reported information. The complaints further allege that these statements resulted in artificially inflated prices for our common stock, and that the Company and certain of its officers are thus liable under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). An order of voluntary dismissal without prejudice was entered on November 10, 2016 in the Becker matter. An order granting motion to consolidate cases, appoint lead plaintiff, and approve lead and liaison counsel was entered on February 7, 2017 in the Fergus matter. A consolidated complaint was filed on October 4, 2017. The Company filed a motion to dismiss the consolidated complaint on January 26, 2018. On March 31, 2018, the court granted the Company’s motion to dismiss, without prejudice, and left plaintiffs with the ability to file an amended complaint within thirty (30) days. Counsel for the Company has consumed to an extension of time for plaintiffs to file the proposed amended complaint for an additional thirty (30) days. On May 30, 2018, plaintiffs filed an amended complaint alleging many of the same allegations that were set forth in the previously filed complaints, and the Company has filed a motion to dismiss.
A third purported class action case was filed in the United States District Court for the District of New Jersey; namely, Oheh v. Immunomedics, Inc., et al., filed December 27, 2018. The complaint in this action alleges that the Company failed to disclose the results of observations made by the FDA during its inspection of the Company’s manufacturing facility in Morris Plains, New Jersey in August 2018. The complaint asserts that Immunomedics misled investors by failing to disclose the Form 483 inspection report issued by the FDA which set forth the observations of the FDA inspector during the inspection. Such observations purportedly included, inter alia, manipulated bioburden samples, misrepresentation of an integrity test procedure in the batch record, and backdating of batch records. The complaint further alleges that the Company’s failure to disclose the Form 483 resulted in an artificially inflated price for our common stock, and that the Company and certain of its officers are thus liable under Sections 10(b) and 20(a) of the Exchange Act.

On February 8, 2019, a purported class action case was filed in the United States District Court for the District of New Jersey; namely, Choi v. Immunomedics, Inc., et al. The complaint asserts violations of the federal securities laws based on claims that the Company violated the federal securities laws by making alleged misstatements in various press releases and security filings from February 8, 2018 to November 7, 2018 and by failing to disclose the substance of its interactions with the FDA in connection with the Company’s submission of its BLA for sacituzumab govitecan.

Motions for the appointment of a lead plaintiff and lead counsel and to consolidate the Oheh and Choi actions were granted on September 10, 2019. Pursuant to a scheduling order entered by the court on October 7, 2019, the plaintiffs filed an amended complaint on November 18, 2019. The Company filed a motion to dismiss the consolidated, amended complaint on January 17, 2020. The motion has a return date of April 20, 2020.

On April 8, 2019, a putative stockholder of the Company filed a derivative action purportedly on behalf of the Company and against the Company’s board of directors and certain current and former officers, in the Superior Court of New Jersey, Law Division (Morris County); namely, Crow v. Aghazadeh, et al. The Crow complaint alleges that the individual defendants breached their fiduciary duties and committed other violations of law based on the same core allegations in the Oheh and Choi actions. The Crow complaint was served on the Company and other defendants on July 18, 2019. On August 13, 2019, the parties submitted to the court a stipulation and proposed order to stay the action until after the entry of an order denying all motions to dismiss the now-consolidated federal actions or the entry of an order dismissing the federal actions with prejudice. That stipulation is currently pending court approval.

Stockholder Claim in the Court of Chancery of the State of Delaware

On February 13, 2017, venBio commenced an action captioned venBio Select Advisor LLC v. Goldenberg, et al., C.A. (Del. Ch.) (the “venBio Action”), alleging that Company’s Board breached their fiduciary duties when the Board (i) amended the Company’s Amended and Restated By-laws (the “By-Laws”) to call for a plurality voting regime for the election of directors instead of majority voting, and providing for mandatory advancement of attorneys’ fees and costs to the Company’s directors and officers, (ii) rescheduled the Company’s 2016 Annual Meeting of Stockholders (the “2016 Annual Meeting”) from December 14, 2016 to February 16, 2017, and then again to March 3, 2017, and (iii) agreed to the proposed Licensing Transaction with Seattle Genetics. venBio also named Seattle Genetics as a defendant and sought an injunction preventing the Company from closing the licensing transaction with Seattle Genetics. On March 6, 2017, venBio amended its complaint, adding further allegations. The Court of Chancery entered a temporary restraining order on March 9, 2017, enjoining the closing of the Licensing Transaction. venBio amended its complaint a second time on April 19, 2017, this time adding Greenhill & Co. Inc. and Greenhill & Co. LLC (together “Greenhill”), the Company’s financial advisor on the Licensing Transaction, as an additional defendant. On May 3, 2017, venBio and the Company and individual defendants Dr. Goldenberg, Ms. Sullivan and Mr. Bruce A. Markison, a director of the Company (collectively, the “Individual Defendants”) entered into the initial Term Sheet. On June 8, 2017, venBio and the Company and Greenhill entered into the Greenhill Term Sheet. On February 9, 2018, the Court of Chancery approved the Settlement, and entered an order and partial judgment releasing all claims that were asserted by venBio against the Individual Defendants and Greenhill in the venBio Action and awarding venBio fees and expenses. On May 24, 2018 the remaining parties to the venBio Action participated in a mediation of the claims against Geoff Cox, Robert Forrest, Bob Oliver, and Jason Aryeh (the “Remaining Defendants”). The mediation was unsuccessful. The Remaining Defendants filed motions to dismiss the claims against them in the venBio Action. On March 18, 2019, venBio amended its complaint, adding further allegations. The Remaining Defendants filed a motion to dismiss the claims against them on May 1, 2019. The Court of Chancery held oral arguments for the motion to dismiss on November 13, 2019 and following arguments, denied Defendants’ motion to dismiss on that same date. The parties are now engaged in discovery activities.

Insurance Coverage Arbitration:

The Company has initiated an arbitration with two of its management liability insurers: Starr Indemnity & Liability Company (“Starr”), and Liberty Insurance Underwriters Inc. (“Liberty”) (collectively, “Insurers”). The arbitration arises from
the 2015 Insurers’ refusal to cover $3.4 million in attorneys’ fees and expenses paid to venBio pursuant to a December 1, 2017, settlement agreement between venBio, the Company, Dr. Goldenberg, Ms. Sullivan, Mr. Markison, and Greenhill to partially settle the venBio Action and fully settle the Federal Action and the Delaware Section 225 Action (the “venBio Fee Award”).

The Insurers argue that the venBio Fee Award does not satisfy their policies’ definitions of covered “loss” because the policies only cover defense costs incurred by the Company. The Company counters that the venBio Fee Award is a covered settlement, not a claim for defense costs. Insurers also argue that they have no obligation to pay any defense costs or settlement incurred in the Federal Action or 225 Action because Immunomedics initiated those lawsuits. The Company’s position is that the Federal Action and 225 Action were defensive in nature and therefore covered because they were initiated to further the defense of the venBio Action. Additionally, Insurers argue the venBio Fee Award is not covered because the Company was required to enter into a binding term sheet in the venBio Action and to agree to pay the venBio Fee Award and that the Company failed to do so. The Company takes the position that Insurers at all times were aware of the developments in the venBio Action, that they sought consent to enter into the settlement, and that Insurers cannot show they were prejudiced by any alleged failure to obtain Insurers’ consent.

Liberty also contends that the Company’s insurance claim is not covered by Liberty’s 2015-16 insurance policy and should be covered by another company’s policy in a later policy period. The Company takes the position that the policies treat the venBio Action as a related claim to the Fergus v. Immunomedics class action stockholder federal securities case, which was filed in 2016 and that because of the similar allegations in the venBio Action and Fergus, the policies deem the venBio Action claim to be made at the same time as Fergus and covered by the 2015-16 policies. In the arbitration, Starr contends it will have the benefit of any finding that the claim is covered in a later policy period, even though Starr had agreed with the Company’s position prior to the arbitration.

In the event Insurers prevail on their argument that the venBio Fee Award is covered by a subsequent policy year, the Company will pursue coverage under its other insurance policies.

Starr is presently advancing the costs to defend the remaining claims in the venBio Action, i.e., those against the Company as Nominal Defendant and individual defendants Aryeh, Cox, Forrester, and Oliver. However, all Insurers have reserved their rights to contest coverage for any potential settlement of those claims.

b. Other Matters

Immunomedics is also a party to various claims and litigation arising in the normal course of business.

c. Leases

Our operating lease assets primarily represent manufacturing and research and development facilities, warehouses, and offices. Our finance lease primarily represent computer equipment and are not significant. For the year ended December 31, 2019, cash payments against operating lease liabilities totaled $1.3 million. The discount rate used to determine the net present value of the leases at inception was 11.0%. This is the incremental borrowing rate that represents the rate of interest that the Company would expect to pay to borrow an amount equal to the lease payments under similar terms. Our leases both share a remaining lease term of 11.8 years, some of which may include options to extend the leases further. The Company considers these options in determining the lease term used to establish the right-of-use assets and lease liabilities.

Supplemental consolidated balance sheet information related to leases are as follows (in thousands):

<table>
<thead>
<tr>
<th>Operating leases:</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease right-of-use assets, net</td>
<td>$8,105</td>
</tr>
<tr>
<td>Current portion of lease liabilities</td>
<td>$337</td>
</tr>
<tr>
<td>Non-current portion of lease liabilities</td>
<td>$8,968</td>
</tr>
<tr>
<td>Total operating lease liabilities</td>
<td>$10,302</td>
</tr>
<tr>
<td>Weighted average remaining lease term (years)</td>
<td>11.8</td>
</tr>
<tr>
<td>Weighted average discount rate</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

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Operating lease right-of-use asset is a component of property and equipment on the consolidated balance sheet. The non-current portion of lease liabilities is a component of other long-term liabilities on the consolidated balance sheet.

Supplemental cash flow information related to leases are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31, 2019</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-cash lease expense</td>
<td>264</td>
</tr>
<tr>
<td>Change in operating lease liabilities</td>
<td>186</td>
</tr>
</tbody>
</table>

Maturities of lease liabilities as of December 31, 2019 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>1,453</td>
</tr>
<tr>
<td>Year 2</td>
<td>1,665</td>
</tr>
<tr>
<td>Year 3</td>
<td>1,525</td>
</tr>
<tr>
<td>Year 4</td>
<td>1,551</td>
</tr>
<tr>
<td>Year 5</td>
<td>1,567</td>
</tr>
<tr>
<td>Thereafter</td>
<td>11,333</td>
</tr>
<tr>
<td>Total lease payments</td>
<td>18,872</td>
</tr>
<tr>
<td>Less: Imputed interest</td>
<td>(8,570)</td>
</tr>
<tr>
<td>Total</td>
<td>$10,302</td>
</tr>
</tbody>
</table>

Operating lease expense was approximately $1.4 million, $0.7 million, $1.3 million, and $0.9 million for the year ended December 31, 2019, the transition period ended December 31, 2018 and fiscal years ended June 30, 2018, and 2017, respectively.

d. Purchase Obligations

We have several commitments primarily to purchase commercial manufacturing services including minimum purchase commitments related to product supply contracts and e-sourcing software totaling $90.0 million in 2020, $59.8 million in 2021, $40.8 million in 2022, $40.8 million in 2023, $33.0 million in 2024 and $33.0 million thereafter.

e. License

On April 4, 2018, we entered into a license agreement with The Scripps Research Institute (“TSRI”). Pursuant to the license agreement, TSRI granted us an exclusive, worldwide, sub-licensable, royalty-bearing license to use certain patent rights relating to our ADC, sacituzumab govitecan. The license agreement expires on a country-by-country basis on the expiration date of the last to expire licensed patent rights in such country covering a licensed product. The license agreement may be terminated by the mutual written consent of us and TSRI, and TSRI may terminate the license agreement upon the occurrence of certain events, including but not limited to if we do not make a payment due pursuant to the license agreement and fail to cure such non-payment within 30 days after the date of TSRI’s written notice of such non-payment. As consideration for the license granted, we made a cash payment of $0.3 million to TSRI. Additionally, we will pay TSRI (i) product development milestone payments that range from the mid-six digit dollar figure to the low-seven digit dollar figure and (ii) royalties on net sales of licensed products in the low-single digit percentage figure range capped at an annual amount. We have agreed to use reasonable efforts to develop and market the licensed products. During the year ended December 31, 2019, we recognized a $0.5 million milestone payment expense.

f. Michael Pehl Separation

On March 13, 2019, the Company entered into a separation agreement (the “Separation Agreement”) with Michael Pehl, the Company’s former Chief Executive Officer, President and member of the Company’s Board. Mr. Pehl resigned as Chief Executive Officer, President and member of the Company’s Board effective February 23, 2019. Pursuant to the Separation Agreement, Mr. Pehl will receive cash payments of approximately $1.0 million over an eighteen-month period. During the year ended December 31, 2019, the Company paid approximately $0.5 million to Mr. Pehl, and $0.6 million was accrued as of December 31, 2019. Mr. Pehl also released the Company from any and all claims with respect to all matters arising out of or related to Mr. Pehl’s employment by the Company and his resignation.
15. Defined Contribution Plans

Eligible employees are able to participate in the Company’s 401(k) plan. Effective January 1, 2019, the Company increased the employer non-discretionary matching contributions in an amount equal to 100% of deferral contributions up to a maximum of 5% of eligible compensation contributed to the 401(k) plan. Company contributions to the 401(k) plan totaled approximately $1.9 million for the year ended December 31, 2019, and $0.1 million for the Transition Period and for each of the fiscal years ended June 30, 2018 and 2017.

16. Quarterly Results of Operations (Unaudited)

The following table summarizes unaudited quarterly financial data:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>September 30, 2019</th>
<th>June 30, 2019</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$295</td>
<td>$94,292</td>
<td>$75,853</td>
<td>$87,237</td>
</tr>
<tr>
<td>Net loss attributable to Immunomedics, Inc. stockholders</td>
<td>$(99,608)</td>
<td>$(84,292)</td>
<td>$(57,483)</td>
<td>$(57,275)</td>
</tr>
<tr>
<td>Loss per common share attributable to Immunomedics Inc. stockholders – (basic and diluted)</td>
<td>$(0.50)</td>
<td>$(0.49)</td>
<td>$(0.40)</td>
<td>$(0.40)</td>
</tr>
<tr>
<td>Weighted average shares used to calculate loss per common share – (basic and diluted)</td>
<td>199,614</td>
<td>191,083</td>
<td>191,765</td>
<td>191,052</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>September 30, 2018</th>
<th>June 30, 2018</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>—</td>
<td>$84,169</td>
<td>$117,662</td>
<td>$117,564</td>
</tr>
<tr>
<td>Net loss attributable to Immunomedics, Inc. stockholders</td>
<td>$(93,499)</td>
<td>$(64,169)</td>
<td>$(117,032)</td>
<td>$(35,546)</td>
</tr>
<tr>
<td>Loss per common share attributable to Immunomedics Inc. stockholders – (basic and diluted)</td>
<td>$(0.50)</td>
<td>$(0.34)</td>
<td>$(0.68)</td>
<td>$(0.21)</td>
</tr>
<tr>
<td>Weighted average shares used to calculate loss per common share – (basic and diluted)</td>
<td>190,171</td>
<td>186,937</td>
<td>171,124</td>
<td>166,054</td>
</tr>
</tbody>
</table>

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures:

Disclosure Controls and Procedures: We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to record, process, summarize and disclose this information within the time periods specified in the rules promulgated by the SEC. Our Chief Financial Officer, who serves as our principal executive officer and principal financial officer, and our Principal Accounting Officer are responsible for establishing and maintaining these disclosure controls and procedures and as required by the rules of the SEC, to evaluate their effectiveness. Based on their evaluation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K, our Chief Financial Officer and Principal Accounting Officer believe that these procedures are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Financial Officer and Principal Accounting Officer, as appropriate to allow timely decisions regarding disclosures.

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on its assessment and those criteria, our management has concluded we maintained effective internal control over financial reporting as of December 31, 2019.

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

Changes in internal control over financial reporting: There were no 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.

Item 9B. Other Information

None.
PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, the information required by Part III (Items 10, 11, 12, 13 and 14) is being incorporated by reference herein from our definitive proxy statement to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2019 in connection with our 2020 Annual Meeting of Stockholders.

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

Item 11. Executive Compensation

See Item 10.


See Item 10.

Item 13. Certain Relationships and Related Transactions and Director Independence

See Item 10.

Item 14. Principal Accounting Fees and Services

See Item 10.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

(1) Consolidated Financial Statements

Index to Consolidated Financial Statements

Consolidated Balance Sheets – as of December 31, 2019 and 2018
Consolidated Statements of Comprehensive Loss for the Year Ended December 31, 2019, the Transition Period Ended December 31, 2018 and the Fiscal Years Ended June 30, 2018 and 2017
Consolidated Statements of Changes in Stockholders’ Equity for the Year Ended December 31, 2019, the Transition Period Ended December 31, 2018 and Fiscal Years Ended June 30, 2018 and 2017
Consolidated Statements of Cash Flows for the Year Ended December 31, 2019, the Transition Period Ended December 31, 2018 and Fiscal Years Ended June 30, 2018 and 2017
Notes to Consolidated Financial Statements
Reports of Independent Registered Public Accounting Firm – KPMG LLP

(b) Financial Statement Schedules

None.

(3) List of Exhibits
<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.(i).1</td>
<td>Amended and Restated Certificate of Incorporation, incorporated by reference from Exhibit 3.1 to the Company’s Current Report on Form 8-K as filed with the Commission on June 29, 2017.</td>
</tr>
<tr>
<td>3.(iii).1</td>
<td>By-Laws of Immunomedics, Inc., incorporated by reference from Exhibit 3.1 to the Company’s Current Report on Form 8-K, as filed with the Commission on April 17, 2019.</td>
</tr>
<tr>
<td>4.1</td>
<td>Description of Securities of the Registrant, dated as of December 31, 2019.</td>
</tr>
<tr>
<td>4.2</td>
<td>License Agreement dated March 5, 1999, between the Company and IBC Pharmaceuticals, incorporated by reference from Exhibit 4.1 to the Company’s Current Report on Form 8-K as filed with the Commission on March 24, 1999.</td>
</tr>
<tr>
<td>4.10</td>
<td>Lease Agreement dated October 27, 2017 with WULH 400 American L.L.C.</td>
</tr>
<tr>
<td>10.1</td>
<td>License Agreement dated October 27, 2017 with WULH 400 American L.L.C.</td>
</tr>
<tr>
<td>10.2</td>
<td>ImmunePlex, Inc. 2014 Limited Term Incentive Plan, incorporated by reference from Exhibit 99.1 to the Company’s Registration Statement on Form S-8 (Commission File Number 333-201470), as filed with the Commission on January 13, 2015.</td>
</tr>
<tr>
<td>10.3</td>
<td>Forms of Incentive Stock Option Notice and Incentive Stock Option Agreement under the Immunomedics, Inc. 2014 Long-Term Incentive Plan, incorporated by reference from Exhibit 99.2 to the Company’s Registration Statement on Form S-8 (Commission File Number 333-201470), as filed with the Commission on January 13, 2015.</td>
</tr>
<tr>
<td>10.4</td>
<td>Forms of Nonqualified Stock Option Notice and Nonqualified Stock Option Agreement under the Immunomedics, Inc. 2014 Long-Term Incentive Plan, incorporated by reference from Exhibit 99.3 to the Company’s Registration Statement on Form S-8 as filed with the Commission on January 13, 2015.</td>
</tr>
<tr>
<td>10.5</td>
<td>Forms of Restricted Stock Unit Notice and Restricted Stock Unit Agreement (for Officers/Employee) under the Immunomedics, Inc. 2014 Long-Term Incentive Plan, incorporated by reference from Exhibit 99.4 to the Company’s Registration Statement on Form S-8 as filed with the Commission on January 13, 2015.</td>
</tr>
</tbody>
</table>
Forms of Restricted Stock Units Notice and Restricted Stock Units Agreement (for Directors) under the Immunomedics, Inc. 2014 Long-Term Incentive Plan, incorporated by reference from Exhibit 99.5 to the Company’s Registration Statement on Form S-8 as filed with the Commission on January 13, 2015.

Form of Indemnification Agreement by and between the Company and each of its directors, executive officers, and certain of its former directors and executive officers, incorporated by reference to exhibit 10.1 to the Company’s current report on Form 8-K, as filed with the Commission on February 16, 2017.

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.5 of the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Master Services Agreement, dated as of July 3, 2017, by and between the Company and Covance, Inc., incorporated by reference to Exhibit 10.2 to the Company’s quarterly report on Form 10-Q as filed with the Commission on November 9, 2017.

Work Order, dated as of July 3, 2017, by and between the Company and Covance, Inc., incorporated by reference to Exhibit 10.3 to the Company’s quarterly report on Form 10-Q as filed with the Commission on November 9, 2017.

Indemnification Agreement by and between the Company and each of its directors, executive officers, and certain of its former directors and executive officers, incorporated by reference to Exhibit 10.1 to the Company’s current report on Form 8-K, as filed with the Commission on December 6, 2017.

Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Company’s current report on Form 8-K, as filed with the Commission on December 6, 2017.

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.3 to the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.4 to the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.5 to the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.6 to the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.7 to the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Securities Purchase Agreement between the Company and the Purchasers, dated as of May 4, 2017, incorporated by reference to Exhibit 10.8 to the Company’s Registration Statement on Form S-3, as filed with the Commission on July 31, 2017 (Commission File No. 333-219994).

Form of Indemnification Agreement by and between the Company and each of its directors, executive officers, and certain of its former directors and executive officers, incorporated by reference to Exhibit 10.1 to the Company’s current report on Form 8-K, as filed with the Commission on December 6, 2017.

Form of Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Company’s current report on Form 8-K, as filed with the Commission on December 6, 2017.

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10.33 Immunomedics, Inc. Annual Cash Bonus Plan, incorporated by reference to Exhibit 10.65 to the Company’s quarterly report on Form 10-Q, as filed with the Commission on November 7, 2018.

10.34† Manufacturing Services Agreement, dated as of December 17, 2018, by and between the Company and Johnson Matthey Pharmaceutical Materials, Inc., incorporated by reference to Exhibit 10.66 to the Company’s annual report on Form 10-K, as filed with the Commission on February 25, 2019.

10.35 Letter Agreement, dated as of March 5, 2019, by and between the Company and Scott Canute, incorporated by reference to Exhibit 10.1 to the Company’s quarterly report on Form 10-Q, as filed with the Commission on May 9, 2019.

10.36 Separation Agreement, dated as of March 13, 2019, by and between the Company and Michael Pehl, incorporated by reference to Exhibit 10.2 to the Company’s quarterly report on Form 10-Q, as filed with the Commission on May 9, 2019.

10.37 Executive Employment Agreement, dated as of August 7, 2017, by and between the Company and Usama Malik, incorporated by reference to Exhibit 10.3 to the Company’s quarterly report on Form 10-Q, as filed with the Commission on May 9, 2019.

10.38† Promotion Agreement, dated as of April 5, 2019, by and between Immunomedics, Inc. and Janssen Biotech, Inc., incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q, as filed with the Commission on August 7, 2019.

10.39† License Agreement, dated as of April 29, 2019, by and between Immunomedics, Inc. and Everest Medicines II Limited., incorporated by reference to Exhibit 10.2 to the Company’s quarterly report on Form 10-Q, as filed with the Commission on August 7, 2019.

10.40 Consulting Agreement, dated as of May 28, 2019, by and between Immunomedics, Inc. and Dr. Robert Iannone, incorporated by reference to Exhibit 10.3 to the Company's quarterly report on Form 10-Q, as filed with the Commission on August 7, 2019.

21.1* Subsidiaries of the Company.

23.1* Consent of Independent Registered Public Accounting Firm – KPMG LLP.

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

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

32.1** Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2** Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

104* The following financial information from the Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Comprehensive Loss; (iii) the Consolidated Statements of Changes in Stockholders’ Equity; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements.

* Filed herewith.
** Furnished herewith.
† Management contract or compensatory plan or arrangement required to be filed as an exhibit to the Annual Report on Form 10-K pursuant to Item 15(a)(1) of Form 10-K.
# Confidential treatment has been granted for certain portions of this exhibit.
P Paper copy only.

(Exhibits available upon request)

Item 16. Form 10-K Summary

None.
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IMMUNOMEDICS, INC.

Date: February 27, 2020

By: /s/Usama Malik
Usama Malik
Chief Financial Officer

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

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/Dr. Behzad Aghazadeh</td>
<td>Chairman of the Board, Director</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Dr. Behzad Aghazadeh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/Charles M. Baum</td>
<td>Director</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Charles M. Baum, M.D., Ph.D.</td>
<td></td>
<td></td>
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<tr>
<td>/s/Barbara G. Duncan</td>
<td>Director</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Ms. Barbara G. Duncan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/Dr. Khalid Islam</td>
<td>Director</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Dr. Khalid Islam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/Scott Canute</td>
<td>Director</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Scott Canute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/Peter Barton Hutt</td>
<td>Director</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Peter Barton Hutt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/Usama Malik</td>
<td>Chief Financial Officer (Principal Executive Officer and Principal Financial Officer)</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>Usama Malik</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/William Fricker</td>
<td>Corporate Controller (Principal Accounting Officer)</td>
<td>February 27, 2020</td>
</tr>
<tr>
<td>William Fricker</td>
<td></td>
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As of December 31, 2019, Immunomedics, Inc. (the “Company”) had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Common Stock, $0.01 par value per share (“Common Stock”). Shares of the Company’s Common Stock registered under Section 12 of the Exchange Act are listed on The Nasdaq Stock Market LLC.

DESCRIPTION OF COMMON STOCK

Authorized Capital Stock

The Company’s authorized capital stock consists of 250,000,000 shares of Common Stock and 10,000,000 shares of preferred stock, $0.01 par value per share.

Dividends, Voting Rights and Liquidation

Each stockholder of record is entitled to one vote for each outstanding share of Common Stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. After satisfaction of the dividend rights of holders of any preferred stock, holders of Common Stock are entitled to any dividend declared by the Board of Directors out of funds legally available for that purpose. After the payment of liquidation preferences to holders of any preferred stock, holders of Common Stock are entitled to receive, on a pro rata basis, all remaining assets available for distribution to stockholders in the event of the Company’s liquidation, dissolution or winding up. The rights, preferences and privileges of holders of Common Stock are subject to, and may be injured by, the rights of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

No Preemptive or Similar Rights

The Company’s Common Stock has no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to such shares of Common Stock.

Transfer Agent and Registrar

Philadelphia Stock Transfer, Inc. is the transfer agent and registrar for the Company’s Common Stock.

Listing

The Company’s Common Stock is listed on The Nasdaq Stock Market LLC under the trading symbol “IMMU.”
LEASE AGREEMENT

Between

WU/LH 400 AMERICAN L.L.C.,
as Landlord

-and-

IMMUNOMEDICS, INC.,
as Tenant
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LEASE AGREEMENT

INDENTURE made this 27 day of October 2017 (the "Effective Date"), by and between WU/LH 400 AMERICAN L.L.C., a Delaware limited liability company, with offices c/o GTJ Management, LLC, 60 Hempstead Avenue, Suite 718, West Hempstead, NY 11552, hereinafter referred to as "Landlord", and IMMUNOMEDICS, INC., a Delaware corporation, with offices at 300 American Road, Morris Plains, New Jersey 07950, hereinafter referred to as "Tenant".

WITNESSETH:

ARTICLE 1. DEFINITIONS

Section 1.1. Additional Rent. In addition to the Minimum Rent, all other payments to be made by Tenant to Landlord, shall be deemed to be and shall become additional rent hereunder whether or not the same be designated as such (such amounts as may become due, collectively, "Additional Rent"); and shall be due and payable within thirty (30) days following receipt of a reasonably detailed invoice therefor. Landlord shall have the same remedies for failure to pay Additional Rent as for a nonpayment of Minimum Rent. All payments required to be made by Tenant to Landlord pursuant to this Lease shall be delivered to the office of the Landlord at the address set forth on the first page of this Lease or at such place or places as Landlord may from time to time designate by notice to Tenant, all without prior demand for same.

Section 1.2. Commencement Date/Expiration Date. A. As used herein, "Commencement Date" shall mean the date of execution and delivery of this Lease and "Expiration Date" shall mean October 31, 2031, unless the Lease Term shall sooner terminate pursuant to any of the terms, covenants or conditions of this Lease or pursuant to law.

B. If requested by either party, each of Landlord and Tenant agrees, upon such request, to execute, acknowledge and deliver to the other, an instrument, in form satisfactory to Landlord and Tenant, setting forth said Commencement Date and the Expiration Date.

Section 1.3. Common Facilities. As used herein shall mean all facilities furnished in the Industrial Center (as defined herein) and designated for the general use, in common, of all occupants of the Industrial Center, including the Tenant hereunder, its officers, agents, employes and customers. Common Facilities shall include, but are not limited to, parking areas, streets, sidewalks, canopies, roadways, washrooms, shelter, ramps, landscaped areas and other similar facilities.

Section 1.4. Demised Premises. As used herein shall mean approximately 45,654 aggregate square feet consisting of approximately 31,726 square feet located on the ground floor of the "Building" and approximately 13,928 square feet located on mezzanine (the "Mezzanine Space") of the building commonly known as 400 American Road, American Enterprise Park, Morris Plains, New Jersey (the "Building"), designated by cross-hatching on
Exhibit A attached hereto and made a part hereof. The Demised Premises do not include any exterior of the Building, or any space above the bottom of the structural framework supporting the roof or below the finished floor level of the area demised.

Section 1.5. Industrial Center. As used herein, the Industrial Center shall mean the land depicted on Exhibit A attached hereto and by this reference incorporated herein and the Building and all related common areas and common facilities located thereon, less any deletion by Landlord pursuant hereto, plus such additions and extensions as Landlord may from time to time designate as included with the Industrial Center pursuant hereto. Exhibit A embodies the proposed outline of the Industrial Center of which the Demised Premises will be a part. Landlord may amend Exhibit A at any time and make such departures therefrom as Landlord in its sole discretion may from time to time deem proper, including the minor relocation of the Demised Premises as a result of construction.

Section 1.6. Lease Term. The initial Lease Term shall be approximately fourteen (14) Lease Years, commencing on the Commencement Date, and ending, unless extended or sooner terminated pursuant to any of the terms, covenants or conditions of the Lease or pursuant to law, at midnight on October 31, 2031 (the "Initial Lease Term" and together with any Renewal Term, the "Lease Term").

Section 1.7. Lease Year. Shall mean each period of twelve (12) consecutive months during the Lease Term commencing on the Commencement Date, except that the first Lease Year shall be extended by the number of days, if any, required for said first Lease Year to end on the last day of a calendar month. For example, if the Commencement Date is August 15, 2017, the first Lease Year shall commence upon such date, the second Lease Year shall commence upon September 1, 2018 and so on.

Section 1.8. Minimum Rent.
A. The annual Minimum Rent for the Initial Term is shown on Schedule "1" annexed hereto and made a part hereof and, subject to the provisions of Section 1.C. below, shall be payable commencing on the Rent Commencement Date with respect to the Ground Floor Space and the Complete Rent Commencement Date with respect to the Mezzanine Space.

B. Tenant covenants and agrees to pay to Landlord the Minimum Rent, determined in accordance with this Section 1.8, in advance on the first day of each calendar month during the Lease Term, in equal monthly installments as set forth in Subsection A above, without deduction or set-off except as expressly set forth herein. In the event that the Complete Rent Commencement Date shall occur on a date other than the first (1st) day of any calendar month, Tenant shall pay to Landlord, on the first (1st) day of the month next succeeding the month during which the Complete Rent Commencement Date shall occur, a sum equal to the pro-rata amount applicable to the period from the Complete Rent Commencement Date to the last day of the calendar month in which the Complete Rent Commencement Date shall occur. Such payment, together with the sum paid by Tenant upon the execution of this Lease, shall constitute payment of the Minimum Rent for the period from the Complete Rent Commencement Date to and including the last day of the next succeeding calendar month.
C. Provided Tenant is not then in default in the observance and performance of any of the terms, covenants and conditions of this Lease on Tenant's part to be observed and performed beyond applicable notice and cure periods, then Tenant shall be entitled to a conditional rent holiday, and not be required to pay, the Minimum Rent otherwise due during each month in the period (the "Rent Holiday Period") commencing on the Commencement Date and ending on the day immediately preceding the twelfth (12th) month anniversary of the Commencement Date, both dates inclusive. The date next following the expiration of the Rent Holiday Period is referred to as the "Rent Commencement Date". During such period, Tenant shall otherwise be required to comply with all of the other terms, covenants and conditions of this Lease on Tenant's part to be observed and performed, including, but not limited to, the obligation to make all payments pursuant to Article 4 hereof. In addition, subject to the terms and provisions of the last sentence of this subdivision C., provided Tenant is not then in default in the observance and performance of any of the terms, covenants and conditions of this Lease on Tenant's part to be observed and performed beyond applicable notice and cure periods, then Tenant shall be entitled to a conditional rent holiday, and not be required to pay, the Minimum Rent with respect to the Mezzanine Space otherwise due during each month in the period (the "Additional Rent Holiday Period") commencing on the Rent Commencement Date and ending on day immediately preceding the twelfth (12th) month anniversary of the Rent Commencement Date, both dates inclusive. The date next following the expiration of the Additional Rent Holiday Period is referred to as the "Complete Rent Commencement Date". If at any time during the Lease Term, Tenant shall be in default in the observance and performance of any of the terms, covenants and conditions of this Lease on Tenant's part to be observed and performed beyond applicable notice and cure periods, then the total unamortized sum of the Minimum Rent so conditionally excused by operation of the foregoing provisions of this Subsection C. shall become immediately due and payable by Tenant to Landlord. If, as of the Expiration Date, Tenant shall not then be in default in the observance and performance of any of the terms, covenants and conditions of this Lease on Tenant's part to be observed and performed, Landlord shall waive payment of all such Minimum Rent so conditionally excused.

Section 1.9. Permitted Use. Tenant shall use the Demised Premises solely for biopharmaceutical research and development, the manufacture of biopharmaceutical and other pharmaceutical products, for general office and business use including selling, warehousing and distribution and for other activities normally associated with the operation of a biopharmaceutical business.

Section 1.10. Real Estate Taxes. As used herein shall mean all real estate taxes, assessments, water and sewer rents or charges and other governmental impositions and charges of every kind and nature whatsoever, extraordinary as well as ordinary, foreseen and unforeseen, and each and every installment thereof, which shall or may during the Lease Term be assessed, imposed, become due and payable or be levied by the lawful taxing authorities against the land, buildings and all other improvements in the Industrial Center, or liens upon or arising in connection with the use or occupancy or possession of, or becoming due or payable out of or for, the Industrial Center or any part thereof or any land, buildings or other improvements therein, including all commercially reasonable costs and fees incurred by Landlord in contesting same or in negotiating with the appropriate governmental authorities as to same.
Except as otherwise set forth in the immediately succeeding paragraph of this Section 1.10, nothing herein contained shall be construed to include as a Real Estate Tax any inheritance, estate, succession, transfer, gift, franchise, corporation, income or profit tax that is or may be imposed upon Landlord; provided, however, that, if at any time during the Lease Term the methods of taxation prevailing at the commencement of the Lease Term shall be altered so that in lieu of or as a substitute for the whole or any part of the taxes now levied, assessed or imposed, there shall be levied, assessed or imposed an income or other tax of whatever nature, then the same shall be included in the computation of Real Estate Taxes hereunder. As used in this Lease, the term "Tenant's Pro-rata Share of Complex Operating Costs" shall include any excise, transaction, sales or privilege tax hereafter imposed by any government or governmental agency upon Landlord on account of, attributed to, or measured by rent or other charges payable by Tenant, or levied by reason of the public parking made available by Landlord in the Industrial Center. Tenant shall not have the right to contest the amount or application of any Real Estate Taxes with any governmental authority.

Section 1.11. Tenant's Pro-rata Share. As used herein shall mean a fraction, the numerator of which shall be the gross rentable area of the Demised Premises and the denominator of which shall be the gross rentable area of all buildings in the Industrial Center. As of the Commencement Date, Tenant's Pro-rata Share shall be 46.7216%. Notwithstanding anything to the contrary contained herein, Landlord has agreed that for the period from the Commencement Date to and including the Complete Rent Commencement Date, Tenant shall not be required to pay Tenant's Pro-rata Share of Real Estate Taxes nor Tenant's Pro-rata Share of Complex Operating Costs with respect to the Mezzanine Space unless Tenant occupying or stores any materials in the Mezzanine Space in which case, from and after the date that Tenant occupies the Mezzanine Space, Tenant shall be required to pay Tenant's Pro-rata Share of Real Estate Taxes and Tenant's Pro-rata Share of Complex Operating Costs with respect to the Mezzanine Space. Accordingly, provided that Tenant does not occupy or store any materials in the Mezzanine Space during the Additional Rent Holiday Period, Tenant's Pro-rata Share shall be reduced to 32.4679% during the Additional Rent Holiday Period.

ARTICLE 2. GRANTING CLAUSE

Section 2.1. Lease of Demised Premises. In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants and conditions hereof, Landlord hereby leases and rents to Tenant, and Tenant hereby leases and rents from Landlord, the Demised Premises TO HAVE AND TO HOLD said Demised Premises for the Lease Term.

ARTICLE 3. POSSESSION AND CONSTRUCTION

Section 3.1. Demise Includes Use of Common Facilities. The demise to Tenant shall include, in addition to the Demised Premises, the right to the nonexclusive use in common with others of the Common Facilities, subject, however, to the terms and conditions of this Lease and to the rules and regulations set forth in Exhibit B which is attached hereto and made a part hereof.

Section 3.2. Quiet Enjoyment. Tenant, upon paying the rent and performing Tenant's obligations in this Lease, shall peacefully and quietly have, hold and enjoy the Demised Premises
and the appurtenances thereunto appertaining throughout the Lease Term, subject, however, to the provisions of this Lease, to all other agreements, conditions, restrictions and encumbrances and mortgages to which this Lease is subject and subordinate.

**Section 3.3. Industrial Center.** Tenant acknowledges that Exhibit A attached hereto is a site plan which generally depicts the layout of the Industrial Center.

**Section 3.4. No Preparation of Demised Premises by Landlord.**

A. Tenant shall take possession of the Demised Premises on the Commencement Date in a strictly “as is”, “where is” condition, and Landlord shall have no obligation to alter, improve, decorate or otherwise prepare the Demised Premises for Tenant's occupancy. The taking of possession of the Demised Premises by Tenant shall be deemed a delivery of the Demised Premises by Landlord and an absolute and unconditional acceptance of same by Tenant provided, however, nothing contained in this subdivision shall limit Landlord's obligations to make structural repairs pursuant to Article 10.

B. The parties agree that Tenant shall be solely responsible for performing any alteration or other work necessary or desired by Tenant for its occupancy of the Demised Premises.

C. Landlord has made no representations, warranties or promises with respect to this Lease, to the Demised Premises, to any fixtures, equipment or other property therein or to any matter related thereto, whether express or implied and Tenant acknowledges that it has not relied upon any representations, warranties or promises, whether from Landlord or from any of Landlord's employees, agents or representatives. **ALL IMPLIED WARRANTIES ARE EXCLUDED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS, IF ANY.** Tenant waives any right to rescind this Lease under the laws of the State of New Jersey and further waives any damages which may result from any lack of completion of the Demised Premises.

**Section 3.5. Initial Tenant's Work.** Tenant shall, following the Commencement Date, have the right to perform all work necessary to prepare the Demised Premises for Tenant's occupancy (the "Initial Tenant's Work") at its sole cost, expense and risk in accordance with plans and specifications therefor which shall be subject to Landlord's approval, such approval not to be unreasonably withheld, conditioned or delayed; provided, however, that Tenant shall make any changes in Tenant's Initial Work required by any governmental department or bureau having jurisdiction of the Center and Landlord's approval shall not be required with respect to any such changes. The Initial Tenant's Work shall be performed by Tenant in full compliance with the terms, provisions of conditions set forth below in Article 5.

**ARTICLE 4. TENANT PAYMENTS**

**Section 4.1. Tenant's Obligations To Pay Minimum Rent and Other Charges.** During the Lease Term, Tenant shall pay to Landlord without any prior demand and without any deduction or set-off whatsoever (except as expressly set forth herein), Minimum Rent in the manner hereinafter set forth. In addition to Tenant's obligation to pay Minimum Rent, Tenant shall pay any tax, whether a sales tax or otherwise, which is or shall be imposed on Tenant's payment of
rent hereunder. Tenant further covenants and agrees to pay, as set forth below, Tenant's Pro-rata Share of Complex Operating Costs and Tenant's Pro-rata Share of Real Estate Taxes, both of which are included within the term "Additional Rent." The obligations of Landlord and Tenant under the provisions of this Article with respect to (i) the payment by Tenant of Minimum Rent and Additional Rent, including, without limitation, any deficiencies with respect to previous payments by Tenant on account of Tenant's Pro-rata Share of Complex Operating Costs or Tenant's Pro-rata Share of Real Estate Taxes, or (ii) any credit to which Tenant may be entitled on account of such aforesaid previous payments, shall survive the expiration or any sooner termination of the Lease Term.

Section 4.2. Intentionally Omitted.

Section 4.3. Intentionally Omitted.

Section 4.4. Tenant's Pro-rata Share of Complex Operating Costs. Commencing with the Commencement Date, and continuing thereafter during the Lease Term, Tenant will pay to Landlord, Tenant's Pro-rata Share of Landlord's operating cost of the Common Facilities ("Tenant's Pro-rata Share of Complex Operating Costs"). Tenant's Pro-rata Share of Complex Operating Costs shall be a monthly charge to be paid in advance, on the first day of each month, without deduction or set-off (except as expressly set forth herein). Tenant's initial Pro-rata Share of Complex Operating Costs shall be estimated by Landlord and the amount of such estimate shall be furnished to Tenant on or about the Commencement Date. Within one hundred twenty (120) days after the end of each calendar year of the Lease Term, Landlord will furnish to Tenant a statement (the "Operating Costs Statement") of the amount of Landlord's operating costs of the Common Facilities for the immediately preceding Calendar year, Landlord's estimate of Landlord's cost of operating the Common Facilities for the then calendar year and Tenant's Pro-rata Share of Complex Operating Costs for the then calendar year. Tenant shall pay any deficiency in Tenant's Pro-rata Share of Complex Operating Costs with respect to both the preceding calendar year and the then calendar year (as a result of any delay in adjusting the monthly Tenant's Pro-rata Share of Complex Operating Costs for the then calendar year) within thirty (30) days after Landlord sends the Operating Costs Statement to Tenant. Landlord may increase the monthly payment of Tenant's Pro-rata Share of Complex Operating Costs to compensate for increased expenses including, but not limited to, snow removal during periods of unusual snow fall. Landlord shall credit any excess payments made by Tenant against the next regular installment of Tenant's Pro-rata Share of Complex Operating Costs. Nothing herein shall prevent Landlord from making retroactive adjustments to Tenant's Pro-rata Share of Complex Operating Costs in the event that errors are discovered with respect to such calculations for past calendar years.

Tenant's Pro-rata Share of Complex Operating Costs shall be based on the cost and expense of operating, maintaining and managing the Common Facilities in a manner deemed by Landlord reasonable and appropriate and for the best interest of the Industrial Center, including without limitation:

(a) All costs and expenses, including capital expenses (the cost of each capital expense, plus interest charges paid thereon, shall be amortized on a straight-line basis over its estimated useful life and only the annual amortization cost of such capital expense shall be included in Tenant's Pro-rata Share of Complex Operating Costs for each calendar year until the cost of such
capital expense is fully amortized), of operating, repairing, lighting, cleaning, painting, striping, securing (including cost of uniforms, equipment and all employment taxes) and insuring (including liability insurance for personal injury, umbrella coverage, death and property damage, insurance and extended coverage against fire, theft or other casualty, worker's compensation insurance covering personnel, fidelity bonds for personnel, insurance against liability for defamation and claims of false arrest occurring in or about the Common Facilities, and plate glass insurance for glass exclusively serving the Common Facilities) the Common Facilities;

(b) All costs and expenses incurred by Landlord in making the Landlord's Repairs as set forth in Section 10.1 hereof;

(c) All costs and expenses of paying all personnel employed on a full or part-time basis in the operation, maintenance or repair of the Common Facilities;

(d) All costs and expenses of removal of rubbish and debris;

(e) All costs and expenses of regulating traffic;

(f) All costs and expenses of inspecting and depreciation on (straight-line) machinery and equipment used in the operation and maintenance of the Common Facilities and personal property taxes and other charges incurred in connection with such equipment;

(g) All costs and expenses of the maintenance and replacement of paving, curbs, walkways, drainage and lighting facilities in the Common Facilities including, without limitation, a reserve equal to eight percent (8%) of the estimated cost for resurfacing the parking area;

(h) All costs and expenses of planting, replanting and replacing flowers, shrubbery and planters in the Common Facilities and the supplies required therefor;

(i) All costs and expenses of the maintenance and replacement of the built-up roof system and all items in connection therewith, including but not limited to, flashing, expansion joints, pitch boxes, curbs, gutters, leaders and skylights;

(j) The cost of all utilities, including the cost of standby water for fire protection, used in connection with the operation of the Common Facilities;

(k) The cost of snow and ice removal from the Common Facilities;

(l) The cost of property management services incurred by Landlord; and

(m) The cost of compliance with laws including, but not limited to, energy management systems and/or other costs and expenditures pursuant to Leadership in Energy and Environmental Design ("LEED") compliance.

Notwithstanding anything to the contrary contained herein, the following items are excluded from Complex Operating Costs:
(i) the cost of any work performed (such as preparing a tenant's space for occupancy, including painting and decorating) or services provided (such as separately metered electricity) for any tenant (including Tenant) at such tenant's cost, or provided by Landlord without charge as an inducement to lease (such as free rent or improvement allowances);

(ii) the cost of correcting defects in construction;

(iii) salaries of Landlord's officers and partners, its Building engineer and its headquarters staff;

(iv) the cost of any work performed or service provided for any tenant of the Building (other than Tenant) to a materially greater extent or in a materially more favorable manner than that furnished generally to the other tenants and occupants (such as electricity and cleaning services provided to retail tenants);

(v) the cost of any work performed or service provided (such as electricity) for any facility other than the Building (such as a garage) for which fees are charged;

(vi) the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, a tenant of the Industrial Center, or otherwise;

(vii) the cost of any additions to the Industrial Center, or Complex Operating Costs generated by such additions, after the date of this Lease;

(viii) the cost of any repairs, alterations, additions, changes, replacements and the like which under generally accepted accounting principles are properly classified as capital expenditures;

(ix) the cost of any repair made in accordance with Articles 14 and 15 of this Lease entitled "Damage or Destruction" and "Condemnation";

(x) insurance premiums to the extent any tenant causes Landlord's existing insurance premiums to increase or requires Landlord to purchase additional insurance;

(xi) interest and principal payments on any debt, depreciation and rental under any ground lease or other underlying lease;

(xii) any real estate brokerage commissions or other cost incurred in procuring tenants, or any fee in lieu of commission;

(xiii) any advertising expenses;

(xiv) any costs representing an amount paid to a related or affiliated person of Landlord which is in excess of the amount which would have been paid in the absence of such relationship;

(xv) payments for rented equipment, the cost of which equipment would constitute a capital expenditure if the equipment were purchased;
(xvi) any expenses for repairs or maintenance which are covered by warranties, guaranties or service contracts (excluding any mandatory deductibles);

(xvii) legal expenses arising out of the construction, operation, use, occupation or maintenance of the Industrial Center, or the enforcement of the provisions of any agreements affecting the Industrial Center, including this Lease;

(xviii) franchise taxes or income taxes of Landlord;

(xix) refinancing costs and mortgage interest and amortization payments;

(xx) cost of abating, removing, testing for or treating any environmental condition in the Demised Premises, Building or the Industrial Center unless such condition was caused by Tenant;

(xxi) the cost of any work for which Landlord is fully reimbursed by another tenant of the Industrial Center; and

any costs that are reimbursed or refunded to Landlord pursuant to any warranty or insurance policy concerning the Industrial Center.

Section 4.5. Net Lease. It is the intention of the parties that the rent payable hereunder shall be absolutely net to Landlord, so that this Lease shall yield to Landlord the net annual basic Minimum Rent specified herein during the term of this Lease, and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Demised Premises shall be paid by Tenant and shall be deemed to be and shall become Additional Rent hereunder whether or not the same be designated as such.

Section 4.6. Utility Service Charges. Tenant shall pay all utility charges in accordance with the provisions of Article 8.

Section 4.7. Taxes. Commencing with the Commencement Date and continuing thereafter during the term of this Lease, Tenant agrees to pay to Landlord on the first day of each month, in advance, and without deduction or set-off except as expressly set forth herein, Tenant’s Pro-rata Share of Real Estate Taxes. Tenant's initial monthly charge for Real Estate Taxes shall be based on Landlord's estimate of Real Estate Taxes, written notice of which charge for the initial tax year (as that term is hereinafter defined) shall be furnished to Tenant at or around the Commencement Date. Such monthly charge may be periodically adjusted by Landlord to more accurately reflect Tenant's Pro-rata Share of Real Estate Taxes.

Within ninety (90) days of receipt of the tax bills for each tax year, Landlord shall mail to Tenant a statement setting forth the Real Estate Taxes and the amount of Tenant’s Pro-rata Share of Real Estate Taxes. Tenant's Pro-rata Share of Real Estate Taxes paid or payable for each tax year during the Lease Term shall be adjusted between Landlord and Tenant, each party hereby agreeing to pay to the other, within thirty (30) days of the mailing of the aforesaid statement to Tenant, such amount as may be necessary to reflect Tenant's Pro-rata Share of Real Estate Taxes based upon actual amounts due. The term “tax year” as used herein shall mean the twelve-month
period established as the real estate tax year by the taxing authorities having jurisdiction over the Industrial Center.

Should Tenant's obligation for the payment of Real Estate Taxes pursuant to this Lease originate or terminate for less than a full tax year, Tenant's liability for Real Estate Taxes shall be subject to a pro rata adjustment based on the number of months of said tax year for which Tenant's obligation to pay Real Estate Taxes is in effect.

Landlord shall pay Real Estate Taxes on or before when same are due. Tenant shall pay promptly when due all taxes directly or indirectly imposed or assessed on Tenant's business operations, machinery, equipment, improvements, inventory and other personal property or assets, whether such taxes are assessed against Tenant, Landlord or the Industrial Center as a single entity. In the event that such taxes are imposed or assessed against Landlord or the Industrial Center, Landlord, upon request, shall furnish Tenant with all applicable tax bills, public charges and other assessments or impositions.

Notwithstanding the foregoing, Tenant shall pay during the Lease Term its pro-rata share of water and sewer charges for the Industrial Center. These charges shall be billed in a manner similar to that set forth above for Real Estate Taxes.

Section 4.8. Insurance Premiums. In addition to paying Tenant's Pro-rata Share of Landlord's insurance premiums as part of Tenant’s Pro-rata Share of Complex Operating Costs, Tenant agrees to pay, within thirty (30) days after demand, any increase in premiums that may be charged on insurance carried by Landlord resulting from Tenant's use or occupancy of the Demised Premises or the Industrial Center (the "Insurance Premium Charge"). In determining whether increased premiums are the result of Tenant’s use or occupancy of the Demised Premises, a schedule or "make-up" rate of the organization issuing the fire insurance, extended coverage, vandalism and malicious mischief, special extended coverage or any all-risk insurance rates for the Demised Premises or Industrial Center or any rule books issued by the rating organization or similar bodies or rating procedures or rules of Landlord's insurance companies shall be conclusive evidence of the several items and charges which make up the insurance rates and premiums on the Demised Premises and the Industrial Center. If due to the Tenant's failure to occupy the Demised Premises, as herein provided, any such insurance shall be canceled by the insurance carrier, then Tenant shall indemnify and hold Landlord harmless against any loss which would have been covered by such insurance. Tenant also shall pay any increase in premiums on rent insurance as may be carried by Landlord for its protection against rent loss through fire or other casualty, if such increase shall result from Tenant's occupancy or failure to occupy.

Section 4.9. A. Tenant or its usual auditors of its normal books and records (provided same are certified public accountants and are not compensated on a contingent basis) in each case at Tenant's expense (except as otherwise set forth in this Section 4.9), shall have the right to examine those portions of Landlord's records (the "Records") which are reasonably required to verify the accuracy of any amounts shown on any Operating Costs Statement provided Tenant shall notify Landlord of its desire to so examine such records within ninety (90) days next following rendition to Tenant of such Operating Costs Statement. Upon Tenant's timely request, Landlord shall make such Records available and any such examination shall be conducted at the office of Landlord's accountants or at such other reasonable place designated by Landlord during
normal office hours. Tenant acknowledges and agrees that not more than three (3) of its employees or three (3) persons employed by such auditors shall be entitled to entry to the offices of Landlord at any one time for the purposes of such review and inspection. Tenant hereby recognizes the confidential, privileged and proprietary nature of such Records and the information and data contained therein, as well as any compromise, settlement or adjustment reached between Landlord and Tenant relating to the results of such examination, and Tenant covenants and agrees for itself, and its employees, agents and representatives (including, but not limited to, such auditors, and any attorneys or consultants retained by Tenant as hereinafter provided), that such books, Records, information, data, compromise, settlement and adjustment which are identified to Tenant or its auditors as confidential will be held in confidence and not be divulged, disclosed or revealed to any other person except (x) to the extent required by law, court order or directive of any governmental authority or (y) to such auditors or any attorneys retained by Tenant or consultants retained by Tenant in connection with any action or proceeding between Landlord and Tenant as to Complex Operating Costs or any Operating Costs Statement and no examination of any such Records shall be permitted unless and until such auditors, attorneys and consultants affirmatively agree and consent to be bound by the confidentiality provisions of this Section 4.9. This obligation of Tenant and its employees, agents and representatives (including, but not limited to, any such attorneys, attorneys or consultants) shall survive the expiration or sooner termination of the Lease Term.

B. In the event that Tenant, after having reasonable opportunity to examine the Records (but in no event more than ninety (90) days from the date on which the Records are made available to Tenant), shall disagree with the applicable Operating Costs Statement, then Tenant may send a written notice ("Tenant's Statement") to Landlord of such disagreement, specifying in reasonable detail the basis for Tenant's disagreement and the specific amount which Tenant believes is due. If Tenant fails to send Tenant's Statement to Landlord within such ninety (90) day period, then the Operating Costs Statement shall be conclusive and binding upon Tenant. In all instances, Tenant, pending the resolution of any contest pursuant to the terms hereof, shall continue to pay all sums as determined to be due in the first instance by such Operating Costs Statement at the time the same are otherwise due and payable under the provisions in this Lease, subject to adjustment upon the resolution of any dispute pursuant to the last sentence of this paragraph. Landlord and Tenant shall attempt to resolve such disagreement. If they are unable to do so within thirty (30) days following delivery of Tenant's Statement, then Landlord and Tenant shall agree upon a certified public accountant (the "Arbiter") whose determination made in accordance with this paragraph shall be binding upon the parties. The cost of the Arbiter shall be borne equally by Landlord and Tenant (unless the Complex Operating Expenses were overstated by more than four percent (4%), in which case Landlord shall bear the full cost of the Arbiter). The Arbiter shall be a member of an independent certified public accounting firm having at least three (3) accounting professionals and having at least fifteen (15) years of experience in commercial real estate accounting. In the event that Landlord and Tenant shall be unable to agree upon the designation of the Arbiter within thirty (30) days after receipt of notice from the other party requesting agreement as to the designation of the Arbiter, which notice shall contain the names and addresses of two or more certified public accountants who are acceptable to the party sending such notice (any one of whom, if acceptable to the party receiving such notice as shall be evidenced by notice given by the receiving party to the other party within such thirty (30) day period, shall be the agreed upon Arbiter), then either party shall have the right to request the American Arbitration Association (the "AAA") (or any organization which is the successor
thereto) to designate as the Arbiter a certified public accountant whose determination made in accordance with this paragraph shall be conclusive and binding upon the parties, and the cost charged by the AAA (or any organization which is the successor thereto), for designating such Arbiter, shall be shared equally by Landlord and Tenant. The Arbiter shall determine the issue and render its decision as promptly as practicable choosing either Landlord's or Tenant's determination as to the amount of Tenant's Pro-Rata Share of Complex Operating Costs due and payable to Landlord. Landlord and Tenant hereby agree that any determination made by an Arbiter designated pursuant to this paragraph shall not exceed the amount(s) as determined to be due in the first instance by the Operating Costs Statement, nor shall such determination be less than the amount(s) claimed to be due by Tenant in Tenant's Statement, and that any determination which does not comply with the foregoing shall be null and void and not binding on the parties. In rendering such determination such Arbiter shall not add to, subtract from or otherwise modify the provisions of this Lease, including the immediately preceding sentence. Until the resolution of such contest, Tenant shall timely pay Tenant's Pro-Rata Share of Complex Operating Costs as determined by Landlord. Upon the resolution of such contest, any suitable adjustments to the amounts due on account of Tenant’s Pro-Rata Share of Complex Operating Costs shall be made, with any appropriate refund to be made by Landlord to Tenant within thirty (30) days after the resolution of such contest if required thereby and any underpayment by Tenant to be paid to Landlord within thirty (30) days after resolution of such contest. If the Arbiter determines (or Landlord and Tenant otherwise agree) that Landlord's calculation of Complex Operating Costs for the calendar year under inspection was overstated by more than four percent (4%), then Landlord shall pay Tenant's actual reasonable out-of-pocket audit and inspection applicable to the review of said calendar year statement within thirty (30) days after receipt of Tenant's invoice therefor.

**ARTICLE 5. TENANT'S WORK**

**Section 5.1.** Except as expressly set forth herein, Tenant shall not, without Landlord's prior written approval, in each instance, make (i) structural changes or alterations in or to the Demised Premises of any nature, (ii) changes or alterations which affect the Building's systems, which term shall include, without limitation, the Building's utility, plumbing, ventilating, electrical, air conditioning or heating systems or (iii) non-structural changes or alterations costing more than $75,000 in the aggregate in any twelve (12) month period. Prior to Tenant's commencing the Initial Tenant's Work described in Section 3.5 above, or any other work in the Demised Premises for which Landlord's prior approval is required, Tenant shall submit to Landlord for Landlord's written approval (which approval shall not be unreasonably withheld for non-structural work which does not affect any Building systems), complete drawings, plans and specifications, if any, (herein collectively referred to as "Tenant's Plan") for the improvements and installations to be made by Tenant (said Initial Tenant's Work, together with all other work contemplated in this Article 5 is herein collectively referred to as "Tenant's Work"). Tenant shall also submit to Landlord for Landlord's written approval (x) the proposed budget (updated as any work progresses) for all Tenant's Work to be made by Tenant and (y) a list of contractors and subcontractors for Tenant's Work. Upon request, Tenant agrees to employ Landlord's contractor to perform any part of Tenant’s Work with respect to the Building's systems or the exterior of the Demised Premises and/or any structural aspect of Tenant’s Work. Tenant acknowledges that said Landlord's contractor may be a related party to Landlord and Tenant has no objection thereto so long as the cost of such work does not exceed that which Tenant would be obligated to pay an unrelated party. Tenant's Plan shall be fully detailed, shall show complete dimensions, shall not
require any changes in the structure of the Building (except as expressly permitted pursuant hereto) and shall not be in violation of any laws, order, rules or regulations of any governmental department or bureau having jurisdiction of the Demised Premises.

Section 5.2. Within ten (10) days after submission to Landlord of Tenant's Plan, Landlord shall either approve same or shall set forth in writing the particulars in which Landlord does not approve same, in which latter case Tenant shall, within ten (10) days after Landlord's notification, return to Landlord appropriate corrections thereto. Such corrections shall be subject to Landlord's approval not to be unreasonably withheld. Tenant shall pay to Landlord, promptly upon being billed, any reasonable charges or expenses of Landlord's architects and engineers in reviewing Tenant's Plan and/or insuring compliance therewith as well as a construction management fee of two and one-half (2.5%) percent of the aggregate hard costs for such work as set forth in Tenant's proposed budget for any Tenant's Work required to be supervised or monitored by Landlord.

Section 5.3. Tenant further agrees that Tenant shall not make any changes in Tenant's Plan subsequent to approval by Landlord unless Landlord consents to such changes; provided, however, Landlord's consent shall not be required in connection with any changes required by any governmental entity or agency. Tenant shall pay to Landlord all costs and expenses caused by such change which Landlord may incur or sustain in the performance by Landlord of any construction or work in the Building. Landlord shall have the right to refuse to consent to any such changes if in the reasonable judgment of Landlord or Landlord's architect such changes materially deviate from Tenant's Plan theretofore approved by Landlord or otherwise violate the terms of this Lease. Any charges payable under this subparagraph 5.3 shall be paid by Tenant from time to time upon demand as Additional Rent, whether or not the Lease Term shall have commenced.

Section 5.4. Following compliance by Tenant with its obligations under the foregoing subparagraphs and approval of Tenant's Plan by Landlord, Tenant shall commence Tenant's Work and it shall proceed diligently with same in a good and workmanlike manner using first-class materials in order to complete same within a reasonable period of time.

Section 5.5. Tenant agrees that in the performance of Tenant's Work (i) neither Tenant nor its agents or employees shall interfere with any work being done at the Industrial Center by other tenants or occupants thereof or by Landlord and its contractors, agents and employees, (ii) intentionally omitted, (iii) that Tenant shall comply with any reasonable rules and regulations proposed by Landlord, its agents, contractors or employees, (iv) that all that all contractors, subcontractors and personnel employed by Tenant shall be harmonious and compatible with the labor employed by Landlord and other tenants in the Industrial Center, it being agreed that if in Landlord's judgment the labor is incompatible with the labor employed by Landlord or construction labor employed by other tenants in the Industrial Center, Tenant shall immediately resolve such incompatibility, or upon Landlord's demand immediately withdraw such labor from the premises, (v) that prior to commencing Tenant's Work, Tenant shall procure and deliver to Landlord worker's compensation, public liability, property damage and such other insurance policies, in such form and amounts as shall be reasonably acceptable to Landlord in connection with Tenant's Work, and shall upon Landlord's request cause Landlord, any mortgagee of the Industrial Center and such other entities as Landlord shall designate to be named as an insured
thereunder, (vi) that Tenant shall hold Landlord, any mortgagee of the Industrial Center and such other entities as Landlord shall designate harmless from and against any and all claims arising from or in connection with any act or omission of Tenant or its agents, contractors and employees, (viii) that Tenant's Work shall be performed in accordance with the approved Tenant's Plan and in compliance with the laws, orders, rules and regulations of any governmental department or bureau having jurisdiction over the Industrial Center and Tenant shall immediately correct any non-conforming work, and (vii) that Tenant shall promptly pay for Tenant's Work in full and shall not permit any lien to attach to the Demised Premises or the land and/or Industrial Center.

Section 5.6. In the event that Tenant shall not diligently perform and fully pay for Tenant's Work and/or causes or permits any liens to attach to the Demised Premises or the building containing the Demised Premises, as determined by Landlord, then, in addition to any other remedies of Landlord in this Lease contained, by law or otherwise, Landlord shall, to the extent Landlord deems necessary, be entitled, at Tenant's expense, to restore and/or protect the Demised Premises or the Industrial Center, and to pay or satisfy any costs, damages or expenses in connection with the foregoing and/or Tenant's obligations under this Lease.

Section 5.7. All trade fixtures and equipment installed or used by Tenant in the Demised Premises shall be fully paid for by Tenant in cash and shall not be subject to conditional bills of sale, chattel mortgage or other title retention agreements, unless such conditional bill of sale, chattel mortgage or other title retention interest does not affect Landlord's interest in the Demised Premises or the Industrial Center.

Section 5.8. Notice is hereby given that the Landlord shall not be liable for any labor or materials furnished or to be furnished to the Tenant upon credit, and that no mechanic's or other lien for any such labor or materials shall attach to or affect the reversion or other estate or interest of the Landlord in and to the Demised Premises or the Industrial Center.

Section 5.9. Notwithstanding anything to the contrary contained herein, Landlord shall not be obligated to give the consent or approval required of Tenant's Work in the event that such consent or approval is required of, and not given by, Landlord's mortgagee. Tenant's Work shall in all respects conform to the requirements, if any, imposed by any mortgage on the Industrial Center with respect to such alterations and improvements.

Section 5.10. Landlord may, at any time and from time to time but upon reasonable advance notice, in addition to any other right of access given to Landlord pursuant to the terms of this Lease, enter upon the Demised Premises with one or more engineers and/or architects of Landlord's selection to determine the course and degree of completion of Tenant's Work and its compliance with Tenant's Plan and the terms and conditions of this Lease.

Section 5.11. At the time Landlord approves the Tenant's Plan, Landlord, by notice to Tenant, shall have the right to require Tenant to remove prior to the Expiration Date any or all Tenant's Work performed by Tenant and restore the Demised Premises to the condition it existed prior to the performance of said Tenant's Work (such Tenant's Work which Landlord requires Tenant to remove, "Designated Alterations").
ARTICLE 6. USE OF THE PREMISES

Section 6.1. Permitted Use. During the Lease Term the Demised Premises shall be used and occupied solely for the purposes set forth in Section 1.9 and for no other purposes without the written consent of Landlord. Upon the Commencement Date, Tenant shall commence the conduct of its business and shall continuously, actively and diligently thereafter operate its business at the Demised Premises in a high-grade and reputable manner and in accordance with the terms, provisions and conditions of this Lease.

Section 6.2. Operation of Demised Premises.

A. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business in the Demised Premises or any part thereof, Tenant, at its expense, shall duly procure and thereafter maintain such license or permit and submit the same to Landlord for inspection. Tenant shall at all times comply with the terms and conditions of each such license or permit. Without limiting the generality of the forgoing, Tenant (and not Landlord) shall be responsible at its own cost, expense and risk to obtain a certificate of occupancy for Tenant's use and occupancy of the Demised Premises, it being agreed, however, that Landlord shall reasonably cooperate with Tenant's obtaining any local permitting relating to Tenant's use of the Demised Premises as herein contemplated, and Tenant shall pay Landlord's out-of-pocket expenses paid or incurred in connection therewith.

B. Tenant shall not at any time use or occupy the Demised Premises, or suffer or permit anyone to use or occupy the Demised Premises, or do anything to be done in, brought into or kept on the Demised Premises, which in any manner (a) violates the Certificate of Occupancy for the Demised Premises; (b) causes or is liable to cause injury to the Demised Premises or the Industrial Center or any equipment, facilities or systems therein; (c) constitutes a violation of the laws and requirements of any public authorities or the requirements of insurance bodies; (d) constitutes a nuisance, public or private; (e) makes unobtainable from reputable insurance companies authorized to do business in the State of New Jersey any fire insurance with extended coverage, or liability, elevator, boiler or other insurance at standard rates required to be furnished by Landlord under the terms of any mortgages covering the Demised Premises; (f) discharges objectionable fumes, vapors or odors into the Demised Premises and/or Industrial Center's flues or vents or otherwise in such manner as may offend other tenants or occupants of the Industrial Center; or (g) is in violation of laws or any regulation of any governmental authority.

C. Tenant, at Tenant's expense, shall at all times cause all portions of the Demised Premises to be kept in a clean and safe condition, including, without limitation, the windows, doors and loading docks thereof, in a manner reasonably satisfactory to Landlord and in compliance with the requirements of all governmental authorities having jurisdiction therein.

D. Intentionally Omitted.

E. Tenant covenants and agrees that no part of the loading docks, drives, sidewalks or walkways abutting or leading to the Demised Premises, nor the Demised Premises itself, has been leased to Tenant for retail, commercial or sale purposes and that Tenant shall use no part thereof for such purposes.
F. Tenant covenants at all times to exterminate and keep the Demised Premises in a clean, sanitary and wholesome condition at its own cost and expense.

G. Tenant shall store all of Tenant's refuse and rubbish in the Demised Premises enclosed areas and in sanitary containers and arrange for it to be removed from the Demised Premises at Tenant's sole cost and expense. Landlord shall not be required to furnish any services or equipment for the removal of such refuse and rubbish. Tenant further agrees that the refuse and rubbish to be collected or disposed of from the Demised Premises shall be removed only in accordance with the present or future regulations established by Landlord. If the use of plastic bags for external refuse storage and disposal is unsatisfactory due to vandalism or other cause, Tenant will place refuse, at Landlord's request, in metal containers.

H. Tenant shall not place any item, merchandise, inventory, fixture or equipment within the Demised Premises which will have a weight in excess of the floor load of the Demised Premises. Tenant shall not (i) stack merchandise or materials against the walls so as to create a load or weight factor upon the walls, (ii) tie in Tenant's racking systems with such walls or (iii) hang equipment from (or otherwise load) the roof or structural members of the Building, in any such case, without the express written consent of Landlord in each instance which may be withheld by Landlord in its sole and absolute discretion.

Section 6.3. Rules and Regulations. The rules and regulations set forth in Exhibit B are made a part of this Lease, and Tenant agrees to comply with and observe the same. Tenant's failure to keep and observe the rules and regulations shall constitute a breach of the terms of this Lease in the manner as if the same were contained herein as covenants. Landlord reserves the right from time to time to reasonably amend or supplement said rules and regulations and to adopt and promulgate additional reasonable rules and regulations applicable to the Demised Premises and the Industrial Center so long as such amended and/or supplemented rules and regulations are reasonable and do not prohibit Tenant's use of the Demised Premises for Tenant's intended purpose. Notice of such additional rules and regulations, and amendments and supplements, if any, shall be given to Tenant, and Tenant agrees to comply with and observe all such amendments and supplements from and after the date of such notice.

Section 6.4. Parking. Tenant shall have the right to use in common with other tenants at the Industrial Center, up to seventy-five (75) automobile parking spaces in the parking areas of the Industrial Center on a non-exclusive first-come, first-serve basis. In no event may cars or trucks owned or operated by Tenant, its agent, contractors, employees or invitees (collectively, "Tenant's Vehicles") (i) obstruct or restrict access or passage over or through the parking areas, roadways or accessways of the Industrial Center, or (ii) be parked in any parking spaces which are for the exclusive use of any other occupant of the Industrial Center. Tenant shall not have the right to park Tenant's Vehicles in any other areas of the Industrial Center except as set forth in this Section 6.4.

ARTICLE 7. COMMON FACILITIES.

Section 7.1. Common Facilities Under Control of Landlord. The Common Facilities shall at all times be subject to the exclusive control and management of Landlord, and Landlord shall have the right from time to time, and provided that the visibility of and the access to the
Demised Premises are not materially and adversely affected, to do any of the following: add, alter or construct upon any portion of the Industrial Center; change the area, level, location and arrange ment of such parking areas and other facilities comprising the Common Facilities; restrict parking by Tenant and its employees to employee parking areas; do such things as in Landlord's reasonable discretion may be necessary regarding said facilities; and make all reasonable rules and regulations pertaining to and necessary for the proper operation and maintenance of the Common Facilities. Except as in this Lease specifically provided, Tenant shall have no right or interest in the Common Facilities. If the Common Facilities shall be changed or diminished in accordance with the terms hereof, Landlord shall not be subject to any liability to Tenant and Tenant shall not be entitled to any compensation or abatement of rent nor shall any change or diminution of such areas be deemed constructive or actual eviction. Tenant agrees not to hinder, block or deny access of vehicular ingress and egress of any other tenant to and from the Building.

**Section 7.2. Industrial Center as Private Property.** In order to establish that the Industrial Center, and any portion thereof is and will continue to remain private property, the Landlord shall have the unrestricted right in the Landlord's sole discretion, with respect to the entire Industrial Center and/or any portion thereof owned or controlled by the Landlord, to close the same to the general public for one (1) non-business day in each calendar year and, in connection therewith, to seal off all entrances to the Industrial Center or any portion thereof.

**ARTICLE 8. UTILITIES**

**Section 8.1. Obtaining Utilities.** Tenant shall make application for, arrange for and pay or cause to be paid and shall be solely responsible for all charges for utility services and shall indemnify Landlord and save it harmless against any liability or charges on account thereof. In the event any such utility charges are not paid by Tenant when due, Landlord may pay the same to the utility company or department furnishing the same and any amount so paid by Landlord shall be paid by Tenant as Additional Rent for the month next following such payment by Landlord.

**Section 8.2. Installation of Equipment by Tenant.** Tenant further agrees that it will not install any equipment which will exceed or overload the capacity of any utility facilities. If Landlord approves the installation of any equipment to be installed by Tenant that would require additional utility facilities, the same shall be installed at Tenant's expense in accordance with plans and specifications to be approved in writing by Landlord. Any additional feeders or risers to supply Tenant's additional electrical requirements, and all other equipment proper and necessary in connection with such feeders or risers shall be installed by Landlord or, at Landlord's election, by Tenant, at the sole cost and expense of Tenant, provided, that, in Landlord's judgment, such additional feeders or risers are necessary and are permissible under applicable laws and insurance regulations and the installation of such feeders or risers will not cause permanent damage or injury to the Building or the Demised Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or repairs to or interfere with or disturb other tenants or occupants of the Building.

**Section 8.3. Cessation of Utilities.** Landlord shall not be liable to Tenant for any damages should the furnishing of any utilities by any utility company be interrupted or required to be terminated because of necessary repairs or improvements or any cause beyond the control of Landlord. Nor shall any such interruption or cessation relieve Tenant from the performance of
any of Tenant's covenants, conditions and agreements under this Lease. Notwithstanding anything to the contrary, if (i) all or any substantial portion of the Demised Premises are rendered untenantable by reason of the fact that, as a result of Landlord’s negligence or willful misconduct (or the negligence or willful misconduct of Landlord's employees, contractors or agents), electrical, water, HVAC or other critical service to the Demised Premises (or a material portion thereof) are unavailable or inoperative or are at a materially reduced capacity or level, (ii) Tenant shall give to Landlord notice of such failure, interruption, cessation or reduction and such resulting untenantability, (iii) Landlord shall fail within five (5) business days from the date Landlord receives Tenant's notice of such failure of the aforesaid service and resulting untenantability to cause such matter to be resolved or cured or perform such maintenance or repair to the extent necessary to again render tenantable the Demised Premises or a portion thereof so previously rendered untenantable as hereinabove provided, and (iv) the Demised Premises or the applicable portion thereof as described above shall continue to be untenantable by reason of such in operation or unavailability of such aforesaid service for the purposes for which the Demised Premises are leased, and (v) Tenant shall not then using or occupying all or such portion of the Demised Premises so rendered untenantable, then, upon the occurrence of all the aforesaid events, as Tenant's sole remedy therefor, commencing on the day after the expiration of such five (5) business day period, the Minimum Rent shall abate until the Demised Premises, or such substantial portion thereof so previously rendered untenantable are rendered tenantable; with it understood that if less than substantially all of the Demised Premises are untenantable, then Tenant shall continue to pay Minimum Rent with respect to the tenantable portion of the Demised Premises based on the proportion that the rentable square feet of the tenantable portion of the Demised Premises bears to the total rentable square feet of the Demised Premises.

Section 8.4. Demised Premises Heating and Air-Conditioning. Tenant agrees to operate any heating and air-conditioning servicing the Demised Premises in such a manner so as to maintain an adequate temperature within the Demised Premises during Tenant's business hours and at such temperatures during non-business hours to prevent the freezing of any pipes or plumbing facilities. Tenant agrees to keep in force a standard maintenance agreement, at the sole expense of Tenant, and to furnish a copy of such agreement to Landlord upon request. If Tenant does not provide such maintenance agreement, Landlord shall have the right to enter into such agreement on behalf of Tenant at Tenant's sole cost and expense.

Section 8.5. Electricity and other Meters. Meters to measure electricity and gas consumed at the Demised Premises have been installed in the Demised Premises so that electricity and gas may be measured separately. Tenant shall make its own arrangements with the utility company supplying the utilities for service. Tenant shall take good care of any meter which measures the consumption of utilities at the Demised Premises and all equipment installed in connection therewith, at Tenant's sole cost and expense, and make all repairs thereto as and when necessary to ensure that any such meter is, at all times during the Lease Term, in good working order. Tenant shall make all appropriate applications to the local utility companies at such times as shall be necessary to ensure that utilities are available at the Demised Premises, and shall pay all required deposits, connection fees and/or charges for meters within the applicable time period set by the local utility company. Tenant shall be solely responsible for and promptly pay all charges for heat, water, electricity, sewer rents or charges, and any other utility used or consumed in the Demised Premises or in providing heating and air-conditioning to the Demised Premises, including in each instance, all sales and other taxes applicable to the sale or supply of such utilities,
ARTICLE 9. LIENS

Section 9.1. Discharge of Liens. Tenant shall, prior to the commencement of any work upon the Demised Premises, do all things necessary to prevent the filing of any mechanics’ or other liens against the Industrial Center, the Demised Premises or any part thereof by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant or anyone holding the Demised Premises, or any part thereof, through or under Tenant. If any such lien or notice thereof shall at any time be filed against the Demised Premises, then Tenant shall either cause the same to be discharged of record within twenty (20) days after notice of the date of filing of the same or, if Tenant, in Tenant's discretion and in good faith, determines that such lien should be contested, furnish such security as may be necessary or required, as determined by Landlord, to prevent any enforcement or foreclosure proceedings against the Demised Premises during the pendency of such contest. If Tenant shall fail to discharge such lien within such period or fail to furnish such security, then, in addition to any other right or remedy of Landlord resulting from such default, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien in such manner as is, or may be, prescribed by law. Tenant shall repay to Landlord, as Additional Rent, all sums disbursed or deposited by Landlord pursuant to the foregoing provisions of this Section 9.1, including interest and the costs, expenses and reasonable attorneys' fees incurred by Landlord in connection therewith.

ARTICLE 10. MAINTENANCE, REPAIR AND ALTERATIONS

Section 10.1. Landlord and Tenant Repair. Landlord shall (i) make structural repairs to the exterior walls, common exterior facade, roof and foundation of the Building, (ii) maintain the Common Facilities in good order and conditions and properly lighted, to include prompt repair and restriping when required in the parking area, prompt cleaning and removal of snow and ice, landscaping (grass cutting, weed control, shrub replacement and maintenance) and all other services necessary to operate a first-class Industrial Center, and (iii) maintain utility lines, drains, and related facilities, serving all tenants of the Industrial Center), (iv) clean the exterior of the Building, including glass, and (v) replace any cracked or broken glass (“Landlord's Repairs”) excepting, in each case, any work done by Tenant or by Landlord for Tenant; provided, however, that in each case Tenant shall have given Landlord prior written notice of the necessity of such repairs. The cost of all repairs made by Landlord shall be included in the Tenant's Pro-rata Share of Complex Operating Costs pursuant to Paragraph 4.4 of this Lease. If any such repair is required by reason of the act, omission or negligence, improper conduct of Tenant or any of its contractors, agents, invitees, delivery men, vendors, distributors, employees or other person using the Demised Premises with Tenant's consent, express or implied, or Tenant's failure to perform any of its obligations under this Lease, then Landlord may, at its option, make such repair and Tenant shall pay to Landlord, as Additional Rent, upon demand, the reasonable cost of such repairs plus interest from the date of such repair by Landlord until such payment is made by Tenant to Landlord. Except as hereinbefore provided, Tenant covenants and agrees to keep and maintain in good working order, condition and repair the Demised Premises and every part thereof, including fixtures and equipment therein, the exterior and interior portions of all loading docks, doors, door
checks, security gates, all Building systems, including plumbing and sewage facilities within the Demised Premises (and the free flow of sewer lines therein) and all sprinkler, heating, air conditioning, ventilation, mechanical, electrical and lighting systems and all fixtures, interior walls, floors and ceilings within the Demised Premises. Tenant shall accomplish any and all repairs, alterations, replacements and modifications at its own expense, using materials and labor of kind and quality equal to the original work. As a material inducement to Landlord to enter into this Lease and to accept Tenant's use of the Demised Premises as herein permitted, Tenant covenants and agrees to and with Landlord that Tenant shall, at its sole cost and expense, surrender the Demised Premises and all areas of the Industrial Center subjected to Tenant's use at the expiration or earlier termination of this Lease broom clean, with Tenant's personal property, furniture, fixtures and equipment and all Designated Alterations removed. Landlord and Tenant's obligations under this Section 10.1 shall be subject to the provisions of Section 13.6(b) and the so-called "waiver of subrogation" provisions referred to therein.

If any repairs required to be made by Tenant hereunder are not made within twenty (20) days after written notice delivered to Tenant by Landlord, or if such repairs are of a nature that they cannot be completed within twenty (20) days, then if Tenant, within such twenty (20) day period has not commenced such repair or having commenced such repairs, thereafter fails to diligently complete such repairs, then Landlord may, at its option, make such repairs without liability to Tenant for any loss or damage which may result to its inventory or business by reason of such repairs, and Tenant shall pay to Landlord, as Additional Rent, upon demand, the reasonable cost of such repairs plus interest from the date of payment by Landlord until repaid by Tenant.

Except as provided herein, Landlord shall have no obligation to repair or maintain the Demised Premises, or any part thereof, or any Building system therein, including, without limitation, the plumbing, heating, electrical, air-conditioning or other mechanical installations therein.

Section 10.2. Fixtures and Signs. Tenant shall not install or fix any sign, device, fixture or attachment on or to the exterior or interior of the Demised Premises or Building, nor place any vents, structure, building, improvement, sign or advertising device or obstruction of any type or kind upon the Common Facilities or on or to the exterior or interior of the Demised Premises, without first obtaining Landlord's written consent, which may be withheld in Landlord's sole and absolute discretion. If Tenant shall do any of the foregoing acts in contravention of this provision, then Landlord shall have the right to remove any such decoration, paint, alteration, sign, device, fixture or attachment, etc., and restore the Demised Premises and/or the Common Facilities to the condition thereof prior to such act, and the cost of such removal and restoration shall be paid by Tenant as an additional charge. Any signage approved for Tenant shall be installed, maintained and at the termination or expiration of this Lease removed by Tenant at Tenant's sole cost, expense and risk.

Throughout the term of this Lease, Landlord reserves the right to remodel or renovate the Building facade and to require Tenant to replace, at its sole expense, its existing signage once during the original term of this Lease to conform to Landlord's common signage scheme for the Building as to sign size, location and material, but using Tenant's standard logo and sign colors.
Section 10.3. Construction Standards. All construction work done by Tenant within the Demised Premises shall be performed in compliance with Article 5 hereof. Tenant shall, at Tenant's sole cost and expense, erect and install a temporary enclosure, subject to Landlord's reasonable approval, which structure shall enclose all of the Demised Premises during construction therein, and which enclosure shall meet all state and local fire codes and Landlord's insurance standards.

ARTICLE 11. ENTRY, INSPECTION, POSTING AND DISPLAY

Section 11.1. Posting Notices. With not less than two (2) business days' prior notice and, at Tenant's option accompanied by a representative of Tenant, Tenant shall permit Landlord and any authorized representative of Landlord to enter the Demised Premises at all reasonable times during business hours for any of the following purposes: serving or posting or keeping posted thereon notices required by any law or which Landlord may reasonably deem necessary or appropriate for the protection of Landlord or its interest; inspecting the Demised Premises; inspecting the heating and air-conditioning service facilities and sprinkler facilities; any other reason that may be necessary to comply with any laws, ordinances, rules, regulations or requirements of any public authority or any applicable standards that may from time to time be established by all carriers of insurance on the Demised Premises, any Board of Underwriters, Rating Bureaus or similar bodies or that Landlord may deem necessary to prevent waste, loss, damage, or deterioration to or in connection with the Demised Premises. Nothing herein shall imply any duty upon the part of Landlord to do any work which, under any provision of this Lease, Tenant may be required to perform, and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform the same. Landlord may, during the progress of any work on the Demised Premises, keep and store upon the Demised Premises all necessary materials, tools and equipment without the same constituting a constructive eviction of Tenant in whole or in part, and the rents reserved shall not abate while said work is in progress by reason of loss or interruption of Tenant's business or otherwise. Landlord shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business or other damage of Tenant by reason of the performance of any work on the Demised Premises, or on account of bringing materials, supplies and equipment into or through the Demised Premises during the course of work on or in or under the Demised Premises, and the obligations of the Tenant under this Lease shall not thereby be affected in any manner whatsoever. However, Landlord, in connection with the doing of any such work, shall use reasonable efforts to minimize interference with Tenant's business without any obligation to utilize labor at overtime or other premium pay rates.

Section 11.2. Entry to Demised Premises. With not less than two (2) business days' prior notice and, at Tenant's option accompanied by a representative of Tenant, Landlord and any authorized representative of Landlord may enter the Demised Premises at all reasonable times during business hours for the purpose of exhibiting the same to prospective purchasers, mortgagees, and, during the final twelve (12) months of the Lease Term, may exhibit the Demised Premises for hire.

Section 11.3. Landlord's Easement. Tenant hereby grants to Landlord such licenses and easements in, over or under the Demised Premises or any portion or portions thereof as shall be reasonably required for the installation or maintenance of mains, conduits, pipes, ducts or other facilities to serve the Industrial Center, or any part thereof, including, but not by way of limitation,
the premises of any other tenant or occupant; provided, however, that no exercise, occupancy under or enjoyment of any such license or easement shall result in the permanent unreasonable interference with Tenant's use of the Demised Premises as contemplated by this Lease.

ARTICLE 12. LAWS AND INSURANCE STANDARDS

Section 12.1. Tenant's Compliance With Laws and Insurance Standards. Tenant shall, during the Lease Term and at Tenant's sole cost and expense, promptly comply in every respect with the following: all codes, laws, ordinances, rules and regulations of all federal, state, county and municipal governments, including without limitation, all Environmental Laws (hereinafter defined) now in force or that may be enacted hereafter; all requirements of the American with Disabilities Act of 1990, as the same may be hereafter modified from time to time; all directions, rules and regulations of the fire marshal, health officer, building inspector, zoning official and/or other proper officers of the governmental agencies having jurisdiction over the Demised Premises; all carriers of insurance on the Demised Premises, any Board of Underwriters, Rating Bureau and any similar bodies, which are applicable to Tenant's use and occupancy of the Demised Premises. Tenant shall, at Tenant's sole cost and expense, make all changes to the Demised Premises which are or hereafter may be required in order to comply with the foregoing. Tenant expressly covenants and agrees to indemnify and save Landlord harmless from any penalties, damages or charges imposed for any violation of any and all laws, ordinances, rules or regulations or violations of the covenants herein expressed, whether occasioned by Tenant or any person upon the Demised Premises. Tenant shall not do, suffer or permit anything to be done in or about the Demised Premises or the Industrial Center which would: (a) subject Landlord to any liability for injury to any person or property, (b) cause any increase in the insurance rates applicable to the Industrial Center, or (c) result in the cancellation of, or the assertion of any defense by any insurer to any claim under, any policy of insurance maintained by or for the benefit of Landlord.

Section 12.2. Tenant's Use of Demised Premises Impaired. Tenant shall have no claim against Landlord for any damages should Tenant's use and occupancy of the Demised Premises for the purpose set forth in this Lease be prohibited or substantially impaired by reason of any law, ordinance or regulation of federal, state, county or municipal governments or by reason of any act of any legal or governmental or other public authority.

ARTICLE 13. INDEMNIFICATION OF LANDLORD AND LIABILITY INSURANCE

Section 13.1. Tenant Indemnity. Except to the extent caused by the negligence or willful misconduct of Landlord, its agents, employees or contractors, (a) Tenant hereby indemnifies and agrees to defend and hold Landlord and its lenders, managing agents and its and their respective members, partners, affiliates, principals, shareholders, officers, directors, members, trustees, fiduciaries, servants, agents and employees free and harmless from and against all suits, causes, actions, damages, liabilities, penalties, costs, charges, fees and expenses (including without limitation, attorneys' fees and disbursements), including without limitation, any claim relating to with loss of life, personal injury or property damage incurred in connection with or arising from (i) a breach by Tenant under this Lease or (ii) any occurrence in, upon, at or from the Demised Premises or (iii) the occupancy or use by Tenant of the Demised Premises or (iv) subject, to Section 13.5(b) below, any act or omission by Tenant, its agents, contractors, employees, invitees, licensees or concessionaires, whether or not occurring or resulting in damage or injury within the
Demised Premises or upon the Common Facilities and whether or not any such act or omission constitutes a violation of law or this Lease; (b) Tenant shall store its property in and shall occupy the Demised Premises and all other portions of the Industrial Center at its own risk; Landlord shall not be responsible or liable at any time for any loss or damage to Tenant's merchandise, equipment, fixtures or other personal property of Tenant or to Tenant's business; (c) Landlord shall not be responsible or liable to Tenant, or to those claiming by, through or under Tenant, for any loss or damage to either the person or property of Tenant, or of those claiming by, through or under Tenant, that may be occasioned by or through the acts or omissions of persons occupying adjacent, connecting or adjoining premises; (d) Landlord shall not be responsible or liable for any defect, latent or otherwise, in any building in the Industrial Center or in any of the equipment, machinery, utilities, appliances or apparatus therein (provided that the foregoing shall not in any way reduce Landlord's repair, maintenance, replacement and restoration obligations set forth in this Lease); (e) Landlord shall not be responsible or liable for any injury, loss or damage to any person or to any property of Tenant or other person caused by or resulting from bursting, breakage or leakage, steam or snow or ice, running, backing up, seepage, or the overflow of water or sewage in any part of the Industrial Center or for any injury or damage caused by or resulting from any defect or negligence in the occupancy, construction or use of any building in the Industrial Center, or machinery, apparatus or equipment therein or thereon; or (f) by or from the acts of negligence of any occupant of the Industrial Center building. Providing Tenant has knowledge of same, Tenant shall give prompt notice to Landlord in case of fire or accidents in the Demised Premises or in the building of which the Demised Premises are a part and of defects therein or in any fixtures or equipment. Landlord shall in no event be liable for any damages arising from any act, omission or negligence of any other tenant at the Industrial Center. In case Landlord shall be made a party to any litigation commenced by or against Tenant through no fault of Landlord, its agents, contractors or employees, Tenant shall protect and hold Landlord harmless and shall pay all reasonable costs, expenses and attorney's fees in connection therewith. The obligations of Tenant under this Section shall survive the expiration or earlier termination of this Lease.

**Section 13.2. Tenant Liability Insurance.** Tenant shall at all times during the Lease Term maintain in full force and effect the following insurance in standard form generally in use in the state in which the Industrial Center is located with insurance companies with an AM Best rating of A/VII or better (or a comparable rating in the event that the AM Best rating is no longer published) and authorized to do business in said state:

(a) Commercial general liability insurance in the amount of at least One Million Dollars ($1,000,000) per any occurrence resulting in bodily injury, personal injury or property damage and fire legal liability in the amount of at least $500,000 per occurrence.

(b) Commercial Automobile Insurance covering all owned, non-owned and hired automobiles of Tenant including the loading and unloading of any automobile, truck or other vehicle with limits of liability not less than $1,000,000 combined single limit for bodily injury liability and property damage liability.

(c) umbrella Liability coverage with minimum limits of at least $10,000,000 each occurrence and $10,000,000 general aggregate, in excess of the general liability, commercial auto liability and employer's liability programs.
(d) Tenant shall require that all Contractor/Vendors (as defined in Section 13.5 below) Tenant hires to perform any alterations to the Demised Premises shall furnish Landlord and Tenant with certificates showing evidence of commercial general liability and damage insurance in the amount of at least $5,000,000 plus required workmen's compensation and employer's liability insurance coverage to the extent required by law.

(e) If Tenant uses, stores, handles, processes or disposes of Hazardous Materials in the ordinary course of its business, then Tenant shall maintain in full force and effect throughout the Lease Term, Environmental Impairment Liability Insurance (including coverage for claims involving infectious waste, biological agents, bacteria and viruses) with limits of not less than Five Million Dollars ($5,000,000.00) naming Tenant as insured, and Landlord as an additional insured, and providing coverage for bodily injury, property damage or injury or damage of actual, alleged or threatened emission, discharge, dispersal, seepage, release or escape of Hazardous Materials, including any loss, cost or expense incurred as a result of any cleanup of Hazardous Materials or in the investigation, settlement or defense of any claim, suit, or proceedings against Landlord or its management company arising from Tenant's use, storage, handling, processing or disposal of Hazardous Materials. This paragraph is not intended to limit or modify any of the prohibitions set forth in Article 26 in any way.

(f) Worker's compensation and employer's liability insurance to comply with the applicable laws of the state in which the Industrial Center is located.

Section 13.3. Landlord Indemnity. Except to the extent caused by the gross negligence or willful misconduct of Tenant, its agents, employees or contractors, Landlord hereby indemnifies and agrees to defend and hold Tenant and its managing agents and its and their respective members, partners, affiliates, principals, shareholders, officers, directors, members, trustees, fiduciaries, servants, agents and employers free and harmless from and against all suits, causes, actions, damages, liabilities, penalties, costs, charges, fees and expenses (including without limitation, attorneys' fees and disbursements), including without limitation, any claim relating to with loss of life, personal injury or property damage incurred in connection with or arising from (i) a breach by Landlord under this Lease or (ii) arising out of loss of life or personal injury upon, or from the Common Facilities which is caused by acts, failures, omissions or negligence of Landlord, its agents, employees or contractors. The obligations of Landlord under this Section shall survive the expiration or earlier termination of this Lease.

Section 13.4. Landlord Liability Insurance. During the Lease Term, Landlord, at its own expense, shall maintain comprehensive general public liability insurance against any claims upon Landlord arising from the ownership, operation or control of the Industrial Center with respect to bodily injury, death, property damage or other risks of similar nature with combined limits as Landlord deems appropriate, but in no event less than Five Million and 00/100 ($5,000,000) Dollars per occurrence.

Section 13.5. Contractors and Vendors. Prior to allowing a contractor or vendor (collectively and individually, "Contractor/Vendor") to perform work or services on the premises, the Tenant shall comply with the following requirements:
(a) Tenant shall require that Contractor/Vendor shall provide indemnification and insurance in accordance this Lease and any additional and reasonable insurance requirements by Landlord on an ad hoc basis; and

(b) To the extent permitted by applicable law and subject to the terms of this section, Tenant agrees to indemnify the Landlord and its lenders, managing agents and its and their respective members, partners, affiliates, principals, shareholders, officers, directors, members, trustees, fiduciaries, servants, agents and employees for any suits, damages, liabilities, professional fees, including attorneys' fees, costs, court costs, expenses and disbursements related to death, personal injuries or property damage (including loss of use thereof) brought or assumed against any of the Landlord and its lenders, managing agents and its and their respective members, partners, affiliates, principals, shareholders, officers, directors, members, trustees, fiduciaries, servants, agents and employees by any person or firm, arising out of or in connection with or as a result of or consequence of the Contractor/Vendor's presence on the premises or the performance of the work or services, whether or not caused in whole or in part by the Tenant or any person or entity employed/engaged, either directly or indirectly, by the Tenant, including any Contractor/Vendor and their employees. The parties expressly agree that this indemnification agreement contemplates (i) full indemnity in the event of liability imposed against Landlord and its lenders, managing agents and its and their respective members, partners, affiliates, principals, shareholders, officers, directors, members, trustees, fiduciaries, servants, agents and employees without negligence and solely by reason of statute, operation of law or otherwise; and (ii) partial indemnity in the event of any actual negligence on the part of Landlord and its lenders, managing agents and its and their respective members, partners, affiliates, principals, shareholders, officers, directors, members, trustees, fiduciaries, servants, agents and employees either causing or contributing to the underlying claim in which case, indemnification will be limited to any liability imposed over and above that percentage attributable to actual fault whether by statute, by operation of law, or otherwise. Where partial indemnity is provided under this agreement, costs, professional fees, attorneys' fees, expenses, disbursements, etc. shall be indemnified on a pro rata basis. Attorneys' fees, court costs, expenses and disbursements shall be defined without limit to include those fees, costs, etc. incurred in defending the underlying claim and those fees, costs, etc. incurred in connection with the enforcement of this Section 13.5 by way of cross-claim, third-party claim, declaratory action or otherwise.


(a) The insurance and certificates required in subsections 13.2(a) through (c) above shall be endorsed (using form CG 2010 (11/85) or its equivalent) to include Landlord (and any other parties requested by Landlord) as an additional insured for the full amount of the insurance herein required, contain a Primary and not Contributory Endorsement, and confirm that such policy provides coverage for damages which the Tenant is obligated to pay by reason of the assumption of liability in the indemnity agreement(s) within this Lease. Each policy required to be maintained by Tenant or any Contractor/Vendor under this Lease shall contain an endorsement requiring the insurer to give Landlord (30) days' prior written notice of cancellations, nonrenewal of or material changes in such policy. With respect to each and every policy of such insurance required to be maintained by Tenant and each renewal thereof, Tenant, at least five (5) days prior to the beginning of the Lease Term (and prior to Tenant entering on the Demised Premises) and thereafter not less than twenty (20) days prior to the expiration of any such policy, shall furnish Landlord with a
(b) Notwithstanding anything to the contrary contained in this Lease, each party hereto, on behalf of itself and on behalf of anyone claiming under or through it by way of subrogation or otherwise, waives all rights and causes of action against the other party, and the officers, directors or employees of the other party, for any liability arising out of any loss or damage in or to the Building, the Demised Premises and their contents caused by

1. any peril normally covered under "all-risk" or "Special Form" policies issued in the State of New Jersey (whether or not such party actually carries such insurance policies and without giving effect to any deductibles or self-insurance retainage), or

2. if the scope of coverage is broader than in (1) above, then any peril actually covered under the insurance maintained by such party.

To the extent permitted by applicable laws, this release and waiver shall be complete and total even if such loss or damage may have been caused by the negligence of the other party, its officers, employees, agents, directors, contractors or invitees and shall not be affected or limited by the amount of insurance proceeds available to the waiving party, regardless of the reason for such deficiency in proceeds. If any additional charge or increase in premium is made by the insurer because of this waiver of subrogation, then the party in whose favor the waiver was obtained shall pay such additional charge or increase in premium; failure to pay the increase in premium will void the release and waiver benefiting such party but shall not affect the benefit of the corresponding release and waiver enjoyed by the other party. However, if one party's insurance carrier prohibits waiver of subrogation regardless of premium, then the other party's release and waiver shall become null and void, it being understood that in this instance each waiver is given in consideration for the other. Each party covenants that from and after the date possession of the Leased Premises is delivered to Tenant its property damage insurance policies will contain waiver of subrogation endorsements, and that if such endorsements, for any reason whatsoever, are about to become unavailable, it will give the other party not less than thirty (30) days prior written notice of such impending unavailability. In the event of such unavailability each party shall use its commercially reasonable efforts to name the other party as an additional insured (but not loss payee) on its property damage insurance policies.

ARTICLE 14. FIRE INSURANCE, DAMAGE AND DESTRUCTION

Section 14.1. Landlord Insurance. At all times during the Lease Term, Landlord shall maintain in effect with a responsible insurance company or companies with an AM Best rating of A or better (or a comparable rating in the event that the AM Best rating is no longer published), policies of insurance covering the building of which the Demised Premises constitute a part, providing protection to the extent of not less than the full replacement cost of the Building against all casualties included under standard insurance industry practices within the classification "All Risk." Nothing in this Section shall prevent the taking out of policies of blanket insurance, which may cover real and/or personal property and improvements in addition to the building of which the Demised Premises constitutes a part; provided, however, that in all other respects each such policy shall comply with the other provisions of this Section 14.1.
Section 14.2. Tenant Insurance. At all times during the Lease Term, Tenant shall pay all premiums for and maintain in effect, with a responsible insurance company or companies with an AM Best rating of ANII or better (or a comparable rating in the event that the AM Best rating is no longer published) licensed to do business within the state in which the Industrial Center is located, policies of insurance for the benefit of Tenant, as follows:

(a) Insurance covering Tenant's trade fixtures, furniture, furnishings, equipment and other installations of Tenant not otherwise covered under Landlord's insurance coverage as described in Section 14.1 above, providing protection to the extent of not less than the full replacement cost thereof against all casualties included under standard insurance industry practices within the classification "All Risk" (including terrorism, flood and earthquake) and insurance covering sprinkler leakage, unless Tenant's insurance otherwise includes sprinkler leakage coverage.

(b) Plate glass insurance covering the plate glass in the Demised Premises; provided, however, Tenant may satisfy this requirement by self-insuring and in the event of damage or destruction to said plate glass immediately replacing same.

(c) Insurance covering the full replacement cost of any Tenant's Work against all casualties included under standard insurance industry practices within the classification "All Risk" which insurance shall be maintained, and under no circumstances terminated by Tenant.

(d) Such other insurance against such other hazards and in such amounts as may be customarily carried by tenants, owners and operators of similar properties as Landlord may reasonably require for its protection from time to time during the Lease Term.

Section 14.3. Landlord Repair. If the Demised Premises shall be damaged by any fire or casualty covered under the Landlord's insurance policy pursuant to Section 14.1 and Landlord shall not elect to cancel this Lease pursuant to the provisions of Section 14.4, Landlord shall, upon receipt of the insurance proceeds, repair the same; provided, however, the obligation of Landlord to restore the Demised Premises as herein provided shall be limited to such restoration as can be financed by such insurance proceeds as shall actually be received by Landlord, free and clear from collection by any mortgagees and after deducting the cost and expense, if any, including attorney's fees of settling with the insurer. In the event the proceeds received are not sufficient to fully restore the Demised Premises and Landlord elects not to fully restore the Demised Premises, Tenant shall have the right to terminate this Lease upon notice to Landlord. In no event shall Landlord be required to insure Tenant's personal property, Tenant's Work or any work performed by Landlord on Tenant's behalf (other than Landlord's Work) and Landlord shall have no obligation to repair or restore the same.

Section 14.4. Lease Termination. If the Demised Premises (a) by reason of a loss are rendered untenable or (b) should be damaged as a result of a risk which is not covered by Landlord's insurance or (c) should be damaged in whole or in part during the last twelve (12) months of the Lease Term or any renewal term thereof or (d) if any or all of the buildings or Common Facilities of the Industrial Center are damaged, whether or not the Demised Premises are damaged, to such an extent that the Industrial Center cannot, in the reasonable judgment of Landlord, be operated as an integral unit, then, or in any such event, Landlord may either elect to repair the damage or may cancel this Lease (provided if Landlord elects to cancel this Lease,
Landlord must have also elected to cancel or terminate all other similarly affected leases in the Building). Landlord shall give the Tenant written notice of its election to terminate or to continue the Lease within ninety (90) days after such event. In the event of termination, this Lease shall expire at the end of the calendar month in which such notice of termination is given, and Tenant shall vacate and surrender the Demised Premises to the Landlord. In the event of notice by Landlord that Landlord has elected to continue this Lease, Landlord and Tenant shall commence their respective obligations for repair as soon as is reasonably possible and prosecute the same to completion with all due diligence.

Section 14.5. Rent Abatement. The Minimum Rent and all Additional Rent shall be abated proportionately with the degree in which Tenant's use of the Demised Premises is impaired during the period of any damage, repair or restoration provided for in this Article 14; provided that in the event Landlord elects to repair the damage insurable under Landlord's policies, any abate ment of rent shall end five (5) days after notice by Landlord to Tenant that the Demised Premises have been repaired. Tenant shall continue the operation of its business on the Demised Premises during any such period to the extent reasonably practicable from the standpoint of prudent business management. Except for the abatement of Minimum Rent and Additional Rent hereinabove provided, Tenant shall not be entitled to any compensation or damage for loss in the use of the whole or any part of the Demised Premises and/or any inconvenience or annoyance occasioned by any damage, destruction, repair or restoration.

Section 14.6. Tenant Repairs. Unless this Lease is terminated by Landlord or Tenant, Tenant shall repair, restore and refixture all parts of the Demised Premises which Landlord is not obligated to restore pursuant to Section 14.3 in a manner and to a condition substantially equal to that existing prior to its destruction or casualty, including, but not by way of limitation, all exterior signs, trade fixtures, equipment, display cases, furniture, furnishings and other installations of personality of Tenant.

Section 14.7. Tenant Termination Right. A. In the event (a) the Demised Premises or Building shall be damaged by fire or other casualty and Tenant shall be unable to use the Demised Premises for the Permitted Use (set forth in Section 1.9) or Tenant shall be denied reasonable access to the Demised Premises as a result of such damage and (b) Landlord shall give Tenant notice of its election to continue the Lease rather than terminate same pursuant to Section 14.4, then, if such damage is not repaired within the Casualty Restoration Period (as defined herein), Tenant shall have the following options:

(i) to give to Landlord, within ten (10) days next following the expiration of the Casualty Restoration Period, a five (5) days’ notice of termination of this Lease, or

(ii) to extend the Casualty Restoration Period for a further period of three (3) months by notice given to Landlord within ten (10) days after the expiration of the initial Casualty Restoration Period. In the event Tenant shall have given such notice to Landlord extending the initial Casualty Restoration Period and if such damage shall not have been repaired by Landlord within any extended Casualty Restoration Period, Tenant shall have the options to (a) further extend the Casualty Restoration Period for further successive periods of three (3) months, by notice given to Landlord within twenty (20) days after the expiration of any extended Casualty...
Restoration Period or (b) to give Landlord, within twenty (20) days after the expiration of any such extended Casualty Restoration Period a five (5) days' notice of termination of this Lease.

The term "Casualty Restoration Period" shall mean twelve (12) months after the date of such fire or other casualty.

B. Notwithstanding anything to the contrary contained in the provisions of Subsection A of this Section 14.7, in the event (a) the Demised Premises or Building shall be damaged by fire or other casualty and Tenant shall be unable to use the Demised Premises as a result of such damage and (b) Landlord shall not exercise the right to terminate this Lease in accordance with the provisions of Section 14.4, and (c) Landlord, in the opinion of Landlord's independent architect, shall determine that the repair of such damage to the Demised Premises or Building will reasonably require a period longer than twelve (12) months, Landlord shall within ninety (90) days after the date of such fire or casualty, give a notice to Tenant extending the initial Casualty Restoration Period to the date upon which Landlord estimates that such repair to the Demised Premises or Building shall be completed. In the event Landlord shall give such a notice under this Subsection B, then, the initial Casualty Restoration Period set forth in Paragraph A of this Section 14.7, shall be so extended and (b) Tenant shall have the further option to give to Landlord a five (5) days' notice of termination of this Lease within twenty (20) days next following the giving of such notice under this Subsection B by Landlord to Tenant extending the initial Casualty Restoration Period.

C. Time is of the essence with respect to the giving by Tenant to Landlord of any notice in accordance with the provisions of Subsections A and B of this Section 14.7 and in the event that Tenant shall fail to give any such notice within the time periods set forth therein, Tenant shall be deemed to have given to Landlord a notice pursuant to subdivision (ii) of Subsection A of this Section 14.7 extending the Casualty Restoration Period provided, however, that any five (5) days' notice of termination given by Tenant pursuant to the provisions of Subsection A or B of this Section 14.7 beyond the twenty (20) day period provided therein shall be void and of no force and effect.

D. In the event that Tenant shall give to Landlord within the applicable time periods set forth in the foregoing provisions of this Section a five (5) days' notice of termination of this Lease, this Lease and the Lease Term shall come to an end and expire upon the expiration of said five (5) days with the same effect as if the date of expiration of said five (5) days were the Expiration Date, the Minimum Rent and all increases thereof and Additional Rent shall be apportioned as of such date, and any prepaid portion of Minimum Rent and increases thereof or Additional Rent for any period after such date shall be refunded by Landlord to Tenant.

E. Nothing contained in the foregoing provisions of this Section 14.7 shall be deemed to affect the rights of Landlord to give to Tenant a notice of termination of this Lease in accordance with the provisions of Section 14.4.

F. Supplementing the foregoing, Landlord shall, within ninety (90) days after the occurrence of any of the type of casualty referred to in Section 14.7A(a), notify Tenant whether or not the repair therefor will reasonably require a period of longer than twelve (12) months to complete. If Landlord notifies Tenant that, in the opinion of Landlord's independent architect,
reasonably determined, such repair will take more than twelve (12) months to complete or in the event the occurrence of any type of casualty referred to in Section 14.7(A)(a) shall occur during the last two (2) years of the Lease Term or any renewal term thereof, Tenant shall have the single right to give to Landlord, within twenty (20) days' next following Landlord's notice, a five (5) day notice of termination of this Lease, time being of the essence with respect thereto. If Tenant fails to give such notice, Tenant shall not have the right to terminate this Lease except as otherwise expressly set forth in this Section and the foregoing provisions of this Section shall apply.

ARTICLE 15. EMINENT DOMAIN

Section 15.1. Entire Taking. In the event that the whole of the Demised Premises shall be taken under the power of eminent domain, this Lease shall thereupon terminate as of the date possession shall be so taken.

Section 15.2. Partial Taking Other than Demised Premises. If more than ten percent (10%) of the floor area of the Building in which the Demised Premises is located, whether or not any portion of the Demised Premises is included therein, is taken as aforesaid, then Landlord may, by written notice to Tenant, terminate this Lease, such termination to be effective as of the date possession shall be so taken.

Section 15.3. Partial Taking Demised Premises. In the event that a portion of the Demised Premises shall be taken under the power of eminent domain and the portion not so taken will not, in the reasonable business judgment of both Landlord and Tenant, be suitable for the operation of Tenant's business notwithstanding Landlord's performance of restoration as hereinafter set out in this Section, this Lease shall thereupon terminate as of the date possession of said portion is taken. In the event of any taking under the power of eminent domain which is not sufficiently extensive to render the Demised Premises unsuitable for the business of the Tenant, the provisions of this Lease shall remain in full force and effect, except that the Minimum Rent shall be reduced in the same proportion that the amount of Demised Premises taken bears to the original total Demised Premises immediately prior to such taking, and Landlord shall, upon receipt of the award in condemnation, make all necessary repairs or alterations to the building in which the Demised Premises are located so as to constitute the portion of the building not taken a complete architectural unit, but Landlord shall not be required to spend for such work an amount in excess of the amount received by Landlord as damages for the part of the Demised Premises so taken. "Amount received by Landlord" shall mean that part of the award in condemnation which is free and clear to Landlord of any collection by mortgagees for the value of the diminished fee, and after payment of all costs involved in collection including but not limited to attorneys fees. Tenant, at its own cost and expense, shall, with respect to all exterior signs, trade fixtures, equipment, display cases, furniture, furnishings and other installations of personality of Tenant, restore such part of the Demised Premises as is not taken to as near its former condition as the circumstances will permit.

Section 15.4. Condemnation Award. In the event the Demised Premises or any part thereof shall be taken or condemned either permanently or temporarily for any public or quasi public use or purpose by any competent authority in appropriate proceedings or by any right of eminent domain, the entire compensation award for both leasehold and reversion shall belong to the Landlord without any deduction therefrom for any present or future estate of Tenant, and
Tenant hereby expressly waives any claim and assigns to Landlord all its right, title and interest to any such award. However, Tenant shall be entitled to claim in such condemnation proceedings such award as may be allowed for relocation costs, fixtures and other equipment installed by it, but only to the extent that the same shall not reduce Landlord's award and only if such award shall be in addition to the award for the land and building (or portion thereof) containing the Demised Premises. To the extent that the Tenant has a claim in condemnation proceedings, as aforesaid, Tenant may claim for condemnors, but not from Landlord, such compensation as may be recoverable by Tenant.

Section 15.5. Rent Proration. If the Lease is terminated as provided in this Article 15, all rent and other charges shall be paid up to the date that possession is taken by public authority, and Landlord shall make refund of any rent and other charges paid by Tenant in advance and not yet earned. Further, in the event the square footage of the Demised Premises is reduced as a result of any such condemnation or taking, Tenant's Pro-Rata Share shall be reduced accordingly.

Section 15.6. Temporary Taking. Notwithstanding anything to the contrary in the foregoing provisions of this Article 15, the requisitioning of the Demised Premises or any part thereof by military or other public authority for purposes arising out of a temporary emergency or other temporary situation shall constitute a taking of the Demised Premises by eminent domain only when the use and occupancy by the requisitioning authority has continued for thirty (30) consecutive days. During such thirty (30) day period, and if this Lease is not terminated under the foregoing provisions of this Article 15, then for the duration of the use and occupancy of the Demised Premises by the requisitioning authority, the provisions of this Lease shall remain in full force and effect, except that the Minimum Rent shall be reduced in the same proportion that the amount of the Demised Premises requisitioned bears to the total Demised Premises, and Landlord shall be entitled to whatever compensation may be payable from the requisitioning authority.

ARTICLE 16. FINANCIAL INFORMATION; STATEMENT OF TENANT; AMENDMENT TO LEASE

Section 16.1. Delivery of Information. Tenant shall, at any time and from time to time within ten (10) days of written request by Landlord, deliver to Landlord any and all of the following:

(a) Such financial information concerning Tenant and Tenant's business operations as may reasonably be requested by a mortgagee or prospective mortgagee or purchaser of the Industrial Center or any part thereof; provided, however, Tenant shall not be required to deliver such financial information more than once in a twelve (12) month period and shall not be required to deliver any financial information if Tenant's financial statements are publicly available.

(b) An executed and acknowledged written declaration, prepared by Landlord and reasonably acceptable to Tenant: (1) ratifying this Lease; (2) expressing the commencement and termination dates hereof; (3) certifying that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writings as shall be stated and attached); (4) certifying that, to the extent of Tenant's knowledge, and if the same be true, that all conditions under this Lease to be performed by Landlord have been satisfied; (5) certifying that there are no known defenses or offsets against the enforcement of this Lease by the Landlord, or
stating those claimed by Tenant; (6) stating the amount of advance rental if any (or none if such is the case), paid by Tenant; (7) stating the date to which rental has been paid; and (8) certifying such other matters as shall be requested by Landlord or Landlord's lender or any superior lessor.

(c) An executed and acknowledged instrument, prepared by Landlord, amending this Lease in such respects as may be required by any mortgagee or prospective mortgagee, provided that any such amendment shall not alter or impair any of the rights and remedies of Tenant under this Lease or increase Tenant's financial obligations under this Lease in each case by more than a de minimis degree and Landlord pays Tenant's reasonable out of pocket attorneys' fees, in connection with any such amendment.

(d) Use of Information. Any financial information delivered pursuant to Section 16.1(a) and any statement delivered pursuant to Section 16.1(b) may be relied upon by any mortgagee or prospective mortgagee or purchaser; provided, however, that any such financial information and any such statement shall be utilized only for bona fide business reasons related to such mortgage or purchase.

ARTICLE 17. ASSIGNMENT, SUBLETTING AND HYPOTHECATION OF LEASE

Section 17.1. Assignment and Subletting. Except as herein provided, Tenant shall not, and shall not have the power to, transfer, assign, sublet, enter into license or concession agreements, change ownership, mortgage or hypothecate this Lease or Tenant's interest in and to the Demised Premises without first procuring the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Any attempted or purported transfer, assignment, subletting, license or concession agreement, change of ownership, mortgage or hypothecation without Landlord's written consent pursuant to this Section 17.1 or Section 17.2 shall be void and confer no rights upon any third person. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. If this Lease be assigned or if the Demised Premises or any part thereof be occupied by anybody other than Tenant, Landlord may collect rent from the assignee, or (with respect to a subletting, during the pendency of any uncured Default hereunder) the occupant, and apply the net amount collected to the rent reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this provision or the acceptance of the assignee, undertenant or occupant as Tenant. Nothing herein contained shall relieve Tenant or any Guarantor from its covenants and obligations for the term of this Lease. Tenant agrees to reimburse Landlord for Landlord's reasonable attorney's fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, license or concession agreement, change of ownership, mortgage or hypothecation of this Lease by Tenant or Tenant's interest in and to the Demised Premises up to a maximum of $3,500.00.

Section 17.2. Documentation Required. Each transfer, assignment, subletting, license, concession agreement, mortgage or hypothecation to which there has been consent shall be by an instrument in writing in form reasonably satisfactory to Landlord, and shall be executed by the transferor, assignor, sublessor, licensor, concessionaire, hypothecator or mortgagor and the transferee, assignee, sublessee, licensee, concessionaire or mortgagor in each instance, as the case may be; and each assignee shall agree in writing for the benefit of Landlord herein to assume, to be bound by, and to perform the terms, covenants and conditions of this Lease to be done, kept
and performed by Tenant, including the payment of all amounts due or to become due under this Lease directly to Landlord. Failure to first obtain in writing Landlord's consent or failure to comply with the provisions of this Section shall operate to prevent any such transfer, assignment, subletting, license, concession agreement or hypothecation from becoming effective.

Section 17.3. Voting Control. In the event the Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of such corporation or the sale or other transfer of a controlling percentage of the corporate stock of Tenant shall constitute an assignment of this Lease for all purposes of this Article 17; provided, however, that any transfer by inheritance or by any transaction in Tenant's stock or the stock of a corporation owning or controlling a majority of Tenant's stock which occurs on a major security exchange (including, but not limited to, NASDAQ or any successor thereto) shall not be considered an assignment hereunder. The term "controlling percentage," for the purpose of this Article 17, means the ownership of stock possessing, and of the right to exercise voting power of all classes of stock of such corporation issued, outstanding and entitled to vote for the election of directors, whether such ownership be direct or indirect ownership through ownership of stock possessing, and of the right to exercise, at least fifty-one percent (51%) of the total combined voting power of all classes of stock of another corporation or corporations.

In the event Tenant is a partnership or entity other than a corporation, any dissolution, merger, consolidation or other reorganization of such partnership or entity or the sale or transfer of a controlling percentage of such partnership or entity shall constitute an assignment of this Lease for all purposes of this Article 17; provided, however, that any transfer by inheritance or by any transaction in Tenant's stock or the stock of a corporation owning or controlling a majority of Tenant's stock which occurs on a major security exchange (including, but not limited to, NASDAQ or any successor thereto) shall not be considered an assignment hereunder. The term "controlling percentage," for the purpose of this Article 17, means the ownership of stock possessing, and of the right to exercise voting power of all classes of stock of such corporation issued, outstanding and entitled to vote for the election of directors, whether such ownership be direct or indirect.

Section 17.4. Tenant Includes Approved Assignees and Subtenants. In the event that Landlord shall agree to any transfer of Tenant's interest in this Lease, then the term "Tenant" shall thereafter be deemed to include, without further reference, the party to whom such interest is transferred, which is, for example, but without limiting the generality thereof, any subtenant, assignee, concessionaire or licensee. Except as otherwise expressly set forth herein, if the Lease be assigned or if the Demised Premises or any part thereof be occupied by anybody other than Tenant, then Landlord may collect rent from the assignee or occupant in accordance with the provisions of Section 17.1 above. Notwithstanding any assignment or sublease, Tenant shall remain fully liable and shall not be released from performing any of the terms of this Lease.

Section 17.5. Tenant Include Successors. All rights, obligations and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several and respective heirs, executors, administrators, successors, subtenants, licensees, concessionaires and assigns of the named Tenant herein, except as expressly provided in this Article; and if there shall be more than one Tenant they shall all be bound jointly and severally by the terms, covenants, conditions and agreements herein and the word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a Tenant herein, be the same one or more; and if there shall be more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof. No rights, however, shall inure to the benefit of any assignee of
Tenant unless the assignment to such assignee has been approved by Landlord in writing as aforesaid. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, a partnership, a corporation, a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

Section 17.6. Successor to Landlord Interest. The term "Landlord," as used in this Lease, so far as covenants, conditions and agreements on the part of the said Landlord are concerned, shall be limited to mean the party executing this Lease as Landlord, its successors and assigns, and in the event of any transfer or transfers of the interest of Landlord in the Industrial Center, the said Landlord (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance of all liability as respects the performance of any covenants, conditions and agreements on the part of said Landlord contained in this Lease thereafter to be performed, provided that any amount then due and payable to Tenant by Landlord, or the then grantor, under any provisions of this Lease, shall be paid to Tenant. It being intended by Landlord and Tenant that the covenants, conditions and agreements contained in this Lease on the part of the Landlord shall, subject as aforesaid, be binding on Landlord, its successors and assigns, only during and in respect of their respective successive periods of ownership. Further, Landlord's liability under this Lease shall be limited to and include only the interest of Landlord in the Industrial Center.

Section 17.7. Transfer Premium. If Landlord consents to any assignment of this Lease, or subletting of the Demised Premises or parts thereof (a "Transfer") then, as a condition thereto, which the parties hereby agree is reasonable, Tenant shall pay Landlord fifty percent (50%) of the Minimum Rent and Tenant's Pro-Rata Share of Complex Operating Costs received by Tenant from such Transfer in excess of the Minimum Rent and Tenant's Pro-Rata Share of Complex Operating Costs payable by Tenant under this Lease with respect to the Demised Premises or the portion thereof that is the subject of the Transfer, after deducting the reasonable expenses incurred by Tenant in connection with the Transfer (the "Transfer Premium"). Such Transfer Premium shall be paid promptly by Tenant upon Tenant's receipt from time to time of periodic payments from such transferee or such other time as Tenant shall realize a Transfer Premium from such transferee.

Section 17.8. Sublet Rights. A. (1) As long as Tenant is not in default under any of the terms, covenants or conditions of this Lease on Tenant's part to be observed and performed, Landlord agrees not to unreasonably withhold Landlord's prior consent to sublettings by Tenant of all or portions of the Demised Premises affected thereby, for the use expressly permitted in this Lease, and at no time shall there be more than three (3) occupants (inclusive of Tenant) in the Demised Premises, it being understood that any such occupant shall have a self-contained separately demised space with demising walls furnished and supplied by Tenant at Tenant's expense;

(2) Without Landlord's prior consent, Tenant shall not (a) negotiate or enter into a proposed subletting with any tenant, subtenant or occupant
of any space in the Building or (b) list or otherwise publicly advertise the Demised Premises or any part thereof for subletting at a rental lower than the Minimum Rent then in effect under this Lease;

(3) At least thirty (30) days prior to any proposed subletting, Tenant shall submit to Landlord a statement (the "Proposed Sublet Statement") containing the name and address of the proposed subtenant, the nature of the proposed subtenant's business and its current financial status, and all of the principal terms and conditions of the proposed subletting including, but not limited to, the proposed commencement and expiration dates of the term thereof; and

(4) Landlord may arbitrarily withhold consent to a proposed subletting if, (a) in Landlord's reasonable judgment, the occupancy of the proposed subtenant will tend to impair the character or dignity of the Building or impose any additional burden upon Landlord in the operation of the Building, or (b) the proposed subtenant shall be a person or entity with whom Landlord is then negotiating or discussing to lease space in the Building or (c) the proposed sublet rent is less than the fair rental value of the Demised Premises or (d) the proposed use of the Demised Premises is reasonably objectionable to Landlord, and

(5) Any Sublease consented to by Landlord must conform to the information contained in the Proposed Sublet Statement and shall expressly provide that (a) the subtenant shall obtain the provisions in its insurance policies to the effect that such policies shall not be invalidated should the insured waive, in writing, prior to a loss, any or all right of recovery against any party for loss occasioned by fire or other casualty which is an insured risk under such policies, as set forth in Article 14, and (b) in the event of the termination, re-entry or dispossess of Tenant by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublessor under the sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not (i) be liable for any previous act or omission of Tenant under such sublease, (ii) be subject to any offset which accrued to such subtenant against Tenant, (iii) be bound by any previous modification of such sublease or by any previous prepayment of more than one month's rent unless such modification or prepayment was previously approved by Landlord, (iv) be bound by any covenant to undertake or complete any construction of the premises, or any portion thereof, demised by such sublease and (v) be bound by any obligation to make any payment to or on behalf of the subtenant, except for services, repairs, maintenance and restoration provided for under the sublease to be performed after the date of such termination, re-entry or dispossess by Landlord under this Lease and to which Landlord is expressly required to perform under this Lease at Landlord's expense, it being expressly understood, however, that Landlord shall not be bound by any obligation to make payment to or on behalf of a subtenant with respect to construction performed by or on behalf of such subtenant in the subleased premises. Tenant shall reimburse Landlord on demand for any reasonable out of pocket costs or expense that may be actually incurred by Landlord's review of any Proposed Sublet Statement or in connection with any sublease consented to by Landlord, including, without limitation, any reasonable processing fee, reasonable attorneys' fees and disbursements and the reasonable costs of making investigations as to the acceptability of the proposed subtenant up to a maximum of $5,500.00. Further, the provisions of Section 17.7 with respect to payment of a Transfer Premium shall apply to each and every subletting consented to by Landlord.
B. Notwithstanding the foregoing provisions set forth in A hereof, Landlord shall have the following rights with respect to each proposed subletting by Tenant other than a subletting in accordance with the provisions of Section 17.10:

1. In the event Tenant proposes to sublet all or any portion of the Demised Premises pursuant to a transaction for which Landlord's consent is required, prior to entering into such sublease, Tenant shall have the right to advise Landlord in writing of its intention to sublet all or such portion of the Premises (hereinafter referred to as the "Prior Notice"). If Landlord does not notify Tenant within twenty (20) days after receipt of the Prior Notice that it intends to cancel this Lease with respect to the Demised Premises or the portion thereof intended to be sublet or to recapture the portion of the Demised Premises or portion thereof for the portion of the term described in the Prior Notice, Tenant shall have the right to sublet the Demised Premises or portion thereof described in the Prior Notice in subject to the terms and conditions of this Article 17, however, Landlord shall not have the right to terminate this Lease with respect to the Demised Premises or the portion thereof described in the Prior Notice.

2. In the event Tenant proposes to sublet all or substantially all of the Demised Premises for all or substantially all of the remainder of the Demised Term pursuant to a transaction for which Landlord's consent is required and Tenant has not given Landlord a Prior Notice, Landlord, at Landlord's option, may give to Tenant, within thirty (30) days after the submission by Tenant to Landlord of the Proposed Sublet Statement, a notice terminating this Lease on the date (referred to as the "Earlier Termination Date") immediately prior to the proposed commencement date of the term of the proposed subletting, as set forth in the Proposed Sublet Statement, and, in the event such notice is given, this Lease and the Lease Term shall come to an end and expire on the Earlier Termination Date with the same effect as if it were the Expiration Date, the Minimum Rent shall be apportioned as of said Earlier Termination Date and any prepaid portion of Minimum Rent and Additional Rent for any period after such date shall be refunded by Landlord to Tenant.

3. In the event Tenant proposes to sublet all or any portion of the Demised Premises for less than all or substantially all of the remainder of the Term pursuant to a transaction for which Landlord's consent is required and Tenant has not given Landlord a Prior Notice, Landlord, at Landlord's option, may give to Tenant, within thirty (30) days after the submission by Tenant to Landlord, of the Proposed Sublet Statement required to be submitted in connection with such proposed subletting, a notice electing to recapture the portion of the Demised Premises proposed to be sublet as designated on a plan (the "Recapture Premises") during the period (referred to as the "Recapture Period") commencing on the date (referred to as "Recapture Date") immediately prior to the proposed commencement date of the term of the proposed subletting, as set forth in the Proposed Sublet Statement, and ending on the proposed expiration date of the term of the proposed subletting, as set forth in the Proposed Sublet Statement, and in the event such notice is given the following shall apply:

   a. Tenant shall, at Tenant's cost, demise any such Recapture Premises prior to the commencement of the Recapture Period and the Recapture Premises shall be recaptured by Landlord during the Recapture Period;
(b) Tenant shall surrender the Recapture Premises to Landlord on or prior to the Recapture Date in the same manner as if said Recapture Date were the Expiration Date;

(c) During the Recapture Period, Tenant shall have no rights with respect to the Recapture Premises nor any obligations with respect to the Recapture Premises, including, but not limited to, any obligations to pay Minimum Rent or Additional Rent, applicable to the Recapture Premises and any prepaid portion of Minimum Rent allocable to the Recapture Period for the Recapture Premises shall be refunded by Landlord to Tenant;

(d) There shall be an equitable apportionment of any Additional Rent pursuant to Article 4 for the Lease Year in which said Recapture Date shall occur;

(e) Upon the expiration of the Recapture Period, the Recapture Premises shall be restored to Tenant, in the condition which existed immediately prior to the Recapture Date, ordinary wear and tear excepted, and Tenant shall have all rights with respect to the Recapture Premises which are set forth in this Lease and all obligations with respect to the Recapture Premises which are set forth in this Lease, including, but not limited to, the obligations for the payment of Minimum Rent and Additional Rent (as they would have been adjusted if Tenant occupied the Recapture Premises during the Recapture Period) during the period (referred to as the "Recapture Restoration Period") commencing on the date next following the expiration of the Recapture Period and ending on the Expiration Date, except in the event that Landlord is unable to give Tenant possession of the Recapture Premises at the expiration of the Recapture Period by reason of the holding over or retention of possession of any tenant or other occupant, in which event (i) the Recapture Restoration Period shall not commence and the Recapture Premises shall not be deemed available for Tenant's occupancy and Tenant shall not be required to comply with the obligations of Tenant under this Lease until the date upon which Landlord shall give Tenant possession of the Recapture Premises free of occupancies, (y) neither the Expiration Date nor the validity of this Lease nor the obligations of Tenant under this Lease shall be affected thereby, and (z) Tenant waives any rights to rescind this Lease and to recover any damages which may result from the failure by Landlord to deliver possession of the Recapture Premises at the end of the Recapture Period; Landlord agrees to institute, within thirty (30) days after the expiration of the Recapture Period, possession proceedings against any tenants and occupants who have not so vacated and surrendered all or any portions of the Recapture Premises and agrees to prosecute such proceedings with reasonable diligence; and

(f) There shall be an equitable apportionment of any Additional Rent pursuant to Article 4 for the Lease Year in which the Recapture Restoration Period shall commence. At the request of Landlord, Tenant shall execute and deliver an instrument or instruments, in form and substance reasonably satisfactory to Landlord, setting forth any modifications to this Lease contemplated in or resulting from the operation of the foregoing provisions hereof; however, neither Landlord's failure to request any such instrument nor Tenant's failure to execute or deliver any such instrument shall vitiate the effect of the foregoing provisions of this Section. The failure by Landlord to exercise any option under this Section with respect to any subletting shall not be deemed a waiver of such option with respect to any extension of such subletting or any subsequent subletting of the premises affected thereby or any other portion of the Premised Premises. Tenant shall indemnify Landlord from all loss, cost, liability, damage and
expense, including, but not limited to, reasonable counsel fees and disbursements, arising from any claims against Landlord by any broker or other person, for a brokerage commission or other similar compensation in connection with any such proposed subletting, in the event (a) Landlord shall (i) fail or refuse to consent to any proposed subletting, or (ii) exercise any of its options under this Section, or (b) any proposed subletting shall fail to be consummated for any reason whatsoever.

Section 17.9. Merger/Consolidation/Asset or Stock Sale. Notwithstanding anything contained in this Article 17 to the contrary, as long as Tenant is not in default under any of the terms, covenants or conditions of this Lease on Tenant's part to be observed and performed, beyond applicable notice and cure periods, Tenant shall have the right, without the prior consent of Landlord, to assign Tenant's interest in this Lease to any person, corporation, partnership, or other business entity which is a successor of Tenant, either by (i) merger or consolidation or (ii) the purchase of all or substantially all of the (x) assets or stock, and (y) business and goodwill of Tenant, provided that said person, corporation, partnership or other business entity which shall be Tenant following such merger, consolidation or asset purchase or Tenant following the transfer of stock, as the case may be, (the "Proposed Assignee") shall have a tangible net worth, as determined in accordance with generally accepted accounting principles consistently applied following the consummation of such transaction, at least equal to the greater of (x) that of Tenant named hereunder as of the date of this Lease and (y) that of Tenant immediately prior to such transaction (each required net worth, the "Required Net Worth") and provided further that such Proposed Assignee shall continue to operate the same business conducted by Tenant in the Demised Premises immediately prior to the transaction and the interest of Tenant in this Lease is not the sole asset of Tenant named herein and such assignment shall be for a bona fide business purpose and shall not be intended to circumvent the restrictions on assignment set forth in this Lease. At the time of said proposed assignment, Tenant shall deliver to Landlord a reasonably detailed statement of the financial condition of the aforesaid Proposed Assignee, prepared in accordance with generally accepted accounting principles applied on a consistent basis, sworn to by an executive officer or principal or partner of Tenant and the Proposed Assignee, and certified without qualification by a firm of reputable independent certified public accountants which statement shall reflect the financial condition of the aforesaid proposed assignee at that time after taking into account the consummation of the assignment of this Lease and any other transactions related thereto. Notwithstanding anything contained in this Section to the contrary, such assignment shall not be valid if the Proposed Assignee shall not have a tangible net worth following the consummation of such transaction at least equal to the Required Net Worth or the interest of Tenant named herein in this Lease is the sole or principal asset of Tenant named herein or such assignment is not made for a bona fide business purpose. Furthermore, no such assignment in connection with an asset sale shall be valid, unless, within ten (10) days after the execution thereof, Tenant shall deliver to Landlord (I) a duplicate original instrument of assignment in form and substance reasonably satisfactory to Landlord duly executed by Tenant, acknowledged before a notary public, in which Tenant shall (a) waive Tenant's right to receive all notices of default given to the assignee and all other notices of every kind or description, now or hereafter provided in this Lease, by statute or by rule of law; (b) acknowledge that Tenant's obligations with respect to this Lease shall not be discharged, released or impaired by (i) such assignment; (ii) any amendment or modification of this Lease (whether or not the obligations of the tenant under the Lease are increased thereby); (iii) any further assignment or transfer of the tenant's interest in this Lease;
any exercise, non-exercise or waiver by Landlord of any right, remedy, power or privilege under or with respect to this Lease; (v) any waiver, consent, extension, indulgence or other act or omission with respect to any of the obligations of Tenant under this Lease; (vi) any act or thing which, but for the provisions of such assignment, might be deemed a legal or equitable discharge of a surety or assignor, to all of which Tenant shall consent in advance; and (c) expressly waive and surrender any then existing defense to its liability thereunder; it being the purpose and intent of Landlord and Tenant that the obligations of Tenant hereunder as assignor shall be absolute and unconditional under any and all circumstances; and (II) an instrument in form and substance reasonably satisfactory to Landlord, duly executed by the Proposed Assignee, acknowledged before a notary public, in which such Proposed Assignee shall assume observance and performance of, and agree to be personally bound by, all of the terms, covenants and conditions of this Lease on Tenant's part to be performed. In addition, no such assignment in connection with a merger, consolidation or sale of stock or other equity interests in Tenant shall be valid unless within ten (10) business days after the consummation thereof, Tenant shall deliver to Landlord (xx) a copy of the certificate of merger or consolidation which was filed in the relevant jurisdiction, in the event the assignment was in connection with a merger or consolidation, or (yy) a statement identifying the purchaser(s) of the stock or other equity interests in Tenant, in the event the assignment was in connection with a sale of the stock or other equity interests in Tenant. The provisions of Section 17.7 relating to assignment consideration shall not be applicable to any proposed assignment of this Lease made in accordance with the provisions of this Section 17.9. In the event of any dispute between Landlord and Tenant as to the validity of any such assignment such dispute shall be determined by arbitration where designated by Landlord. Any such determination shall be final and binding upon the parties whether or not a judgment shall be entered in any court. If the determination of any such arbitration shall be adverse to Landlord, Landlord, nevertheless, shall not be liable for damages to Tenant and Tenant's sole remedy in such event shall be to have the proposed assignment deemed valid.

Section 17.10. Notwithstanding anything contained in this Article 17 to the contrary, as long as Tenant is not then in default (x) under any of the non-monetary terms, covenants or conditions of this Lease on Tenant's part to be observed or performed beyond the applicable notice and grace periods set forth in this Lease or (y) under the monetary terms, covenants or conditions of this Lease on Tenant's part to be observed or performed, Tenant shall have the right, without the prior consent of Landlord, to sublet to, or permit the use or occupancy of, all or any part of the Demised Premises by any subsidiary or affiliate (as said terms are defined in Subsection A above) of Tenant named herein for the use permitted in this Lease provided that such subsidiary or affiliate is in the same general line of business as the Tenant named herein and only for such period as it shall remain a subsidiary or affiliate of, and in the same general line of business as, the Tenant named herein. However, no such subletting shall be valid unless, prior to the execution thereof, Tenant shall give notice to Landlord of the proposed subletting, and within ten (10) days prior the commencement of said subletting, Tenant shall deliver to Landlord an agreement, in form and substance satisfactory to Landlord, duly executed by Tenant and said subtenant, in which said subtenant shall assume performance of and agree to be personally bound by, all of the terms, covenants and conditions of this Lease which are applicable to said subtenant and such subletting. Tenant shall give prompt notice to Landlord of any such use or occupancy of all or any part of the Demised Premises and such use or occupancy shall be subject and subordinate to all of the terms, covenants and conditions of this Lease. No such use or occupancy shall operate to vest in the user or occupant any right or interest in this Lease or the Demised Premises. The provisions of Section
17.7 relating to Landlord's rights to the Transfer Premium shall not be applicable to any proposed subletting to any such subsidiary or affiliate of Tenant pursuant to the provisions of this Section 17.10.

**ARTICLE 18. INTENTIONALLY DELETED**

**ARTICLE 19. SURRENDER OF PREMISES**

Section 19.1. Upon the expiration or sooner termination of this Lease, Tenant shall surrender to Landlord the Demised Premises, including, without limitation, all carpeting, additions, alterations, improvements, apparatus and fixtures, in good and broom clean condition and repair, as aforesaid in Section 10.1 hereof; provided, however, that Tenant (i) shall be required to remove unattached and moveable and trade fixtures and furniture and other personal property installed by Tenant and all Designated Alterations; and (ii) may be permitted to remove, upon written approval by Landlord, which approval shall not be unreasonably withheld, such other alterations, additions, improvements and fixtures installed by Tenant, and which are removable without material damage to the Demised Premises, and, in each instance, Tenant shall remove any Tenant's Work which has been designated in any notice from Landlord to Tenant in accordance with the provision of Section 5.11 and restore the affected portion of the Demised Premises to their original condition at Tenant's expense. Any unattached moveable fixtures and furniture installed by Tenant not removed by Tenant upon the expiration or sooner termination of the Lease as aforesaid for any reason whatsoever shall become the property of Landlord, and Landlord may thereafter, at Tenant's sole cost and expense, cause such property to be removed from the Demised Premises. Landlord shall not in any manner or to any extent be obligated to reimburse Tenant for any property which becomes the property of Landlord as a result of such expiration or earlier termination nor shall Landlord's retention or sale of such property waive any of Landlord's rights with respect to any default by Tenant under the foregoing provisions of this Section.

**ARTICLE 20. HOLDOVER BY TENANT**

Section 20.1. Rent In The Event Of Holdover. In the event that Tenant shall hold the Demised Premises after the expiration of the Lease Term without the express written consent of the Landlord, such holding shall be deemed to have created a tenancy from month to month terminable on thirty (30) days' written notice by either party to the other, upon a monthly rental basis, and otherwise subject to all terms and provisions of this Article 20. Such monthly rental shall be the greater of (i) 150% of the monthly rental in effect immediately prior to the expiration of the Lease Term or (ii) fair rental value.

Section 20.2. Liability In The Event Of Holdover. If the Tenant fails to surrender the Demised Premises within ninety (90) days after the expiration or earlier termination of this Lease, then Tenant shall, in addition to any other liabilities to Landlord accruing therefrom, indemnify and hold Landlord harmless from loss or liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded on such failure.
ARTICLE 21. ADDITIONAL CONSTRUCTION

Section 21.1. Construction By Landlord. Landlord hereby reserves the right, at any time and from time to time, providing reasonable access to the Demised Premises is not materially and adversely affected, to make alterations or additions to the Industrial Center, to build additional stories on the building in which the Demised Premises are contained and to build adjoining same and to construct other or add to other buildings or improvements in the Industrial Center; provided, however, that such construction or additions shall not unreasonably interfere with Tenant's use of the Demised Premises as permitted hereunder, except when such work is necessitated by emergency or required by structural need.

Section 21.2. Excavation. If an excavation shall be made upon land adjacent to the Demised Premises, then, Tenant shall permit the person authorized to cause such excavation license to enter upon the Demised Premises for the purpose of doing such work as such person deems necessary to preserve the wall or the building of which the Demised Premises form a part from damage and to support the same by proper foundations and Tenant shall not be entitled to any claim for damages or indemnification against Landlord nor shall Tenant be entitled to an abatement of rent. Reasonable efforts shall be taken to preserve vehicular and personnel access during any such work.

ARTICLE 22. DEFAULT; REMEDIES


(a) Each of the following events shall constitute a default under this Lease (each, a "Default"): (i) If Tenant, or any guarantor of Tenant's obligations hereunder (any such guarantor, a "Guarantor"), shall: (x) make an assignment for the benefit of creditors; or (y) file or acquiesce to a petition in any court (whether or not pursuant to any statute of the United States or of any State) in any bankruptcy, reorganization, composition, extension, arrangement or insolvency proceedings; or (z) make an application in any such proceedings for or acquiesce to the appointment of a trustee or receiver for it or all of any portion of its property.

(ii) If any petition shall be filed against Tenant, or any Guarantor, to which neither of them acquiesce in any court (whether or not pursuant to any statute of the United States or any State) in any bankruptcy, reorganization, composition, extension, arrangement or insolvency proceedings, and: (x) Tenant or any Guarantor shall thereafter be adjudicated a bankrupt; or (y) such petition shall be approved by any such court; or (z) such proceedings shall not be dismissed, discontinued or vacated within sixty (60) days.

(iii) If, in any proceeding, pursuant to the application of any Person other than Tenant, or any Guarantor to which neither of them acquiesce, a receiver or trustee shall be appointed for Tenant, or any Guarantor or for all or any portion of the property of either and such receivership or trusteeship shall not be set aside within sixty (60) days after such appointment.

(iv) If Tenant shall refuse to take possession of the Demised Premises within sixty (60) days after the Commencement Date.
If Tenant shall fail to pay any Minimum or Additional Rent (collectively, "Rent"), or any other charge required to be paid by Tenant hereunder, when the same shall become due and payable, and such failure shall continue for five (5) days after receipt of written notice that such payment was not received by Landlord.

If Tenant shall fail to perform or observe any other requirement of this Lease to be performed or observed by Tenant but not specifically referred to in this Section, and such failure shall continue for thirty (30) days after Landlord shall give written notice of the failure to Tenant. However, if Tenant's failure to comply cannot reasonably be cured within thirty (30) days, Tenant shall be allowed additional time as is reasonably necessary to cure the failure so long as: (1) Tenant commences to cure the failure within thirty (30) days of receipt of Landlord's notice, and (2) Tenant diligently pursues a course of action that will cure the failure and bring Tenant back into compliance with the Lease.

This Lease is subject to the following limitation: If at any time, a Default shall occur, then upon the happening of any one or more of the aforementioned Defaults, Landlord may give to Tenant a notice of intention to end the Term of this Lease at the expiration of five (5) days from the date of service of such notice of termination. At the expiration of such five (5) days, this Lease and the Term as well as all of the right, title and interest of Tenant hereunder shall wholly cease and expire, and Tenant shall then quit and surrender the Demised Premises to Landlord. But notwithstanding such termination, surrender, and the expiration of Tenant's right, title and interest, Tenant's liability under all of the provisions of this Lease shall continue.

Section 22.2. Landlord's Re-Entry. In the event of a Default by Tenant hereunder, Landlord, or its agents or employees, may re-enter the Demised Premises at any time and remove therefrom Tenant, Tenant's Agents, subtenants, and any licensees, concessionaires or invitees, together with any of its or their property, either by summary dispossession proceedings or by any suitable action or proceeding at law or by force or otherwise and, in connection therewith, Landlord may repossess and enjoy the Demised Premises. Landlord shall be entitled to the benefits of all provisions of law respecting the speedy recovery of lands and tenements held over by Tenant, or proceedings in forcible entry and detainer. Tenant waives any rights to the service of any notice of Landlord's intention to re-enter provided for by any present or future law. Landlord shall not be liable in any way in connection with any action it takes pursuant to the foregoing. Notwithstanding any such re-entry, repossession, dispossession or removal, Tenant's liability under all of the provisions of this Lease shall continue. No such re-entry or taking possession of the Demised Premises by Landlord shall be construed as an election on its part to terminate this Lease unless notice of such intention be given to Tenant or unless the termination thereof shall result as a matter of law or be decreed by a court of competent jurisdiction. Notwithstanding any re-letting without termination, Landlord may at any time thereafter, elect to terminate this Lease for such previous breach.

Section 22.3. Deficiency.

In case of re-entry, repossession or termination of this Lease, whether the same is the result of the institution of summary or other proceedings or not, Tenant shall remain liable (in addition to accrued liabilities) to the extent legally permissible for: (i) (x) the Rent, and all other charges provided for herein until the date this Lease would have expired (or, in the alternative, as
liquidated damages, an amount equal to the Rent and such other charges) had such termination, re-entry or repossession not occurred; and (y) expenses to which Landlord may incur during the occupancy of any new tenant; minus (ii) the net proceeds of any re-letting. Tenant agrees to pay to Landlord the difference between items (i) and (ii) hereinafore with respect to each month, at the end of such month. Any suit brought by Landlord to enforce collection of such difference for any one month shall not prejudice Landlord's right to enforce the collection of any difference for any subsequent month. In addition to the foregoing, Tenant shall pay to Landlord such sums as the court which has jurisdiction thereover may adjudge reasonable as attorneys' fees with respect to any successful lawsuit or action instituted by Landlord to enforce the provisions hereof.

(b) Landlord, at Landlord's option, may re-let the whole or any part of said Demised Premises for the whole of the unexpired Lease Term, or longer, or from time to time for shorter period, for any rental then obtainable, giving such concessions of rent and making such special repairs, alterations, decorations and paintings for any new tenant as it may, in its sole and absolute discretion deem advisable. Landlord shall have no obligation to relet the Demised Premises or any part thereof and shall in no event be liable for refusal or failure to relet the Demised Premises or any part thereof, or, in the event of any such reletting, for refusal or failure to collect any rent due upon any such reletting, and no such refusal or failure shall operate to relieve Tenant of any liability under this Lease or otherwise to affect any such liability; Landlord, at Landlord's option, may make such repairs, replacements, alterations, additions, improvements, decorations and other physical changes in and to the Demised Premises as Landlord, in its sole discretion, considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease or otherwise affecting any such liability. Tenant's liability as aforesaid shall survive the institution of summary proceedings and the issuance of any warrant thereunder.

Section 22.4. Agreed Final Damages. If Landlord so elects, Tenant shall pay Landlord, on demand, as liquidated and agreed final damages, the Rent and all other charges which would have been payable by Tenant from the date of such demand to the date when this Lease would have expired if it had not been terminated as aforesaid, minus the fair rental value of the Demised Premises for the same period with such sums discounted to present value. Upon payment of such liquidated and agreed final damages, Tenant shall be under no further liability with respect to the period after the date of such demand.

Section 22.5. Waiver of Right of Redemption. Tenant hereby expressly waives (to the extent legally permissible), for itself and all persons claiming by, through, or under it, any right of redemption or for the restoration of the operation of this Lease under any present or future law in case Tenant shall be dispossessed for any cause, or in case Landlord shall obtain possession of the Demised Premises as herein provided. In the event Landlord commences any action or proceeding for non-payment of Minimum Rent or any items of Additional Rent due hereunder, Tenant shall not interpose any counterclaim of any nature or description in any such action or proceeding. The
foregoing, however, shall not be construed as a waiver of Tenant's right to assert such claim in a separate action or proceeding instituted by Tenant.

Section 22.6, Landlord's Right to Perform for Account of Tenant. If Tenant shall be in default hereunder after expiration of applicable notice and cure periods, Landlord or any mortgagee may, at any time thereafter, cure said default for the account and at the expense of Tenant. Tenant shall pay, with interest at the maximum legal rate, on demand, to Landlord, the amount so paid, expended, or incurred by Landlord or any mortgagee and any expense of Landlord or any mortgagee including attorneys' fees incurred in connection with such default plus administrative costs of Landlord or any mortgagee in an amount equal to ten (10%) percent of such costs and expenses, and all of the same shall be deemed to be Additional Rent.

Section 22.7, Additional Remedies, Waivers, etc. With respect to the rights and remedies of and waivers by Landlord: (a) the rights and remedies of Landlord set forth herein shall be in addition to any other right and remedy now and hereafter provided by law. Landlord may exercise such rights and remedies at such times, in such order, to such extent, and as often as Landlord deems advisable without regard to whether the exercise of one right or remedy precedes, concurs with or succeeds the exercise of another, (b) single or partial exercise of a right or remedy shall not preclude: (i) a further exercise thereof; or (ii) the exercise of another right or remedy, from time to time; (c) no delay or omission by Landlord in exercising a right or remedy shall exhaust or impair the same or constitute a waiver of, or acquiescence to a Default; (d) no waiver of a Default shall extend to or affect any other Default or impair any right or remedy with respect thereto; (e) no action or inaction by Landlord shall constitute a waiver of a Default; and (f) no waiver of a Default shall be effective, unless it is in writing.

Section 22.8, Distraint. In addition to all other rights and remedies, if Tenant shall be in Default hereunder, Landlord shall, to the extent permitted by law, have a right of distress for Rent and a lien on all of Tenant's fixtures, merchandise and equipment in the Demised Premises, as security for Rent and all other charges payable hereunder.

Section 22.9, Miscellaneous.
(a) No waiver of any covenant or condition or of the breach of any covenant or condition of this Lease by either Landlord or Tenant shall be taken to constitute a waiver of any subsequent breach of such covenant or condition or to justify or authorize the non-observance on any other occasion of the same or of any other covenant or condition hereof; nor shall the acceptance of Minimum Rent or any item of Additional Rent by Landlord at any time when Tenant is in Default under any covenant or condition hereof be construed as a waiver of such Default or of Landlord's right to terminate this Lease on account of such Default, nor shall any waiver or indulgence granted by Landlord to Tenant be taken as an estoppel against Landlord, nor shall any waiver or indulgence granted by Tenant to Landlord be taken as an estoppel against Landlord; it being expressly understood that if at any time Tenant shall be in Default in any of its covenants or conditions hereunder, an acceptance by Landlord of Minimum Rent or any item of Additional Rent during the continuance of such Default or the failure on the part of Landlord promptly to avail itself of such other rights or remedies as Landlord may have, shall not be construed as a waiver of such
Default, but Landlord may at any time thereafter, if such Default continues, terminate this Lease on account of such Default in the manner herein provided.

(b) In the event of any breach by Landlord or Tenant of any of the terms and provisions of this Lease, the non-defaulting party shall have the right to injunctive relief as if no other remedies were provided herein for such breach.

(c) The rights and remedies herein reserved by, or granted to, Landlord are distinct, separate and cumulative, and the exercise of any one of them shall not be deemed to preclude, waive or prejudice Landlord's right to exercise any or all others.

(d) Tenant hereby expressly waives any right to assert a defense based on merger and agrees that neither the commencement of any action or proceeding, nor the settlement thereof, nor the entry of judgment therein, shall bar Landlord from bringing any subsequent actions or proceedings from time to time.

(e) Tenant hereby waives the benefit of any provisions of the applicable statute of limitations as a defense in any action for collection of rentals or other charges accrued under this Lease which may be filed by Landlord against Tenant.

(f) Intentionally omitted.

(g) Wherever in this Lease, Landlord has reserved or is granted the right of “re-entry” into the Demised Premises, the use of such word is not intended, nor shall it be construed, to be limited to its technical legal meaning.

(h) In the event of any lawsuit or court action between Landlord and Tenant arising out of or under this Lease or the terms and conditions stated herein, the prevailing party in such lawsuit or court action shall be entitled to and shall collect from the non-prevailing party the reasonable attorney's fees and court costs actually incurred by the prevailing party with respect to said lawsuit or court action.

(i) Any action, suit or proceeding relating to, arising out of or in connection with the terms, conditions and covenants of this Lease may be brought in the courts of the State in which the Industrial Center is located. Each of Landlord and Tenant hereby waives any objection to jurisdiction or venue in any proceeding before said courts.

(j) LANDLORD AND TENANT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTERS IN ANY WAY ARISING OUT OF OR CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY STATUTE, EMERGENCY OR OTHERWISE.
ARTICLE 23. NO WAIVER

Section 23.1. No Waiver Except In Writing. Failure of Landlord or Tenant to insist upon the strict performance of any provisions hereof or of any rules and regulations promulgated hereunder or to exercise any option shall not be construed as a waiver for the future of any such provision or rule or option. The receipt by Landlord of any rent or other charge due hereunder with knowledge of the breach of any provision of this Lease shall not be deemed a waiver of such breach. No provision of this Lease shall be deemed to have been waived unless such waiver be in writing signed by the Landlord. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly rent shall be deemed to be other than on account of the earliest rent then unpaid nor shall any endorsement or statement or any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease, and no waiver by Landlord in respect to one tenant shall constitute a waiver in favor of any other tenant in the Industrial Center.

ARTICLE 24. NOTICES

Section 24.1. Addresses. Except as otherwise provided for herein, any notice, demand, request, consent, approval or other communication which either party hereto is required or desires to give, make, or communicate to the other shall be in writing and shall be given, made, or communicated only by nationally recognized courier service (e.g. Federal Express) providing dated evidence of receipt or refusal to accept delivery by the addressee, addressed, in the case of Landlord:

c/o GTJ Management, LLC
60 Hempstead Avenue, Suite 718
West Hempstead, NY 11552
Attention: Paul Cooper

with a copy to:

Marc J. Becker, Esq.
Goldfarb and Fleece LLP
560 Lexington Avenue, 61st Floor
New York, New York 10022

and addressed, in the case of Tenant, to Tenant's address contained in the preamble of this Lease, Attn: CFO, subject to the right of either party to designate a different address by notice similarly given, made or communicated, as the case may be, any such notice to be effective on the date when it shall have been delivered by such courier service or when delivery by such courier service was refused by the addressee. Refusal to accept delivery of any notice shall not limit or negate delivery of such notice or limit, negate or render ineffective any such notice.

ARTICLE 25. SUBORDINATION AND ATTORNMENT

Section 25.1. Subordination. This Lease and the rights of Tenant hereunder are and shall be automatically subordinate to the lien of any mortgage now or hereafter in force against the land.
and/or buildings of which the Demised Premises are a part against any buildings hereafter placed upon the land of which the Demised Premises are a part and to all advances made or hereafter to be made upon the security thereof, and to any and all extensions, renewals, modifications or replacements thereof, and to any ground or underlying lease of the land or buildings. The provisions of this Section 25.1 are self-operative and no further instrument of subordination shall be required. However, within ten (10) days of Landlord's written request, Tenant shall execute any commercially reasonable agreement reasonably required by any mortgagee or landlord, confirming the foregoing subordination of this Lease.

Section 25.2. Attornment. Tenant shall, in the event of the sale or assignment of Landlord's interest in the Building of which the Demised Premises form a part or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Landlord covering the Demised Premises, attorn to the purchaser and recognize such purchaser as Landlord under this Lease.

Section 25.3. Mortgagee Protection Clause. Tenant agrees to give any mortgagee and/or trustees under any deed of trust or land under any ground lease, by registered or certified mail or via a nationally recognized overnight courier service, a copy of any notice of default served upon Landlord under this Lease, provided that prior to such notice Tenant has been notified, in writing, of the address of such mortgagees and/or trust deed holders and/or landlords. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders and/or landlords shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, than such additional time as may be necessary if within thirty (30) days, any mortgagee and/or trust deed holder and/or landlord has commenced and is diligently pursuing the remedies necessary to cure such default, (including but not limited to commencement of foreclosure proceedings, if necessary to effect such cure) in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

Section 25.4. Landlord hereby agrees to request from its existing mortgagee of the Industrial Center, at no cost to Landlord, a subordination, non-disturbance and attornment agreement with Tenant which agreement will be on the mortgagee's standard form (with such commercially reasonable modifications as Tenant may request and which are acceptable to the mortgagee). In addition, Landlord hereby agrees to obtain from any such future mortgagee of the Industrial Center, at no cost to Landlord, a subordination, non-disturbance and attornment agreement with Tenant which agreement will be on the mortgagee's standard form (with such commercially reasonable modifications as Tenant may request and which are acceptable to the mortgagee).

ARTICLE 26. HAZARDOUS MATERIALS

Section 26.1. Tenant shall not cause any Hazardous Materials, as herein defined, or permit its agents, employees or contractors to cause any Hazardous Materials to be brought upon, stored, treated, used, produced, generated, emitted, disposed, discharged, or released (collectively known as “handled” or “handle”) upon, about, above or beneath the Demised Premises or the Industrial Center. Notwithstanding the foregoing, (i) normal quantities of those Hazardous Materials customarily used in the conduct of general administrative and executive office activities (e.g.,
copier fluids and cleaning supplies) may be used and stored at the Demised Premises without Landlord's prior written consent, and (ii) in connection with the Permitted Use of the Demised Premises, Tenant shall be allowed to receive and send shipments of Hazardous Materials, but only in compliance with all applicable Environmental Laws, as defined herein. These Hazardous Materials referred to in subdivisions (i) and (ii) of the preceding sentence shall be known as "Tenant's Hazardous Materials" and shall be handled in accordance with all applicable federal, state and local laws, statutes, ordinances, regulations, codes, rulings, policies, requirements, orders and decrees including, but not limited to, the Resource Conservation Recovery Act of 1976 (42 U.S.C. 6901 et seq.), as amended, and the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. 9601 et seq.), as amended (collectively known as "Environmental Laws") relating to the industrial hygiene, environmental protection or the handling, use, analysis, generation, manufacture, storage, presence, disposal or transportation of Hazardous Materials, defined below. Tenant hereby agrees to pay the costs of all remediation and corrective measures made necessary or desirable in the event that Tenant shall breach the provisions of this Article. Tenant hereby indemnifies and agrees to defend and hold harmless, Landlord and its managing agent and its or their respective affiliates, principals, shareholders, officers, directors, partners, members, trustees, fiduciaries, servants, agents and employees from and against any and all liabilities, damages, suits, actions, penalties, costs, charges, fees and expenses, including, without limitation, attorneys' fees and disbursements, for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) or otherwise resulting from Tenant's failure to comply with its obligations, duties and responsibilities under this Article. For purposes of this indemnity, Tenant shall have the burden of proof to establish any pre-existing environmental conditions affecting the Demised Premises by conducting an environmental audit of the property. Any acts or omissions of Tenant or its employees, agents, customers, invitees, sub-lessees, assignees, contractors or sub-contractors (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Tenant hereunder. Tenant agrees to execute affidavits, representations and the like from time to time at Landlord's request conveying Tenant's best knowledge and belief regarding the presence of Hazardous Materials in the Demised Premises.

Tenant shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Tenant's use of the Demised Premises, including, without limitation, discharge of (appropriately treated) materials or waste into or through any sanitary sewer system serving the Demised Premises. Except as discharged in strict accordance and conformity with all applicable Environmental Laws, Tenant shall cause any and all Hazardous Materials handled by or introduced by Tenant to be removed from the Demised Premises and transported solely by duly licensed facilities for final disposal of such Hazardous Materials. Tenant shall in all respects handle any and all Hazardous Materials in, on, under or about the Demised Premises in complete conformity with all applicable Environmental Laws and prudent industry practice regarding the management of such Hazardous Materials. All reporting obligations to the extent imposed upon Tenant by Environmental Laws are solely the responsibility of Tenant. Upon expiration or termination of this Lease, Tenant shall cause all Tenant's Hazardous Materials to be removed from the Demised Premises and transported for use, storage or disposal in accordance and in compliance with all applicable Environmental Laws. Tenant shall not take any remedial action in response to the presence of Hazardous Materials in, on or about the Demised Premises or in the Industrial Center, nor enter into any settlement agreement, consent, decree or other compromise in respect to any
claims relating to or in any way connected with the Demised Premises or the Industrial Center without first notifying Landlord of Tenant's intention to do so and affording Landlord thirty (30) days to appear, intervene or otherwise appropriately assert and protect Landlord's interest with respect thereto. In addition, at Landlord's request, at the expiration of the Lease Term, Tenant shall remove all tanks or fixtures which were placed on the Demised Premises during the Lease Term and which contain, have contained or are contaminated with, Hazardous Materials.

Tenant shall promptly notify Landlord in writing of (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Environmental Laws with respect to the Demised Premises; (b) any claim made or threatened by any person against Landlord or the Demised Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (c) any reports made to any environmental agency arising out of or in, on or about the Demised Premises or in connection with any Hazardous Materials removed from the Demised Premises, including any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant shall also provide to Landlord, as promptly as possible, and in any event within five (5) business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Demised Premises or Tenant's use thereof. Upon written request of Landlord (to enable Landlord to defend itself from any claim or charge related to any Environmental Law), Tenant shall promptly deliver to Landlord lists of Hazardous Materials removed or to be removed from the Demised Premises. All such lists shall list the Tenant or its agent as a responsible party and in no way shall attribute responsibility for any such Hazardous Materials to Landlord.

"Hazardous Materials" means: (a) any material or substance; (i) which is defined or becomes defined as a "hazardous substance," "hazardous waste," "infectious waste," "chemical mixture or substance," or "air pollutant" under Environmental Laws; (ii) containing asbestos, urea formaldehyde or polychlorinated biphenyls, (iii) which is oil or petroleum product, (iv) which is radioactive; (v) which is infectious waste, biological agents, bacteria and viruses; or (b) any other material or substance displaying toxic, reactive ignitable or corrosive characteristics, as all such terms are used in their broadest sense, and are defined or become defined by Environmental Laws.

If any lender or governmental agency requires Landlord to test for a release of Hazardous Materials on the Demised Premises, or if Landlord reasonably believes that Tenant may have violated an Environmental Law or the terms of this Article, Tenant shall, within thirty (30) days following Landlord's demand, supply to Landlord at Tenant's sole cost and expense an environmental report of the Demised Premises and the use of the Demised Premises addressing Landlord's concerns and demonstrating whether Tenant's use of the Demised Premises has violated or is violating any Environmental Laws, prepared by a reputable independent licensed environmental contracting firm, in form, substance and detail reasonably satisfactory to Landlord. Such report shall be delivered to Landlord and shall be kept strictly confidential by Landlord and Tenant.

Tenant agrees to clean its trucks in compliance with Environmental Laws such that any run off from the cleaning of Tenant's trucks shall not spill into landscaped areas or drains.
Tenant acknowledges that Landlord has made no representations to Tenant with respect to the compliance of the Demised Premises with Environmental Laws except as otherwise expressly set forth herein.

Tenant shall execute and deliver to Landlord a completed questionnaire, in the form attached hereto as Exhibit D, immediately prior to the Commencement Date and, if applicable, immediately prior to the commencement of any renewal term and Tenant shall execute and deliver to Landlord a completed questionnaire, in the form attached hereto as Exhibit E, immediately prior to the expiration of the Lease Term or Tenant's surrender of possession of the Demised Premises, whichever is earlier.

Tenant represents and warrants that, as of the date hereof, Tenant's North American Industry Classification System ("NAICS") code is 3254130700 and Tenant agrees that it will promptly advise Landlord of any change in Tenant's NAICS code (or the NAICS code of any assignee or sublessee) during the Lease Term. Prior to any assignment of this Lease or subletting of any portion of the Demised Premises and prior to the expiration or sooner termination of this Lease or any sublease, Tenant, at its sole expense, will take all actions to comply with the New Jersey Industrial Site Recovery Act ("ISRA"), if applicable, or provide Landlord with reasonable evidence that ISRA is not applicable. Tenant will also provide Landlord with a duplicate original of the affidavit and any and all other information submitted to the New Jersey Department of Environmental Protection ("NJDEP") in connection with such compliance, if applicable. Prior to the termination of this Lease and the cessation of all of Tenant's operations therein, or cessation of industrial operations as defined by NJDEP, if ISRA is applicable, Tenant shall submit all required ISRA forms, reports, letters, and payments which are required due to Tenant's occupancy of the Premises and/or to the actions of Tenant, its employees, contractors or agents. Tenant shall provide draft copies of all ISRA submittals to Landlord for review prior to submission to regulatory agencies. If remediation is required in order to submit a Response Action Outcome Form, such remediation shall be performed by Tenant to standards required under ISRA. The Response Action Outcome Form shall be issued to Landlord subsequent to the end of the Lease Term and vacation of the Demised Premises by Tenant or in accordance with the schedule required by ISRA. If requested by Tenant at the time of execution of this Lease, Landlord will prepare all ISRA related documents, with it understood that all reasonable costs incurred by Landlord in connection therewith will be reimbursed by Tenant.

Landlord represents that as of the Effective Date, it has no actual knowledge of any Hazardous Materials existing on the Building or the Industrial Center other than those Hazardous Materials disclosed in that certain Phase I Environmental Assessment prepared by P.W. Grosser Consulting, Inc. in December 2011, a copy of which was delivered to Tenant's attorney electronically on or about October 23, 2017. Tenant acknowledges receipt of such environmental report and agrees to maintain in confidence such report and not disclose to any third-party the existence of such report and/or the content of such report, except (i) in order to enforce Tenant's rights or Landlord's obligations under this Article 26, (ii) as specifically authorized to do so in writing by Landlord, or (iii) as otherwise required by any legal requirement.

Landlord hereby indemnifies and agrees to defend and hold harmless, Tenant and its managing agent and its or their respective affiliates, principals, shareholders, officers, directors, partners,
members, trustees, fiduciaries, servants, agents and employees from and against any and all liabilities, damages, suits, causes, actions, penalties, costs, charges, fees and expenses, including, without limitation, reasonable attorneys’ fees and disbursements, for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) or otherwise resulting from the presence of Hazardous Materials (i) existing prior to the Commencement Date at the Building or the Industrial Center or (ii) introduced to the Building or the Industrial Center at any time during the Term of this Lease to the extent caused by Landlord, its agents, contractors or employees.

The obligations of Landlord and Tenant under this Article shall survive the termination of this Lease.

ARTICLE 27. MISCELLANEOUS PROVISIONS

Section 27.1. Headings. The captions of the Articles and Sections of this Lease are for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 27.2. Time of Essence. Time is of the essence with respect to the performance of each of the covenants and agreements under this Lease.

Section 27.3. Construction of Lease. Tenant declares that Tenant has read and understands all parts of this Lease. It is agreed that in the construction and interpretation of the terms of this Lease any rule of construction that a document is to be construed most strictly against the party who prepared the same shall not be applied, it being agreed that both parties hereto have participated in the preparation of the final form of this Lease. This Lease may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument. Executed copies of this Lease may be delivered by facsimile or other electronic (e.g., .pdf) means, any of which shall be deemed effective to constitute delivery.

Section 27.4. Governing Law. This Lease and the enforcement hereof shall be governed by the laws of the state in which the Industrial Center is located.

Section 27.5. Severability. If any provision of this Lease or any paragraph, sentence, clause, phrase or word appearing herein be judicially or administratively held invalid or unenforceable for any reason whatsoever, such holding shall not be deemed to affect, alter, modify or impair in any manner whatsoever any other term, provision, paragraph, sentence, clause, phrase or word appearing therein.

Section 27.6. Interest Rate. Where under the terms of this Lease interest shall be provided for, such interest, unless a specific interest rate is set forth, shall be at a rate equal to the prime rate of JP Morgan Chase Manhattan Bank, or any successor thereto, plus seven percent (7%), but in no event greater than the highest lawful rate of interest per annum permissible under the law of the state in which the Industrial Center is located, and shall accrue from the date when the same becomes due and payable by the terms and provisions hereof until paid and shall continue after any judgment until fully satisfied, to which shall be added reasonable attorneys’ fees and costs.
Section 27.7. Consent of Landlord. Where, under the terms of this Lease, the consent of Landlord shall be required, such consent, unless otherwise provided for herein, shall not be unreasonably withheld, conditioned or delayed. If Tenant shall request Landlord's consent and Landlord shall fail or refuse to give such consent, Tenant shall not be entitled to any damages for any withholding by Landlord of its consent, it being intended that Tenant's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases where Landlord has expressly agreed in writing not to unreasonably withhold its consent or where as a matter of law Landlord may not unreasonably withhold its consent.

Section 27.8. Entire Agreement. This Lease and the exhibits, riders and/or addenda, if any, attached hereto contain all covenants and agreements between Landlord and Tenant relating in any manner to the rental, use and occupancy of the Demised Premises and the other matters set forth in this Lease. No prior agreement or understanding pertaining to the same shall be valid or of any force or effect, and the covenants and agreements of this Lease cannot be altered, changed, modified or added to, except in writing signed by Landlord and Tenant. No representation, inducement, understanding or anything of any nature whatsoever, made, stated or represented on Landlord's behalf, either orally or in writing (except this Lease), has induced Tenant to enter into this Lease. The submission of this document for examination does not constitute an offer to lease, or a reservation of an option for the Demised Premises and becomes effective only upon execution and delivery thereof by Landlord and Tenant.

Section 27.9. Default Under Other Agreements. Any default by Tenant under any instrument, undertaking or agreement executed by Tenant in favor of or with Landlord relating to this Lease, or the tenancy created hereby, shall constitute a breach of this Lease and entitle Landlord to pursue each and all of its rights and remedies hereunder and at law.

Section 27.10. Objection to Statements. Tenant's failure to object to any statement, invoice or billing rendered by Landlord within a period of ninety (90) days after receipt thereof shall constitute Tenant's acquiescence with respect thereto and shall render such statement, invoice or billing an account stated between Landlord and Tenant.

Section 27.11. Brokerage Commission. Tenant and Landlord represent and warrant to the other that there are no claims for brokerage commissions or finder's fees incurred by them, respectively, in connection with the execution of this Lease except for Resource Realty of Northern New Jersey (the "Broker") and each party agrees to indemnify the other against and hold it harmless from all liabilities arising from any such claims other than that of the Broker, including the cost of counsel. Landlord agrees to pay a commission to the Broker pursuant to the terms of a separate agreement between Landlord and Broker.

Section 27.12. Relationship of Parties. Anything in this Lease to the contrary notwithstanding, it is agreed that Landlord shall in no event be deemed to be a partner or engaged in a joint venture with or any associate of Tenant, or any party associated with Tenant in the conduct of its business or otherwise, nor shall Landlord be liable for any debts incurred by Tenant in the conduct of its business. The relationship of Landlord and Tenant as established by this Lease is that of Landlord and Tenant. None of the language or terminology of this Lease shall be construed to create any other form of relationship between Landlord and Tenant.
Section 27.13. No Recording of Lease. Tenant represents that it shall not record this Lease and acknowledges that such representation is a material term of this Lease.

Section 27.14. Past Due Rent. If Landlord shall fail to receive, when the same is due and payable, any Minimum Rent, Additional Rent or other amounts or charges to be paid to Landlord by Tenant, as provided in this Lease, Tenant shall pay as Additional Rent interest thereon until fully paid, which shall continue after any judgment until fully satisfied, and if same is not paid within five (5) days of its due date Tenant shall pay as Additional Rent, a late charge equal to five percent (5%) of each installment past due due to cover the administrative costs and expenses involved in administering delinquent accounts.

Section 27.15. Limitation of Liability. Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the estate and property of the Landlord in the Industrial Center, and subject to the prior rights of any mortgagee of the Industrial Center and subject to Landlord's rights under a leasehold interest of the Industrial Center or part thereof, if any, for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed and/or performed by Landlord, and no other assets of the Landlord or its managing agent and its or their respective affiliates, principals, shareholders, officers, directors, partners, members, trustees, fiduciaries, servants, agents and employees, shall be subject to levy, execution or other procedures for the satisfaction of Tenant's remedies. In no event shall Landlord be liable for, and Tenant, hereby waives any claim for, any indirect, consequential or punitive damages, including loss of profits or business opportunity, arising under or in connection with this Lease.

Section 27.16. OFAC List Representation. Tenant represents and warrants that it is not listed, nor is it owned or controlled by, or acting for or on behalf of any person or entity, on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury, or any other list of persons or entities with whom Landlord is restricted from doing business with ("OFAC List"). Notwithstanding anything to the contrary herein contained, Tenant shall not permit the Demised Premises or any portion thereof to be used, occupied or operated by or for the benefit of any person or entity that is listed on the OFAC List. Tenant represents and warrants that it is not listed, nor is it owned or controlled by, or acting for or on behalf of any person or entity on the OFAC List. Landlord shall indemnify and hold Tenant harmless from and against all losses, damages, liabilities, cost and expenses (including, without limitation, reasonable attorney's fees and expenses) that are incurred by Tenant and/or its affiliate that derive from any claim made by a third party against Landlord and/or its affiliates arising or alleged to arise from a misrepresentation made by Tenant hereunder or a breach of any covenant to be performed by Tenant hereunder. Tenant represents and warrants that it is not listed, nor is it owned or controlled by, or acting for or on behalf of any person or entity, on the OFAC List. Landlord shall indemnify and hold Tenant harmless from and against all losses, damages, liabilities, cost and expenses (including, without limitation, reasonable attorney's fees and expenses) that are incurred by Tenant that derive from a claim made by a third party against Tenant and/or its affiliates arising or alleged to arise from a misrepresentation made by Landlord hereunder or a breach of any covenant to be performed by Landlord hereunder.

Section 27.17. Inability to Perform. If, by reason of strikes or other labor disputes, fire or other casualty (or reasonable delays in adjustment of insurance), accidents, any legal requirements,
any orders of any governmental authority or any other cause beyond a party's reasonable control, whether or not such other cause shall be similar in nature to those hereinbefore enumerated (any such event an "Unavoidable Delay"), the non-performing party is unable to furnish or is delayed in furnishing any utility or service required to be furnished by such party under this Lease, or is unable to perform or make or is delayed in performing or making any installations, decorations, repairs, alterations, additions or improvements, whether or not required to be performed or made under this Lease, or is unable to fulfill or is delayed in fulfilling any of the non-performing party's other obligations under this Lease, the period of time for performance of such obligation shall be extended for the duration of the Unavoidable Delay. Nothing contained in this Section 27.17 shall excuse the payment of any sums required to be paid under this Lease.

ARTICLE 28. SECURITY DEPOSIT

Section 28.1. Tenant has deposited the sum of Thirty Thousand and 00/100 Dollars ($30,000.00) with Landlord as a "Security Deposit" which shall be held by Landlord as security for the punctual performance by Tenant of each and every obligation of it under this Lease. In the event of any default by Tenant (beyond applicable notice and cure periods), Landlord may apply or retain all or any part of the Security Deposit to cure the default or to reimburse Landlord for any sum which Landlord may spend by reason of the default and for which Tenant is liable under the terms of this Lease, without thereby waiving any other rights or remedies of Landlord with respect to such default. In the case of every such application or retention Tenant shall on demand, pay to Landlord the sum so applied or retained which shall be added to the Security Deposit so that the same shall be restored to Thirty Thousand and 00/100 Dollars ($30,000.00). If at the end of the Lease Term, Tenant shall not be in default under this Lease (beyond applicable notice and cure periods), but not otherwise, the Security Deposit shall be returned to Tenant within thirty (30) days to the extent same has not been retained or applied by Landlord in accordance with the provisions of hereof. There shall be no interest payable on the Security Deposit. Tenant agrees that except for an assignment in connection with an assignment of Tenant's interest under this Lease in accordance with the provisions of Article 17, Tenant shall not assign or encumber any part of the Security Deposit, and no assignment or encumbrance by Tenant of all or any part of the Security Deposit shall be binding upon Landlord, whether made prior to, during, or after the Lease Term. Landlord shall not be required to exhaust its remedies against Tenant or against the Security Deposit before having recourse to any other form of security held by Landlord and recourse by Landlord to any form of security shall not affect any remedies of Landlord which are provided in this Lease or which are available to Landlord in law or equity. In the event of any sale, assignment or transfer by Landlord named herein (or by any subsequent Landlord) of its interest in the Building or Industrial Center as owner or lessee, Landlord (or such subsequent owner) shall assign or transfer the Security Deposit to its grantee, assignee or transferee and, in the event of such assignment or transfer, Landlord named herein, (or such subsequent Landlord) shall have no liability to Tenant for the return of the Security Deposit and Tenant shall look solely to the grantee, assignee or transferee for such return. A lease of the entire Building or Industrial Center shall be deemed a transfer within the meaning of the foregoing sentence.

ARTICLE 29. RIGHT OF FIRST OFFER

Section 29.1. Tenant's Right of First Offer. Provided that (a) Tenant is not then in default under any of the terms, covenants or conditions of this Lease on Tenant's part to be observed or
performed beyond applicable notice and cure periods and (b) the original named Tenant of this Lease (i.e., Immunomedics, Inc.) or any assignee or subtenant for which Landlord's consent was not required under the terms of this Lease, in contradistinction to any other subtenants or other occupants, shall then be leasing the entire Demised Premises then Tenant shall have the one-time right (sometimes referred to herein as "Tenant's First Offer Right"), subject to the provisions of this Lease, exercisable in accordance with the provisions of Section 29.2, to lease the entirety of the first space in the Building which is contiguous to the Demised Premises (such space, the "Additional Space"), which becomes "available for leasing" during the Lease Term. No Additional Space shall be deemed "available for leasing" if (a) the then tenant of the Additional Space or any assignee, successor, subtenant or other occupant holding through or under such tenant, shall enter into (i) any Lease with Landlord extending the letting Lease affecting the Additional Space or (ii) any new lease with Landlord affecting the Additional Space, or (b) any other tenant of the Building or any assignee or successor of such other tenant shall have or shall exercise any contractual option or right which it has as of the date of this Lease to lease the Additional Space (whether the Additional Space in question is specifically referred to in any such contractual option or right or Landlord must utilize such Additional Space in question in order to satisfy such contractual option or right). Without limiting the foregoing, so long as a tenant or other occupant leases or occupies a portion of the applicable Additional Space, Landlord shall be free to extend any such tenancy or occupancy, whether or not pursuant to a lease or other Lease, and such space shall not be deemed to be available for leasing. Notwithstanding the foregoing provisions of this Section 29.1, Tenant shall not have the right to lease any Additional Space pursuant to Tenant's First Offer Right which becomes available for leasing if, the Expected Vacancy Date (as defined in Section 29.2A) as set forth in Landlord's Availability Notice (as defined in Section 29.2A) is later than the date two (2) years immediately preceding the then current Expiration Date of the Lease unless Tenant simultaneously with its giving of Tenant's First Offer Notice exercises its Renewal Option (as defined in Section 30.1).

Section 29.2 - Notice of Availability and Tenant's Exercise of Option

A. In the event that the Additional Space shall become or about to become available for leasing in accordance with the provisions of Section 21.1, Landlord shall give notice thereof to Tenant (any such notice is referred to as an "Landlord's Availability Notice"), which Landlord's Availability Notice shall contain (i) the date such Additional Space is expected to be vacant or available for leasing; (ii) the Minimum Rent and other material financial terms upon which Landlord is willing to Lease the Additional Space to Tenant. Landlord's Availability Notice may be given not more than eighteen (18) months prior to the date set forth in such Landlord's Availability Notice upon which such Additional Space is expected to be vacant or available for leasing (the date set forth in Landlord's Availability Notice on which such Additional Space is expected to become available for leasing is sometimes referred to as an "Expected Vacancy Date"). Upon Landlord giving Tenant a Landlord's Availability Notice, Tenant may exercise Tenant's First Offer Right with respect to the entire Additional Space only and only by notice given to Landlord within twenty (20) days next following the date of the giving of such Landlord's Availability Notice, and by giving such notice Tenant shall thereby lease and add such Additional Space to the Demised Premises for a term to begin, subject to Section 29.3, on the Expected Vacancy Date for a term co-terminous with the Lease Term for the Demised Premises; any notice given by Tenant to Landlord exercising such Tenant's First Offer Right is referred to as "Tenant's First Offer Notice".
B. It is understood and agreed that "time is of the essence" with respect to Tenant's exercise of its Tenant's First Offer Right pursuant to this Article and that if Tenant does not exercise such Tenant's First Offer Right within the twenty (20) day time limitation set forth in Subsection A above, (i) any notice purporting to exercise such Tenant's First Offer Right given after the expiration of such time limitation shall be void and of no force and effect, (ii) Tenant shall have no further right to lease the Additional Space, and (iii) Tenant shall have no further rights under this Article 29. Notwithstanding the foregoing, if the event Landlord offers to lease the Available Space to another party on monetary terms that differ by more than 10% from those terms set forth in Landlord's Availability Notice, Landlord shall again offer the Available Space to Tenant in accordance with the terms of this Article 29.

C. If Tenant exercises Tenant's First Offer Right in accordance with the provisions of this Article 29, then the Additional Space shall be leased by Tenant upon all of the then executory terms, covenants and conditions as are contained in this Lease, except as otherwise set forth herein, and adjusted to reflect (w) the number of rentable square feet contained in the Additional Space, and (x) that the term applicable to the Additional Space shall, commence on the Expected Vacancy Date, as the same may be accelerated or delayed pursuant to the provisions of Section 29.3, and (y) as otherwise provided in Section 29.4.

Section 29.3. Acceleration of First Offer Vacancy Date

A. In the event that the Additional Space shall become available for leasing sooner than the Expected Vacancy Date because of the termination of the term of the lease or occupancy affecting such Additional Space, Landlord shall have the right to accelerate the Expected Vacancy Date to such sooner date upon not less than ten (10) days' notice to Tenant.

B. Holdover Occupant. Landlord and Tenant acknowledge the possibility that all or any of the tenants or occupants of the Additional Space may not have vacated and surrendered the Additional Space to Landlord by the Expected Vacancy Date. Accordingly, notwithstanding anything to the contrary contained in Sections 29.1 or 29.2 or in any Landlord's Availability Notice, if such tenants or occupants shall not have vacated and surrendered the Additional Space to Landlord by the Expected Vacancy Date, then the term applicable to the Additional Space shall commence on the date next following the day upon which the entire Additional Space becomes vacant and Landlord gives notice to Tenant of such vacancy, provided, however, Landlord shall use commercially reasonable efforts to obtain possession of the Additional Space.

C. Lease Not Affected. In the event that the provisions of this Section 29.3 shall apply, then, the parties agree that (a) the Expiration Date shall not be affected by operation of the provisions of this Section 29.3; (b) except as expressly set forth in this Section 29.3, neither the validity of this Lease nor the obligations of Tenant under this Article 29 shall be affected by operation of the provisions of this Section 29.3; and (c) Tenant waives any rights under any statute or other law to rescind this Lease or such Tenant's exercise of Tenant's First Offer Right and further waives the right to recover any damages against Landlord which may result from the failure of Landlord to deliver possession of the Additional Space on the Expected Vacancy Date. Notwithstanding the foregoing or anything to the contrary in this Section 29.3, in the event the
Additional Space is not delivered to Tenant within one hundred twenty (120) days after the Expected Vacancy Date, Tenant shall have the right to rescind its exercise of Tenant's First Offer Right upon ten (10) days' notice to Landlord.

Section 29.4. - Lease of Additional Space. If Tenant shall timely exercise Tenant's First Offer Right in accordance with the provisions of this Article then as of the effective commencement date of the term applicable to the Additional Space this Lease shall be modified as follows:

A. The Demised Premises shall include the Additional Space (together with all appurtenances, fixtures, improvements, additions and other property attached thereto or installed therein at the commencement of the term applicable to the Additional Space or at any time during said term, other than Tenant's Personal Property) for all purposes of this Lease;

B. The Minimum Rent and Additional Rent shall be increased as specified in Landlord's Availability Notice;

C. The area of the Additional Space and Tenant's Pro-rata Share shall be as set forth in Landlord's Availability Notice; and

D. The Lease shall be modified to reflect any such other terms as are specified in Landlord's Availability Notice.

E. The term with respect to the Additional Space shall expire on the Expiration Date.

Section 29.5. - Condition of Additional Space. Tenant agrees to accept the Additional Space in the condition which shall exist on the commencement date of the term applicable thereto "as is" and further agrees that Landlord shall have no obligation to perform any work or make any installations in order to prepare the Additional Space for Tenant's occupancy.

Section 29.6. - Waiver. If Tenant fails to exercise Tenant's First Offer Right within the time period set forth in Section 29.2, Tenant shall be deemed to have waived its right to lease the Additional Space, Tenant shall have no further right to lease the Additional Space and Tenant's right of first offer shall be null and void and of no further force or effect. Notwithstanding the foregoing, in the event Landlord offers to lease the Available Space to another party on monetary terms that differ by more than 10% from those terms set forth in Landlord's Availability Notice, Landlord shall again offer the Available Space to Tenant in accordance with the terms of this Article 29.

ARTICLE 30. TENANT'S SINGLE RENEWAL OPTION

Section 30.1. Exercise of Option. Tenant shall have the right, to renew the Lease Term for all of the Demised Premises for a single renewal term (the "Renewal Term") of ten (10) years by irrevocable notice (the "Renewal Notice") delivered to Landlord not less than twelve (12) months prior to the Expiration Date of the Initial Lease Term, time being of the essence; provided, however, that (a) Tenant shall not be in default beyond applicable notice and cure periods under
any of the terms, covenants or conditions of this Lease on Tenant's part to be observed and performed either on the date the Renewal Notice is given or on the Renewal Term Commencement Date (as hereinafter defined), and (b) the Tenant named herein (i.e., Immunomedics, Inc.) shall not have assigned this Lease other than to an assignee for which Landlord's consent is not required hereunder. Upon the giving of the Renewal Notice, this Lease shall be deemed renewed for the Renewal Term with the same force and effect as if the Renewal Term had originally been included in the Lease Term. The Renewal Term shall commence on the day after the Expiration Date of the Lease Term (the "Renewal Term Commencement Date") and shall terminate on the day preceding the tenth (10th) anniversary of the Renewal Term Commencement Date or such earlier date as this Lease shall terminate pursuant to any of the terms of this Lease.

Section 30.2. Terms. All of the terms, covenants and conditions of this Lease shall continue in full force and effect during the Renewal Term, except that (a) the Minimum Rent for the first five (5) years of the Renewal Term shall be equal to the greater of (i) the Fair Market Value (as hereinafter defined) and (ii) the annual Minimum Rent then in effect at the expiration of the Initial Lease Term, (b) the Minimum Rent for the remainder of the Renewal Term shall be increased based upon the CPI Increase (as defined in Schedule 1) and (c) Tenant shall have no further right to renew the Lease Term. Any termination, cancellation or surrender of the entire interest of Tenant under this Lease at any time during the Lease Term shall terminate any right of renewal of Tenant hereunder.

Section 30.3. Fair Market Value and Renewal Term Rent. "Fair Market Value" shall mean the fair market annual rental value of the Demised Premises at the commencement of the Renewal Term for a term equal to the first five (5) years of the Renewal Term, as determined by Landlord based on comparable space in the Building, and other comparable buildings in the market including all of Landlord's services provided for in this Lease, and with the Demised Premises considered as vacant, and in the "as is" condition existing on the Renewal Term Commencement Date. The calculation of Fair Market Value shall also be adjusted to take into account all relevant factors. Prior to the commencement of the Renewal Term, Landlord shall deliver to Tenant Landlord's determination of Minimum Rent during the Renewal Term. If Landlord determines that the Minimum Rent during the Renewal Term is the annual Minimum Rent then in effect at the expiration of the initial Lease Term, such determination shall be binding on Landlord and Tenant and Tenant shall have no right to dispute the same. If Landlord determines that the Minimum Rent during the Renewal Term is Fair Market Value, Tenant may dispute such determination as provided in Section 30.4 below.

Section 30.4. Arbitration. If Tenant shall dispute Landlord's determination of Fair Market Value, Tenant shall give notice to Landlord of such dispute within ten (10) business days after the delivery of Landlord's determination to Tenant. Thereafter for a period of thirty (30) days, Landlord and Tenant shall work diligently and in good faith to agree on the Fair Market Value. If no notice of dispute is given by Tenant within such ten (10) business day period (time being of the essence), then Landlord's determination shall be binding upon Tenant. If Landlord and Tenant fail to agree on the Fair Market Value during such thirty (30) day period, such dispute shall be determined by a single arbitrator appointed in accordance with the American Arbitration Association Arbitration Rules for the Real Estate Industry. The arbitrator shall be impartial and shall have not less than ten (10) years' experience in the County of Morris related to the leasing of commercial warehouse space in comparable buildings in Morris County, and the fees of the
Section 30.5, Agreement of Terms. Landlord and Tenant, at either party's request, shall promptly execute and exchange an appropriate agreement evidencing the extension of the Lease Term for the applicable Renewal Term, and the terms thereof in a form reasonably satisfactory to both parties, but no such agreement shall be necessary in order to make the provisions hereof effective.

ARTICLE 31. TENANT'S SELF-HELP

Section 31.1, Tenant's Self-Help. If Landlord shall default in the performance or observance of any agreement or condition in this Lease contained on its part to be performed or observed with respect to the Demised Premises that could cause Tenant to be in violation of any legal requirements, and if Landlord shall not cure such default within twenty (20) days after notice from Tenant specifying the default and following five (5) days after a second "reminder" notice from Tenant, (or shall not within said period commence to cure such default and thereafter prosecute the curing of such default to completion with due diligence), Tenant may at its option, without waiving any claim for damages for breach of agreement, at any time thereafter cure such default for the account of Landlord and any reasonable amount paid or any contractual liability incurred by Tenant in so doing shall be deemed paid or incurred for the account of Landlord, and Landlord agrees to reimburse Tenant therefor or save Tenant harmless therefrom; provided that Tenant may cure any such default as aforesaid prior to the expiration of said waiting period, but after notice to Landlord (and in the case of the removal of snow and/or ice from the Common Facilities, prior to said notice to Landlord), if the curing of such default prior to the expiration of said waiting period is reasonably necessary to protect the real estate or Tenant's interest therein, to prevent injury or damage to persons or property, or to enable Tenant to conduct its business in the Demised Premises. Notwithstanding anything to the contrary contained herein, in the case of emergency, notice required pursuant to this Article may be given orally, or in any other reasonably due and sufficient manner having regard to the emergency and the attending circumstances. If any such notice shall not be given in the manner described in this Lease, then, as soon thereafter as
ARTICLE 32. LANDLORD’S REPRESENTATIONS

Section 32.1. Landlord hereby represents and warrants to Tenant that as of the date of execution and delivery of this Lease:

(a) Landlord has not received any notice of, any outstanding violation of any governmental law, rule, statute, ordinance, or regulation affecting the Demised Premises, the Building or the Industrial Center in any case which would have an adverse effect upon Tenant.

(b) Landlord has not received any notice of any confirmed or unconfirmed special assessments affecting the Demised Premises, the Building or the Industrial Center.

(c) Landlord has full power and right to enter into and complete this Lease.

(e) There is no pending or threatened litigation affecting Landlord, the Demised Premises or the Industrial center which could have a material, adverse impact on Tenant or Tenant's use and occupancy of the Demised Premises for its intended purpose.

(f) Landlord is the owner of the Building and the Industrial Center in fee simple.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]
IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first written above.

LANDLORD:  TENANT:

Wu/LH 400 American L.L.C. IMMUNOMEDICS, INC.
By: GTJ Realty LP, the sole member
    By: GTJ GP LLC, the general partner
    By: GTJ REIT, Inc., the sole member

[Signatures and titles]
<table>
<thead>
<tr>
<th>Rent Period</th>
<th>Annual Rent</th>
<th>Monthly Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Lease Year</td>
<td>$479,367.00</td>
<td>$39,947.25</td>
</tr>
<tr>
<td>2nd Lease Year</td>
<td>$479,367.00</td>
<td>$39,947.25</td>
</tr>
<tr>
<td>3rd Lease Year</td>
<td>$479,367.00</td>
<td>$39,947.25</td>
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<tr>
<td>4th Lease Year</td>
<td>$479,367.00</td>
<td>$39,947.25</td>
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<tr>
<td>5th Lease Year</td>
<td>$479,367.00</td>
<td>$39,947.25</td>
</tr>
<tr>
<td>6th Lease Year</td>
<td>$522,510.03</td>
<td>$43,542.50</td>
</tr>
<tr>
<td>7th Lease Year</td>
<td>$522,510.03</td>
<td>$43,542.50</td>
</tr>
<tr>
<td>8th Lease Year</td>
<td>$522,510.03</td>
<td>$43,542.50</td>
</tr>
<tr>
<td>9th Lease Year</td>
<td>$522,510.03</td>
<td>$43,542.50</td>
</tr>
<tr>
<td>10th Lease Year</td>
<td>$522,510.03</td>
<td>$43,542.50</td>
</tr>
</tbody>
</table>

Minimum Rent for the 11th Lease Year shall be increased based upon the percentage increase in the Consumer Price Index (as hereinafter defined) during the preceding twelve (12) month period (the “C.P.I. Increase”) and such increased Minimum Rent shall be the Minimum Rent payable by Tenant for the remainder of the Initial Lease Term. The term “Consumer Price Index” shall mean the Consumer Price Index For All Urban Consumers: All Items, United States (CPI-U) (1985-87 = 100) seasonally adjusted as published by the United States Department of Labor, Bureau of Labor Statistics, or any replacement thereof. If the manner in which the Consumer Price Index is determined by the Department of Labor shall be substantially revised, an adjustment shall be made in such revised index which would have obtained if the Consumer Price Index had not been so revised. If the current yearly average shall no longer be used as an index of 100, such change shall constitute a substantial revision. If the Consumer Price Index shall become unavailable to the public because publication is discontinued, or otherwise, Landlord will substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall then be available, a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication shall be substituted.

Landlord shall submit a statement to Tenant setting forth the amount of the C.P.I. Increase, and if such statement is not submitted until after the commencement of the 11th Lease Year, Tenant shall continue to pay Minimum Rent at the rate thereof at the end of the 10th Lease Year and after receipt of said statement the Minimum Rent shall be increased in the amount of the applicable C.P.I. Increase and the first Minimum Rent

1 See 1. 8C.  
2 See 1. 8C.  
00355322.4
payment after receipt of said statement shall include payment of any increases due for any prior months.
EXHIBIT A

This exhibit is annexed to this Lease and made a part hereof solely to delineate by outlining and cross-hatching markings the description of the Demised Premises, Building and the Industrial Center. All areas, dimensions, locations and conditions are approximate.

EXHIBIT B
(Rules and Regulations)
1. Tenant shall advise and cause its vendors and distributors to deliver all merchandise in a manner that does not interfere with Landlord's and other tenant's use and enjoyment of the Industrial Center.

2. All deliveries and pick ups are to be made to designated service or receiving areas and Tenant shall request delivery trucks to approach their service or receiving areas by designated service routes and drives.

3. Tractor trailers which must be unhooked or parked must use steel plates under dolly wheels to prevent damage to the asphalt paving surface. In addition, wheel blocking must be available for use. Tractor trailers are to be removed from the loading areas after unloading.

4. Automobiles and other vehicles of Tenant and its employees and agents shall be parked only in areas designated by Landlord from time to time as "employee parking." There shall be absolutely no overnight parking of any kind by Tenant or its employees or agents at the Industrial Center. Landlord shall have the right to remove or cause to be removed any automobile or other vehicle of Tenant, its employees or agents that may be parked in any other area not designated for employee parking or which may be parked overnight. Any such removal shall be without liability of any kind to Landlord, its agents and employees and Tenant hereby indemnifies and agrees to hold Landlord free and harmless against all such liability pursuant to the indemnity provisions contained in this Lease. Tenant shall, from time to time, upon request of Landlord, supply Landlord with a list of all automobile models and license plate numbers owned by its employees and agents.

5. Tenant is responsible for storage and removal of its trash, refuse and garbage. Tenant shall not dispose of the following items in sinks or commodes: Hazardous Waste; plastic products (plastic bags, straws, boxes); sanitary napkins; tea bags; cooking fats, cooking oils; any meat scraps or cutting residue; petroleum products (gasoline, naphtha, kerosene, lubricating oils); paint products (thinner, brushes); or any other items which the same are not designed to receive. All floor area of the Demised Premises, including vestibules, entrances and returns, loading docks, doors, fixtures, windows and plate glass, shall be maintained in a safe, neat and clean condition.

6. Tenant shall not permit or suffer any advertising medium to be placed on the Building's walls, on the Demised Premises' exterior walls or windows, on the sidewalks or on the parking lot areas or light poles. No permission, expressed or implied, is granted to express or implied, is granted to exhibit or display any banner, pennant, sign and trade or seasonal decoration of any size, style or material within the Industrial Center, or outside the Demised Premises.

7. Tenant shall not permit or suffer the use of any advertising medium which can be heard or experienced outside of the Demised Premises, including, without limiting the generality of the foregoing, flashing lights, searchlights, loud speakers, phonographs, radios or television.

No radio, television or other communication antenna equipment or device is to be mounted, attached, or secured to any part of the roof, exterior surface, or anywhere outside the Demised Premises, unless Landlord has previously given its written consent, which may be arbitrarily withheld.
8. Tenant shall not permit or suffer merchandise of any kind at any time to be placed, exhibited or displayed outside the Demised Premises, nor shall Tenant use the exterior sidewalks, loading docks or exterior walkways of the Demised Premises to display, store or place any merchandise. No sale of merchandise by tent sale, truck load sale or the like, shall be permitted on the Industrial Center's drives, parking lot or other Common Facilities.

9. Tenant shall not permit or suffer any portion of the Demised Premises to be used for retail residential, lodging purposes, sleeping, manufacturing, or any immoral or illegal, purpose.

10. Tenant shall not, in or on any part of the Common Facilities or to other tenants at the Industrial Center:
   
   (a) Create a nuisance.

   (b) Throw, discard or deposit any paper, glass or extraneous matter of any kind except in designated receptacles, or create litter or hazards of any kind.

   (c) Deface, damage, or demolish any sign, light standard or fixture, landscaping materials or other improvements within the Industrial Center, or the property of other tenants, business invitees or employees situated within the Industrial Center.

11. No additional locks or bolts of any kind shall be placed upon any of the entrances, doors or windows by Tenant, nor shall any changes be made in existing locks or the mechanism thereof. Each Tenant must, upon the termination of its tenancy, restore to Landlord all keys of entrances, doors, offices, and toilet rooms, either furnished to, or otherwise procured by, such Tenant, and in the event of the loss of any keys so furnished, such Tenant shall pay to Landlord the cost thereof and the cost of any locksmith or other service required by Landlord to obtain access to the Demised Premises, and in the event safes, closets of other lockable fixtures were installed in the Demised Premises, Tenant shall give all keys or combinations thereto to Landlord.

12. Landlord shall have the right to prohibit any advertising, signage or other display by any Tenant which, in Landlord's opinion, tends to impair the reputation of the Industrial Center or its desirability as an industrial center, and upon written notice from Landlord, the Tenant shall refrain from or discontinue such advertising, signage or display.

13. Tenant shall employ only such labor as will not result in jurisdictional disputes with any labor unions or strikes against or involving Landlord or the Industrial Center and which shall not cause any conflict with any union contract to which Landlord or its contractors or subcontractors may be a party.

EXHIBIT C

INTENTIONALLY DELETED
TENANT MOVE-IN AND LEASE RENEWAL ENVIRONMENTAL QUESTIONNAIRE

Property Name: _______________________________________________________________
Property Address: _______________________________________________________________
Building/Suite Numbers: _______________________________________________________

Instructions: The following questionnaire is to be completed by the Tenant Representative with knowledge of the planned/existing operations for the specified building/location. A copy of the completed form must be attached to all new leases and renewals, and forwarded to the Owner's Risk Management Department. Please print clearly and attach additional sheets as necessary.

1. PROCESS INFORMATION

Describe planned use (new Lease) or existing operations (lease renewal), and include brief description of manufacturing processes employed.

2. HAZARDOUS MATERIALS

Are hazardous materials used or stored? If so, continue with the next question. If not, go to Section 3.0.

2.1 Are any of the following materials handled on the property?

- Yes ___  No ___

(A material is handled if it is used, generated, processed, produced, packaged, treated, stored, emitted, discharged, or disposed.) If so, complete this section. If this question is not applicable, skip this section and go on to Section 5.0.

- Explosives ___  Fuels ___  Oils ___
- Solvents ___  Oxidizers ___  Organics/Inorganics ___
- Acids ___  Bases ___  Pesticides ___
- Gases ___  PCBs ___  Radioactive Materials ___
- Other (please specify)

2.2 If any of the groups of materials checked in Section 2.1, please list the specific material(s), use(s), and quantity of each chemical used or stored on the site in the Table below. If convenient, you may substitute a chemical inventory and list the uses of each of the chemicals in each category separately.
2. Describe the planned storage area location(s) for these materials. Please include site maps and drawings as appropriate.

3. HAZARDOUS WASTES

Are hazardous wastes generated? Yes __ No __

If yes, continue with the next question. If not, skip this section and go to section 4.0.

3.1 Are any of the following wastes generated, handled, or disposed of (where applicable) on the property?

- Hazardous Wastes
- Waste Oils
- PCBs
- Air Emissions
- Regulated Wastes
- Sludges
- Other (please specify)

3.2 List and quantify the materials identified in Question 3-1 of this section.

<table>
<thead>
<tr>
<th>WASTE GENERATED</th>
<th>RCRA Listed Waste?</th>
<th>SOURCE</th>
<th>APPROXIMATE MONTHLY QUANTITY</th>
<th>WASTE CHARACTERIZATION</th>
<th>DISPOSAL</th>
</tr>
</thead>
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</table>

3.3 Please include name, location, and permit number (e.g., EPA ID No.) for transporter and disposal facility, if applicable. Attach separate pages as necessary.
3.4 Are pollution controls or monitoring employed in the process to prevent or minimize the release of wastes into the environment?  Yes __ No __
If so, please describe.

4. USTS/ASTS

4.1 Are underground storage tanks (USTs), aboveground storage tanks (ASTs), or associated pipelines used for the storage of petroleum products, chemicals, or liquid wastes present on site (lease renewals) or required for planned operations (new tenants)?
Yes __ No __
If not, continue with section 5.0. If yes, please describe capacity, contents, age, type of the USTs or ASTs, as well any associated leak detection/spill prevention measures. Please attach additional pages if necessary.

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Contents</th>
<th>Year Installed</th>
<th>Type (Steel, Fiberglass, etc.)</th>
<th>Associated Leak Detection/Spill Prevention Measures*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: The following are examples of leak detection/spill prevention measures: Inventory reconciliation, Leak detection, Integrity testing, Secondary containment, Cathodic protection system, Overfill spill protection

4.2 Please provide copies of written tank integrity test results and/or monitoring documentation, if available.

4.3 Is the UST/AST registered and permitted with the appropriate regulatory agencies?
Yes __ No __

4.4 If so, please attach a copy of the required permits.
If this Questionnaire is being completed for a lease renewal, and if any of the USTs/ASTs have
leaked, please state the substance released, the media(s) impacted (e.g., soil, water, asphalt, etc.), the actions taken, and all remedial responses to the incident.

4.5 If this Questionnaire is being completed for a lease renewal, have USTs/ASTs been removed from the property? Yes __ No __
If yes, please provide any official closure letters or reports and supporting documentation (e.g., analytical test results, remediation report results, etc.).

4.6 For lease renewals, are there any above or below ground pipelines on site used to transfer chemicals or wastes? Yes __ No __
For new tenants, are installations of this type required for planned operations? Yes __ No __
If yes to either question, please describe.

5. ASBESTOS CONTAINING BUILDING MATERIALS
Please be advised that this property participates in an Asbestos Operations and Maintenance Program, and that an asbestos survey may have been performed at the Property. If provided, please review the information that identifies the locations of known asbestos containing material or presumed asbestos containing material. All personnel and appropriate subcontractors should be notified of the presence of these materials, and informed not to disturb these materials. Any activity that involves the disturbance or removal of these materials must be done by an appropriately trained individual/contractor.

6. REGULATORY

6.1 For Lease Renewals, are there any past, current, or pending regulatory actions by federal, state, or local environmental agencies alleging noncompliance with regulations? Yes __ No __
If so, please describe.

6.2 For lease renewals, are there any past, current, or pending lawsuits or administrative proceedings for alleged environmental damages involving the property, you, or any owner or tenant of the property? Yes __ No __
If so, please describe.

6.3 Does the operation have or require a National Pollutant Discharge Elimination System (NPDES) or equivalent permit? Yes __ No __
If so, please attach a copy of this permit.
6.4 For Lease renewals, have there been any complaints from the surrounding community regarding facility operations? Yes __ No __

6.5 Have there been any worker complaints or regulatory investigations regarding hazardous material exposure at the facility? Yes __ No __

   If so, please describe status and any corrective actions taken. Please attach additional pages as necessary.

6.6 Has a Hazardous Materials Business Plan been developed for the site? Yes __ No __

   If so, please attach a copy.

7. CERTIFICATION

I am familiar with the real property described in this questionnaire. By signing below, I represent and warrant that the answers to the above questions are complete and accurate to the best of my knowledge. I also understand that the Owner will rely on the completeness and accuracy of my answers in assessing any environmental liability risks associated with the property.

Signature:
Name:__________________________________________ Title:________________________________ Date:_________ Telephone:___________________

PLEASE PROVIDE A COPY OF THE COMPLETED QUESTIONNAIRE TO:
EXHIBIT E

TENANT MOVE-OUT ENVIRONMENTAL QUESTIONNAIRE

Property Name: ________________________________________________________________________
Property Address: _______________________________________________________________________
Building / Suite Number(s):_______________________________________________________________

Instructions: The following questionnaire is to be completed by the Property Manager prior to/after the Tenant vacates a building/suite or location. A copy of the completed form must be forwarded to the Owner's Risk Management Department. Please print clearly and attach additional sheets as necessary.

1. GENERAL INFORMATION

Property Manager: 
Property Management Company: 
Regional Manager:

2. TENANT INFORMATION

Name of Former Tenant: 
Lease Date: ____________________________ Move-out Date: ____________________________

3. INDOOR INSPECTION

The Property Manager is expected to inspect the vacant building/suite of the tenant. A pre-vacate "inspection" should be performed in advance of the tenant moving out to ensure that potential environmental issues requiring tenant response are addressed. Areas that are inaccessible should be noted. The Property Manager should check the interior of all closets and storage cabinets for items left by the vacated tenant.

3.1 Upon entering the vacated building(s)/suite(s), did you note any unusual odors?
Yes __ No __

If yes, please provide a brief description of the odor (rotten eggs, chemical, etc.), and note possible sources of the odor:
____________________________________________________________________________________
____________________________________________________________________________________

____________________________________________________________________________________
3.2 Were any chemicals, including janitorial supplies left in the building/suite(s)?
   Yes __ No __

If yes, please provide a list of the items, note their location and note whether any leakage or staining is apparent (please attach additional sheets as necessary):
_______________________________________________________________________________________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________________________________________

3.3 Are there any known or suspect environmental conditions associated with the tenant's former activities at the building/suite?

If yes, please identify the location and nature of the environmental conditions:
_______________________________________________________________________________________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________________________________________

4. OUTDOOR INSPECTION

The Property Manager is expected to inspect the exterior and perimeter of the vacant building/suite of the former tenant.

4.1 Please check each of the applicable items, if observed outside the former tenant's building/suite:

   __: Other Containers                Drums __: Leakage from Transformers
   __: g of Trash/Debris Wastes        __: Leakage from Trash Compactor Oil
   __: Soils/Pavement                   Dumpin Reservoir
   __: or Stained Vegetation            Stained __: Other (Specify):__________________

For each item checked above, please describe the location, provide a brief description and estimate the approximate quantity or amount (Attach additional sheets as necessary):

4.2 Are underground storage tanks (USTs), aboveground storage tanks (ASTs), or associated pipelines used for the storage of either petroleum products, chemicals, or liquid wastes present at the vacating tenant's building/suite?
   Yes ___ No ____

_______________________________________________________________________________________________________________________________________________________________________________________________________________________________
_______________________________________________________________________________________________________________________________________________________________________________________________________________________________
If yes, please describe capacity, contents, age, type of the USTs or ASTs, as well any associated leak detection/spill prevention measures. Please attach additional pages if necessary.

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Contents</th>
<th>Year Installed</th>
<th>Type (Steel, Fiberglass, etc.)</th>
<th>Associated Leak Detection/Spill Prevention Measures*</th>
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<td></td>
</tr>
</tbody>
</table>

*Note: The following are examples of leak detection/spill prevention measures: Inventory reconciliation, Leak detection, Integrity testing, Secondary containment, Cathodic protection system, Overfill spill protection.

(a) Please provide copies of the most recent written tank integrity test results and/or monitoring documentation, if available.

(b) Are there any documented releases associated with the USTs/ASTs?
   Yes ___ No ___

If so, please state the substance released (e.g., soil, water, asphalt, etc.), the actions taken, and all remedial responses to the incident (Please attach additional sheets as necessary):

_______________________________________________________________________

4.3 Have USTs/ASTs been removed from the vacated tenant's building/suite?
   Yes ___ No ___

If yes, please provide any official closure letters or reports and supporting documentation (e.g., analytical test results, remediation report results, etc.) unless previously provided.

5. ASBESTOS CONTAINING BUILDING MATERIALS

If an asbestos survey is available for the property, please review the information that identifies the locations of known asbestos containing material or presumed asbestos containing material. Please note that any tenant activity that may have involved the disturbance or removal of these materials must be done by an appropriately trained individual/contractor.

If the available asbestos survey results indicate that asbestos containing materials (ACMs), and/or
presumed asbestos containing materials (PACMs) have been identified in the building/suite, please inspect those materials and note those that are damaged in the space below:
6. REGULATORY

6.1 Are there any past, current, or pending regulatory actions by federal, state, or local environmental agencies alleging that the vacated tenant is in noncompliance with regulations?

Yes _____ No _____

If so, please describe.

_______________________________________________________________________________________________________________________________________________________________________________________________
__________________________________________________________________________________________________________________________________________

PREPARED BY: ________________________________

PLEASE FORWARD THE COMPLETED QUESTIONNAIRE TO: ________________________________

Signature: ________________________________

Date: ________________________________

Title: ________________________________

Company: ________________________________

Telephone: ________________________________

Fax: ________________________________
EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY AS OF DECEMBER 31, 2019

- Immunomedics GmbH (Germany)  
  Wholly owned subsidiary of Immunomedics, Inc.

- IBC Pharmaceuticals, Inc. (Delaware)  
  Majority owned subsidiary of Immunomedics, Inc.
Consent of Independent Registered Public Accounting Firm

The Board of Directors
Immunomedics, Inc.

We consent to the incorporation by reference in the Registration Statements Nos. 333-219594, 333-198766, 333-184377, 333-128310, 333-114810, 333-90338 and 333-225550 on Form S-3 and the Registration Statements Nos. 333-201470, 333-143420 and 333-53224 on Form S-8 of Immunomedics, Inc. of our reports dated February 27, 2020, with respect to the consolidated balance sheets of Immunomedics, Inc. and subsidiaries as of December 31, 2019, December 31, 2018, June 30, 2018 and 2017, the related consolidated statements of comprehensive loss, changes in stockholders’ equity and cash flows for the year ended December 31, 2019, six month transition period ended December 31, 2018 and each of the years in the two-year period ended June 30, 2018, and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of Immunomedics, Inc.

/s/ KPMG LLP

New York, New York

February 27, 2020
I, Usama Malik, Principal Executive Officer of Immunomedics, Inc., certify that:

1. I have reviewed the Annual Report on Form 10-K of Immunomedics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 27, 2020

/s/Usama Malik
Usama Malik
Principal Executive Officer
CERTIFICATION

I, Usama Malik, Chief Financial Officer of Immunomedics, Inc., certify that:

1. I have reviewed the Annual Report on Form 10-K of Immunomedics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020
/s/Usama Malik
Usama Malik
Chief Financial Officer
Exhibit 32.1
Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Immunomedics, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the “Form 10-K”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2020

/s/ Usama Malik
Usama Malik
Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Immunomedics, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2020

/s/ Usama Malik
Usama Malik
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.