

MEDAREX INC
Form DEF 14A
April 10, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

MEDAREX, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

MEDAREX, INC.

**Notice of Annual Meeting of Shareholders
To Be Held May 18, 2006**

To Our Shareholders:

The 2006 annual meeting of shareholders of Medarex, Inc. will be held at the Doral Forrestal Conference Center, 100 College Road East, Princeton, NJ 08540, on Thursday, May 18, 2006 at 10:00 a.m. local time. The purpose of the meeting is to vote on the following matters:

1. To elect three (3) Class I directors to hold office until the 2009 annual meeting;
2. To approve an amendment to our 2005 Equity Incentive Plan to increase the aggregate number of shares of common stock authorized for issuance under the plan by 5,500,000 shares;
3. To ratify the selection by the Board of Directors of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006; and
4. To transact any other business that may properly come before the meeting.

These items of business are more fully described in the proxy statement accompanying this notice.

The record date for the annual meeting is March 21, 2006. Only Medarex, Inc. shareholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By order of the Board of Directors,

W. BRADFORD MIDDLEKAUFF
Senior Vice President, General Counsel and Secretary

Princeton, New Jersey
April 10, 2006

Whether or not you expect to be personally present at the meeting, please be sure that the enclosed proxy card is properly completed, dated, signed and returned without delay in the enclosed envelope or follow the instructions set forth herein to submit your vote by proxy over the Internet or by telephone to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Any proxy may be revoked at any time before it is exercised by following the instructions set forth on pages 2 and 3 of the accompanying proxy statement. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

TABLE OF CONTENTS

	Page
<u>INFORMATION ABOUT THE MEETING</u>	1
<u>OWNERSHIP OF COMPANY STOCK</u>	6
<u>Medarex Stock Owned by Principal Shareholders and Management</u>	6
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	7
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	8
<u>Nominees for Election as Class I Directors Terms Expiring at the 2009 Annual Meeting</u>	8
<u>Incumbent Class III Directors Terms Expiring at the 2007 Annual Meeting</u>	8
<u>Incumbent Class II Directors Terms Expiring at the 2008 Annual Meeting</u>	9
<u>Information Regarding the Board and its Committees</u>	9
<u>Corporate Governance</u>	13
<u>Report of the Audit Committee</u>	15
<u>Executive Compensation</u>	16
<u>Certain Relationships and Related Transactions</u>	24
<u>Stock Price Performance Graph</u>	26
<u>PROPOSAL 2 APPROVAL OF AN AMENDMENT TO OUR 2005 EQUITY INCENTIVE PLAN</u>	27
<u>Reasons to Amend the 2005 Plan</u>	27
<u>Key Provisions of the 2005 Plan</u>	28
<u>Summary Description of the 2005 Plan</u>	29
<u>Summary of U.S. Federal Income Tax Consequences</u>	35
<u>Equity Compensation Plan Information</u>	37
<u>PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	38
<u>Fees of Independent Registered Public Accounting Firm</u>	38
<u>OTHER MATTERS</u>	39
<u>General</u>	39
<u>Householding of Proxy Materials</u>	39
<u>Expenses of Solicitation</u>	39
<u>Annual Report</u>	40

MEDAREX, INC.

**707 State Road
Princeton, New Jersey 08540**

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of shareholders of Medarex, Inc. to be held on Thursday, May 18, 2006, beginning at 10:00 a.m. local time at the Doral Forrester Conference Center, 100 College Road East, Princeton, New Jersey, and any postponements or adjournments thereof.

INFORMATION ABOUT THE MEETING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Medarex, Inc. (sometimes referred to as the Company or Medarex) is soliciting your proxy to vote at the 2006 annual meeting of shareholders to be held on Thursday, May 18, 2006. You are invited to attend the annual meeting, and we request that you vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your vote by proxy over the telephone or on the Internet.

On or about April 10, 2006, we will begin sending this proxy statement, the attached Notice of Annual Meeting and the enclosed proxy card to all shareholders entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only shareholders of record as of the close of business on March 21, 2006, are entitled to vote at the meeting. On such date, there were 112,118,632 shares of our common stock outstanding and entitled to vote.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Shareholder of Record: Shares Registered in Your Name

If, on March 21, 2006, your shares were registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or follow the instructions below to submit your vote by proxy over the telephone or on the Internet to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If, on March 21, 2006, your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and these proxy materials have been forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent on how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker, bank or other agent.

What matters are to be voted upon at the annual meeting?

Three (3) proposals are scheduled for a vote:

- Election of three (3) Class I directors to hold office until the 2009 annual meeting;
- Approval of an amendment to our 2005 Equity Incentive Plan, as amended (the 2005 Plan) to increase the aggregate number of shares of common stock authorized for issuance under the plan by 5,500,000 shares; and
- Ratification of the selection by the Board of Directors of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006.

As of the date of this proxy statement, these three (3) proposals are the only matters which we intend to present at the meeting. We do not know of any other business to be presented at the meeting. If other business is brought before the meeting, the persons named on the enclosed proxy card will vote according to their best judgment.

How do I vote?

You may either vote For all the nominees to the Board of Directors of Medarex (the Board) or you may withhold authority to vote for any nominee(s) you specify. For the other matter to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are fairly simple:

Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record, you may vote in person at the annual meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have previously voted by proxy.

- To vote in person, attend the annual meeting, and we will provide you with a ballot when you arrive.
- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.
- To vote over the telephone, dial toll-free (866) 894-0537 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 7:00 p.m., Eastern Daylight Time on Wednesday, May 17, 2006, to be counted.
- To vote on the Internet, go to *www.continentalstock.com* to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 7:00 p.m., Eastern Daylight Time on Wednesday, May 17, 2006, to be counted.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Medarex. Simply complete, sign and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker, bank or other agent. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

Each share of common stock that you own as of March 21, 2006, entitles you to one vote on each matter to be voted upon at the annual meeting. On March 21, 2006, there were 112,118,632 shares of our common stock outstanding.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the election of the three (3) nominees for director, For the approval of an amendment to our 2005 Plan and For the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We will also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You may change your vote at any time before the proxy is exercised. If you are the record holder of your shares, you may revoke your proxy by:

- executing and delivering a timely and valid later-dated proxy;
- voting by ballot at the annual meeting; or
- giving written notice that you are revoking your proxy to Medarex's Secretary at 707 State Road, Princeton, New Jersey 08540.

If you voted by telephone or the Internet you may also change your vote with a timely and valid later telephone or Internet vote, as the case may be. Attendance at the annual meeting will not have the effect of revoking a proxy unless you give proper written notice of revocation to Medarex's Secretary before the proxy is exercised or you vote by written ballot at the annual meeting.

If your shares are held by your broker or bank as nominee or agent, you should follow the instructions provided by your broker or bank.

When are shareholder proposals due for the 2007 annual meeting of shareholders?

Shareholders interested in submitting a proposal for inclusion in the proxy materials for the 2007 annual meeting of shareholders (the 2007 annual meeting) may do so by following the procedures set forth in Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act). To be eligible for inclusion in the proxy materials, written shareholder proposals must be received by the Secretary of Medarex no later than December 8, 2006.

If you wish to submit a proposal or director nomination for consideration at the 2007 annual meeting after December 8, 2006 (which proposal or nomination may not necessarily be included in the 2007 proxy materials), you may do so by written notice, in the form specified in Article II of our Amended and Restated By-laws, delivered to or mailed and received at our office in Princeton, New Jersey not less than sixty (60) days (nor more than ninety (90) days) prior to the date of the 2007 annual meeting; provided, however, that in the event that shareholders are given less than seventy (70) days notice or prior public disclosure of the date of the 2007 annual meeting, you may give written notice of the proposal or nomination not later than the close of business on the tenth (10th) day following the day on which notice of the 2007 annual meeting date was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs. Our Policy Regarding Director Nominations is available at www.medarex.com/Investor/Corporate.htm and describes the procedures for recommending candidates for director.

Our 2007 annual meeting is currently scheduled for Thursday, May 17, 2007, and, assuming this date does not change, pursuant to the foregoing timeline, written notice of a proposal to be presented directly at the 2007 annual meeting must be received by us no later than Friday, March 16, 2007. If a proposal is received after that date, then the notice is untimely, and we are not required to present such proposal at the 2007 annual meeting. All proposals should be sent to: Secretary, Medarex, Inc., 707 State Road, Princeton, New Jersey 08540.

What vote is required to approve each proposal?

Quorum:

The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote, i.e., 56,059,317 shares, will constitute a quorum for the annual meeting. If fewer than this number are present at the annual meeting, no business can be conducted other than the adjournment of the meeting to another date. If you submit a properly executed proxy card (or one is submitted on your behalf by your broker or bank or other nominee) then you will be considered part of the quorum. Abstentions and broker non-votes will be counted towards the quorum requirements.

Approval of the proposals:

Other than the election of directors, which requires a plurality of the votes cast, each matter to be submitted to the shareholders requires the affirmative vote of a majority of the votes cast at the meeting for approval.

The effect of broker non-votes:

Under the rules of the National Association of Securities Dealers, Inc., member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, Inc. (NYSE), member brokers who hold shares in street name for customers have the authority to vote on certain discretionary items. This means that brokerage firms may vote in their discretion on these matters on behalf of clients who have not furnished voting instructions at least 15 days before the date of the meeting. When a proposal is *not* a discretionary item and a brokerage firm has *not* received voting instructions from the beneficial holder of the shares with respect to that proposal, the brokerage firm cannot vote the shares for that proposal. This is called a broker non-vote. A broker non-vote may also occur if your broker fails to vote your shares for any reason. The election of directors and the ratification of the Board's selection of Ernst & Young LLP as our independent registered public accounting firm are considered discretionary items, so NYSE member brokers who do not receive instructions from their customers at least 15 days before the date of the annual meeting are entitled to vote on such proposals at their discretion. The approval of an amendment to the 2005 Plan, however, is not considered a routine matter, so your bank or broker may not vote your shares held in street name on the proposal relating to an amendment to the 2005 Plan. Without your voting instructions on this item, a broker non-vote will occur.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and (with respect to proposals other than the election of directors) Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as Against votes. Broker non-votes have no effect and will not be counted in determining the number of shares necessary for approval. As stated above, shares represented by such abstentions and broker non-votes will, however, be counted in determining whether there is a quorum.

How does the Board recommend I vote on the proposals?

The Board recommends that you vote as follows:

- **FOR** the election of Dr. Donald L. Drakeman, Ronald J. Saldarini and Charles R. Schaller as Class I directors, each to serve as a director until the 2009 annual meeting of shareholders;
- **FOR** the amendment of the 2005 Plan to increase the aggregate number of shares authorized for issuance under the plan by 5,500,000 shares; and
- **FOR** the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in the Company's quarterly report on Form 10-Q for the period ending June 30, 2006.

OWNERSHIP OF COMPANY STOCK**Medarex Stock Owned by Principal Shareholders and Management**

The following table sets forth, as of March 21, 2006, the number of shares and percentage of our common stock held by (i) each person who owns of record or who is known by us to beneficially own more than 5% of our common stock, (ii) each of our executive officers, directors and nominees, and (iii) all of our executive officers, directors and nominees as a group.

Beneficial ownership is broadly defined by the Securities and Exchange Commission (SEC) to mean more than ownership in the usual sense. So, for example, a person beneficially owns our common stock not only if he or she holds it directly, but also if he or she indirectly (through a relationship, a position as a director or trustee, or a contract or understanding), has (or shares) the power to vote the stock, or to sell it, or if he or she has the right to acquire it within 60 days.

Name and Address of Beneficial Owners	Beneficial Ownership(1) Number of Shares	Percent of Total
FMR Corp.(2) 82 Devonshire Street Boston, MA 02109	9,885,910	8.8 %
Mazama Capital Management, Inc.(3) One Southwest Columbia Street Suite 1500 Portland, OR 97258	8,769,846	7.8 %
Barclays Global Investors, NA(4) Barclays Global Fund Advisors 45 Fremont Street San Francisco, CA 94105	6,426,627	5.7 %
Dr. Donald L. Drakeman(5)	2,536,603	2.3 %
Dr. Nils Lonberg(6)	889,886	*
Christian S. Schade(7)	758,594	*
W. Bradford Middlekauff(8)	500,433	*
Irwin Lerner(9)	476,000	*
Dr. Ronald A. Pepin(10)	328,897	*
Dr. Geoffrey M. Nichol(11)	327,954	*
Charles R. Schaller(12)	223,274	*
Dr. Julius A. Vida(13)	199,970	*
Michael A. Appelbaum(14)	189,864	*
Dr. Ronald J. Saldarini(15)	114,000	*
Dr. Patricia M. Danzon(16)	30,000	*
All executive officers, directors and nominees as a group (12 persons)(17)	6,575,475	5.9 %

(1) This table is based upon information supplied by officers, directors and principal shareholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table

and subject to community property laws where applicable, Medarex believes that each of the shareholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 112,118,632 shares outstanding on March 21, 2006, adjusted as required by rules promulgated by the SEC.

- (2) Includes shares issuable upon conversion of our convertible notes. Includes shares held by Fidelity Management & Research Company and Fidelity Management Trust Company.
- (3) Includes shares issuable upon conversion of our convertible notes.
- (4) Includes shares issuable upon conversion of our convertible notes.
- (5) Includes 30,000 shares held by Dr. Drakeman's wife, Dr. Lisa N. Drakeman, 278,000 shares issuable pursuant to options held by Dr. Lisa N. Drakeman, 43,072 shares held by Dr. Drakeman's children and 112,716 shares held in three Grantor Retained Annuity Trusts of which Dr. Drakeman is the Trustee. Includes 1,665,747 shares issuable pursuant to options and 151,456 phantom stock units.
- (6) Includes 775,634 shares issuable pursuant to options. Also includes 46,259 phantom stock units.
- (7) Includes 714,686 shares issuable pursuant to options. Also includes 31,383 phantom stock units.
- (8) Includes 466,769 shares issuable pursuant to options. Also includes 30,664 phantom stock units.
- (9) Includes 346,000 shares issuable pursuant to options.
- (10) Includes 303,644 shares issuable pursuant to options. Also includes 20,753 phantom stock units.
- (11) Includes 273,627 shares issuable pursuant to options. Also includes 24,327 phantom stock units.
- (12) Includes 190,000 shares issuable pursuant to options.
- (13) Includes 106,000 shares issuable pursuant to options. Also includes 330 shares held by Dr. Vida's wife and 200 shares held by Dr. Vida's son.
- (14) Includes 52,854 shares in a trust of which Mr. Appelbaum is the Trustee. Also includes 116,846 shares issuable pursuant to options.
- (15) Includes 114,000 shares issuable pursuant to options.
- (16) Includes 30,000 shares issuable pursuant to options.
- (17) Includes 5,102,953 shares issuable pursuant to options and 304,842 phantom stock units.

* Less than 1%.

Unless otherwise indicated, the business address of each beneficial owner is Medarex, Inc., 707 State Road, Princeton, New Jersey 08540.

Section 16(a) Beneficial Ownership Reporting Compliance

Edgar Filing: MEDAREX INC - Form DEF 14A

Under the securities laws of the United States, our directors, executive officers and any persons holding ten percent (10%) or more of our common stock are required to report their ownership of our common stock and any changes in that ownership to the SEC. Specific due dates for these reports have been established, and we are required to report in this proxy statement any failure to file by these dates during 2005. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2005, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than ten percent (10%) beneficial owners were complied with.

7

PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors recommends a vote FOR Proposal 1.

Our Board of Directors is divided into three classes in a manner providing for staggered three-year terms. The Board is currently comprised of seven (7) members.

At the annual meeting, the terms of Dr. Donald L. Drakeman, Dr. Ronald J. Saldarini and Mr. Charles R. Schaller are expiring. We have nominated all three to serve as directors for a new three-year term ending with the election of a successor at the 2009 annual meeting of shareholders or until, if earlier, his death, resignation or removal. Each nominee is a current Medarex director who was previously elected by our shareholders.

Directors are elected by a plurality of the votes properly cast in person or by proxy. The three (3) nominees receiving the highest number of affirmative votes will be elected. Unless you properly mark the proxy card accompanying this Proxy Statement to withhold authority to vote for a nominee, your votes will be cast **FOR** the election of each of the nominees, or **FOR** one or more substitute nominees recommended by the Board of Directors in the event that one or more of our nominees should become unavailable for election. Each person nominated for election has agreed to serve if elected.

The following is a brief biography of each nominee for election as a director and the four (4) directors whose terms of office extend beyond the annual meeting.

Nominees for Election of Class I Directors Terms Expiring at the 2009 Annual Meeting.

Donald L. Drakeman, Ph.D. (age 52), Dr. Drakeman has been our President, Chief Executive Officer and a Director since our inception in 1987. Dr. Drakeman is a graduate of Dartmouth College and received a J.D. degree from Columbia University, where he was a Harlan Fiske Stone scholar, and a Ph.D. in the humanities from Princeton University, where he has served as a member of the faculty. Dr. Drakeman chairs the New Jersey Commission on Science and Technology. Dr. Drakeman is also a director of IDM Pharma, Inc., a publicly traded biopharmaceutical company.

Ronald J. Saldarini, Ph.D. (age 66), Dr. Saldarini has been a Director since May 23, 2001. He was President of the global vaccine business of Wyeth Pharmaceuticals from 1986 until his retirement in 1999. After his retirement, he founded Biological Initiatives which provides consulting services to the vaccine/pharmaceutical industry. He is an associate at Naimark & Associates, a healthcare consulting firm, and has served on several committees of the National Academy of Sciences Institute of Medicine. He has also been a committee member of several organizations involved in promoting immunization and vaccine development for infectious disease. He has a B.A. from Drew University and a Ph.D. degree in Biochemistry and Physiology from the University of Kansas.

Charles R. Schaller (age 70), Mr. Schaller has been a Director since our inception in 1987, and was Chairman of our Board of Directors from our inception until May 18, 1997. Since 1989, Mr. Schaller has been a chemical industry management consultant and, until June 2002, he served as a director of AstroPower, Inc., a formerly publicly traded U.S. manufacturer of photovoltaic products. Mr. Schaller is a graduate of Yale University and is a graduate of the program in management development at Harvard Business School.

Incumbent Class III Directors Terms Expiring at the 2007 Annual Meeting.

Irwin Lerner (age 75), Mr. Lerner has been a Director since September 8, 1995. On May 19, 1997, Mr. Lerner became Chairman of our Board of Directors. Mr. Lerner served as Chairman of the Board of Directors and of the Executive Committee of Hoffmann-La Roche Inc., a pharmaceutical and healthcare company, from January 1993 until his retirement in September 1993, and also served as President and

Chief Executive Officer of Hoffman-La Roche from 1980 through December 1992. Mr. Lerner served for 12 years on the Board of the Pharmaceutical Manufacturers Association, where he chaired the Association's FDA Issues Committee. Mr. Lerner received a B.S. and an M.B.A. from Rutgers University. He is currently a Distinguished Executive-in-Residence at Rutgers University Business School. Mr. Lerner is also a director of Covance, Inc., Nektar Therapeutics, Inc., Panacos Pharmaceuticals, Inc. and Genmab A/S, all publicly traded healthcare companies.

Julius A. Vida, Ph.D. (age 77), Dr. Vida has been a Director since February 9, 1994. Since 1993, Dr. Vida has been a self-employed pharmaceutical consultant with VIDA International Pharmaceutical Consultants. From 1975 until his retirement in 1993, Dr. Vida held various positions at Bristol-Myers Squibb Company and its predecessors. From 1991 to 1993, Dr. Vida was Vice President, Business Development, Licensing and Strategic Planning, and from 1985 to 1991, he was Vice President, Licensing. Dr. Vida graduated from Pazmany Peter University, Budapest, Hungary, holds an M.S. and a Ph.D. in Organic Chemistry from Carnegie Institute of Technology, was a Postdoctoral Fellow at Harvard University, and holds an M.B.A. from Columbia University. Dr. Vida is also a director of Orphan Medical, Inc., YM Biosciences, Inc., and Spectrum Pharmaceuticals, Inc., all publicly traded biopharmaceutical companies.

Incumbent Class II Directors Terms Expiring at the 2008 Annual Meeting.

Michael A. Appelbaum (age 60), Mr. Appelbaum has been a Director since April 3, 1991. From July 29, 1991 until October 13, 2000, Mr. Appelbaum was our Executive Vice President, Finance and Administration, Treasurer and Chief Financial Officer. Mr. Appelbaum was our Executive Vice President from October 14, 2000 until his retirement on December 31, 2003. Mr. Appelbaum, who has been employed as a certified public accountant with Ernst & Young LLP, is also an attorney. He is a graduate of Fairleigh Dickinson University and received a J.D. degree from Suffolk University School of Law.

Patricia M. Danzon, Ph.D. (age 59), Dr. Danzon is the Celia Moh Professor, Health Care Systems, Insurance and Risk Management at the Wharton School of the University of Pennsylvania, where she chairs the Health Care Systems Department. She joined Wharton in 1985. Prior to that time, Dr. Danzon held academic and research positions at various institutions including the University of Chicago, Stanford University, and Duke University. Dr. Danzon received a B.A. from Oxford University and holds an M.A. and Ph.D. in Economics from the University of Chicago. Dr. Danzon is a member of the Institute of Medicine, and she also serves on various advisory and editorial boards, including the Journal of Health Economics.

Information Regarding the Board and its Committees

Board Meetings, Attendance of Directors and Other Matters

Our Board held five (5) meetings in 2005. During 2005, each of the directors attended 75% or more of the total meetings of the Board and the respective committees on which he or she served. As required under The NASDAQ Stock Market (NASDAQ) listing standards, our independent directors meet in executive sessions at which only independent directors are present after each regularly scheduled Board meeting. The Board has the express authority to hire its own legal, accounting and other advisors. Recognizing that director attendance at our annual meeting can provide shareholders with an opportunity to communicate with directors about issues affecting our business, it is our policy to actively encourage our directors to attend the annual meeting of shareholders. All directors attended our 2005 annual meeting of shareholders.

Compensation of Directors

On July 26, 2005, we adopted the following compensation arrangements for Board members:

- an annual option grant of 18,000 shares of common stock for each Board member, other than our Chief Executive Officer and directors elected/appointed within the previous six months;
- an annual option grant of an additional 18,000 shares of common stock for our Chairman of the Board;
- an annual retainer of \$25,000 for each Board member, other than our Chief Executive Officer;
- an additional annual retainer of \$25,000 for our Chairman of the Board;
- meeting fees of \$1,800 for each in-person Board meeting and \$1,000 for each telephonic Board meeting;
- meeting fees of \$1,000 for each committee meeting;
- an annual retainer of \$11,000 for service on the Audit Committee, other than the Chairman of the Audit Committee;
- an annual retainer of \$18,000 for the Chairman of the Audit Committee; and
- an annual retainer of \$6,000 for service on each of the other (i.e., non-Audit Committee) standing committees of our Board.

In 2005, the total compensation paid to non-employee directors was approximately \$330,000. The members of the Board of Directors are also eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with our policy. During 2005, we granted options covering 36,000 shares to the Chairman of the Board and 18,000 shares to each of our directors other than the Chief Executive Officer and Dr. Patricia Danzon, at an exercise price per share of \$9.835, representing fair market value on the date of grant. Dr. Danzon was granted options covering 30,000 shares upon her election to the Board in May 2005 at an exercise price per share of \$7.76. During 2005, other than set forth above, no director received any other compensation for services rendered to us as a director.

Board Committees

The Board has established the following permanent committees: an Audit Committee, a Compensation and Organization Committee, a Nominating and Corporate Governance Committee and a Conflict of Interest Committee. The following table provides membership information for fiscal 2005 for each of these Board committees:

Director	Audit Committee	Compensation and Organization Committee	Nominating and Corporate Governance Committee	Conflict of Interest Committee
Michael A. Appelbaum				
Frederick B. Craves				
Patricia M. Danzon			*	
Donald L. Drakeman				
Irwin Lerner	**	**	*	
Ronald J. Saldarini	*		**	
Charles R. Schaller	*	*		*
Julius A. Vida		*		**

* Member

** Chair

Retired effective as of May 19, 2005.

Dr. Danzon joined the Nominating and Corporate Governance Committee upon her election to the Board of Directors on May 19, 2005.

Below is a description of each of these committees of the Board. Each of the committees has authority to engage outside legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board annually reviews the NASDAQ listing standards definition of independence for committee members and has determined that all members of each committee are independent within the meaning of the applicable NASDAQ listing standards.

Audit Committee. The Audit Committee of the Board oversees our corporate accounting and financial reporting process and assists the Board in fulfilling its oversight responsibility to the shareholders and others relating to:

- The integrity of our financial statements and the financial reporting process;
- The systems of internal accounting and financial controls;
- The performance of our independent auditors;
- The annual independent audit of our financial statements; and
- The independent auditors' qualifications and independence.

In connection with this oversight role, the Audit Committee performs several functions, including, among other things:

- Determining and approving the engagement of the independent auditors;
- Evaluating the qualifications, performance and independence of the independent auditors;
- Monitoring the rotation of partners of the independent auditors on our engagement team as required by law;
- Determining whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors;
- Reviewing and approving the retention of the independent auditors to perform any proposed permissible non-audit services;
- Discussing with management and the independent auditors the adequacy and effectiveness of our internal controls over financial reporting;
- Establishing procedures, as required under applicable law, for the receipt, retention and treatment of complaints we may receive regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- Reviewing the financial statements to be included in our Annual Report on Form 10-K; and
- Discussing with management and the independent auditors the results of the annual audit and the results of our quarterly financial statements.

Edgar Filing: MEDAREX INC - Form DEF 14A

The Audit Committee operates under a charter, which can be found at www.medarex.com/Investor/Corporate.htm. The Audit Committee held nine (9) meetings in 2005.

11

Under its charter, the Audit Committee must have at least three (3) members, all of whom must satisfy the independence requirements of the SEC and NASDAQ applicable to audit committee members as in effect from time to time.

The Board has determined that Mr. Lerner qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board made a qualitative assessment of Mr. Lerner's level of knowledge and experience based on a number of factors, including his formal education, experience as a chief executive officer for a major pharmaceutical company and activities with respect to other publicly traded companies.

Compensation and Organization Committee. The Compensation and Organization Committee reviews and approves the compensation for our senior management, as well as compensation strategy and compensation policies for Medarex as a whole. To implement its responsibilities, the Compensation and Organization Committee:

- Reviews and approves corporate performance goals and objectives relevant to the compensation of our executive officers;
- Reviews and approves the compensation and other terms of employment of our Chief Executive Officer;
- Administers our stock option and purchase plans, stock bonus plans, deferred compensation plans and other similar programs; and
- Reviews and determines the officers, employees and consultants to whom stock options should be granted, the number of options and the option price.

Under its charter, the Compensation and Organization Committee must have at least three (3) members, all of whom satisfy the independence requirements of the SEC and NASDAQ applicable to compensation committee members as in effect from time to time.

The Compensation and Organization Committee held three (3) meetings in 2005 and acted fourteen (14) times in connection with option and stock grants to employees and directors. Our Compensation and Organization Committee charter can be found at www.medarex.com/Investor/Corporate.htm.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee (the Governance Committee) has the full power and authority to, among other things:

- Propose policies on the size and composition of the Board;
- Establish criteria for membership on the Board and on Board committees;
- Identify, evaluate and recommend qualified candidates for service on the Board, including any shareholder recommendations;
- Maintain an orientation program for new directors and a continuing education program for all directors;
- Evaluate, review and consider whether to recommend to the Board the nomination, upon conclusion of their terms, of existing directors for re-election to the Board;
- Evaluate at least annually the size, performance, authority, operations, charter and composition of each standing Board committee and the performance of each committee member and recommend to the Board any changes considered appropriate in the size, authority, operations, charter, or composition of each committee;
- Consider and periodically assess director independence; and

- Review with management and the Board the adequacy of our Standards of Integrity and any other codes of ethics.

Under its charter, the Governance Committee must have at least two (2) members, both of whom shall meet the independence requirements of the SEC and Nasdaq applicable to nominating and corporate governance committee members from time to time. Our Governance Committee charter can be found at www.medarex.com/Investor/Corporate.htm. The Governance Committee held four (4) meetings in 2005.

Conflict of Interest Committee. The Conflict of Interest Committee reviews and approves or disapproves, as the case may be, certain transactions involving conflicts of interest in accordance with the terms of our Conflict of Interest Policy. The Conflict of Interest Committee operates under a charter, which can be found at www.medarex.com/Investor/Corporate.htm. The Conflict of Interest Committee held three (3) meetings in 2005.

Corporate Governance

Corporate Governance Guidelines

Our business, property and affairs are managed by or are under the direction of the Board of Directors pursuant to New Jersey law and our certificate of incorporation and by-laws. Members of the Board of Directors are kept informed about our business through discussions with the President and Chief Executive Officer and other key members of management, by reviewing materials provided to them by management and by management's participation in meetings of the Board of Directors and its committees.

The Board has adopted a set of Corporate Governance Guidelines that address the composition and operation of the Board. These guidelines can be viewed at www.medarex.com/Investor/Corporate.htm and can be obtained, upon request, from Medarex.

Independence of the Board

As required under NASDAQ listing standards, a majority of the members of a listed company's Board of Directors must qualify as independent, as affirmatively determined by the Board. The Board periodically consults with our General Counsel as well as our outside legal counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent auditors, the Board affirmatively has determined that all of our directors are independent directors within the meaning of the applicable NASDAQ listing standards, except for Dr. Drakeman, our President and CEO, and Mr. Appelbaum, who was an Executive Vice-President of Medarex until his retirement in December 2003.

Board and Audit Committee Service

Our Board has a policy that no director shall simultaneously serve on (i) the board of directors of more than six (6) publicly traded companies, including Medarex, or (ii) the audit committees of more than three (3) publicly traded companies, including Medarex. For purposes of this policy, publicly traded companies includes companies whose securities are traded on foreign or U.S. public markets.

Director Nomination Process

Our Policy Regarding Director Nominations (available at www.medarex.com/Investor/Corporate.htm) describes the procedures for recommending candidates and provides that candidates for the Board should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. Under its charter, the Governance Committee evaluates all such candidates and makes recommendations to the Board.

In considering potential candidates, the Governance Committee also considers factors such as whether or not a potential candidate: (1) possesses relevant expertise upon which to be able to offer advice and guidance to management; (2) has sufficient time to devote to our affairs; (3) has demonstrated excellence in his or her field; (4) has the ability to exercise sound business judgment; and (5) has the commitment to rigorously represent the long-term interests of our shareholders. The Governance Committee retains the right to modify these factors from time to time.

Candidates for director are reviewed in the context of the current composition of the Board, our operating requirements and the long-term interests of shareholders. In conducting this assessment, the Governance Committee considers diversity, age, skills, and such other factors as it deems appropriate, given our current needs and the current needs of our Board, to maintain a balance of knowledge, experience and capability.

In the case of an incumbent director whose term of office is set to expire, the Governance Committee reviews such director's overall service during his or her term, including the number of meetings attended, level of participation and quality of performance. In the case of a new director candidate, the Governance Committee also determines whether the nominee is independent for NASDAQ purposes; such determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary.

The Governance Committee will consider director candidates recommended by shareholders in accordance with the procedures set forth in our Policy Regarding Director Nominations available on our website at the address set forth above.

Candidates recommended by our shareholders shall be evaluated on the same basis as candidates recommended by our directors, officers, third party search firms or other sources. The Governance Committee may also consider whether to support the nomination of any person nominated for election to the Board by a shareholder pursuant to the provisions of our by-laws relating to shareholder nominations. During the past fiscal year, the Governance Committee did not receive a director nominee by a shareholder or a group of shareholders totaling more than 5% of our voting stock and we did not pay a fee to, or engage, any third party search firm or other source to identify and evaluate nominees for directors.

Shareholder Communications with the Board

The Governance Committee has adopted a formal process by which shareholders may communicate with the Board or any of our directors. Shareholders and other interested persons may communicate with members of the Board by either (1) sending an e-mail to boardofdirectors@medarex.com or (2) sending written correspondence to: Medarex Board of Directors, c/o Office of the General Counsel, Medarex, Inc., 707 State Road, Princeton, New Jersey 08540. The e-mail or mailing envelope must contain a clear notation indicating that the communication is a Shareholder/Board Communication. Persons sending such communications are encouraged to identify themselves, so that a response may be provided, if appropriate. In addition, the communication must clearly identify whether or not the author is a shareholder of Medarex and must clearly state whether the intended recipients are all of the members of

the Board or just certain specified individual directors. Further details and the full text of this process can be found at www.medarex.com/Investor/Corporate.htm.

Standards of Integrity

We have adopted Standards of Integrity that apply to all of our officers, directors and employees. A copy of our Standards of Integrity is available at www.medarex.com/Investor/Corporate.htm. The Standards of Integrity set forth a written code of ethics and business conduct that all of our officers, directors and employees are required to adhere to in addressing the legal and ethical issues encountered in conducting their work. The Standards of Integrity require that employees comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest. Employees are required to report any conduct that they believe in good faith to be an actual or a