MEDAREX INC
Form POS AM
November 19, 2004
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As filed with the Securities and Exchange Commission on November 19, 2004

REGISTRATION NO. 333-108325

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2

TO

FORM S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

MEDAREX, INC.

(Exact name of registrant as specified in its charter)

New Jersey	**2836**	**22-2822175**
(State or other jurisdiction of incorporation or organization)	**(Primary standard industrial classification code number)**	**(I.R.S. Employer Number)**

Medarex, Inc.

707 State Road

Princeton, NJ 08540

(609) 430-2880

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Donald L. Drakeman

President and Chief Executive Officer

Medarex, Inc.

707 State Road

Princeton, NJ 08540

(609) 430-2880

COPIES TO:

W. Bradford Middlekauff, Esq.

Senior Vice President, General Counsel

and Secretary

Medarex, Inc.

707 State Road

Princeton, NJ 08540

(609) 430-2880

Dwight A. Kinsey, Esq.

Satterlee Stephens Burke & Burke LLP

230 Park Avenue

New York, NY 10169

(212) 818-9200

Approximate date of commencement of proposed sale to the public:

From time to time after the effective date of the Registration Statement, as determined by the Registrant.

If the only securities registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS

$48,475,000

MEDAREX, INC.

4.25% Convertible Senior Notes Due August 15, 2010

Shares of Common Stock Issuable Upon Conversion of the Notes

In July 2003, we issued and sold $125,000,000 aggregate principal amount of our 4.25% Convertible Senior Notes, due August 15, 2010, in a private offering. This prospectus will be used by selling securityholders to resell up to $48,475,000 in aggregate principal amount of the notes and the common stock issuable upon conversion of such notes at any time at market prices prevailing at the time of sale or at privately negotiated prices. The selling securityholders may sell the notes or the common stock directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions. We will not receive any proceeds from these resales.

The notes have the following provisions:

The holders of the notes may convert the notes into shares of our common stock at any time at a conversion price of $6.72 per share, which is equivalent to a conversion rate of 148.8261 shares per each $1,000 principal amount of notes, subject to adjustment;

We will pay interest on the notes on August 15 and February 15 of each year commencing February 15, 2004;

The notes are senior unsecured obligations, except we have purchased and pledged a portfolio of U.S. treasury securities as security for the notes, in an amount sufficient to pay the first six scheduled interest payments due on the notes;

The notes are subject to redemption prior to maturity upon the occurrence of certain events in accordance with the terms and conditions set forth herein under the sections entitled Description of the Notes Provisional Redemption and Optional Redemption ; and

In the event of a Change of Control, as described in this prospectus, each holder of the notes may require us to repurchase some or all of the holder s notes at 100% of the principal amount of the notes plus accrued and unpaid interest. At our option, we may repurchase the notes for cash or common stock or a combination of cash, common stock or securities of a company that acquires us.

We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market.

Our common stock currently trades on the NASDAQ National Market under the symbol MEDX. The last reported sale price on November 18, 2004 was $10.54 per share.

Investing in our securities involves risks. See Risk Factors on page 9 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 19, 2004

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. THE SELLING SECURITYHOLDERS ARE NOT MAKING AN OFFER OF THE SECURITIES TO BE SOLD UNDER THIS PROSPECTUS IN ANY JURISDICTIONS WHERE THE OFFERS OR SALES ARE NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT COVER OF THIS PROSPECTUS, OR THAT THE INFORMATION CONTAINED IN ANY DOCUMENT INCORPORATED BY REFERENCE IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THE DOCUMENT INCORPORATED BY REFERENCE. THE DELIVERY OF THIS PROSPECTUS DOES NOT, UNDER ANY CIRCUMSTANCES, MEAN THAT THERE HAS NOT BEEN A CHANGE IN OUR AFFAIRS SINCE THE DATE HEREOF. THIS PROSPECTUS WILL ONLY BE DISTRIBUTED IN PRINTED FORM BY HAND OR THROUGH THE MAILS.

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PROSPECTUS SUMMARY

This summary does not contain all the information that is important to you. You should read the entire prospectus, including the section entitled Risk Factors, and the documents incorporated by reference in this prospectus, including the financial statements and related notes, identified under the section entitled Incorporated by Reference carefully before making an investment decision. When used in this prospectus, unless otherwise indicated, the terms we, our, and us refer to Medarex and its subsidiaries.

Medarex, Inc.

We are a biopharmaceutical company focused on the discovery and development of fully human antibody-based therapeutic products. We believe that our UltiMAb Human Antibody Development System® enables us to rapidly create and develop therapeutic products for a wide range of diseases, including cancer, inflammation and autoimmune diseases.

We believe that antibodies are proven candidates for therapeutic products. To date, the United States Food and Drug Administration, or FDA, has approved 17 antibody-based therapeutic products for sale in the United States. In 2003, 15 of these products generated aggregate worldwide sales in excess of $5.0 billion. We intend to participate in this market and, to this end, are developing an expanding pipeline of therapeutic antibody products generated through the use of our proprietary UltiMAb human antibody development technology.

Currently, 20 antibody products derived from our UltiMAb human antibody development technology are in human clinical trials or have had regulatory applications submitted for such trials. These antibodies are designed to treat a wide range of diseases, such as cancer (including various lymphomas), rheumatoid arthritis and other inflammatory, autoimmune and infectious diseases.

As of October 29, 2004, we have more than 45 partnerships with pharmaceutical and biotechnology companies to jointly develop and commercialize products or to enable other companies to use our proprietary technology in their development of new therapeutic products.

We are subject to a number of risks which could materially and adversely affect our business, results of operations and financial condition including, among other things, our history of operating losses and anticipation of future losses; uncertainties relating to our technology, product development, patent and proprietary rights, clinical trials, government regulation, obtaining regulatory approval, market acceptance of our products, health care reform and third-party reimbursement; our need for additional capital; our dependence on our key personnel and our research collaborators and scientific advisors; and the risk of product liability. These risks are described in more detail in the section herein entitled Risk Factors.

We were incorporated in 1987. Our principal executive offices are located at 707 State Road, Princeton, New Jersey 08540. Our telephone number is (609) 430-2880. We maintain a worldwide website at *www.medarex.com*. The reference to our worldwide web address does not constitute incorporation by reference of the information contained on our website. Our Annual Report on Form 10-K, our Quarterly Reports on

Form 10-Q, our Current Reports on Form 8-K and all amendments to those reports that we file with the Securities and Exchange Commission, or SEC, are currently available free of charge to the general public through our website at *www.medarex.com*. These reports are accessible on our website at a reasonably practicable time after being filed with the SEC.

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The Offering

Issuer	Medarex, Inc.
Securities Offered	$48,475,000 in aggregate principal amount of 4.25% convertible senior notes due August 15, 2010.
Maturity Date	August 15, 2010, unless earlier redeemed, repurchased or converted.
Interest	4.25% per annum on the principal amount, payable semi-annually in arrears in cash on August 15 and February 15 of each year, commencing February 15, 2004. The first interest payment included interest from July 23, 2003, the date of issuance of the notes.
Security	We have entered into a pledge agreement with Wilmington Trust Company, as securities intermediary, pursuant to which we have purchased and pledged to the securities intermediary, as security for the $125.0 million aggregate principal of 4.25% convertible senior notes, and for the exclusive benefit of the holders of the notes, a portfolio of approximately $10.2 million of U.S. treasury securities. This treasury portfolio consists of U.S. treasury securities that mature on or prior to the business day immediately preceding each of the next four interest payment dates for the notes in such amounts as will be sufficient to provide for payment in full of the next four scheduled interest payments on the notes when due. In limited circumstances involving an event of default under the notes, the pledged U.S. treasury securities and the pledge account will also secure the repayment of the principal amount of the notes and our obligation to pay the additional payment referred to below under the section herein entitled Description of Notes Provisional Redemption. The notes will otherwise not be secured.
Conversion	You may convert the notes at any time into shares of common stock at a conversion rate equal to 148.8261 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $6.72 per share of common stock. The conversion rate is subject to adjustment in certain events. You may convert the notes at any time before the close of business on the maturity date, unless we have previously redeemed or repurchased the notes. Holders of notes called for redemption or repurchase will be entitled to convert the notes up to and including the business day prior to the date fixed for redemption or repurchase, as the case may be.
Ranking	The notes are senior unsecured (except as set forth under the section herein entitled Description of the Notes Security) obligations and will rank equal in right of payment with our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively subordinated to any future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will also be structurally subordinated to the indebtedness and other liabilities of our existing subsidiaries and any future subsidiaries,

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including trade payables in existence on or after the date hereof. As of September 30, 2004, our subsidiaries had approximately $3.3 million of indebtedness and other liabilities as to which the notes would have been structurally subordinated, excluding intercompany liabilities. The indenture under which the notes were issued does not restrict us or any of our subsidiaries from incurring additional senior or other indebtedness and other liabilities, including secured indebtedness.

Provisional Redemption

We may redeem the notes, in whole or in part, at any time prior to August 15, 2006, at a redemption price, payable in cash, equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date and the additional make-whole payment described below if:

- the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing of the provisional redemption notice; and

- the shelf registration statement covering resales of the notes and the common stock issuable upon conversion of the notes is effective and available for use and is expected to remain effective and available for use for the 30 days following the provisional redemption date.

Upon any provisional redemption, we will make an additional make-whole payment on the provisional redemption date with respect to the notes called for redemption in an amount equal to $130.10 per $1,000 principal amount of notes, less the amount of any interest actually paid and any interest accrued and unpaid on such notes before the provisional redemption date. We may make this additional payment, at our option, in either cash or our common stock (or a combination of both). We will state the form of consideration to be paid in the redemption notice. Payments made in our common stock will be valued at 95% of the average of the closing sale prices for the five consecutive trading days ending on the third trading day prior to the redemption date. We will be obligated to make this additional payment on all notes called for provisional redemption, including any notes converted after the notice date and prior to the provisional redemption date.

Optional Redemption

On or after August 15, 2006, we may redeem some or all of the notes at any time at the redemption prices specified in this prospectus, plus accrued and unpaid interest to the redemption date.

Global Notes;

Book Entry System

The notes may be issued only in fully registered form without interest coupons and in denominations of $1,000 and greater multiples. The notes are evidenced by a global note deposited with the trustee for the notes as custodian for The Depository Trust Company, or DTC. Beneficial interests in the global note will be shown on, and transfers of those beneficial interests can only be made through, records maintained by DTC and its direct and indirect participants.

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Repurchase at Holder s Option upon A Change in Control	You may require us to repurchase your notes upon a change in control in cash, or, at our option, in our common stock or a combination of cash and common stock, at 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest to, but excluding, the repurchase date. If we pay the repurchase price in common stock, the common stock will be valued at 95% of the average closing sales price of the common stock on the NASDAQ National Market for the five consecutive trading days ending on the third trading day prior to the repurchase date.
Use of Proceeds	The selling securityholders will receive all of the proceeds from the sale under this prospectus of the notes and the common stock issuable upon conversion of the notes. We will not receive any proceeds from these sales.
Events of Default	The following are events of default under the indenture for the notes: we fail to pay the principal of or any premium on any note when due; we fail to pay any interest or any liquidated damages on any note when due, which failure continues for 30 days; we fail to provide notice of a change in control; we fail to perform any other covenant in the indenture and that failure continues for 60 days after written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of outstanding notes; any indebtedness under any bonds, debentures, notes or other evidences of indebtedness for money borrowed, or any guarantee thereof, by us or any of our significant subsidiaries, in an aggregate principal amount in excess of $20 million is not paid when due either at its stated maturity or upon acceleration thereof, and such indebtedness is not discharged, or such acceleration is not rescinded or annulled, within a period of 30 days after notice as provided in the indenture; the pledge agreement in favor of the holders of the notes governing the pledge of the portfolio of U.S. treasury securities shall cease to be in full force and effect or enforceable in accordance with its terms, other than in accordance with its terms; and events of bankruptcy, insolvency or reorganization specified in the indenture.
The NASDAQ National Market Symbol for Common Stock	MEDX.
Trading of Notes	Prior to this offering, the notes have been eligible for trading on the PORTAL Market of the NASDAQ Stock Market, Inc. Notes sold by means of this prospectus are not expected to remain eligible for trading on the PORTAL Market. We do not intend to list the notes for trading on any national securities exchange or on the NASDAQ National Market.

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Governing Law	The indenture and the notes will be governed by the laws of the State of New York.
Risk Factors	You should carefully consider all of the information contained or incorporated by reference in this prospectus prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under Risk Factors beginning on page 9 of this prospectus for a discussion of risks and uncertainties relating to us, our business and an investment in the notes.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth consolidated financial information for the periods indicated. The summary consolidated financial information for each of the years in the five-year period ended December 31, 2003 and at December 31 of each of those years has been derived from our audited consolidated financial statements. The financial information set forth below for the nine months ended September 30, 2003 and 2004 has been derived from unaudited consolidated financial information, which we believe presents fairly such consolidated information in conformity with U.S generally accepted accounting principles and includes all adjustments, consisting only of normal recurring adjustments, that in the opinion of management are necessary for a fair presentation. Results for the nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for any other interim periods or for the year as a whole. You should read the summary consolidated financial information in conjunction with our consolidated financial statements and the notes thereto and the other financial information incorporated by reference in this prospectus.

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in thousands, except share and per share data)					(unaudited)	
Statement of Operations Data:							
Revenues:							
Sales	$ 1,079	$ 264	$ 191	$ 176	$ 25	$ 25	$
Contract and license revenues	8,593	19,619	37,140	24,552	5,833	4,593	4,807
Sales, contract and license revenues from Genmab	252	2,574	4,973	14,751	5,316	3,857	2,714
Total revenues	9,924	22,457	42,304	39,479	11,174	8,475	7,521
Costs and expenses:							
Cost of sales	709	1,189	642	8,327	3	3	
Research and development	19,929	33,942	38,626	82,626	95,459	72,018	93,695
General and administrative	8,036	18,142	19,344	22,852	21,727	16,204	16,985
Write-off of facility costs				11,294			
Acquisition of in-process technology				16,312	6,500		5,439
Total costs and expenses	28,674	53,273	58,612	141,411	123,689	88,225	116,119
Operating loss	(18,750)	(30,816)	(16,308)	(101,932)	(112,515)	(79,750)	(108,598)
Equity in net loss of affiliate		(353)	(7,334)	(50,625)	(14,997)	(11,593)	(14,478)
Interest and investment income	1,205	21,158	24,728	18,495	12,342	8,299	8,323
Impairment loss on investment in partners				(11,886)	(1,400)		
Additional payments related to asset acquisition				(2,425)	(31)	(86)	(245)
Interest expense	(8)	(3)	(4,615)	(9,065)	(11,777)	(8,013)	(10,090)
Gain on disposition of Genmab stock			1,442				
Net loss on extinguishment of debt							(4,241)
Income (loss) before provision (benefit) for income taxes	(17,553)	(10,014)	(2,087)	(157,438)	(128,378)	(91,143)	(129,329)
Provision (benefit) for income taxes	(522)	(13,075)	600	103	69	45	191
Income (loss) before cumulative effect of change in accounting principle	$ (17,031)	$ 3,061	$ (2,687)	$ (157,541)	(128,447)	(91,188)	(129,520)
Cumulative effect of change in accounting principle					(830)	(830)	

Net income (loss)	$ (17,031)	$ 3,061	$ (2,687)	$ (157,541)	$ (129,277)	$ (92,018)	$ (129,520)
Basic net income (loss) per share before cumulative effect of change in accounting principle	$ (0.27)	$ 0.04	$ (0.04)	$ (2.09)	$ (1.64)	$ (1.17)	$ (1.62)
Basic net income (loss) per share cumulative effect of change in accounting principle					(0.01)	(0.01)	
Basic net income (loss) per share (1)	$ (0.27)	$ 0.04	$ (0.04)	$ (2.09)	$ (1.65)	$ (1.18)	$ (1.62)
Diluted net income (loss) per share before cumulative effect of change in accounting principle	$ (0.27)	$ 0.04	$ (0.04)	$ (2.09)	$ (1.64)	$ (1.17)	$ (1.62)
Diluted net income (loss) per share cumulative effect of change in accounting principle	$	$	$		(0.01)	(0.01)	
Diluted net income (loss) per share (1)	$ (0.27)	$ 0.04	$ (0.04)	$ (2.09)	$ (1.65)	$ (1.18)	$ (1.62)
Weighted average common shares outstanding (1)							
basic	63,840	71,532	73,937	75,231	78,314	78,046	79,981
diluted	63,840	73,232	73,937	75,231	78,314	78,046	79,981
Ratio (deficiency) of earnings available to cover fixed charges (2)			2.08				

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	December 31,					September 30,
	1999	2000	2001	2002	2003	2004
			(in thousands)			(unaudited)
Balance Sheet Data:						
Cash, cash equivalents and marketable securities	$ 30,147	$ 343,603	$ 466,952	$ 350,046	$ 358,458	$ 378,551
Working capital	22,382	329,807	447,326	339,480	350,437	360,815
Total assets	40,482	558,107	720,427	549,051	557.726	570,611
Long term obligations	23		175,000	175,000	300,000	296,986
Cash dividends declared per common share						
Accumulated deficit	(126,436)	(123,375)	(126,062)	(283,603)	(412,880)	(542,400)
Total shareholders equity	22,299	485,289	482,562	352,143	234,011	159,414

(1) Computed on the basis described in note 2 to the consolidated financial statements.

(2) The ratio of earnings to fixed charges is computed by dividing earnings, or loss from continuing operations before income taxes plus fixed charges, by fixed charges. Fixed charges consist of interest expense and that portion of rental payments under operating leases we believe to be representative of interest. Earnings were insufficient to cover fixed charges by $17.6 million, $9.7 million, and $106.8 million and $113.4 million for the years ended December 31, 1999, 2000, 2002 and 2003, respectively, and $79.6 million and $114.9 million for the nine months ended September 30, 2003 and 2004, respectively.

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RECENT DEVELOPMENTS

On November 7, 2004, we entered into a collaboration and co-promotion agreement and a related securities purchase agreement with Bristol-Myers Squibb Company, or BMS, pursuant to which we and BMS will each grant the other certain intellectual property licenses and product rights on a worldwide basis in order to enable us both to collaborate in research and development of therapeutic antibody-based products for the treatment of cancer and other diseases, and, in the event that further development work is successful, to commercialize any resulting products. In particular, the collaboration includes a grant by us to BMS of a license to commercialize MDX-010, a fully human antibody product developed using our UltiMAb Human Antibody Development System®, that is antagonistic to cytotoxic T-lymphocyte antigen 4 (CTLA-4). MDX-010 is currently under investigation for the treatment of a broad range of cancers and other diseases. The collaboration also includes the grant by us to BMS of a license to MDX-1379, a gp100 peptide vaccine, for use with MDX-010 for the treatment of metastatic melanoma. The FDA has granted Fast Track designation for MDX-010 in combination with MDX-1379 for the treatment of previously treated, unresectable Stage III and Stage IV metastatic melanoma, and we are currently conducting a Phase III clinical trial with MDX-010 and MDX-1379 combination therapy in Stage III and Stage IV metastatic melanoma patients at multiple sites within the United States.

As part of the collaboration, we and BMS have committed to an initial multi-year budget of approximately $192 million to fund our development of MDX-010 as a potential treatment for a broad range of cancers. BMS will be responsible for 65% of all development costs related to clinical trials intended to support regulatory approval in both the United States and Europe, with the remaining 35% to be paid by us. The parties will share equally the costs of any clinical trials of products intended solely for regulatory approval in the United States, and BMS will be fully responsible for all development efforts that relate solely to regulatory approval in Europe and other parts of the world.

Under the terms of the collaboration, we could receive up to $205 million from BMS if all regulatory milestones are met, plus up to an additional $275 million in sales-related milestones. We will also have the option to co-promote any products in the United States, and, if we elect to exercise this option, we will receive 45%, subject to certain adjustments, of any profits from commercial sales. In the event we choose not to exercise our co-promotion rights, BMS will have exclusive commercial rights in the United States and will pay us royalties on commercial sales. Outside the United States, BMS will have exclusive commercial rights and will pay us royalties on commercial sales.

Pursuant to these agreements, BMS will make an initial cash payment to us of $25 million. In addition, BMS will purchase a total of 2,879,223 unregistered shares of our common stock at a purchase price equal to $8.6829 per share for an aggregate purchase price of $25 million. These shares will be issued in a private placement pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. The purchase price represents a premium to the market price on the date the agreement was signed. BMS has agreed to a two-year lock-up period with respect to any sales of such stock. We have no future obligation to register such stock.

The transaction is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and is also subject to receipt of consent from the U.S. Public Health Service of the sublicense to BMS of our rights to MDX-1379, as well as other customary conditions.

Our wholly-owned subsidiary Celldex Therapeutics, Inc. has filed a registration statement with the Securities and Exchange Commission related to a proposed public offering of a portion of its common stock. As part of this transaction, we have assigned or licensed to Celldex certain intellectual property related to our vaccine technology, including the rights to MDX-1307, one of our product candidates for the treatment of cancer, as well as the IND associated with this product which became effective in February 2004. If the offering is completed, we anticipate that we will continue to hold approximately 75% of the outstanding shares of common stock of Celldex. We cannot assure you that this transaction will be consummated.

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RISK FACTORS

An investment in our securities involves a number of risks. In deciding whether to invest, you should carefully consider the following factors, the information contained in this prospectus and the other information that we have referred you to. It is especially important to keep these risk factors in mind when you read forward-looking statements.

Risks Related to Medarex

Our product candidates are in early stages of development, and they have not been and may not ever be approved for sale and/or commercialized.

Our human antibody technology is a new approach to the generation of antibody-based therapeutic products. Active product candidates employing our human antibody technology are in the early and middle stages of clinical development. Based on public disclosures, regulatory applications, including Investigational New Drug Applications, or INDs, have been submitted to the FDA or comparable foreign authorities, for 20 product candidates derived from our UltiMAb platform. To date, neither we nor our partners have any product candidates employing our human antibody technology that have been approved for sale by the FDA or comparable foreign authorities and/or commercialized. In addition, we are not aware of any commercialized fully human monoclonal antibody therapeutic products that have been generated from any technologies similar to ours. Product candidates employing our human antibody technology may not advance beyond the early or middle stages of product development or demonstrate clinical safety and effectiveness.

Our human antibody technology may not generate antibodies against all the antigens to which it is exposed in an efficient and timely manner, if at all. If our human antibody technology fails to generate antibody product candidates, or if we or our partners do not succeed in the development of products employing our antibody technology, those product candidates may not be approved or commercialized and our business, financial condition and results of operations may be materially harmed.

Successful development of our products is uncertain. To date, no revenues have been generated from the commercial sale of our products and our products may not generate revenues in the future.

Our development of current and future product candidates is subject to the risks of failure inherent in the development of new pharmaceutical products and products based on new technologies. These risks include:

- delays in product development, clinical testing or manufacturing;
- unplanned expenditures in product development, clinical testing or manufacturing;
- failure in clinical trials or failure to receive regulatory approvals;

emergence of superior or equivalent products;

inability to manufacture on our own, or through others, product candidates on a commercial scale;

inability to market products due to third-party proprietary rights;

election by our partners not to pursue product development;

failure by our partners to develop products successfully; and

failure to achieve market acceptance.

In certain instances, we have experienced delays in our product development and clinical testing as a result of slower than anticipated patient recruitment. In a number of instances, we have terminated the development of certain products in the early stages of human clinical testing due to a lack of effectiveness. In addition, we determined not to continue the development of one late-stage product candidate due to both a lack of effectiveness and unforeseen safety issues that arose in clinical testing. None of these products employed our core fully human antibody technology.

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Because of these risks, our research and development efforts or those of our partners may not result in any commercially viable products. If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained or any approved products are not commercially successful, our business, financial condition and results of operations may be materially harmed.

Because we and our partners have not begun commercial sales of our products, our revenue and profit potential are unproven and our limited operating history makes it difficult for an investor to evaluate our business and prospects. Our technology may not result in any meaningful benefits to our current or potential partners. No revenues have been generated from the commercial sale of our products, and our products may not generate revenues in the future. Further, due to our limited operating history, we have difficulty accurately forecasting our revenue. Our business and prospects should be considered in light of the heightened risks and unexpected expenses and problems we may face as a company in an early stage of development in a new and rapidly evolving industry.

We have incurred large operating losses and we anticipate that these losses will continue.

We have incurred large operating losses and we anticipate that these losses will continue for the foreseeable future. In particular, as of September 30, 2004, we had an accumulated deficit of approximately $542.4 million. Our net losses were $129.3 million and $129.5 million for the year ended December 31, 2003 and the nine month period ended September 30, 2004, respectively. Our losses have resulted principally from:

- research and development costs relating to the development of our technology and antibody product candidates;
- costs associated with the establishment of our new laboratory and manufacturing facilities and manufacturing of products; and
- general and administrative costs relating to our operations.

We intend to continue to make significant investments in:

- research and development;
- preclinical testing and clinical trials;
- establishing new collaborations; and
- new technologies.

In addition, we may be obligated to make milestone payments on certain of our products as they progress through the clinical trial process.

We do not know when or if we or our partners will complete any pending or future product development efforts, receive regulatory approval or successfully commercialize any approved products.

We may continue to incur substantial operating losses even if our revenues increase. As a result, we cannot predict the extent of future losses or the time required for us to achieve profitability, if at all.

Our operating results may vary significantly from period-to-period, which may result in a decrease in the price of our securities.

Our future revenues and operating results are expected to vary significantly from period-to-period due to a number of factors. Many of these factors are outside of our control. These factors include:

the timing of the commencement, completion or termination of partnership agreements;

the introduction of new products and services by us, our partners or our competitors;

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- delays in, or termination of, preclinical testing and clinical trials;
- changes in regulatory requirements for clinical trials;
- costs and expenses associated with preclinical testing and clinical trials;
- the timing of regulatory approvals, if any;
- sales and marketing expenses; and
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business operations and facilities.

Period-to-period comparisons of our results of operations may not be relied upon as an indication of future performance.

It is possible that in some future periods, our operating results may be below expectations of analysts and investors. If this happens, the price of our securities may decrease.

We may need substantial additional funding. We may not be able to obtain sufficient funds to grow our business or continue our operations.

We will continue to expend substantial resources for research and development, including costs associated with developing our antibody technology and conducting preclinical testing and clinical trials. Our future capital requirements will depend on a number of factors, including, by way of example:

- the size and complexity of research and development programs;
- the scope and results of preclinical testing and clinical trials;
- the retention of existing and establishment of further partnerships, if any;
- continued scientific progress in our research and development programs;
- the time and expense involved in seeking regulatory approvals;

competing technological and market developments;

the time and expense of filing and prosecuting patent applications and enforcing patent claims; and

the cost of establishing manufacturing capabilities, conducting commercialization activities and arrangements and in-licensing products.

We believe our current sources of liquidity will be sufficient to meet our near term operating, debt service and capital requirements for at least the next 24 months. However, this 24-month period assumes the use of a significant portion of the proceeds we received from the sale of our convertible notes. To the extent our convertible notes are converted into shares of our common stock on or before their maturity dates, we will have use of that portion of the principal amount of the notes so converted to fund our on-going operations. In any event, we will require additional financing within this time frame and may raise funds through public or private financings, line of credit arrangements, collaborative relationships and/or other methods. The use of cash on hand or other financial alternatives will depend on several factors including, but not limited to, the future success of our products in clinical development, the prevailing interest rate environment, and access to the capital markets. We may be unable to raise sufficient funds to complete development of any of our product candidates, to continue operations or to repay our debt obligations at maturity. As a result, we may face delay, reduction or elimination of research and development programs or preclinical or clinical trials, in which case our business, financial condition or results of operations may be materially harmed.

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We have a significant amount of debt and may have insufficient cash to satisfy our debt service obligations. In addition, the amount of our debt could impede our operations and flexibility.

We have a significant amount of existing debt and debt service obligations, which, unless converted to shares of our common stock or redeemed, will mature in 2010 (approximately $147.0 million) and 2011 ($150.0 million), respectively. Our ability to make payments on our debt will depend on our future operating performance and ability to generate cash and may also depend on our ability to obtain additional debt or equity financing. Generally, during the last five years, our operating cash flows were negative and insufficient to cover our fixed charges. Our ability to generate sufficient operating cash flow to service our indebtedness, including the notes, and fund our operating requirements will depend on our ability, alone or with others, to successfully develop, manufacture, and obtain required regulatory approvals and market our product candidates, as well as other factors, including general economic, financial, competitive, legislative and regulatory conditions, some of which are beyond our control. If we are unable to generate sufficient operating cash flow to service our indebtedness and fund our operating requirements, we may need to obtain additional debt or equity financing to do so, which may not be available to us on satisfactory terms or at all. In addition, if new indebtedness is incurred, the risks relating to our ability to service our indebtedness that we face could intensify.

Even if we are able to meet our debt service obligations, the amount of debt we have could adversely affect us in a number of ways, including by:

- limiting our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business;
- placing us at a competitive disadvantage relative to our competitors who have lower levels of debt;
- making us more vulnerable to a downturn in our business or the economy generally; and
- requiring us to use a substantial portion of our cash to pay principal and interest on our debt, instead of applying those funds to other purposes such as working capital and capital expenditures.

Clinical trials required for our product candidates are expensive and time-consuming, and their outcome is uncertain.

In order to obtain FDA approval to market a new drug product, we or our partners must demonstrate proof of safety and efficacy in humans. To meet these requirements, we or our partners will have to conduct extensive preclinical testing and adequate and well-controlled clinical trials. Conducting clinical trials is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity, novelty and intended use of the product candidate, and often can be several years or more per trial. Delays associated with products for which we are directly conducting preclinical or clinical trials may cause us to incur additional operating expenses. Moreover, we will continue to be affected by delays associated with the preclinical testing and clinical trials of certain product candidates conducted by our partners over which we have no control. The commencement and rate of completion of clinical trials may be delayed by many factors, including, for example:

the inability to manufacture sufficient quantities of qualified materials under current good manufacturing practices, or cGMPs, for use in clinical trials;

slower than expected rates of patient recruitment;

the inability to adequately observe patients after treatment;

changes in regulatory requirements for clinical trials;

the lack of effectiveness during the clinical trials;

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unforeseen safety issues;

delays, suspension, or termination of the clinical trials due to the institutional review board responsible for overseeing the study at a particular study site; and

government or regulatory delays or clinical holds requiring suspension or termination of the trials.

Even if we obtain positive results from preclinical or clinical trials, we may not achieve the same success in future trials. Clinical trials may not demonstrate statistically sufficient safety and effectiveness to obtain the requisite regulatory approvals for product candidates employing our human antibody technology. In a number of instances, we have terminated the development of certain products in the early stages of human clinical testing due to a lack of effectiveness. None of these products employed our core fully human antibody technology. In addition, we have determined not to continue the development of one late-stage product candidate due to both a lack of effectiveness and unforeseen safety issues that arose in clinical testing. This product did not employ our core fully human antibody technology.

Generally, our clinical trials, including our melanoma trials, are conducted in patients with serious life-threatening diseases for whom conventional treatments have been unsuccessful or for whom no conventional treatment exists, and in some cases, our product is used in combination with approved therapies that themselves have significant adverse event profiles. During the course of treatment, these patients could suffer adverse medical events or die for reasons that may or may not be related to our products. The most common adverse events associated with our melanoma trials have consisted of flu-like symptoms such as fever, chills and nausea. These events were expected and generally responded to standard medical therapy. In addition, some patients have experienced anticipated drug-related autoimmune adverse events, such as dermatitis and colitis, ranging from mild in most cases to severe in a very small number of instances. Almost all of these adverse events responded to medical therapy. In a very small number of instances, fatalities have occurred during the course of these trials such fatalities may or may not be attributable to our product. We believe that these adverse events will not materially affect our ability to continue with clinical trials of this product as planned. We cannot assure you that additional safety issues will not arise with respect to our products in the future.

To date, we have experienced slower than expected rates of patient recruitment in certain of our clinical trials. As a result, in certain instances, we have experienced delays in our product development and clinical testing. In addition, data obtained from clinical trials of our products to date have been insufficient to demonstrate safety and efficacy under applicable FDA guidelines. As a result, these data will not support an application for regulatory approval without further clinical trials. Clinical trials that we conduct or that third-parties conduct on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for any of our product candidates. We expect to commence new clinical trials from time to time in the course of our business as our product development work continues. The failure of clinical trials to demonstrate safety and effectiveness for our desired indications could harm the development of that product candidate as well as other product candidates. Any change in, or termination of, our clinical trials could materially harm our business, financial condition and results of operations.

Success in early clinical trials may not be indicative of results obtained in later trials.

Results of our early clinical trials and those of our partners using our human antibody technology are based on a limited number of patients and may, upon review, be revised or negated by authorities or by later stage clinical results. Historically, the results from preclinical testing and early clinical trials have often not been predictive of results obtained in later clinical trials. A number of new drugs and biologics have shown promising results in initial clinical trials, but subsequently failed to establish sufficient safety and effectiveness data to obtain necessary regulatory approvals. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval.

In addition, regulatory delays or rejections may be encountered as a result of many factors, including changes in regulatory policy during the period of product development. For example, the FDA has moved several

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product categories previously regulated by the agency s Center for Biologics Evaluation and Research, or CBER, to the agency s Center for Drug Evaluation and Research, or CDER. These product categories include antibodies as well as cytokines, growth factors, enzymes, interferons and certain proteins. FDA has also recently announced a planned reorganization within CDER to create a new consolidated office for the review of oncology therapies. Oncology therapies are currently reviewed by different offices within CDER. The effect that these reorganizations at the FDA will have on clinical trials and product approval outcomes or timing is uncertain, but could cause delays or other currently unforeseeable effects.

Product candidates employing our antibody technology may fail to gain market acceptance.

Even if clinical trials demonstrate the safety, effectiveness, potency and purity of products developed by us or our partners using our technology and all regulatory approvals have been obtained, product candidates employing our antibody technology may not gain market acceptance among physicians, patients, third-party payors and the medical community. For example, the current delivery systems for antibody-based therapeutic products are intravenous and subcutaneous injection, which are generally less well received by patients than tablet or capsule delivery. The degree of market acceptance of any product candidates employing our technology will depend on a number of factors, including, for example:

- establishment and demonstration of clinical efficacy, potency and safety, especially as compared to conventional treatments;
- cost-effectiveness;
- alternative treatment methods;
- reimbursement policies of government and third-party payors; and
- marketing and distribution support for our product candidates.

In addition, many of our activities involve genetic engineering in animals and animal testing, controversial subjects which have received adverse publicity from animal rights activists and various other interest groups. Such adverse publicity could decrease market acceptance of products employing our technology.

If products employing our technology do not achieve significant market acceptance, our business, financial condition and results of operations may be materially harmed.

The successful commercialization of our antibody products will depend on obtaining coverage and reimbursement for use of these products from third-party payors.

Sales of pharmaceutical products largely depend on the reimbursement of patients medical expenses by government health care programs and private health insurers. Without the financial support of the governments or third-party payors, the market for products employing our human antibody technology will be limited. These third-party payors are increasingly challenging the price and examining the cost effectiveness of

medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. We may need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of our products. Such studies may require us to dedicate a significant amount of resources. Our project candidates may not be considered cost-effective. Third-party payors may not reimburse sales of products employing our human antibody technology, or enable us or our partners to sell them at profitable prices.

Third-party payors control health care costs by limiting both coverage and the level of reimbursement for new health care products. In the future, the United States government may institute price controls and further limits on Medicare and Medicaid spending. Internationally, medical reimbursement systems vary with differing degrees of regulation. Pricing controls and reimbursement limitations could affect the payments we receive from sales of products generated using our human antibody technology. These variations could harm our ability and the ability of our partners to sell products generated using our human antibody technology in commercially acceptable quantities at profitable prices.

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We may experience pressure to lower the prices of any prescription pharmaceutical products we are able to obtain approval for because of new and/or proposed federal legislation.

New federal legislation, enacted in December 2003, has added an outpatient prescription drug benefit to Medicare, effective January 2006. In the interim, Congress has established a discount drug card program for Medicare beneficiaries. Both benefits will be provided primarily through private entities, which will attempt to negotiate price concessions from pharmaceutical manufacturers. These negotiations may increase pressures to lower prices. While the new law specifically prohibits the United States government from interfering in price negotiations between manufacturers and Medicare drug plan sponsors, some members of Congress are pursuing legislation that would permit the United States government to use its enormous purchasing power to demand discounts from pharmaceutical companies, thereby creating de facto price controls on prescription drugs. In addition, the new law contains triggers for Congressional consideration of cost containment measures for Medicare in the event Medicare cost increases exceed a certain level. These cost containment measures could include some sorts of limitations on prescription drug prices. The new legislation also modified the methodology used for reimbursement of physician administered and certain other drugs already covered under Medicare Part B. This new methodology would likely apply to certain of our products if and when commercialized. Experience with new reimbursement methodology is limited, and could be subject to change in the future. Our results of operations could be materially harmed by the different features of the Medicare prescription drug coverage legislation, by the potential effect of such legislation on amounts that private insurers will pay for our products and by other healthcare reforms that may be enacted or adopted in the future.

We may face increased competition from products imported from Canada or other countries.

Any products we are able to commercialize may be subject to competition from lower priced versions of such products and competing products from Canada, Mexico, and other countries where there are government price controls or other market dynamics that make the products lower priced. The ability of patients and other customers to obtain these lower priced imports has grown significantly as a result of the Internet, an expansion of pharmacies in Canada and elsewhere targeted to American purchasers, the increase in U.S.-based businesses affiliated with Canadian pharmacies marketing to American purchasers, and other factors. Many of these foreign imports are illegal under current law. However, the volume of imports continues to rise due to the limited enforcement resources of the FDA and the U.S. Customs Service, and the pressure in the current political environment to permit the imports as a mechanism for expanding access to lower priced medicines.

In addition, in December 2003, federal legislation was enacted to change United States import laws and expand the ability to import lower priced versions of our and competing products from Canada, where there are government price controls. These changes to the import laws will not take effect unless and until the Secretary of Health and Human Services certifies that the changes will lead to substantial savings for consumers and will not create a public health safety issue. The current Secretary of Health and Human Services has indicated that there is not a basis to make such a certification at this time. However, it is possible that this Secretary or a subsequent Secretary could make the certification in the future. In addition, legislative proposals have been made to implement the changes to the import laws without any certification, and to broaden permissible imports in other ways. Even if the changes to the import laws do not take effect, and other changes are not enacted, imports from Canada and elsewhere may continue to increase due to market and political forces, and the limited enforcement resources of the FDA, the Customs Service, and other government agencies. For example, state and local