

IDEXX LABORATORIES INC /DE
Form PRE 14A
March 17, 2006

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

- Check the appropriate box:
- [X] Preliminary Proxy Statement
 - [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 - [] Definitive Proxy Statement
 - [] Definitive Additional Materials
 - [] Soliciting Material Pursuant to §240.14a-12

IDEXX Laboratories, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- 1) Amount previously paid: _____
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- 3) Filing Party: _____
- 4) Date Filed: _____

One IDEXX Drive
Westbrook, Maine 04092

March __, 2006

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Dear Stockholder:

We invite you to attend our annual meeting of stockholders on Wednesday, May 10, 2006, beginning at 10:00 a.m., at the Portland Marriott Hotel in South Portland, Maine. At the annual meeting, we will conduct the business described in the attached notice and proxy statement. In addition, we will report on our business and introduce you to our directors and executive officers.

Whether you own few or many shares of stock, it is important that your shares be represented and voted at the annual meeting. Stockholders can vote their shares by telephone or via the Internet. Instructions for using these convenient services are provided in the proxy statement. You also can vote your shares by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope. However, if you previously have consented to vote and receive the notice and proxy statement via the Internet, you will not receive a paper proxy card. If you decide to attend the annual meeting, you will be able to vote in person, even if you previously have voted by another means.

If you are unable to attend the annual meeting, you can listen to a live Webcast of the meeting on the Internet. You can access the Webcast from the home page of our Web site, idexx.com. However, since you cannot vote your shares via the Webcast, it is important that you timely vote your shares in advance, using one of the procedures mentioned above and as more fully described in the enclosed proxy statement.

We look forward to your participation in the annual meeting.

Sincerely,

Jonathan W. Ayers
President, Chief Executive Officer and
Chairman of the Board of Directors

One IDEXX Drive
Westbrook, Maine 04092

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of IDEXX Laboratories, Inc., will be held on Wednesday, May 10, 2006, at 10:00 a.m. at the Portland Marriott Hotel, 200 Sable Oaks Drive, South Portland, Maine 04106, for the following purposes:

1. *Election of Directors.* To elect three Class I directors for three-year terms (Proposal One);
2. *Amendment to Restated Certificate of Incorporation.* To approve an amendment to the company's Restated Certificate of Incorporation increasing the number of authorized shares of common stock from 60,000,000 to 120,000,000 shares (Proposal Two);
3. *Ratification of Appointment of Independent Registered Public Accounting Firm.* To ratify the selection by the audit committee of the board of directors of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year (Proposal Three); and
4. *Other Business.* To conduct such other business as may properly come before the annual meeting.

Pursuant to the company's amended and restated bylaws, the board of directors has fixed the close of business on March __, 2006 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting. A copy of our 2005 annual report is enclosed with this notice and proxy statement.

By order of the board of directors,

Conan R. Deady, *Secretary*

Westbrook, Maine
March __, 2006

It is important that your shares be represented and voted at the annual meeting. You can submit a proxy by telephone, Internet or mail as described in the proxy statement.

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
May 10, 2006

This proxy statement and the accompanying materials are being delivered to you in connection with the solicitation by the board of directors of IDEXX Laboratories, Inc. of proxies to be voted at our 2006 annual meeting of stockholders and at any adjournment or postponement thereof. References in this proxy statement to we, us, the company or IDEXX should refer to IDEXX Laboratories, Inc. and its consolidated subsidiaries.

We are a Delaware corporation and were incorporated in 1983. Our principal executive offices are located at One IDEXX Drive, Westbrook, Maine 04092. References to our Web site in this notice and proxy statement are inactive textual references only and the contents of our Web site should not be deemed incorporated by reference into this notice or proxy statement for any purpose.

Our annual report for the year ended December 31, 2005 is being mailed to our stockholders with this proxy statement on or about April __, 2006.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

How Proxies Work

IDEXX's board of directors is asking for your proxy. Giving us your proxy means that you authorize us to vote your shares at the annual meeting in the manner that you direct, or if you do not direct us, in the manner as recommended by the board of directors in this proxy statement. You can vote for the director nominees or withhold your vote for one or both nominees. You also can vote for or against the other proposals or abstain from voting. If you sign and return your proxy card, but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the board of directors.

Who Can Vote

Holders of IDEXX common stock at the close of business on _____, 2006 are entitled to receive notice of and to vote their shares at the annual meeting. As of _____, 2006, there were _____ shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the annual meeting.

How to Vote

You can vote in person at the annual meeting or by proxy. We recommend that you vote by proxy even if you plan to attend the annual meeting. You can change your vote at the annual meeting in one of the ways described below. All shares represented by proxies that have been properly voted and not revoked will be voted at the annual meeting.

Vote by Telephone

If your shares are registered in your name, you can vote by calling the toll-free telephone number noted on your proxy card. **Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. ET on May 9, 2006.** Our telephone procedures are designed to authenticate the identity of stockholders, allow stockholders to vote their shares and confirm that their voting instructions have been recorded properly. **If you vote by telephone, you do not need to return your proxy card.**

If your shares are held of record by a bank, broker or other holder of record (i.e., in street name), please refer to the telephone voting instructions contained in the voting instruction form that has been provided to you by the holder of record together with these proxy materials.

Vote by the Internet

If your shares are registered in your name, go to the Web site indicated on your proxy card. **Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. ET on May 9, 2006.** As with telephone voting, you can confirm that your instructions have been properly recorded. **If you vote on the Internet, you do not need to return your proxy card.**

If your shares are held of record by a bank, broker or other holder of record, please refer to the Internet voting instructions contained in the voting instruction form that has been provided to you by the holder of record together with these proxy materials.

Vote by Mail

If you choose to vote by mail, simply mark your proxy, date and sign it, and return it in the enclosed postage-paid envelope. If your shares are held by a bank, broker or other holder of record, please refer to the vote-by-mail instructions contained in the voting instruction form that has been provided to you by the holder of record together with these proxy materials.

Vote at the Annual Meeting

If you attend the annual meeting, you will be able to vote your shares, even if you already voted by telephone, Internet or mail. If your shares are held of record in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the annual meeting.

Revoking a Proxy

You can revoke your proxy, whether it was given by telephone, Internet or mail, before it is voted by:

Providing written notice to the corporate secretary of IDEXX before or at the annual meeting prior to the voting on any proposal;

Submitting a new proxy with a later date, including a proxy given by telephone or via the Internet; or

Voting by ballot at the annual meeting.

The last vote you submit chronologically (by any means) will supersede your prior vote(s). Your attendance at the annual meeting will not, by itself, revoke your proxy.

Quorum

In order to transact business at the annual meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the annual meeting, either by proxy or in person. Abstentions and broker nonvotes are counted as present and entitled to vote for purposes of determining a quorum. Broker nonvotes occur when a broker returns a proxy, but indicates that it does not have authority to vote on a particular proposal. Treasury shares, which are shares owned by IDEXX itself, are not voted and do not count towards establishing a quorum.

Votes Needed

The director nominees who receive the most votes at the meeting will be elected to fill the seats on the board. The affirmative vote at the meeting of the holders of a majority of the outstanding shares of common stock is required for approval of the proposed amendment to our restated certificate of incorporation. The favorable vote of a majority of the votes cast is required for ratification of appointment of our independent registered public accounting firm. Only votes for or against a proposal count as votes cast. Abstentions and broker nonvotes are not counted as votes cast and, therefore, will have no effect on the outcome of the matters to be voted on at the annual meeting.

Conduct of the Annual Meeting

Rules for the conduct of the annual meeting will be available at the annual meeting. Under our amended and restated bylaws, the chairman may adopt rules and procedures that he believes are appropriate to ensure that the annual meeting is conducted properly.

Webcast of Annual Meeting

Our annual meeting will be Webcast live on the Internet at 10:00 a.m. ET on May 10, 2006. The Webcast will include consideration of the proposals and our chief executive officer's presentation regarding our business, and will provide audio and the accompanying graphic presentation, but will not include the question-and-answer session that follows the presentation. People accessing the Webcast will not be able to ask questions or otherwise participate during the meeting. You can access the Webcast from the home page of our Web site, idexx.com. Since you cannot vote your shares via the Webcast, it is important that you vote your shares in advance of the annual meeting, using one of the procedures described above.

Voting on Other Matters

If other matters are properly presented at the annual meeting for consideration, the persons named in the proxy will have the discretion to vote on those matters for you. At the date that this proxy statement went to press, we did not know of any other matters to be raised at the annual meeting and, pursuant to our amended and restated bylaws, the date by which other matters must have been submitted by our stockholders has passed.

Solicitation of Proxies

IDEXX will pay the expenses of the board of directors' solicitation of proxies. Proxies can be solicited on our behalf by directors, officers or employees, without additional remuneration, in person or by telephone, by mail, electronic transmission and facsimile transmission. We have hired MacKenzie Partners, Inc., to distribute and solicit proxies. We will pay MacKenzie Partners, Inc. a fee of approximately \$6,000, plus reasonable out-of-pocket expenses, for its services.

Brokers, custodians and fiduciaries will be requested to forward proxy-soliciting material to the owners of common stock held in their names and, as required by law, IDEXX will reimburse them for their reasonable out-of-pocket expenses for this service.

CORPORATE GOVERNANCE

Board of Directors

Our board of directors, which we refer to as the board of directors or the board, consists of eight members. The board has determined that all current board members and nominees for election, with the exception of Mr. Ayers, our chief executive officer, are independent as defined by the rules of the NASDAQ Stock Market. The board meets throughout the year on a set schedule, and also holds special meetings and acts by written consent from time to time as appropriate. The board has delegated various responsibilities and authority to different board committees as described below under the heading Committees of the Board.

The board of directors is responsible for monitoring the overall performance of IDEXX. Among other things, the board of directors, directly and through its committees, establishes corporate policies, oversees compliance and ethics, reviews the performance of the chief executive officer, reviews and approves the annual budget, reviews and approves certain transactions, and reviews the company's long-term strategic plans. You can access a description of the board's involvement in IDEXX's strategic planning process on the Internet at idexx.com/aboutidexx/governance/directors/strategic.cfm, or by contacting our corporate secretary at the company's headquarters address.

In accordance with general corporate legal principles applicable to corporations organized under the laws of Delaware, the board of directors does not control the day-to-day management of IDEXX. Members of the board of directors keep informed about IDEXX's business by participating in board and committee meetings, by reviewing analyses and reports regularly sent to them by management, and through discussions with the chief executive officer and other officers.

Directors are responsible for attending board meetings and meetings of committees on which they serve, and for devoting the time needed and meeting as frequently as necessary to discharge their responsibilities properly. The board of directors held five meetings, and board committees held 20 meetings in 2005. Each of our directors attended 75 percent or more of the meetings of the board and board committees on which he or she served in 2005. It is our policy to schedule board and committee meetings to coincide with the annual meeting of stockholders,

and directors are expected to attend the annual meeting. Last year, all of the individuals then serving as directors attended our annual meeting.

Committees of the Board

The board of directors has established audit, compensation, nominating and governance, and finance committees, each of which is described briefly below. Each of these committees acts pursuant to a written charter that is approved by the board and reviewed annually by the applicable committee. Current copies of each committee's charter can be accessed on the Internet at idexx.com/aboutidexx/governance/charters/, or by contacting the corporate secretary at the company's headquarters address. Our audit committee charter is attached as Appendix A.

Audit Committee

The audit committee is responsible for overseeing the accounting, internal control, financial reporting and audit processes of the company, including the selection and retention of IDEXX's independent auditors. The audit committee also oversees the company's risk management policies and reviews related party transactions. The audit committee meets from time to time with IDEXX's financial personnel, other members of management, internal audit staff and independent auditors regarding these matters. The audit committee met 10 times in 2005. The committee has adopted procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of any concerns regarding questionable accounting or auditing matters. The audit committee may retain independent counsel, accountants, or others to assist it in the conduct of any investigation, and the company will provide appropriate funding for payment of such services, as determined by the audit committee. The current audit committee members are Messrs. McKeon (chairman) and End and Dr. De Souza, each of whom has been determined by our board of directors to satisfy the heightened criteria for independence and other requirements applicable to members of audit committees under the rules of the NASDAQ Stock Market and the independence rules contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, or the Exchange Act. The nominating and governance committee of the board has determined that Messrs. McKeon and End are audit committee financial experts as defined by the Securities and Exchange Commission, or SEC. The responsibilities and activities of the audit committee are described in greater detail under the heading "Report of the Audit Committee of the Board of Directors" below and the Audit Committee Charter attached as Appendix A.

Compensation Committee

The compensation committee oversees the management compensation philosophy and practices of IDEXX, evaluates the performance of the chief executive officer, determines the compensation of the chief executive officer and approves the compensation of the other executive officers, reviews succession plans for executive officers and management's overall leadership development plan, oversees the company's equity compensation and benefit plans, and reviews compliance by executive officers with the company's stock ownership and retention guidelines. The compensation committee may retain, at the company's expense, independent counsel or other advisors as it deems necessary, and did retain an executive compensation consultant firm in 2005. The current compensation committee members are Messrs. Murray (chairman), Craig and End, and Dr. De Souza, each of whom is an independent director as defined by the rules of the NASDAQ Stock Market. The committee met three times in 2005. See "Compensation Committee Report on Executive Compensation" beginning on page 20.

Nominating and Governance Committee

The nominating and governance committee advises and makes recommendations to the board of directors with respect to corporate governance practices, including board organization, function, membership, performance and compensation. The nominating and governance committee may retain, at the company's expense, independent counsel or other advisors as it deems necessary. The current nominating and governance committee members are Messrs. End (chairman) and Craig, and Dr. Henderson, each of whom is an independent director as defined by the rules of the NASDAQ Stock Market. The nominating and governance committee met five times in 2005.

In performing its nominating function, the committee identifies, evaluates, recruits and nominates candidates to fill vacancies on the board, using criteria set forth in the company's corporate governance guidelines as discussed below. The process followed by the nominating and governance committee to identify and evaluate candidates includes receiving recommendations from our directors, management and stockholders, holding meetings to evaluate biographical information and background material relating to potential candidates, and interviewing selected candidates.

In addition to receiving recommendations from our directors, management and stockholders, the nominating and governance committee, in some instances, will engage an executive search firm to assist in recruiting director candidates. In such cases, the search firm assists the nominating and governance committee in identifying potential candidates that fit the board's search criteria; obtaining candidate resumes and other biographic information; conducting initial interviews to assess candidates' qualifications, fit and interest in serving on the board; scheduling interviews with the nominating and governance committee, other members of the board, and management; performing reference checks; and

assisting in finalizing arrangements with candidates who receive an offer to join the board.

Stockholders who want to recommend a nominee for director should submit the name of such nominee to the corporate secretary of IDEXX at the company's headquarters address, together with biographical information and background material sufficient for the committee to evaluate the nominee based on its selection criteria, and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of the company's common stock for at least a year as of the date such recommendation is made. Assuming that appropriate biographical and background material has been provided on a timely basis, the nominating and governance committee will apply the same criteria, and follow substantially the same process, in considering stockholder nominations that comply with these procedures as it does in considering other nominations. Stockholders also have the right under the company's amended and restated bylaws to nominate director candidates directly, without any action or recommendation on the part of the nominating and governance committee or the board, by following the procedures set forth under Requirements, including Deadlines, for Submission of Proxy Proposals, Nomination of Directors and Other Business of Stockholders on page 28 of this proxy statement. If the board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included on the company's proxy card for the next annual meeting. Candidates nominated by stockholders in accordance with the procedures set forth in the amended and restated bylaws will not be included on the company's proxy card for the next annual meeting, but may be included on proxies the nominating stockholders may seek independently.

The nominating and governance committee is responsible for annually reviewing with the board the requisite skills and criteria for new board members, as well as the composition of the board as a whole. The nominating and governance committee also annually reviews the performance of the board, its committees and each of the directors.

Finance Committee

The finance committee advises the board of directors with respect to financial matters, including capital structure and strategies, financing strategies, investment practices, major financial commitments, financial risk management, acquisitions and divestitures, and stock repurchase activities. In addition, the finance committee reviews and approves proposed acquisitions and divestitures having values up to \$20 million. The current finance committee members are Messrs. Craig (chairman) and McKeon and Dr. Henderson. The finance committee met twice during 2005.

Corporate Governance Guidelines and Code of Ethics

The board has adopted corporate governance guidelines, which you can access on the Internet at idexx.com/aboutidexx/governance/guidelines/. The board also has adopted a code of ethics that applies to all of our employees, officers and directors, which you can access on the Internet at idexx.com/aboutidexx/governance/ethics/. You can also receive copies of the guidelines or the code by contacting the corporate secretary at the company's headquarters address. In addition, we intend to post on our Web site, idexx.com, all disclosures that are required by law or the NASDAQ Stock Market listing standards concerning any amendments to, or waivers from, any provision of the code of ethics.

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Among other matters, the guidelines provide as follows:

A substantial majority of the members of the board are independent directors, as defined by NASDAQ rules.

The audit, nominating and governance, compensation, and finance committees consist entirely of independent directors.

The nominating and governance committee recommends to the board for nomination all nominees for election to the board, except where the company is legally required by contract, by law or otherwise to provide third parties with the right to nominate directors.

The nominating and governance committee's annual review of the requisite skills and criteria for board members, as well as the composition of the board as a whole, includes appropriate consideration of demonstrated experience, judgment, integrity, commitment and skills that are relevant to the company and its operations, including familiarity with science and technology, finance and accounting, marketing, product development, strategy, government regulation and affairs, and corporate governance.

The nominating and governance committee is responsible for annually assessing the performance of the board, its committees and each individual director.

When the chairman of the board is not an independent director, the independent directors elect a lead director from among the independent directors. The lead director, among other responsibilities, chairs meetings of the independent directors and consults

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with the chairman of the board regarding meeting agendas. The lead director is currently Mr. End.

Independent directors meet on a regular basis, but not less than twice annually, apart from management board members and other management representatives.

At least annually, the board reviews the company's corporate strategy.

The board approves the chief executive officer's goals annually.

At least annually, the compensation committee, in consultation with all independent directors, evaluates the performance of the chief executive officer.

The chief executive officer reports to the board at least annually on succession planning and management development.

Board members have complete access to management and are encouraged to make regular contact.

The board will give appropriate attention to written communications that are submitted to the board by our stockholders. The process for submitting such communications to the board is described below under the heading "Communications from Stockholders."

Individual directors whose professional responsibilities outside of their involvement with the company change from those held when they were last elected to the board (except for promotions) should volunteer to resign from the board, giving the board an opportunity to review the appropriateness of their continued board membership under the changed circumstances.

Any director who turns age 73 while serving as a director is expected to retire from the board effective at the next annual meeting of stockholders following the date on which he or she turns 73.

Directors cannot serve on more than four other public company boards, audit committee members cannot serve on more than two other public company audit committees, and directors who are chief executive officers of other companies cannot serve on more than two other public company boards (including the board of their employer).

Directors must inform the chairman of the board and the chairman of the nominating and governance committee of any public company directorship they have been offered before accepting such offer to ensure that acceptance of such directorship would not create a conflict with the director's duties as a director of the company.

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Communications from Stockholders

Written communications to the board can be submitted by electronic mail on our Web site at <http://www.idexx.com/aboutidexx/governance/contactdirectors/>, or by writing to our general counsel at the company's headquarters address. Under procedures approved by a majority of the independent directors, the general counsel will review such communications and will forward them to the lead director or the other members of the board if they relate to important substantive matters and include suggestions or comments considered to be important for the directors to know. In general, the general counsel will forward communications to the lead director if they are relevant to IDEXX's governance, ethics and policies.

Directors' Compensation

The following describes compensation earned by our directors during 2005, as well as the compensation that will be paid to our nonemployee directors for board service during 2006 pursuant to changes adopted by the board in December 2005. Directors who are employees receive no additional compensation for serving on the board.

Cash Compensation

During 2005, each of our directors who was not an officer or employee of IDEXX received an annual fee of \$30,000. Nonemployee directors also received a fee of \$1,000 for each day in which they attended one or more in-person meetings of the board or any of its committees. In addition, nonemployee directors received the following annual fees: \$5,000 for the audit committee chairman, \$2,500 for other audit

committee members, \$2,500 for the chairmen of other committees, and \$2,500 for the lead director. The table on page 8 summarizes compensation earned by each nonemployee director in 2005.

During 2005, each nonemployee director was required to defer at least one-half of his or her annual fee in the form of deferred stock units, or DSUs, under the company's director deferred compensation plan, or the Director Plan, described below. During 2005, directors could also voluntarily defer some or all of the remainder of their annual fee and some or all of any other fees received for board service through the Director Plan.

Effective January 1, 2006, each of our non-employee directors will receive an annual fee of \$37,000. The director may elect to defer all, but not less than all, of this annual fee in the form of DSUs. In addition, nonemployee directors receive the following annual fees: \$10,000 for the audit committee chairman, \$5,000 for other audit committee members, \$5,000 for the chairmen of other committees, and \$10,000 for the lead director. None of these fees may be deferred under the Director Plan. There are no additional fees for board meeting attendance.

Equity Compensation

Under the standard board compensation arrangements in effect before January 1, 2006, each nonemployee director received a nonqualified stock option to purchase shares of common stock at each annual meeting of stockholders, which option was granted under the 2003 Stock Incentive Plan, or the 2003 Plan. In 2005, each nonemployee director was granted an option to purchase 2,500 shares. In addition, nonemployee directors elected to the board other than at an annual meeting were granted an option for a pro rata number of shares of common stock based on the number of months remaining until the next annual meeting. Under this arrangement, Mr. Murray was granted a stock option to purchase 600 shares on February 23, 2005. The option exercise price per share for each director stock option is equal to the last reported sale price for a share of the company's common stock on the NASDAQ Stock Market on the date the option was granted. The options vest and become fully exercisable on the first anniversary of the date of grant or, if earlier, the date of the next annual meeting. Upon a change in control (as defined in the 2003 Plan), options granted to all optionees, including to nonemployee directors, are subject to the following vesting provisions: 25% of the unvested options vest and become exercisable, unless the successor company in a corporate transaction (as defined in the 2003 Plan) does not assume or substitute option awards, in which case all options granted under the 2003 Plan become fully vested and exercisable. In addition, if an optionee, including any nonemployee director, is terminated by the successor company without cause within two years following a change in control, then all options held by such optionee become fully vested and exercisable.

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In general, options granted under the 2003 Plan are not transferable, except by will or the laws of descent and distribution, and are exercisable during the lifetime of the director only while he or she is serving as a director of the company or within three months after he or she ceases to serve as a director of the company; provided, however, that the board has the discretion to allow a director to designate a beneficiary to exercise the options upon the director's death. If a nonemployee director dies or becomes disabled (within the meaning of Section 22(e)(3) of the Internal Revenue Code) while serving as a director, or dies within three months after ceasing to serve as a director, options are exercisable within one year following the date of death or disability. No option is exercisable after ten years from the date of grant.

Effective January 1, 2006, nonemployee directors no longer receive stock options and instead receive an annual grant of DSUs with a value of \$75,000. The number of DSUs is determined by dividing such amount by the price of the company's common stock on the date of grant of the award, which generally is in February of each year. New nonemployee directors joining the board after the February grants are granted a pro rata number of DSUs based on the number of months remaining until the next year's annual grant. The DSUs vest one year from the date of grant. Any director who meets the stock ownership guidelines described below at the time of the annual equity award grant may elect, in lieu of receiving DSUs, to receive a grant of restricted shares of the company's common stock valued at \$75,000, which shares would vest one year from the date of grant.

Director Deferred Compensation Plan

DSUs are subject to the terms of the Director Plan. The payment of fees in the form of DSUs is considered deferred compensation for federal income tax purposes. Any compensation deferred by a director is credited to an account established in the director's name that is denominated as a number of DSUs having an aggregate value equal to the compensation deferred into such account divided by the price of a share of IDEXX common stock. DSUs granted as described in the preceding paragraph also are credited to this account. Director Plan account balances are not subject to any interest or other investment returns, other than returns produced by fluctuations in the price of a share of IDEXX common stock affecting the value of the DSUs in the account. One year after a director ceases to serve on the board for any reason, he or she will receive shares of common stock equal to the number of DSUs in his or her account. In addition, if the plan administrator of the Director Plan determines that a director has suffered an unforeseeable emergency (as defined in the Director Plan), the plan administrator may authorize the distribution of all or a portion of the director's DSUs. Upon a change in control of the company (as defined in the Director Plan), any applicable deferral limitations or other restrictions on each director's account will lapse, and the shares of IDEXX common stock distributed from such account will be deemed to have been outstanding immediately prior to the change in control.

Other Compensation

All directors are reimbursed for reasonable travel expenses incurred in connection with board and committee meetings. The company does not provide any other benefits including retirement benefits or perquisites to its directors. Except as described in this Directors Compensation section, the company does not have any other arrangements for compensation or consulting agreements with its directors, other than compensation in consideration of employment paid to directors who are officers or employees of the company.

2005 Nonemployee Director Compensation

Name	Fees Earned or Paid in Cash (1)	Shares Underlying Stock Option Awards
Thomas Craig	\$ 38,500	2,500
Errol B. De Souza, PhD	40,500	2,500
William T. End	44,250	2,500
Rebecca M. Henderson, PhD	36,000	2,500
Brian P. McKeon	43,000	2,500
Robert J. Murray	26,125	3,100

(1) Includes amounts deferred under the Director Plan.

Director Stock Ownership Guidelines

Upon recommendation of the nominating and governance committee, the board has adopted stock ownership guidelines for directors. Under the guidelines that were in effect during 2005, nonemployee directors were encouraged to own, within three years of becoming a director, a number of shares of common stock either having a fair market value equivalent to at least three times the value of their annual retainer (equaling \$90,000 under the compensation arrangements in effect in 2005) or in which the director's cost basis is equivalent at least to such amount. DSUs credited to a director's deferred compensation investment account, as described above, are included in calculating stock ownership pursuant to these guidelines. Each director was in compliance with the stock ownership guidelines in effect during 2005.

Effective January 1, 2006, the stock ownership guidelines for directors were revised to require that by the later of December 31, 2010 or seven years after joining the board, nonemployee directors are expected to own a number of shares of the company's common stock having a value of \$500,000. Directors' compliance with these guidelines will be measured annually on September 30. As of the first such measurement date on which a director holds shares with a value of at least \$500,000, he or she shall be deemed to have satisfied the stock ownership guidelines in all future periods, provided that he or she continues to own at least the number of shares owned as of such measurement date. DSUs credited to a director's deferred compensation investment account, as described above, are included in calculating stock ownership pursuant to these guidelines.

Section 16(a) Beneficial Ownership Reporting Requirements

Under Section 16(a) of the Exchange Act, IDEXX's directors, executive officers and any persons holding more than ten percent of our outstanding common stock are required to report their initial ownership of common stock and any subsequent changes in their ownership to the SEC. The SEC has established specific due dates and IDEXX is required to disclose in this proxy statement any failure to file by those dates.

Based solely on our review of (i) copies of Section 16(a) reports that IDEXX received from such persons for their transactions during IDEXX's 2005 fiscal year and (ii) written representations received from one or more of such persons that no annual Form 5 reports were required to be filed by them for IDEXX's 2005 fiscal year, IDEXX believes that none of such persons failed to file on a timely basis reports required by Section 16(a). The company determined in March 2006 that the Form 3 filed by Quentin Tonelli, Corporate Vice President, on July 22, 2002 reporting his initial beneficial ownership of common stock omitted 1,050 shares held in a trust of which he is a beneficiary, and which shares would be deemed to be beneficially owned by him. An amendment to this Form 3 reporting the 1,050 shares was filed on March __, 2006.

Compensation Committee Interlocks and Insider Participation

During our 2005 fiscal year, the compensation committee was comprised of Messrs. Murray (chairman), Craig and End, and Dr. De Souza. None of the members of the compensation committee has ever been an officer or employee of the company or any of its subsidiaries, nor have they had any relationship requiring disclosure under Item 404 of Regulation S-K. None of the executive officers of the company served as a member of the compensation committee or board of directors of any other company during the fiscal year 2005.

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OWNERSHIP OF COMMON STOCK BY DIRECTORS AND OFFICERS

The table below shows the number of shares of our common stock beneficially owned as of March __, 2006 by (a) each of our directors; (b) each of our executive officers named in the Summary Compensation Table shown on page 17, whom we refer to as the named executive officers, and (c) directors and executive officers of IDEXX as a group. The table also sets forth DSUs credited to the individual s deferred compensation investment account (as described under Directors Compensation on page 7 and under Executive Deferred Compensation Plan on page 19). Unless otherwise indicated, each person listed below has sole voting and investment power with respect to the shares listed.

Beneficial Owner	Number of Shares Owned	Options Exercisable (1)	Total Number of Shares Beneficially Owned (2)	Percentage of Common Stock Outstanding (3)	DSUs (4)	Total Number of Shares Owned and DSUs (5)
Jonathan W. Ayers	34,592	421,128	455,720	1.4%	14,791	49,383
Thomas Craig	1,460	28,400	29,860	*	796	2,256
Errol B. De Souza, PhD	0	10,525	10,525	*	2,014	2,014
William T. End	8,985	21,900	30,885	*	796	9,781
Rebecca M. Henderson, PhD	0	8,233	8,233	*	1,809	1,809
Barry C. Johnson, PhD	0	0	0	*	827	827
Brian P. McKeon	0	8,233	8,233	*	2,134	2,134
Robert J. Murray	10,000	3,100	13,100	*	479	10,479
William C. Wallen, PhD	3,052	45,400	48,452	*	--	3,052
Merilee Raines	35,200	129,400	164,600	*	--	35,200
Robert S. Hulsy	14,123	85,753	99,876	*	--	14,123
Laurel E. LaBaue	475	8,200	8,675	*	--	475
All current directors and executive officers as a group (17 persons)	143,290	952,113	1,095,403	3.34%	24,879	168,168

* Less than 1%

- (1) Consists of options to purchase common stock exercisable on or within 60 days of March __, 2006.
- (2) The number of shares beneficially owned by each person or group as of March __, 2006 includes shares of common stock that such person or group had the right to acquire on or within 60 days after March __, 2006, including but not limited to, upon the exercise of stock options, but does not include DSUs.
- (3) For each individual and group included in the table, percentage of ownership is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the _____ shares of common stock outstanding on March __, 2006 and the number of shares of common stock that such person or group had the right to acquire on or within 60 days after March __, 2006, including but not limited to, upon the exercise of stock options.
- (4) Represents fully vested DSUs. The individuals holding fully vested DSUs are at risk as to the price of IDEXX common stock in their investment accounts. DSUs carry no voting rights, but are included in calculating stock ownership required by the company pursuant to its guidelines for directors and executive officers.
- (5) Excludes stock options exercisable on or within 60 days of March __, 2006.

OWNERSHIP OF MORE THAN FIVE PERCENT**OF OUR COMMON STOCK**

The table below shows the number of shares of our common stock beneficially owned by each person or group known by us to own beneficially more than 5% of the outstanding shares of IDEXX common stock.

Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Stock Outstanding (1)
Ruane Cunniff & Goldfarb Inc. (2) 767 Fifth Avenue, Suite 4701 New York, New York 10153-4798	5,033,336	15.80%
Neuberger Berman, Inc. (3)	3,466,144	10.88