

NEIGHBORCARE INC
Form SC 14D9/A
July 26, 2005

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14D-9
SOLICITATION/RECOMMENDATION STATEMENT
PURSUANT TO SECTION 14(d)(4) OF THE
SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. 21)

NEIGHBORCARE, INC.
(Name of Subject Company)

NEIGHBORCARE, INC.
(Name of Person(s) Filing Statement)

Common Stock, Par Value \$0.02 Per Share
(including the Associated Series B Junior
Participating Preferred Stock Purchase Rights)
(Title of Class of Securities)

64015Y-10-4
(CUSIP Number of Class of Securities)

John F. Gaither, Jr., Esq.
Senior Vice President, General Counsel and Secretary
NeighborCare, Inc.
601 East Pratt Street, 3rd Floor
Baltimore, MD 21202
(410) 528-7404
(Name, Address and Telephone Number of Person Authorized to Receive Notice
and Communications on Behalf of the Person(s) Filing Statement)

With copies to:

Mark Gordon, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
(212) 403-1000

[] Check the box if the filing relates solely to preliminary communications
made before the commencement of a tender offer.

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The purpose of this amendment is to amend and supplement Items 3 and 4 in the Solicitation/Recommendation Statement on Schedule 14D-9 previously filed by NeighborCare, Inc., a Pennsylvania corporation ("NeighborCare" or the "Company") on June 14, 2004 (as thereafter amended, including by this amendment, the "Schedule 14D-9").

ITEM 3. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.

Item 3 of the Schedule 14D-9 is hereby amended by adding the following at the end thereof:

CHANGE OF CONTROL SEVERANCE PAYMENTS. No officers of NeighborCare are entitled to severance payments solely upon a change of control of the Company. However, the officers are entitled to payments pursuant to their respective employment agreements (as described above) in the event they are terminated, or if they terminate their employment for good reason, following a change of control. The following shows the amounts that would be payable to the officers in the event they are terminated following a change of control:

NAME	POSITION	TOTAL SEVERANCE (1)
John J. Arlotta	Chairman, President and Chief Executive Officer	\$3,600,000
John L. Kordash	Vice Chairman and Executive Vice President	\$ 550,000
John F. Gaither, Jr.	Senior Vice President and General Counsel	\$ 590,000
Robert A. Smith	Senior Vice President and Chief Operating Officer	\$ 360,000
Richard W. Hunt	Senior Vice President and Chief Financial Officer	\$ 520,000
TOTAL		\$5,620,000

(1) Under their respective employment agreements, the executives are entitled to be "grossed up" for excise taxes under Section 4999 of the Internal Revenue Code of 1986, as amended (if any), such that the effect of such excise taxes, if any, is not borne by the executive. The amounts in this column reflect the net amounts that the executive would receive after giving effect to such gross-ups and related excise taxes, if any, but before any income tax or other applicable tax.

Item 3 of the Schedule 14d-9 is hereby further amended by adding the following disclosure at the end of the section entitled "Certain Effects of the \$34.75 Offer and Merger":

VALUE OF OPTIONS. Our directors and executive officers hold or beneficially own options to purchase Shares. In the merger, these options will be cancelled in exchange for a cash payment equal to the

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difference between the \$34.75 per share transaction price and the relevant exercise price of the option, multiplied by the number of Shares subject to the relevant option. The following shows the aggregate amounts to be received in the merger by the Company's directors and executive officers in respect of their options:

Robert H. Fish	\$ 8,684,926	
(Director)		
James D. Dondero		
(Director)	\$ 1,020,989	
James H. Bloem		
(Director)	\$ 1,020,989	
James E. Dalton, Jr.		
(Director)	\$ 1,020,989	
Dr. Philip P. Gerbino		
(Director)	\$ 75,443	
Arthur J. Reimers		
(Director)	\$ None	
Phylliss R. Yale		
(Director)	\$ None	

John J. Arlotta	\$14,760,000	
John L. Kordash	\$ 3,312,500	
John F. Gaither, Jr.	\$ 1,987,500	
Robert A. Smith	\$ 1,159,375	
Richard W. Hunt	\$ None	

All Directors and Executive Officers as a Group :	\$33,042,710	

ITEM 4. THE SOLICITATION OR RECOMMENDATION.

The second bullet point in factor (i) of Item 4(c) of the Schedule 14d-9 is hereby amended to read in its entirety as follows:

- o That, based on an analysis of the current trading ranges of comparable companies and upon other factors (including matters referred to in factor (vi) below), the \$34.75 offer price represents a substantial premium to the likely unaffected trading ranges for the Shares that would be likely to prevail at the present time in the absence of the Offer. The Board considered this analysis of likely current unaffected trading ranges because the Board noted that there had been no unaffected trading in the Shares for more than 14 months to use as a basis for comparison.

Factor (vi) of Item 4(c) of the Schedule 14d-9 is hereby amended to read in its entirety as follows:

- (vi) The Board's view that despite its confidence in management and in NeighborCare's ongoing value-creation initiatives and marketplace opportunities, NeighborCare would continue to face a number of risks and uncertainties that could adversely affect both its short-term and long-term prospects, including:

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- o the risks and uncertainties created by the Omnicare tender offer;
- o and risks and uncertainties associated with the industry in which NeighborCare operates, including risks associated with regulatory change.

In this regard, the Board was advised that very preliminary analysis from management of the results of operations for the fiscal quarter ended June 30, 2005 indicated that NeighborCare's fiscal year 2005 earnings per share could be up to 10% lower than the earnings per share reflected in management's projections. Due to the timing and preliminary nature of this information, management has not made a determination to change its projections.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this amendment is true, complete and correct.

NEIGHBORCARE, INC.

By: /s/ John F. Gaither, Jr.

John F. Gaither, Jr.
Senior Vice President,
General Counsel and Secretary

Dated: July 26, 2005

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