

ENGELHARD CORP
Form SC 14D9
January 23, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14D-9

Solicitation/Recommendation Statement under
Section 14(d)(4) of the Securities Exchange Act of 1934

ENGELHARD CORPORATION

(Name of Subject Company)

ENGELHARD CORPORATION

(Name of Person(s) Filing Statement)

Common Stock, par value \$1.00 per share

(including the associated Series A Junior Participating Preferred Stock Purchase Rights)

(Title of Class of Securities)

292845104

(CUSIP Number of Class of Securities)

Arthur A. Dornbusch II, Esq.

Vice President, General Counsel and Secretary

Engelhard Corporation

101 Wood Avenue

Iselin, New Jersey 08830

(732) 205-5000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and
Communications on Behalf of the Person(s) Filing Statement)

With Copies to:

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

Item 1. Subject Company Information.

The name of the subject company is Engelhard Corporation, a Delaware corporation (the "Company" or "Engelhard"). The address of the Company's principal executive offices is 101 Wood Avenue, Iselin, New Jersey 08830. Engelhard's telephone number at that location is (732) 205-5000.

The title of the class of equity securities to which this Solicitation / Recommendation Statement on Schedule 14D-9 (this "Statement") relates is the Common Stock of Engelhard par value \$1.00 per share (the "Company Common Stock") including the associated Series A Junior Participating Preferred Stock purchase rights (the "Rights," and together with the Company Common Stock the "Shares") issued pursuant to the Rights Agreement, dated as of October 1, 1998, between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (the "Rights Agreement"). As of January 16, 2006, there were 122,381,079 Shares outstanding, and an additional 15,462,970 Shares reserved for issuance under the Company's equity compensation plans of which 8,984,852 Shares are issuable upon or otherwise deliverable in connection with the exercise of outstanding options or are issuable in respect of restricted stock units pursuant to such plans.

Item 2. Identity and Background of Filing Person.

This Statement is being filed by the subject company, Engelhard. Engelhard's name, address and business telephone number are set forth in Item 1 above. Engelhard's website address is www.engelhard.com. The information on Engelhard's website should not be considered a part of this Statement.

This Statement relates to the tender offer by Iron Acquisition Corporation, a Delaware corporation (the "Offeror") and an indirect wholly owned subsidiary of BASF Aktiengesellschaft, a stock corporation organized under the laws of the Federal Republic of Germany ("BASF"), to purchase all the issued and outstanding Shares for \$37.00 per Share, net to the seller in cash (subject to applicable withholding taxes), without interest, upon the terms and subject to the conditions described in the Tender Offer Statement on Schedule TO (together with the exhibits thereto, the "Schedule TO"), filed by BASF and the Offeror with the Securities and Exchange Commission (the "SEC") on January 9, 2006, as amended by Amendment No. 1 to the Schedule TO filed with the SEC on January 18, 2006 and Amendment No. 2 to the Schedule TO filed with the SEC on January 20, 2006. The value of the consideration offered, together with all of the terms and conditions applicable to the tender offer, is referred to in this Schedule 14D-9 as the "Offer".

According to the Schedule TO, the address of the principal executive offices of BASF is Carl Bosch Strasse 38, D-67056 Ludwigshafen, Federal Republic of Germany and of the principal executive offices of the Offeror is 100 Campus Drive, Florham Park, NJ 07932.

Item 3. Past Contacts, Transactions, Negotiations and Agreements.

Except as described herein, including in Annex A, there are no material agreements, arrangements or understandings, or any actual or potential conflicts of interest between the Company or its affiliates and (i) the executive officers, directors or affiliates of the Company or (ii) BASF, the Offeror or their respective executive officers, directors or affiliates.

The information contained in Annex A to this Statement from the Company's proxy statement dated April 4, 2005 is comprised of the following sections of such proxy statement: "Share Ownership of Directors and Officers"; "How Are Directors Compensated?"; "Executive Compensation and Other Information"; "Pension Plans"; "Employment Contracts, Termination of Employment and Change in Control Arrangements"; and "Annual Cash and Long Term Equity Incentive Compensation" and is incorporated herein by reference.

Any information contained in the pages incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Statement to the extent that any information contained herein modifies or supersedes such information.

(a) Arrangements with Executive Officers and Directors of the Company.

The Company's directors and executive officers have entered into or participate in, as applicable, the various agreements and arrangements discussed below. In the case of each plan or agreement discussed below in which the term "change in control" applies, the consummation of the Offer would constitute a change in control.

Cash Consideration Payable Pursuant to the Offer. If the Company's directors and executive officers were to tender any Shares they own for purchase pursuant to the Offer, they would receive the same cash consideration on the same terms and conditions as the other stockholders of the Company. As of January 16, 2006, the Company's directors and executive officers beneficially owned in the aggregate 562,236 Shares (including share units under the Company's deferred compensation plans but excluding options to purchase Shares, restricted share units and shares of restricted stock). If the directors and executive officers were to tender all such Shares for purchase pursuant to the Offer and those Shares were accepted for purchase and purchased by the Offeror, the directors and executive officers would receive an aggregate of approximately \$20.8 million in cash.

As discussed below in Item 4, to the knowledge of the Company, none of the Company's executive officers, directors, affiliates or subsidiaries currently intends to tender Shares held of record or beneficially owned by such person for purchase pursuant to the Offer.

Stock Option and Stock Bonus Plans. As of January 16, 2006 the Company's directors and executive officers held (i) options to purchase 3,105,670 Shares which were vested and exercisable as of that date, with an aggregate weighted average exercise price of \$21.62 per Share and (ii) 4,294 vested restricted stock units. Pursuant to the terms of the plans as previously approved by the Company's stockholders, upon a change in control of the Company, (i) 1,398,805 unvested options to purchase Shares held by directors and executive officers, with a weighted average exercise price of \$28.32 per Share, will vest and become exercisable, (ii) 145,408 unvested shares of restricted stock held by executive officers will vest and no longer be subject to forfeiture and (iii) 17,176 unvested restricted stock units held by an executive officer will vest and Shares will be distributed pursuant thereto at the time of a change in control. In the case of restricted stock units and restricted shares, aggregate additional payments of approximately \$182,201 (assuming a change in control date of May 4, 2006 and a Share price of \$37) will be made to executive officers to compensate for the lost tax deferral. Also, pursuant to the terms of the plan under which they were granted, which was previously approved by the Company's stockholders, 3,737,567 long-term performance units held by executive officers will vest, will each be valued at \$2 and such value will be paid in cash at the time of the change in control.

Change in Control Agreements. Pursuant to Change in Control Agreements the Company has with six officers, including five executive officers, the Company will provide severance benefits in the event of a termination of the executive, except a termination: (1) because of death, (2) because of "Disability," (3) by the Company for "Cause," or (4) by the executive other than for "Good Reason," within the period beginning on the date of a "Potential Change in Control" (as such terms are defined in the agreements) or change in control and ending on the third anniversary of the date on which a change in control occurs. Under the agreements a Potential Change in Control has occurred. The severance benefits include: (1) the payment of salary to the executive through the date of termination of employment together with salary in lieu of vacation accrued; (2) an amount equal to a pro-rated portion of the cash value of the total incentive pool under the Company's Incentive Compensation Plan, determined as set forth in the agreements; (3) an amount equal to two times the sum of the highest annual salary in effect during any of the preceding 36 months and the cash value of the total incentive pool under the Company's Incentive Compensation Plan, determined as set forth in the agreements; (4) continued coverage under the Company's life, disability, health, dental and other employee welfare benefit plans for up to two years; (5) continued participation and benefit accruals under the Company's Supplemental Retirement Program for two years following the date of termination; and (6) an amount sufficient, after taxes, to reimburse the executive for any excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code").

On January 20, 2006, the Board, upon recommendation of the Company's Compensation Committee, approved a Change in Control Agreement with the Chief Technology Officer of the Company. The agreement provides that if his employment is terminated by the Company not for "Cause" or by him for "Good Reason" (defined as a reduction in base salary or incentive compensation opportunity, material diminution of job authorities or responsibilities (not including any diminution resulting solely due to the fact that the Company is no longer public or that it is a subsidiary of another company), relocation of his office more than 35 miles or failure of a successor to assume the agreement) within three years following a change in control, he will receive salary through the date of termination

together with salary in lieu of accrued vacation and an immediate lump sum payment equal to two times the sum of his base salary and the cash value of his target incentive compensation awards for the year of the change in control, determined as set forth in the agreement. He will also be entitled to continued participation in the Company's group medical and dental plans for up to two years. The agreement also provides for an after-tax gross-up for any excise tax payable by the executive under Section 4999 of the Code, and it also includes the provisions described below relating to the new Code rules governing deferred compensation. A copy of this agreement is included as an exhibit hereto and incorporated by reference herein.

Approximately \$62.3 million would be payable to all officers, including approximately \$58.8 million which would be payable to executive officers pursuant to the seven agreements, assuming a qualifying termination occurred on May 4, 2006 and a Share price of \$37.00. Amounts payable under the agreements are in addition to the amounts payable under the other plans described herein.

In order to address the uncertainty in the application of the new Code rules governing deferred compensation and to ensure that any amendments necessary to bring the Company's plans and agreements into compliance with those rules are timely made, on January 20, 2006 the Board, upon recommendation of the Compensation Committee, approved letter agreements with each of the executives with a Change in Control Agreement with the Company. The letter agreements (1) obligate the Company to make timely amendments necessary to bring the Company's plans and agreements into compliance with the new deferred compensation rules in a manner that does not reduce the economic value to the executives, and (2) obligate the executives to not unreasonably withhold their consent to such amendments and report for tax purposes on a basis consistent with the Company's reporting. The letter agreements also provide that the Company will indemnify the executive, on an after-tax basis, against any additional tax or interest imposed due to failure to comply with the deferred compensation rules. In addition, if compliance with the rules requires that payment of amounts to the executive be deferred from the date otherwise payable, the deferred amounts would be deposited in the Company's Supplemental Retirement Trust for the benefit of the executive. The letter agreements also address the change in the Company's independent auditors since the date of the Change in Control Agreements.

Further information on the Change in Control Agreements is set forth in Annex A hereto under the heading "Employment Contracts, Termination of Employment and Change in Control Arrangements" and in the exhibits attached hereto and is incorporated herein by reference.

Employment Agreement. Engelhard entered into an employment agreement with Mr. Perry dated as of August 2, 2001. Mr. Perry's employment agreement, as amended, is automatically extended for successive periods so that the remaining term shall always be twelve months, unless notice of intention not to extend shall have been given in writing twelve months prior to the expiration of any extended term. The agreement will terminate no later than December 31, 2011. Mr. Perry is entitled to severance benefits under his employment agreement, but the benefits under his Change in Control Agreement as described above would supersede these benefits.

Further information on Mr. Perry's Employment Agreement is set forth in Annex A hereto under the heading "Employment Contracts, Termination of Employment and Change in Control Arrangements" and in the exhibits attached hereto and is incorporated herein by reference.

Deferred Compensation Plans; Supplemental Retirement Program. The Company's deferred compensation plans permit members of management and directors to elect to defer compensation. Unless a contrary advance election is made, amounts deferred under the Company's Deferred Compensation Plan for Key Employees will be paid in a lump sum upon a change in control. If payments are so accelerated, an additional payment will be made in order to compensate for the loss of tax deferral. Under the Company's other deferred compensation plans for members of management and directors, deferred amounts will be paid at the time of a change in control if the participant has made an advance election to that effect. In the event distribution of deferred amounts is so accelerated, aggregate additional payments of approximately \$7.0 million (assuming a change in control date of May 4, 2006 and a Share price of \$37) will be made to current executive officers and directors in order to compensate for the loss of tax deferral resulting from the accelerated payment. In addition, certain supplemental retirement benefits under our Supplemental Retirement Program will vest upon a change in control.

On January 18, 2006 the Company, as required by the Company's Supplemental Retirement Trust, funded approximately \$111.2 million into the Supplemental Retirement Trust to assist the Company in meeting its bene-

fits obligations under the deferred compensation plans for retired and current members of management and directors and the Supplemental Retirement Program. More than half of this amount relates to benefit obligations to former members of management and former directors and \$41.7 million relates to the benefit obligations to current executive officers and directors. On January 20, 2006, in order to consolidate the Company's trusts under its deferred compensation plans and as required under the Supplemental Retirement Trust, the Compensation Committee approved the termination of a trust holding Shares pursuant to the Company's deferred compensation plans and directed the trustee to deposit those Shares in the Company's Supplemental Retirement Trust.

Further information on the deferred compensation plans for employees and directors is set forth in Annex A hereto under the headings "How Are Directors Compensated?" and "Employment Contracts, Termination of Employment and Change in Control Arrangements" and in the exhibits attached hereto and is incorporated herein by reference.

Deferred Stock Plan for Non-Employee Directors; Stock Bonus Plan for Non-Employee Directors. All non-employee directors participate in the Company's Deferred Stock Plan for Non-Employee Directors (the "Deferred Stock Plan") and the Company's Stock Bonus Plan for Non-Employee Directors (the "Directors Stock Bonus Plan"). Pursuant to the Deferred Stock Plan, each non-employee director is annually credited with deferred stock units, each of which evidences the right to receive a Share upon the director's termination of service. If a change in control occurs and the non-employee director ceases to be a director or the Deferred Stock Plan is terminated, shares equal to the entire balance of the account will be distributed within 30 days. Pursuant to the Directors Stock Bonus Plan, each non-employee director received a one-time award of 7,593 Shares effective as of such person's election to the Board. Such shares are tentatively scheduled to vest in equal increments over a ten year period. Shares may be received prior to such date if there has been a change in control. If receipt of Shares is accelerated due to a change in control, additional payments aggregating approximately \$179,000 (assuming a change in control date of May 4, 2006 and a Share price of \$37) will be made to directors to compensate for the loss of tax deferral.

Further information on the Deferred Stock Plan and the Directors Stock Bonus Plan is set forth in Annex A hereto under the headings "How Are Directors Compensated?" and "Employment Contracts, Termination of Employment and Change in Control Arrangements" and in the exhibits attached hereto and is incorporated herein by reference.

Salary Continuation Policies. The Company's Salary Continuation Policy covers substantially all of the Company's U.S.-based nonunion employees. The Salary Continuation Policy generally provides for continuation of base salary for a period of up to one year if the covered employee is involuntarily terminated because of lack of work, reduction in force, or elimination of a department. In addition to salary continuation, the employee is entitled to continued benefits (including health insurance, life insurance and retirement benefits (but not including long-term disability coverage)) for the period of salary continuation, provided that employee does not commence other employment. Some employees are excluded from the receipt of salary continuation payments, including employees who have written employment contracts or are terminated due to circumstances which are determined to constitute a special situation for which the Company deems necessary to establish a separate salary continuation policy. The amount of the salary continuation payments is based upon the amount of credited service accumulated by an employee and ranges from two weeks' base salary to 52 weeks' base salary.

The Company's Enhanced Salary Continuation Policy applies to employees who are at or above salary band 8 and who are eligible for salary continuation payments under the Salary Continuation Policy. The amount of the salary continuation payments ranges from 20 weeks' base salary to 52 weeks' base salary depending on the age of the employee and his or her salary band. Payments under the Enhanced Salary Continuation Policy are made only if the benefits under Enhanced Salary Continuation Policy are greater than those offered under the Salary Continuation Policy.

On January 20, 2006, the Board, upon recommendation of the Compensation Committee, amended the Company's salary continuation policies to provide that, during the period beginning at the time of a change in control and ending on December 31, 2007, no amendment can be made to either policy that is adverse to participants without their consent. The Board also amended the Enhanced Salary Continuation Policy to provide for a reduction of salary continuation benefits thereunder if, but only to the extent, such a reduction would result in a

greater after-tax (taking into account any excise tax imposed on the participant under Section 4999 of the Code) benefit to the participant.

Further information on the salary continuation policies is set forth in the exhibits hereto and is incorporated herein by reference.

Stay Bonus. On January 20, 2006, the Board, upon recommendation of the Compensation Committee, approved stay bonuses for fifty (50) employees, none of whom have Change in Control Agreements. Stay bonus payments will be made to covered employees if they remain employed by the Company through the earlier of six months after a change in control or December 31, 2006. In addition, if the Company terminates a covered employee not for cause prior to the earlier of such dates, the covered employee will receive an amount equal to the stay bonus. The stay bonus amounts will be 25% of base salary for covered employees below salary band 5, 50% of base salary for covered employees in salary bands 5 through 10 and 100% of base salary for covered employees in salary bands 11 and above. The aggregate amount of stay bonuses payable is approximately \$3.56 million, approximately \$220,000 of which is payable to one executive officer. The stay bonuses provide for a reduction of payments thereunder if, but only to the extent, such a reduction would result in a greater after-tax (taking into account any excise tax imposed on the covered employee under Section 4999 of the Code) payment to the covered employee. Amounts payable under the stay bonuses are in addition to any salary continuation benefits payable to covered employees under the Company's salary continuation policies.

(b) Transactions with BASF and the Offeror.

According to the Schedule TO, as of January 9, 2006, Offeror owned 100 Shares. Except as described herein, to the knowledge of the Company as of the date of this Statement, there are no material agreements, arrangements or understandings, or any actual or potential conflict of interest between the Company or its affiliates and BASF, the Offeror or their respective executive officers, directors or affiliates.

Item 4. The Solicitation or Recommendation.

(a) Solicitation or Recommendation.

The Board of Directors, after careful consideration, including a thorough review of the Offer with its financial and legal advisors, has unanimously determined at a meeting duly held on January 20, 2006 that the Offer is inadequate and not in the best interests of the Company's stockholders (other than BASF and its affiliates). In reaching its conclusion, the Board of Directors identified a number of factors including, but not limited to, the factors described in clause (c) below.

(b) Background.

During the past two years, there have been purchases and sales of goods in the ordinary course of business between the Company and its subsidiaries on the one hand and BASF and its subsidiaries on the other hand.

On December 14, 2005, Dr. Jürgen Hambrecht of BASF called Mr. Barry W. Perry of the Company to schedule a meeting in person at Mr. Perry's office. Dr. Hambrecht did not tell Mr. Perry the purpose of the meeting.

On Wednesday afternoon, December 21, 2005, Dr. Hambrecht met with Mr. Perry and made an unsolicited proposal to acquire the Company. There was then a discussion of the price. Dr. Hambrecht said that BASF preferred to do the transaction cooperatively, but if that were not possible BASF had considered all alternatives, including a hostile takeover. He left with Mr. Perry a letter with the details of the BASF proposal to acquire the Company at \$37 per share. He also left with Mr. Perry a second letter that included a timetable. Copies of each of these letters are filed as exhibits hereto and incorporated herein by reference.

Dr. Hambrecht and Mr. Perry agreed to further discuss the matter by telephone early the following week. Mr. Perry indicated that he would try to contact the members of the Board of Directors of the Company to discuss his meeting with Dr. Hambrecht.

On Thursday, December 22, 2005, the Company retained Merrill Lynch & Co. (["Merrill Lynch"]) as its financial advisor and Cahill Gordon & Reindel LLP (["Cahill Gordon"]) as its legal advisor.

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On Friday, December 23, 2005, Mr. Perry received from Dr. Hambrecht a letter by facsimile requesting a telephone conversation between the two on Tuesday, December 27, 2005. A copy of such letter is filed as an exhibit hereto and incorporated herein by reference.

On Monday, December 26, 2005, Mr. Perry called Dr. Hambrecht to advise him that he had been able to schedule a meeting of the Company's Board of Directors for Thursday, December 29, 2005, at which the BASF proposal would be discussed. Mr. Perry said that he would call Dr. Hambrecht promptly after such meeting to advise him of the Board's response.

On Tuesday, December 27, 2005, Mr. Perry received a letter by facsimile from Dr. Hambrecht requesting a response by the close of business in Europe on Friday, December 30, 2005. A copy of such letter is filed as an exhibit hereto.

On Thursday, December 29, 2005, the Board of Directors of the Company met to discuss the BASF proposal. Representatives of Cahill Gordon, the legal advisor to the Company, reviewed with the Board their fiduciary duties, as well as the relevant provisions of the restated certificate of incorporation, by-laws and shareholder rights plan of the Company. Subsequently, representatives of Merrill Lynch, the Company's financial advisor, reviewed with the Board the terms of the BASF proposal and presented and discussed various financial analyses of the proposal. There was a discussion of the response options available to the Company. The Board authorized Mr. Perry to advise Dr. Hambrecht that (i) the Board has strong confidence in the Company's business plan and prospects and (ii) the Board would not have chosen to sell the Company at this time, but that (iii) the Board would be prepared to consider exploring the sale of the Company if the price were preemptive and (iv) the members of the Board were unanimous in their view that \$37 per Share was not a preemptive price.

On Friday, December 30, 2005, Mr. Perry called Dr. Hambrecht and advised him of the Board's position. Dr. Hambrecht stated that he was only authorized to put forward a price of \$37 per Share, and that \$37 per Share was a full price on the basis of publicly available information. Dr. Hambrecht indicated that BASF might be prepared to increase its price if the Company agreed to permit BASF to conduct due diligence and could demonstrate additional value. Mr. Perry highlighted to Dr. Hambrecht three important business developments that were in the public realm and the Board's belief that publicly available information and the potential synergies that would arise in a combination supported a price significantly above \$37 per Share. Dr. Hambrecht agreed that he would consider with his Board of Executive Directors what BASF could do on price in advance of being permitted to conduct due diligence, and asked Mr. Perry to consider with the Company's Board BASF's request for due diligence on the basis of a \$37 per Share price. Dr. Hambrecht suggested that, after having done so, they speak on either Monday, January 2, 2006 or Tuesday, January 3, 2006.

On Saturday, December 31, 2005, Mr. Perry called Dr. Hambrecht and indicated that he had spoken to all but one of the Company's directors. Mr. Perry stated that he and the other directors were not prepared to provide competitively sensitive non-public information and take the risk of a leak and the negative consequences to the Company that could result from such a leak on the basis of a proposal at a price of \$37 per Share. Mr. Perry reiterated the Board's belief that publicly available information (including the three important business developments discussed previously) and the potential synergies that would arise in a combination supported a price significantly higher than \$37 per Share. Dr. Hambrecht acknowledged that he had not been aware of these important business developments. Dr. Hambrecht then indicated that he believed he had some flexibility on price, but was pessimistic about whether it was enough to bridge the gap. He said he would need to talk to his Board of Executive Directors. Dr. Hambrecht stated that BASF was determined but disciplined. He indicated that he would call Mr. Perry on Monday, January 2, 2006 at 10am EST.

In the morning of Monday, January 2, 2006, Mr. Perry and Dr. Hambrecht spoke again. Dr. Hambrecht said that BASF's Board of Executive Directors and advisors had discussed valuation over the weekend, had concluded that competing buyers for the Company were unlikely and, on that basis, had determined that BASF's \$37 per Share price was fair to the Company's stockholders. Dr. Hambrecht then stated that BASF was prepared to increase the proposed price by \$1 per Share, to \$38 per Share, provided that (i) the Company agree to hold a due diligence meeting no later than Thursday, January 5, 2006, (ii) the Company provide BASF with information supporting such an increase and (iii) Mr. Perry advise Dr. Hambrecht by 1am EST on January 3, 2006 of the Board's response. Dr. Hambrecht stated that if the Company did not agree to proceed on this basis, BASF would make an offer to stockholders at \$37 per Share and not \$38 per Share.

In the afternoon of January 2, 2006, the Board of Directors of the Company held a telephonic meeting. The Board reviewed the conversations between Mr. Perry and Dr. Hambrecht that had occurred since the Board's meeting on December 29, 2005, reviewed with its financial and legal advisors possible responses and concluded that \$38 per Share was not compelling enough to warrant due diligence and the providing of non-public information. Mr. Perry was authorized to state that the Board would be prepared to engage in cooperative due diligence discussions, which would include the providing of non-public information if BASF on the basis of public information offered a price "in the \$40s," and would have such discussions for a limited period only with BASF.

After the January 2, 2006 Board meeting, Mr. Perry called Dr. Hambrecht and advised him of the Board's position. Mr. Perry indicated his recognition that part of the value gap might be related to non-public information that BASF did not have. Mr. Perry stated that, in view of that, at a price "in the \$40s" on the basis of public information and the significant synergies likely available in the combination, the Company would engage in cooperative due diligence discussions, which would include the providing of non-public due diligence information. Mr. Perry stated further that the Company would have those discussions for a limited period of time only with BASF. Dr. Hambrecht indicated to Mr. Perry that BASF had not factored in value for potential synergies in arriving at its proposed price because of the uncertainty in acquisition transactions of achieving synergies. Dr. Hambrecht stated that BASF would proceed with a proposal directly to stockholders at \$37 per Share and that Mr. Perry should be available for a telephone conversation at 6am EST the next morning.

Later in the afternoon of January 2, 2006, the Board of Directors of the Company held a telephonic meeting. The conversation between Mr. Perry and Dr. Hambrecht was reviewed and discussed. The Board did not change its position.

On Tuesday, January 3, 2006, Dr. Hambrecht telephoned Mr. Perry slightly before 6am EST, and Mr. Perry advised Dr. Hambrecht of the position of the Company's Board. Dr. Hambrecht told Mr. Perry that there were two ways to proceed: either accept the \$38 per Share and proceed on a cooperative basis or, in 30 minutes, BASF would send a letter to the Company stating that it intended to make a tender offer for the Company at \$37 a Share; that in one hour, BASF would issue a press release announcing its proposed tender offer; and that in three hours, BASF would hold a press conference discussing their proposed tender offer. Dr. Hambrecht then demanded that the Company's Board, within 60 minutes, name a specific price at which the Board would accept a transaction. Mr. Perry reminded Dr. Hambrecht that it was approximately 6am in New York and that there were directors all over the country, including in California, where it was 3am. Mr. Perry said that he would get back to Dr. Hambrecht by 9am EST.

Later that morning, the Board of Directors of the Company held a telephonic meeting to discuss BASF's demands and consulted with their legal and financial advisors. Mr. Perry then called Dr. Hambrecht and advised him that the Board was not in a position to name a price at which the Board would sell the Company. Mr. Perry then said that if BASF were to offer a price in the low \$40s, Mr. Perry would recommend to the Board and the Board would likely approve that the Company engage in cooperative due diligence with BASF on an exclusive basis for a limited period of time. Mr. Perry reiterated the view of the Board that, on the basis of the publicly available information and the synergies available in a combination, BASF should be able to offer a price in the low \$40s. Dr. Hambrecht said that position was unacceptable, advised Mr. Perry that there would be no further discussions and that BASF would proceed with an offer directly to the Company's stockholders at \$37 per Share.

Later that morning, Dr. Hambrecht called Mr. Perry and informed him that BASF had decided to publicly announce its proposal. Shortly thereafter, the Company received a letter from BASF indicating its determination to take its proposal to the Company's stockholders. A copy of such letter is included as an exhibit hereto and incorporated by reference herein. Later that day, BASF publicly announced its proposal.

On Wednesday, January 4, 2006, Dr. Hambrecht again called Mr. Perry, stating that he would like to keep the channels of communication open and would be available to discuss a transaction.

On Monday, January 9, 2006, the Board of Directors of the Company met to discuss the BASF proposal. Representatives of Merrill Lynch, the Company's financial advisor, reviewed with the Board the terms of the BASF proposal and presented and discussed various financial analyses of the proposal. There was a discussion of possible strategic alternatives available to the Company. The Board also discussed employee retention and hiring issues resulting from BASF's public announcement, and reviewed an internal summary of the estimated costs

under the Company's benefit plans of the change in control that would be effected by BASF's proposal. The Board then discussed the reaction of the Company's stockholders with representatives of MacKenzie Partners, Inc. (MacKenzie) and Joele Frank, Wilkinson Brimmer Katcher (Joele Frank). Representatives of Cahill Gordon reviewed with the Board provisions of the Company's certificate of incorporation, by-laws and shareholder rights plan.

On Friday, January 13, 2006, the Board held a telephonic meeting to take the action with respect to the Rights described in Item 8.

On Friday, January 20, 2006, the Board of Directors of the Company met to discuss the BASF proposal. Representatives of Cahill Gordon, the legal advisor to the Company, reviewed with the Board their fiduciary duties. Subsequently, representatives of Merrill Lynch, the Company's financial advisor, updated its previous reviews with the Board of the terms of the BASF proposal and reviewed and discussed various financial analyses. Representatives of Merrill Lynch also provided to the Board its oral opinion, confirmed in writing following the Board meeting, to the effect that, as of January 20, 2006 and subject to the qualifications and limitations set forth in the opinion, a copy of which is included as Annex B hereto, the consideration being offered by BASF to the holders of Company Common Stock pursuant to the Offer is inadequate from a financial point of view to such holders (other than BASF and its affiliates). There was a discussion of the possible strategic alternatives available to the Company. Following this review and discussion by the Board, the Board unanimously made the determination described in clause (a) of this Item 4. The Board also approved actions taken at a meeting of the Compensation Committee of the Board of Directors earlier in the day to address employee retention issues resulting from the BASF proposal. The actions taken are described in Item 3.

On Monday afternoon, January 23, 2006, Mr. Perry sent Dr. Hambrecht a letter providing him with the Company's press release and this Schedule 14D-9. A copy of such letter is filed as an exhibit hereto and incorporated by reference herein.

(c) Reasons for Rejection.

1. Offer Does Not Fully Reflect Stand Alone Value of Engelhard. The Board believes that the Offer does not fully reflect the value of the Company's businesses, including its strong market and technology positions and, in particular, its future growth prospects. The Board believes that the Company has effectively positioned itself to take advantage of attractive growth opportunities in key markets, particularly post-2006. Key growth drivers include (i) the phase-in of more stringent heavy duty diesel regulations in Europe in late 2006, and in the U.S. in early 2007, (ii) increasingly stringent clean air regulations in Europe, the U.S. and Asia, including China and India, driving growth in traditional mobile environmental markets and (iii) continued strength in new operating businesses which were not part of the Company's portfolio in 2000, such as energy and fuel materials, and personal care and cosmetics, among others. The Board does not believe these opportunities have as of yet been fully factored into long term earnings per share (EPS) growth expectations of Wall Street equity research analysts, or in the Company's stock price. The projected long term EPS growth estimates for Wall Street equity research analysts covering the Company that provide such an estimate ranges from 10.0% to 11.0%, and averages 10.5% .

2. Offer is Opportunistic. The Board believes that BASF recognizes the attractiveness of the Company's current market and technology positioning and post-2006 growth prospects, and has opportunistically timed the Offer to acquire the Company before those higher growth rates are factored into the Company's stock price. Further, the Board believes that the unsolicited offer by BASF is an attempt to take advantage of recent, short-term, relative undervaluation in the Company's forward trading multiples. The forward price to earnings (P/E) multiple (current stock price to 1 year forward EPS based on mean analyst estimates) of the Company immediately prior to the unsolicited offer from BASF was 14.1x, as compared to Johnson Matthey (a publicly-traded company with businesses reasonably comparable to the Company) at 18.2x, a discount of 4.1x. This compares to an average discount to Johnson Matthey of 1.5x, 0.2x and 1.1x in 2005, 2004 and 2003, respectively. Immediately prior to the unsolicited offer from BASF, the Company's forward P/E multiple was at a discount of 1.5x to Umicore's 15.7x (another publicly-traded company with businesses reasonably comparable to the Company), which compares to an average premium to Umicore of 1.0x, 4.6x and 2.7x in 2005, 2004 and 2003, respectively.

3. Offer Does Not Reflect Sharing of Significant Potential Synergy Value of a Combination. As noted in section (b) of this Item 4, BASF indicated to the Company that its price of \$37 per Share did not factor in value

for potential synergies because of the uncertainty in acquisition transactions of achieving synergies. BASF subse-

quently indicated in its January 3, 2006 analyst conference call that in studying the impact of the proposed offer on BASF that it had assumed "modest synergies." The Company's Board, based on a preliminary assessment by the Company's senior management team and a review of synergies in precedent transactions, believes the synergy opportunity available to BASF in an acquisition of the Company is more significant. BASF and the Company have several overlapping geographies and customer segments. BASF has a meaningful North American presence, with sales in excess of \$10 billion, and its North American headquarters is located in New Jersey, approximately 30 miles from the Company's headquarters. A review of precedent major specialty chemicals transactions completed since 1998,⁽¹⁾ based on public disclosure, shows total realized (or expected) annual pretax cost savings ranging from 4.0% - 21.2% of target sales, and averaging 10.7% of target sales. These figures relate only to cost savings and exclude other synergy areas such as revenue opportunities cited by BASF, as well as tax optimization and other potential areas of opportunity not cited by BASF.

4. Offer Represents Low Control Premium Versus Precedent Transactions. The Offer represents a premium of 22.7% to the closing price of the Company's shares on December 30, 2005, the last trading day prior to BASF's public announcement of its plans for an unsolicited Offer, or a premium of 23.1% to the closing price of the Company's shares on December 6, 2005, four weeks prior to BASF's public announcement. This compares to (average) premiums paid in North American all-cash unsolicited transactions greater than \$1 billion in transaction value of 34.6%, 41.7%, and 64.5% versus the closing price four weeks prior to announcement in 2005, 2004 and 2003, respectively, and (average) premiums paid in all North American all-cash transactions greater than \$1 billion in transaction value of 35.4%, 27.0%, and 33.3% versus the closing price four weeks prior to announcement in 2005, 2004 and 2003, respectively.

5. Offer Values the Company at a Price Below Recent Trading Levels. Since the public announcement by BASF of its plans for an unsolicited Offer, the Shares have traded in substantial volumes at prices above the \$37 per Share Offer price. On January 3, 2006, the closing price on the NYSE of the Shares was \$38.00. The average closing price on the NYSE of the Shares for the trading days from January 3 to January 20 was \$38.84. The closing price of the Shares on the NYSE on January 20, 2006 was \$39.58.

6. Exploration of Alternatives to Maximize Value Could Deliver Higher Value than the Offer. The Company's Board has decided to explore strategic alternatives to seek to maximize value for the Company's stockholders, including a sale of the Company. The Company has been approached by, and has initiated contact with, multiple parties who have expressed an interest in exploring such a transaction. The Board believes that alternatives to the Offer could provide stockholders with greater value. The Board is concerned that tendering Shares into the Offer before the Board and its advisors have had the opportunity to fully explore alternatives to the Offer could interfere with the ability of the Board to effect a financially superior alternative to the Offer.

7. Offer is Financially Inadequate. Merrill Lynch, the Company's financial advisor, delivered an opinion on January 20, 2006, to the effect that, as of that date, the Offer was inadequate from a financial point of view to the Company's stockholders (other than BASF and its affiliates). The Merrill Lynch opinion, which is attached as Annex B hereto, sets forth the procedures followed, assumptions made, matters considered and limitations on the review undertaken by Merrill Lynch in providing its opinion. Please read the Merrill Lynch opinion carefully and in its entirety.

The foregoing discussion of the information and factors considered by the Board of Directors of the Company is not intended to be exhaustive but addresses all of the material information and factors considered by the Board of Directors in their consideration of the Offer. In view of the variety of factors and the amount of information considered, the Board of Directors did not find it practicable to provide specific assessments of, quantify or otherwise assign any relative weights to, the specific factors considered in determining their recommendations. Such determination was made after consideration of the factors taken as a whole. Individual members of the Board of Directors may have given differing weights to different factors. In addition, in arriving at their respective recommendations, the members of the Board of Directors were aware of the interests of certain officers and directors of the Company as described under Item 3 above.

(1) These transactions include The Dow Chemical Company's acquisition of Union Carbide Corporation, International Flavors & Fragrances Inc.'s acquisition of Bush Boake Allen Inc., The Valspar Corporation's acquisition of Lilly Industries Inc., Hercules Incorporated's acquisition of BetzDearborn Inc., Crompton Corporation's acquisition of Great Lakes Chemical Corporation, Rohm and Haas Company's acquisition of Morton International Incorporated, Crompton & Knowles Corporation's acquisition of Witco Corporation and The Lubrizol Corporation's acquisition of Noveon International, Inc.

(d) Intent to tender.

To the Company's knowledge, none of the Company's executive officers, directors, affiliates or subsidiaries currently intends to sell or tender for purchase pursuant to the Offer any Shares owned of record or beneficially owned.

Item 5. Persons/Assets, Retained, Employed, Compensated or Used.

Merrill Lynch was retained as the Company's financial advisor in connection with BASF's proposal and with respect to any acquisition of control over the Company. The Company has agreed to pay Merrill Lynch customary fees for such services; to reimburse Merrill Lynch for all expenses, including reasonable fees and disbursements of legal counsel; and to indemnify them and certain related persons against certain liabilities related to, arising out of, or in connection with its engagement.

Merrill Lynch and its affiliates in the past have provided, and in the future may provide financial advisory and financing services to the Company, for which services they have received, and would expect to receive, compensation.

The Company has retained MacKenzie to assist it in connection with the Company's communications with its stockholders with respect to the Offer and such other advisory services as may be requested from time to time by the Company. The Company has agreed to pay MacKenzie customary compensation for its services and reimbursement of out-of-pocket expenses in connection therewith. The Company has also agreed to indemnify MacKenzie against certain liabilities arising out of or in connection with the engagement.

The Company has retained Joele Frank as its public relations advisor in connection with the Offer. The Company has agreed to pay customary compensation for such services and to reimburse Joele Frank for its out-of-pocket expenses arising out of or in connection with the engagement. The Company has also agreed to indemnify Joele Frank against certain liabilities arising out of or in connection with the engagement.

Except as set forth above, neither the Company nor any person acting on its behalf has employed, retained or agreed to compensate any person to make solicitations or recommendations to stockholders of the Company concerning the Offer.

Item 6. Interest in Securities of the Subject Company.

Except as described below or as set forth on Annex C hereto, no transactions in the Shares have been effected during the past 60 days by the Company or, to the Company's knowledge, any of the Company's directors, executive officers, affiliates or subsidiaries.

At a regularly scheduled meeting of the Compensation Committee of the Board, on December 7, 2005 the Company granted options to purchase a total of 355,600 shares of Company Common Stock to executive officers at an exercise price equal to the fair market value per Share on the date of grant. On December 8, 2005, based on a recommendation of the Compensation Committee, the Company granted an option to purchase 3,000 shares of Company Common Stock to each non-employee director at an exercise price equal to the fair market value per Share on the date of grant.

Item 7. Purposes of the Transaction and Plans or Proposals.

The Company has not reached an agreement in principle or signed an agreement in connection with the Offer that relates to or would result in: (a) a tender offer for or other acquisition of Company Common Stock by the Company, or any other person, (b) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, (c) any purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries or (d) any material change in the present dividend rate or policy, or indebtedness or capitalization, of the Company.

The Board of Directors has determined that disclosure with respect to the parties to, and the possible terms of, any transactions or proposals of the type referred to in the preceding paragraph might jeopardize any discussions

or negotiations that the Company may conduct. Accordingly, the Board of Directors has instructed management not to disclose the possible terms of any such transactions or proposals, or the parties thereto, unless and

until an agreement in principle relating thereto has been reached or, upon the advice of counsel, as may otherwise be required by law.

Except as set forth in this Statement, there are no transactions, resolutions of the Board, agreements in principle or signed agreements in response to the Offer that relate to or would result in one or more of the events referred to in the first paragraph of this Item 7.

Item 8. Additional Information.

The information contained in all of the Exhibits referred to in Item 9 below is incorporated herein by reference in its entirety.

Certain Litigation.

On January 4, 2006, Scott Sebastian, who alleges that he is a stockholder of the Company, commenced a purported class action on behalf of the stockholders of the Company against the Company and all of its directors in the Chancery Division of the New Jersey Superior Court for Middlesex County. The complaint alleges that the defendants breached their fiduciary duties in connection with their response to BASF's proposal to acquire the Company and seeks declaratory and injunctive relief and damages. On January 4, 2006, Hindy Silver, who alleges that she is a stockholder of the Company, commenced a purported class action on behalf of the stockholders of the Company against the Company and all of its directors in the Chancery Division of the New Jersey Superior Court for Mercer County. The complaint alleges that the defendants breached their fiduciary duties in connection with their response to BASF's proposal to acquire the Company and seeks injunctive relief and an accounting. On January 17, 2006, the plaintiffs in the Sebastian and Silver actions moved to transfer the Sebastian action to the New Jersey Superior Court for Mercer County and to consolidate the two actions in that Court. The motion is returnable on February 3, 2006; defendants' response is due on January 26, 2006.

On January 5, 2006, Laura Benjamin and Sam Cohn, and on January 6, 2006, Stewart Simon, all of whom purport to be stockholders of the Company, each commenced a purported class action on behalf of the stockholders of the Company against the Company and all of its directors in the Delaware Court of Chancery for New Castle County. Each complaint alleged that the defendants breached their fiduciary duties in connection with their response to BASF's proposal to acquire the Company and sought injunctive relief. The Benjamin and Cohn complaints also sought damages and the Simon complaint sought an accounting. On January 13, 2006 these three actions were consolidated under the caption *In re: Engelhard Corporation Shareholders Litigation*, Consolidated C.A. No. 1871-N, in the Delaware Court of Chancery for New Castle County, and a Consolidated Amended Complaint was filed and served which names the same defendants and contains allegations similar to those made in the complaints initially filed in the underlying actions, and seeks injunctive relief and damages. On the same day, plaintiffs served a request for production of documents. On January 17, 2006, the court entered an order governing the protection and exchange of confidential information.

The Company and the individual defendants believe the claims made in each of the putative class action suits described above are without merit and intend to vigorously defend against these suits.

Board Action Regarding Rights Agreement. At its meeting on January 13, 2006, the Board took action, as permitted by the Rights Agreement, to postpone the Distribution Date (as defined in the Rights Agreement), which otherwise could be triggered by the Offer, until such time as the Board or any authorized committee thereof shall designate by subsequent action by the Board or such committee thereof. Until the Distribution Date, the Rights (as defined in the Rights Agreement) will be evidenced by the certificates for the Company's Common Stock, and will be transferred with and only with the Company's Common Stock.

Forward-Looking Statements. This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "will" and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks and uncertainties, internal and external, that may cause the Company's

actual future activities and results of operations to be materially different from those suggested or described in this document. These risks, uncertainties and contingencies include those set forth in Engelhard's Annual Report on Form 10-K, and other factors detailed from time to time in its other filings with the SEC. Investors are cautioned not to place undue reliance upon these forward-looking statements, which speak only as of their dates. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9. Exhibits

The following exhibits are filed with this statement.

Exhibit No.	Description
(a)(1)	Letter to Shareholders of Engelhard Corporation, dated January 23, 2006, from Barry W. Perry, Chairman and Chief Executive Officer of Engelhard Corporation.
(a)(2)	Text of email to Employees of Engelhard Corporation, dated January 23, 2006, from Barry W. Perry, Chairman and Chief Executive Officer of Engelhard Corporation.
(a)(3)	Press Release, dated January 23, 2006.
(a)(4)	Letter to Barry W. Perry, dated December 21, 2005, from Dr. Jürgen Hambrecht, Chairman of BASF.
(a)(5)	Letter to Barry W. Perry, dated December 21, 2005, from Dr. Jürgen Hambrecht, Chairman of BASF.
(a)(6)	Letter to Barry W. Perry, dated December 22, 2005, from Dr. Jürgen Hambrecht, Chairman of BASF.
(a)(7)	Letter to Barry W. Perry, dated December 27, 2005, from Dr. Jürgen Hambrecht, Chairman of BASF.
(a)(8)	Letter to the Board of Directors of Engelhard Corporation, dated January 3, 2006, from Dr. Jürgen Hambrecht, Chairman of BASF.
(a)(9)	Letter to Dr. Jürgen Hambrecht, Chairman of BASF, dated January 23, 2006, from Barry W. Perry, Chairman and Chief Executive Officer of Engelhard Corporation.
(e)(1)	Rights Agreement, dated as of October 1, 1998 between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (incorporated by reference to Form 8-K filed with the SEC on October 29, 1998).
(e)(2)	Employment Agreement for Barry W. Perry, effective August 2, 2001 (incorporated by reference to Form 10-Q filed with the SEC on August 13, 2001).
(e)(3)	Amendment to Employment Agreement for Barry W. Perry, effective February 13, 2002 (incorporated by reference to Form 10-K filed with the SEC on March 21, 2002).
(e)(4)	Amendment to Employment Agreement for Barry W. Perry, effective February 3, 2005 (incorporated by reference to Form 8-K filed with the SEC on February 3, 2005).

- (e)(5) 2004 Share Performance Incentive Plan for Barry W. Perry, effective February 12, 2004 (incorporated by reference to Form 10-K filed with the SEC on March 11, 2004).
- (e)(6) Engelhard Corporation Form of Change in Control Agreement (incorporated by reference to Form 10-Q filed with the SEC on May 8, 2003).
- (e)(7) Engelhard Corporation Annual Restricted Cash Incentive Compensation Plan, effective as of December 15, 2000 (incorporated by reference to Form 10-K filed with the SEC on March 30, 2001).
- (e)(8) Engelhard Corporation 2002 Long Term Incentive Plan, effective May 2, 2002 (incorporated by reference to the 2001 Proxy Statement filed with the SEC on March 26, 2002).
- (e)(9) Engelhard Corporation Stock Option Plan of 1991—conformed copy includes amendments through March 2002 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
- (e)(10) Engelhard Corporation Stock Option Plan of 1999 for Certain Key Employees (Non Section 16(b) Officers), effective February 1, 2001—conformed copy includes amendments through March 2001 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
- (e)(11) Deferred Compensation Plan for Key Employees of Engelhard Corporation, effective August 1, 1985—conformed copy includes amendments through October 2001 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).

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Exhibit No.	Description
(e)(12)	Deferred Compensation Plan for Directors of Engelhard Corporation, as restated as of May 7, 1987□conformed copy includes amendments through December 2002 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(13)	Key Employees Stock Bonus Plan of Engelhard Corporation, effective July 1, 1986□conformed copy includes amendments through March 2002 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(14)	Stock Bonus Plan for Non-Employee Directors of Engelhard Corporation, effective July 1, 1986□conformed copy includes amendments through October 1998 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(15)	Amendment to Key Employees Stock Bonus Plan of Engelhard Corporation Employees (incorporated by reference to Form 10-Q filed with the SEC on November 8, 2004).
(e)(16)	Engelhard Corporation Directors and Executives Deferred Compensation Plan (1986-1989)□conformed copy includes amendments through December 2001 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(17)	Engelhard Corporation Directors and Executives Deferred Compensation Plan (1990-1993)□conformed copy includes amendments through December 2001 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(18)	Retirement Plan for Directors of Engelhard Corporation, effective January 1, 1985□conformed copy includes amendments through April 2000 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(19)	Supplemental Retirement Program of Engelhard Corporation as amended and restated, effective January 1, 1989□conformed copy includes amendments through February 2001 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(20)	Amendment to the Supplemental Retirement Program of Engelhard Corporation, effective as of October 2, 2003 (incorporated by reference to Form 10-Q filed with the SEC on November 13, 2003).
(e)(21)	Supplemental Retirement Trust Agreement, effective April 2002 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(22)	Engelhard Corporation Directors Stock Option Plan as amended and restated, effective May 4, 1995□conformed copy includes amendments through March 2001 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
(e)(23)	Engelhard Corporation Employee Stock Option Plan as amended and restated, effective May 4, 1995 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).

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- (e)(24) Engelhard Corporation Deferred Stock Plan for Non-Employee Directors[]conformed copy includes amendments made through December 2002 (incorporated by reference to Form 10-K filed with the SEC on March 25, 2003).
- (e)(25) Form of Stock Option Agreement used pursuant to the Engelhard Corporation Stock Option Plan of 1999 for Certain Key Employees (incorporated by reference to Form 10-Q filed with the SEC on August 6, 2004).
- (e)(26) Form of Stock Option Agreement used pursuant to the Engelhard Corporation 2002 Long Term Incentive Plan (incorporated by reference to Form 10-Q filed with the SEC on August 6, 2004).

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Exhibit No.	Description
(e)(27)	Form of Restricted Share Unit Agreement used pursuant to the Engelhard Corporation 2002 Long Term Incentive Plan Employees (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on August 6, 2004).
(e)(28)	Change in Control Agreement for Edward Wolynic, effective January 21, 2006 (incorporated by reference to Form 8-K filed with the SEC on January 23, 2006).
(e)(29)	Salary Continuation Policy (incorporated by reference to Form 8-K filed with the SEC on January 23, 2006).
(e)(30)	Enhanced Salary Continuation Policy (incorporated by reference to Form 8-K filed with the SEC on January 23, 2006).
(e)(31)	Form of letter agreement (incorporated by reference to Form 8-K filed with the SEC on January 23, 2006).
(g)	Not applicable.

SIGNATURE

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

ENGELHARD CORPORATION

By: /s/ Michael A. Sperduto

Name: Michael A. Sperduto

Title: Vice President and Chief Financial Officer

Dated: January 23, 2006

Annex A

Within this Annex A only, references to page numbers refer to the page numbers in the Company's proxy statement dated April 4, 2005.

SHARE OWNERSHIP OF DIRECTORS AND OFFICERS**How much Common Stock do Engelhard's directors and executive officers own?**

Set forth in the following table is the beneficial ownership of Common Stock as of March 1, 2005 for all nominees, Directors, each of the Executive Officers listed on the Summary Compensation Table and all Directors and Executive Officers as a group.

Name	Shares	Percent
Marion H. Antonini	113,895(1)(2)(3)(4)(5)	*
David L. Burner	8,883(1)(2)(5)	*
Arthur A. Dornbusch, II	733,745(6)(7)	*
John C. Hess	308,566(6)(7)	*
James V. Napier	67,208(1)(2)(3)(5)	*
Norma T. Pace	70,623(1)(2)(5)	*
Barry W. Perry	1,723,578(2)(6)(7)	1.38
Alan J. Shaw	39,735(6)(7)	*
Henry R. Slack	27,137(1)(2)(4)(5)	*
Michael A. Sperduto	278,323(6)(7)	*
Douglas G. Watson	85,403(1)(2)(3)(5)	*
All Directors and Executive Officers as a group	3,630,618(1)(2)(3)(4)(5)(6)(7)	2.90

* Represents beneficial ownership of less than 1%.

- (1) Includes 22,500 shares of Common Stock subject to options granted to each of Messrs. Antonini, Napier and Watson, and Mrs. Pace, 10,500 shares of Common Stock subject to options granted to Mr. Slack and 750 shares of Common Stock subject to options granted to Mr. Burner under our Directors Stock Option Plan, which options may be exercised within 60 days from March 1, 2005.
- (2) Includes 22,397, 540, 17,571, 3,289, 9,819 and 20,716 non-voting deferred stock units earned by Messrs. Antonini, Burner, Napier, Slack, Watson and Mrs. Pace under the Deferred Stock Plan for Non-employee Directors. Each deferred stock unit will be converted into a share of Common Stock upon termination of service. Also includes 21,470 non-voting restricted stock units for Mr. Perry. See the description of Mr. Perry's restricted stock units on page 26.
- (3) Includes 55,403, 16,614 and 16,882 non-voting deferred stock units held by Messrs. Antonini, Napier and Watson under the Deferred Compensation Plan for Directors of Engelhard. Each deferred stock unit will be converted into a share of Common Stock at a future date based on the prior written request of each respective Director as prescribed by the plan.
- (4) Includes 1,000 and 3,225 shares as to which Messrs. Antonini and Slack, respectively, disclaim beneficial ownership.
- (5) Includes 7,593 shares of voting, but unvested, Common Stock for each of Messrs. Antonini, Burner, Napier, Slack, Watson, and Mrs. Pace granted under the Stock Bonus Plan for Non-employee Directors.
- (6) Includes 560,779, 270,831, 1,530,128, 15,681, 231,622 and 2,853,164 shares of Common Stock subject to options granted to Messrs. Dornbusch, Hess, Perry, Shaw, Sperduto and all Directors and Executive

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Officers as a group, respectively, under our Stock Option Plan of 1991 (the "Stock Option Plan"), the Directors Stock Option Plan and the 2002 Long Term Incentive Plan, which options may be exercised within 60 days from March 1, 2005.

- (7) Includes 16,091, 10,638, 74,613, 8,372, 15,310 and 134,282 shares of voting, but unvested, restricted Common Stock held by Messrs. Dornbusch, Hess, Perry, Shaw, Sperduto and all Directors and Executive Officers as a group, respectively.

A-1

HOW ARE DIRECTORS COMPENSATED?

Directors who are not our employees each receive a retainer at the annual rate of \$50,000. In addition, Non-employee Directors receive a \$1,500 fee for each Board meeting attended. Non-employee Directors also receive a \$1,500 fee for each committee meeting attended; a \$5,000 annual retainer for each committee on which they serve; and the chairman of the audit and compensation committee receives an additional \$10,000 annual retainer, whereas the chairman of each other committee receives an additional \$7,500 annual retainer. Directors who are employed by us do not receive any Directors' fees or retainers.

Pursuant to our Deferred Stock Plan for Non-Employee Directors (the "Deferred Stock Plan"), each Non-employee Director is credited with deferred stock units, each of which evidences the right to receive a share of Common Stock of Engelhard upon the Director's termination of service. Deferred stock units were credited to the accounts of the Non-employee Directors annually on each May 31 with an amount of deferred stock units calculated by dividing an amount equal to 40% of the annual retainer payable to such Non-employee Director then in effect by the average daily closing price per share of Common Stock of Engelhard for the 20 trading days ending two days prior to such date. For years beginning with 2003, the date deferred stock units will be credited to accounts of Non-employee Directors has been changed to the record date for payment of dividends on shares of Common Stock of Engelhard occurring in the last month of the second calendar quarter of each year, and deferred stock units will be credited only to Non-employee Directors serving on the May 31 immediately preceding the crediting date. When a regular cash dividend is paid on the Common Stock, the dividend equivalent on deferred stock units is reinvested in additional deferred stock units. The entire balance of a Non-employee Director's account under the Deferred Stock Plan will be paid to the Non-employee Director, in either a lump sum or installments at the election of such Non-employee Director, in shares of our Common Stock upon the Non-employee Director's termination of service. If a "change in control" occurs and the Non-employee Director ceases to be a Director or the Deferred Stock Plan is terminated, shares equal to the entire balance of the account will be distributed within 30 days.

Pursuant to our Stock Bonus Plan for Non-Employee Directors (the "Directors Stock Bonus Plan"), each person who becomes a Non-employee Director prior to June 30, 2006 shall be awarded 7,593 shares of our Common Stock effective as of such person's election to our Board of Directors. Such shares will tentatively vest in equal increments over a ten-year period. Directors are entitled to receive cash dividends on and to vote shares which are the subject of an award prior to their distribution or forfeiture. Upon termination of the Director's service as a Non-employee Director, the Director (or, in the event of his or her death, his or her beneficiary) shall be entitled, in the discretion of the committee formed to administer the Directors Stock Bonus Plan, to receive the shares awarded to such Director which have tentatively vested up to the date of such termination of service. Shares may be received prior to such date if there has been a "change in control." If receipt of shares is accelerated due to a change in control, an additional payment will be made to compensate for the loss of the tax deferral.

Pursuant to our Directors Stock Option Plan, each Non-employee Director in office on the date of the regular meeting of the Board in December of each year will automatically be granted an option to purchase 3,000 shares of Common Stock with an exercise price equal to the fair market value of such shares at the date of grant. Each option becomes exercisable in four equal installments, commencing on the first anniversary of the date of grant and annually thereafter. Each option terminates on the tenth anniversary of the date of grant. Each option held by a director which was granted more than one year before his or her termination of service as a director shall become fully exercisable upon termination if such termination is a result of disability, death or retirement after attaining age 65; options may become exercisable prior to such date if there has been an "acquisition of a control interest."

Pursuant to our Deferred Compensation Plan for Directors, Non-employee Directors may elect to defer payment of all or a designated portion of their compensation for services as a Director into a cash or stock account. Under our Deferred Compensation Plan for Directors, deferred amounts will be paid at time of a "change in control" if the participant has made an advance election to that effect. In the event distribution of deferred amounts is so accelerated, an additional payment will be made in order to compensate for the loss of tax deferral resulting from the accelerated payment.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following table sets forth the compensation paid by us for services rendered in all capacities during each of the last three fiscal years to our Chief Executive Officer and our other four most highly compensated Executive Officers.

SUMMARY COMPENSATION TABLE

					Long-term Compensation		
Annual Compensation					Awards(1)	All Other Compensation	
					Restricted Stock	Options	
Other Annual Compensation					Awards (\$)(2)	(#)	(\$)(1)(3)
Year	Salary (\$)	Bonus (\$)		(\$)			
Barry W. Perry Director,	2004	1,100,000	1,760,000	214,466(5)	465,067	258,688	679,691(7)
Chairman and Chief Executive	2003	1,000,000	2,014,900(4)	145,768(5)	1,000,288	238,388	375,398
Officer Michael A.	2002	900,000	1,100,000	143,316(5)	326,403	293,352	355,040
Sperduto	2004	333,773	330,000	□	169,198	67,852	31,339
Vice President,	2003	307,625	243,400	□			