

AIRGAS INC
Form SC 14D9
February 22, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

SOLICITATION/RECOMMENDATION

STATEMENT UNDER SECTION 14(d)(4) OF THE
SECURITIES EXCHANGE ACT OF 1934

AIRGAS, INC.

(Name of Subject Company)

AIRGAS, INC.

(Name of Person Filing Statement)

Common Stock, par value \$0.01 per share

(Title of Class of Securities)

009363102

(CUSIP Number of Class of Securities)

Robert H. Young, Jr.

Senior Vice President, General Counsel and Secretary

Airgas, Inc.

259 North Radnor-Chester Rd.

Radnor, PA 19087-5283

(610) 687-5253

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*(Name, address and telephone numbers of person authorized to receive notices and
communications on behalf of the persons filing statement)*

With copies to:

Daniel A. Neff, Esq.

David A. Katz, Esq.

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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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ITEM 1. SUBJECT COMPANY INFORMATION

Name and Address

The name of the subject company to which this Solicitation/Recommendation Statement on Schedule 14D-9 (together with any exhibits attached hereto, this *Statement*) relates is Airgas, Inc., a Delaware corporation (*Airgas* or the *Company*). Airgas principal executive offices are located at 259 North Radnor-Chester Road, Radnor, Pennsylvania 19087-5283. Airgas telephone number at this address is (610) 687-5253.

Securities

The title of the class of equity securities to which this Statement relates is Airgas Common Stock, par value \$0.01 per share, including the associated rights to purchase shares of Series C Junior Participating Preferred Stock (*Rights*, and together with the Airgas Common Stock, the *Airgas Common Shares*), issued pursuant to the Rights Agreement, dated as of May 8, 2007, between Airgas and The Bank of New York, as Rights Agent (the *Rights Agreement*). As of February 3, 2010, there were 82,729,623 Airgas Common Shares outstanding.

ITEM 2. IDENTITY AND BACKGROUND OF FILING PERSON

Name and Address

The name, business address and business telephone number of Airgas, which is the subject company and the person filing this Statement, are set forth in Item 1 above.

Tender Offer

This Statement relates to the tender offer by Air Products Distribution, Inc. (*AP Sub*), a Delaware corporation and wholly owned subsidiary of Air Products and Chemicals, Inc. (*Air Products*), to purchase all of the outstanding Airgas Common Shares at a price of \$60.00 per share, net to the seller in cash, without interest and less any required withholding taxes. The tender offer is being made on 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 Air Products and AP Sub with the Securities and Exchange Commission (the *SEC*) on February 11, 2010. The value of the consideration offered, together with all of the terms and conditions applicable to the tender offer, is referred to in this Statement as the *Offer*.

Air Products has stated that the purpose of the Offer is to acquire control of, and the entire equity interest in, Airgas. Air Products has indicated that it intends, as soon as practicable after the consummation of the Offer, to seek to consummate a merger of Airgas and AP Sub (or one of its or Air Products subsidiaries) (the *Second-Step Merger*). Air Products has also stated that it intends to nominate, and solicit proxies for the election of, a slate of nominees for election at Airgas 2010 annual meeting of stockholders (the *Airgas Annual Meeting*). In addition, whether or not Air Products proposes a merger or other business combination with Airgas and whether or not its nominees are elected at the Airgas Annual Meeting, the Schedule TO states that Air Products intends, as soon as practicable after consummation of the Offer, to seek maximum representation on the Board of Directors of Airgas (the *Airgas Board*) and, promptly after the consummation of the Offer, to request that some or all of the current members of the Airgas Board resign and that Air Products designees be elected to fill the vacancies so created.

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The Offer is subject to numerous conditions, which include the following, among others:

The **Minimum Tender Condition** there being validly tendered and not withdrawn before the expiration of the Offer a number of Airgas Common Shares that, together with the shares then owned by Air Products and its subsidiaries, represents at least a majority of the total number of Airgas Common Shares outstanding on a fully diluted basis,

The **Rights Condition** the Airgas Board redeeming the Rights or Air Products being satisfied, in its sole discretion, that the Rights have been invalidated or are otherwise inapplicable to the Offer and the Second-Step Merger,

The **Section 203 Condition** the Airgas Board having approved the Offer and the Second-Step Merger under Section 203 of the Delaware General Corporation Law (*Section 203*) or Air Products being satisfied, in its sole discretion, that Section 203 is inapplicable to the Offer and the Second-Step Merger,

The **Certificate Condition** the Airgas Board having approved the Offer and the Second-Step Merger under Article 6 of Airgas Amended and Restated Certificate of Incorporation (the *Airgas Certificate*) or Air Products being satisfied, in its sole discretion, that Article 6 of the Airgas Certificate is inapplicable to the Offer and the Second-Step Merger,

The **HSR Condition** the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the *HSR Act*), applicable to the purchase of shares under the Offer having expired or been terminated as described in the Schedule TO, and

The **Impairment Condition** Airgas not having entered into or effectuated any agreement or transaction with any person or entity having the effect of impairing AP Subs or Air Products ability to acquire Airgas or otherwise diminishing the expected value to Air Products of the acquisition of Airgas.

In addition, Air Products is not required to consummate the Offer and may terminate or amend the Offer if at any time any of the following conditions exist, which conditions may be asserted by Air Products or AP Sub in their sole discretion regardless of the circumstances giving rise to any such condition failing to be satisfied:

there is threatened, instituted or pending any action or proceeding by any person before any court or governmental authority or agency challenging or seeking to restrain or prohibit the making of the Offer, seeking to obtain material damages in connection with the Offer, seeking to restrain or prohibit the exercise of Air Products full rights of ownership of Air Products or Airgas business, seeking to require divestiture by Air Products of any Airgas Common Shares, seeking any material diminution in the benefits expected to be derived by Air Products from the transactions contemplated by the Offer, adversely affecting the financing of the Offer or that otherwise, in Air Products reasonable judgment, has or may have material adverse significance with respect to either the value of Airgas or any of its subsidiaries or affiliates or the value of the Airgas Common Shares to Air Products (the *No Lawsuits Condition*),

any action is taken, or any statute, rule, regulation, interpretation, judgment, injunction, order or decree is proposed, enacted, enforced, promulgated, amended, issued or deemed applicable to Air Products, AP Sub or any of their subsidiaries or affiliates, the Offer, the acceptance for payment of or payment for Airgas Common Shares, or any merger or other business combination involving Airgas, by any court, government or agency (other than the application of the waiting period of the HSR Act to the Offer or to any such merger or other business combination), that, in Air Products reasonable judgment, does or may, directly or indirectly, result in any of the consequences referred to in the bullet point immediately above (the *No Diminution of Benefits Condition*),

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there occurs any decline in either the Dow Jones Industrial Average, the Standard and Poor's Index of 500 Industrial Companies or the NASDAQ-100 Index by an amount in excess of 15%, measured from the close of business on February 4, 2010 (the *Market Index Condition*),

any change occurs or is threatened (or any development occurs or is threatened involving a prospective change) in the business, assets, liabilities, financial condition, capitalization, operations, results of operations or prospects of Airgas or any of its affiliates that, in Air Products' reasonable judgment, is or may be materially adverse to Airgas or any of its affiliates, or Air Products becomes aware of any facts that, in its reasonable judgment, have or may have material adverse significance with respect to either the value of Airgas or any of its affiliates or the value of the Airgas Common Shares to Air Products,

there occurs (a) any change in the general political, market, economic or financial conditions in the United States or abroad that, in Air Products' reasonable judgment, could have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations, results of operations or prospects of Airgas and its subsidiaries, taken as a whole, (b) any material adverse change (or development or threatened development involving a prospective material adverse change) in United States dollars or any other currency exchange rates or a suspension of, or a limitation on, the markets therefor, (c) any limitation (whether or not mandatory) by any governmental authority or agency on, or any other event that, in Air Products' reasonable judgment, may adversely affect the extension of credit by banks or other financial institutions, (d) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market, (e) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (f) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any attack on, outbreak or act of terrorism involving the United States, or (g) in the case of any of the foregoing existing as of the close of business on February 4, 2010, a material acceleration or worsening thereof (together with the condition in the bullet point immediately above this bullet point, the *No Material Adverse Effect Condition*),

any other person publicly proposes or makes a tender or exchange offer for some or all of the Airgas Common Shares or enters into any agreement or makes any proposal with respect to a tender or exchange offer, merger, consolidation or other business combination with Airgas, or has acquired or proposes to acquire more than 5% of any class or series of capital stock of Airgas, or any person that filed a Schedule 13D or 13G with the SEC prior to February 4, 2010 acquires or proposes to acquire beneficial ownership of additional Airgas Common Shares constituting 1% or more of any such class or series, or any person files a Notification and Report Form under the HSR Act or makes a public announcement reflecting an intent to acquire Airgas or any assets or securities of Airgas (the *Stockholder Ownership Condition*),

Airgas or any of its subsidiaries has split, combined or otherwise changed, or authorized or proposed the split, combination or other change of, the Airgas Common Shares or its capitalization, acquired or caused a reduction in the number of outstanding Airgas Common Shares, issued or sold any Airgas Common Shares, declared or paid any dividends, or altered any material term of any outstanding security or issued or sold any debt security,

Airgas has authorized or recommended or announced its intent to enter into an agreement with respect to or effected any merger or business combination, acquisition or disposition of assets or relinquishment of any material contract or other rights not in the ordinary course of business, or enters into any agreement or arrangement with any person that, in Air Products' reasonable judgment, has or may have material adverse significance with respect to either the value of Airgas or any of its subsidiaries or the value of the Airgas Common Shares to Air Products,

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Airgas has adopted or amended any employment, severance, change of control, retention or other similar agreement other than in the ordinary course of business, or adopted or amended any such agreements or plans so as to provide for increased benefits to officers, directors, employees or consultants as a result of or in connection with the Offer,

Airgas has amended or proposed any amendment to the Airgas Certificate or bylaws (the conditions in this bullet point and the immediately preceding three bullet points referred to together as the *No Material Change Condition*),

Air Products becomes aware (a) that any material contractual right of Airgas has been impaired or otherwise adversely affected or that any material amount of indebtedness of Airgas has been accelerated or has otherwise become due or become subject to acceleration prior to its stated due date in connection with the Offer or the consummation by Air Products of a business combination with Airgas, or (b) of any covenant, term or condition in any instrument or agreement of Airgas that, in Air Products' reasonable judgment, has or may have material adverse significance with respect to either the value of Airgas or any of its affiliates or the value of the Airgas Common Shares to Air Products or any of its affiliates (including any event of default that may ensue in connection with the Offer, the acceptance for payment of or payment for some or all of the Airgas Common Shares by Air Products or the consummation of a business combination between Air Products and Airgas) (the *No Adverse Effect on Contracts Condition*),

Air Products or any of its affiliates enters into a definitive agreement or announces an agreement in principle with Airgas providing for a merger or other similar business combination with Airgas or the purchase of securities or assets of Airgas, or Air Products and Airgas reach any other agreement or understanding pursuant to which it is agreed that the Offer will be terminated,

Airgas or any of its subsidiaries shall have (a) granted to any person proposing a merger or other business combination with or involving Airgas or any of its subsidiaries or the purchase of securities or assets of Airgas or any of its subsidiaries any type of option, warrant or right which, in Air Products' reasonable judgment, constitutes a lock-up device (including a right to acquire or receive any Airgas Common Shares or other securities, assets or business of Airgas or any of its subsidiaries) or (b) paid or agreed to pay any cash or other consideration to any party in connection with or in any way related to any such business combination or purchase or

any required approval, permit, authorization, extension, action or non-action, waiver or consent of any governmental authority or agency shall not have been obtained on terms satisfactory to Air Products and AP Sub or any waiting period or extension thereof imposed by any government or governmental authority or agency with respect to the Offer shall not have expired.

For a full description of the conditions to the Offer, please see Annex A attached hereto. The foregoing summary of the conditions to the Offer does not purport to be complete and is qualified in its entirety by reference to the contents of Annex A attached hereto.

The Schedule TO states that the principal executive offices of Air Products are located at 7201 Hamilton Boulevard, Allentown, Pennsylvania, 18195-1501 and that the telephone number of its principal executive offices is (610) 481-4911.

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ITEM 3. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

Except as described in this Statement or in the excerpts from the Airgas Definitive Proxy Statement on Schedule 14A, dated and filed with the SEC on July 13, 2009 (the *2009 Proxy Statement*), relating to the 2009 Annual Meeting of Stockholders, which excerpts are filed as Exhibit (e)(1) to this Statement and incorporated herein by reference, as of the date of this Statement, there are no material agreements, arrangements or understandings, nor any actual or potential conflicts of interest, between Airgas or any of its affiliates, on the one hand, and (i) Airgas or any of its executive officers, directors or affiliates, or (ii) AP Sub, Air Products or any of their respective executive officers, directors or affiliates, on the other hand. Exhibit (e)(1) is incorporated herein by reference and includes the following sections from the 2009 Proxy Statement:

Compensation of Directors, Compensation Discussion and Analysis, Executive Compensation, Certain Relationships and Related Transactions and Security Ownership.

Any information contained in the pages from the 2009 Proxy Statement incorporated by reference herein shall be deemed modified or superseded for purposes of this Statement to the extent that any information contained herein modifies or supersedes such information.

Relationship with Air Products

According to the Schedule TO, as of February 11, 2010, Air Products was the beneficial owner of 1,508,255 Airgas Common Shares, representing approximately 1.8% of the outstanding Airgas Common Shares.

Airgas has a long-term take-or-pay supply agreement, in effect through August 31, 2017, with Air Products to supply Airgas with bulk liquid nitrogen, oxygen and argon. Additionally, Airgas purchases helium and hydrogen gases from Air Products under long-term take-or-pay supply agreements. Based on the volume of fiscal 2010 purchases, the Air Products supply agreements represent approximately \$55 million annually in liquid bulk gas purchases.

Consideration Payable Pursuant to the Offer and the Second-Step Merger

If the Airgas directors and executive officers were to tender any Airgas Common Shares they own pursuant to the Offer, they would receive the same cash consideration on the same terms and conditions as the other Airgas stockholders. As of February 19, 2010, the Airgas directors and executive officers owned an aggregate of 8,404,200 Airgas Common Shares. If the Airgas directors and executive officers were to tender all of such Airgas Common Shares for purchase pursuant to the Offer and those Airgas Common Shares were accepted for purchase by Air Products, the Airgas directors and executive officers would receive an aggregate of approximately \$504 million in cash. To the knowledge of Airgas, none of the Airgas directors and executive officers currently intend to tender shares held of record or beneficially owned by such person for purchase pursuant to the Offer.

As of February 19, 2010, the Airgas directors and executive officers held options to purchase an aggregate of 2,480,683 Airgas Common Shares, with exercise prices ranging from \$8.99 to \$60.84 and an aggregate weighted average exercise price of \$32.24 per share, 1,699,708 of which were vested and exercisable as of that date. Any Airgas stock options held by the Airgas directors and executive officers were issued pursuant to the 1997 Stock Option Plan, the 1997 Directors Stock Option Plan and the 2006 Amended and Restated Equity Incentive Plan, filed as Exhibits (e)(2), (e)(3) and (e)(4), respectively, to this Statement, and incorporated herein by reference (collectively, the *Plans*). Under the Plans, consummation of the Offer would constitute a change of control of Airgas, and upon a change of control of Airgas, unvested options to purchase 780,975 Airgas Common Shares held by the Airgas directors and executive offers would vest.

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The following table summarizes, with respect to (1) each Airgas director, (2) each Airgas Named Executive Officer, and (3) all executive officers (other than the Named Executive Officers) (the *Other Executive Officers*) as a group, the aggregate, positive difference in value between \$60 and the per share exercise prices (the *Spread Value*) of the options to purchase Airgas Common Shares held by such directors and executive officers as of February 19, 2010:

Name	Airgas Common Shares Subject to Unvested Options (#)	Aggregate Spread Value of Unvested Options (\$)	Airgas Common Shares Subject to Vested Options (#)	Aggregate Spread Value of Vested Options (\$)
Peter McCausland	331,250	4,160,500	633,750	21,353,550
Chairman and Chief Executive Officer				
W. Thacher Brown			66,500	2,019,035
Director				
Paula A. Sneed			66,500	2,019,035
Director				
James W. Hovey			66,500	2,019,035
Director				
Richard C. III			41,000	874,185
Director				
David M. Stout			66,500	2,019,035
Director				
Lee M. Thomas			57,500	1,600,435
Director				
John C. van Roden, Jr.			25,540	346,643
Director				
Ellen C. Wolf			11,773	225,769
Director				
Michael L. Molinini	104,025	1,422,433	132,475	4,332,499
Executive Vice President and Chief Operating Officer				
Robert M. McLaughlin	63,550	768,689	70,950	2,178,173
Senior Vice President and Chief Financial Officer				

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Leslie J. Graff	46,125	610,589	80,545	2,606,215
Senior Vice President, Corporate Development				
B. Shaun Powers	42,000	533,533	101,900	3,544,491
Division President East				
All Other Executive Officers as a group (five individuals)	194,025	2,421,196	278,275	9,078,819
Potential Severance and Change in Control Benefits				

Airgas has entered into change of control agreements (the *COC Agreements*) with Messrs. McCausland, Graff, McLaughlin, Molinini and Powers, and three other executive officers. The terms of the COC Agreements provide salary and benefit continuation if (1) there is a change of control of Airgas and (2) Airgas terminates a covered executive's employment without cause or if the executive terminates employment for good reason, in each case within three years following a change of control (a *Qualifying Termination*). Good reason includes a material diminution of position, a material decrease in base compensation, a material breach of any employment agreement, or a material change in location. The Offer, if consummated, would constitute a change of control for purposes of each of the COC Agreements.

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Under the COC Agreements, in the event of a Qualifying Termination, an executive would be entitled to:

a lump-sum payment equal to two times the sum of (1) the executive's annual base salary at the time of termination, or, if greater, at the time the change of control occurred, plus (2) the bonus amount last paid to the executive prior to the occurrence of the change of control under the Airgas annual executive bonus plan;

continuation of health and welfare benefits for up to three years; and

vesting of all stock options and restricted stock.

The cash and non-cash amounts payable under the COC Agreements and under any other arrangements with Airgas are limited to the maximum amount permitted without the imposition of an excise tax under the Internal Revenue Code (the *Severance Cap*). Generally, the Severance Cap would limit an executive's benefits under a COC Agreement to 2.99 times the executive's average annual compensation for the preceding five years. The above description of the COC Agreements is qualified in its entirety by reference to the COC Agreement filed as Exhibit (e)(5) to this Statement and incorporated herein by reference.

Under an arrangement with Mr. McCausland originally entered into in 1992, which was amended and restated on May 29, 2009 (the *Amended and Restated Executive Severance Agreement*), in the event Mr. McCausland experiences a Qualifying Termination, he is entitled to a payment equal to two times his annual base salary, in addition to any severance payments and benefits under his COC Agreement. The aggregate payments and benefits to Mr. McCausland under the COC Agreement and the Amended and Restated Executive Severance Agreement are subject to the Severance Cap. The above description of the Amended and Restated Executive Severance Agreement is qualified in its entirety by reference to the Amended and Restated Executive Severance Agreement filed as Exhibit (e)(6) to this Statement and incorporated herein by reference.

The Airgas, Inc. Severance Pay Plan (the *Severance Pay Plan*) provides severance benefits to all Airgas employees, including the executive officers covered by the COC Agreements (other than Mr. McCausland), in the event of a termination of employment due to (1) a lack of work, (2) a reorganization of the Airgas business, (3) the closing of all or a portion of the executive's principal workplace or (4) economic conditions. Benefits under the Severance Pay Plan include two weeks of notice pay plus one week of salary for each completed year of service, up to a maximum of 24 weeks of salary. In addition, under the Severance Pay Plan, an eligible participant will be entitled to continued health and welfare benefits during the severance period at the same cost that Airgas employees pay. Benefits under the plan are not available to an executive officer if the executive officer is eligible for similar benefits under a separate severance agreement with Airgas, such as a COC Agreement.

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The following table presents, with respect to (1) each Airgas Named Executive Officer, and (2) with respect to all Other Executive Officers as a group, an estimate of the amounts of severance benefits payable in the event of a Qualifying Termination, estimated as of February 19, 2010. For a quantification of the Spread Value of vested and unvested options to purchase Airgas Common Shares based on a \$60 per share value, see the table above under the heading Consideration Payable Pursuant to the Offer and the Second-Step Merger.

Name	Severance Payments (\$)	Health and Welfare Benefits (\$)
Peter McCausland	4,550,000	17,152
Chairman and Chief Executive Officer		
Michael L. Molinini	1,192,969	17,152
Executive Vice President and Chief Operating Officer		
Robert M. McLaughlin	841,207	25,807
Senior Vice President and Chief Financial Officer		
Leslie J. Graff	693,591	25,807
Senior Vice President, Corporate Development		
B. Shaun Powers, Division President East	797,922	25,807
All Other Executive Officers as a group (five individuals)	2,142,996	83,707
Directors Compensation		

Under the Airgas director compensation policy, only directors who are not employees of Airgas receive compensation for their services as directors. Non-employee directors receive an annual retainer of \$25,000, plus a fee of \$1,500 for each Board or committee meeting attended. The Chairmen of the Governance and Compensation Committee and the Finance Committee also receive an additional \$3,000 annual retainer, and the Chairman of the Audit Committee receives an additional \$5,000 annual retainer. A majority of the directors' compensation is in the form of immediately exercisable stock options with an exercise price of each option equal to the closing price of Airgas Common Shares on the date of grant. Airgas also reimburses its non-employee directors for their out-of-pocket expenses incurred in connection with attendance at Board, committee and stockholder meetings, and other company business.

Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law (the *DGCL*) permits Airgas to indemnify any of its directors or officers against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, incurred in defense of any action (other than an action by or in the right of Airgas) arising by reason of the fact that he is or was an officer or director of Airgas if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Airgas and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 145 also permits Airgas to indemnify any such officer or director against expenses incurred in an action by or in the right of Airgas if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Airgas, except in respect of any matter as to which such person is adjudged to be liable to Airgas, in which case court approval must be sought for indemnification. This statute requires indemnification of such officers and directors against expenses to the extent they may be successful in defending any such action. This statute provides that it is not exclusive of other indemnification that may be granted by the Airgas by-laws, a vote of stockholders or disinterested directors, agreement or otherwise. The statute permits purchase of liability insurance by the registrant on behalf of officers and directors, and Airgas has purchased such insurance.

Article VII of the Airgas bylaws requires indemnification to the fullest extent permitted by, and in the manner permissible under, the laws of the State of Delaware to any person made, or threatened to be made, a

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party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of Airgas or any predecessor of Airgas or served any other enterprise as a director or officer at the request of Airgas or any predecessor of Airgas. The indemnification provided for in Article VII is expressly not exclusive of any other rights to which any director or officer may be entitled apart from the provisions of that Article.

ITEM 4. THE SOLICITATION OR RECOMMENDATION

Solicitation/Recommendation

After careful consideration, including review of the terms and conditions of the Offer in consultation with Airgas' financial and legal advisors, the Airgas Board, by unanimous vote at a meeting on February 20, 2010, determined that the Offer is inadequate to Airgas' stockholders and that the Offer is not in the best interests of Airgas' stockholders. **Accordingly, for the reasons described in more detail below, the Airgas Board unanimously recommends that Airgas' stockholders reject the Offer and NOT tender their Airgas Common Shares to AP Sub pursuant to the Offer.** Please see *Reasons for Recommendation* below for further detail.

If you have tendered your Airgas Common Shares, you can withdraw them. For assistance in withdrawing your Airgas Common Shares, you can contact your broker or Airgas' information agent, Innisfree M&A Incorporated, at the address and phone number below.

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (877) 687-1875

Banks and brokers may call collect: (212) 750-5833

Copies of the press release and letters to Airgas' stockholders, employees and customers relating to the recommendation of the Airgas Board to reject the Offer are filed as Exhibits (a)(1), (a)(2), (a)(3) and (a)(5) hereto and are incorporated herein by reference. A copy of the FAQ circulated to Airgas' employees is filed as Exhibit (a)(4) hereto and is incorporated herein by reference.

Background of the Offer and Reasons for Recommendation

Background of the Offer

Airgas was founded by Chairman and Chief Executive Officer Peter McCausland in 1982, and became a publicly traded company in 1986. Through approximately 400 acquisitions and internal growth, including the acquisition from Air Products of its U.S. packaged gas business in 2002 in connection with Air Products' exit from that business, Airgas has become the largest U.S. distributor of industrial, medical, and specialty gases and related hardgoods, such as welding supplies, and has built the largest national distribution network in the packaged gas industry. Airgas has also become a leading U.S. distributor of safety products, the largest U.S. producer of nitrous oxide and dry ice, the largest liquid carbon dioxide producer in the Southeast, and a leading distributor of process chemicals, refrigerants and ammonia products. Airgas' more than 14,000 employees work in more than 1,100 locations including branches, cylinder fill plants, air separation plants, production facilities, specialty gas laboratories and regional distribution centers to serve a diversified customer base.

Airgas has delivered superior value to its stockholders since its initial public offering in 1986, with a cumulative total stockholder return (defined as stock price appreciation plus dividends reinvested) of 4,201%¹ since that time. This performance represents a compound annual growth rate of total stockholder return of 18% and places Airgas ahead of 94% of companies in the S&P 500 index. We believe that this consistently high growth has been achieved because of our entrepreneurial, service-oriented culture and decentralized management structure. The following charts demonstrate Airgas' proven track record.

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¹ Market data as of market close on February 4, 2010, one day prior to Air Products publicly disclosing its unsolicited proposal.

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In mid-October 2009, John McGlade, the Chairman, President and Chief Executive Officer of Air Products, contacted Mr. McCausland and requested to meet without identifying the topic of the meeting. In response to Mr. McGlade's request, Mr. McCausland met with Mr. McGlade at Airgas headquarters on October 15, at which time Mr. McGlade made an unsolicited oral proposal to Mr. McCausland to acquire Airgas for \$60 per share on an all-stock basis. Mr. McCausland replied that, while his personal view was that the proposal was inadequate and that it would be a poor time for Airgas to enter into any merger transaction, any decision regarding the proposal would rest with the Airgas Board. Mr. McGlade stated twice during the meeting that Air Products would not proceed on a hostile basis.

Following the meeting with Mr. McGlade, Mr. McCausland telephoned W. Thacher Brown, Airgas presiding director at that time, informed him of Mr. McGlade's unsolicited verbal proposal and discussed whether to convene a special meeting of the Airgas Board in advance of the Airgas Board meeting that had previously been scheduled for November 5 - 7. Mr. McCausland and Mr. Brown decided to discuss the unsolicited proposal with the Airgas Board at the previously scheduled upcoming meeting.

On October 31, 2009, Mr. McGlade telephoned Mr. McCausland to reiterate his proposal and his expectation that it would be presented to, and considered by, the Airgas Board.

At the Airgas Board's meeting held from November 5 through November 7, 2009, the Airgas Board considered and discussed Airgas's strategic direction and reviewed Airgas's five-year strategic and financial plan, which was a product of Airgas's regular planning process that began in July and was completed in October. In addition, during the meeting, the Airgas Board discussed Air Products's unsolicited proposal. After careful consideration of presentations by management and advice from its legal advisors and a review of discussions with the Company's financial advisors, the Airgas Board unanimously concluded that Air Products's unsolicited proposal grossly undervalued Airgas and, accordingly, that the Airgas Board had no interest in proceeding to discuss further the proposal with Air Products. Mr. McCausland telephoned Mr. McGlade and informed him of the Airgas Board's determination.

On November 20, 2009, Mr. McGlade telephoned Mr. McCausland and informed Mr. McCausland that he would be sending Mr. McCausland a letter. Mr. McCausland replied that Mr. McGlade stated at their meeting on October 15th that Air Products would not proceed on a hostile basis, to which Mr. McGlade responded that he was under pressure from the Air Products's board of directors.

On November 20, 2009, Mr. McGlade sent a letter to Mr. McCausland making an unsolicited proposal to acquire Airgas for \$60 per share on an all-stock basis, and requesting a meeting with Airgas and its advisors as soon as possible to move expeditiously toward consummating a transaction. The full text of this letter is set forth as Exhibit (a)(7) and is incorporated by reference herein.

On November 25, 2009, Mr. McCausland wrote to Mr. McGlade indicating that the Airgas Board would consider Air Products's stock-for-stock proposal at its upcoming meeting in early December.

On December 7, 2009, the Airgas Board met to consider Air Products's unsolicited stock-for-stock proposal. After careful consideration of presentations by management, advice from its legal advisors and financial information and analyses provided to the Company by its financial advisors, the Airgas Board unanimously concluded that Air Products's unsolicited stock-for-stock proposal grossly undervalued Airgas, was opportunistic and offered an unattractive currency. Accordingly, the Airgas Board unanimously rejected the proposal and concluded that no purpose would be served by meeting with Air Products to discuss further the \$60 per share proposal made by Air Products.

In a December 8, 2009 letter to Mr. McGlade, Mr. McCausland confirmed that the Airgas Board had considered Air Products's unsolicited stock-for-stock proposal and had determined that the proposal was not in the best interest of Airgas's stockholders and should not be pursued, on the grounds that it grossly undervalues Airgas, proposed an unattractive currency, ignored regulatory issues raised by a combination of the companies and because Airgas's Board questioned Air Products's ability to manage Airgas's business, given Air Products's

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decision to exit that very line of business just seven years earlier. The letter also informed Air Products that Airgas objected to the law firm Cravath, Swaine & Moore LLP representing Air Products in connection with any possible acquisition of Airgas, and that Airgas had no intention of waiving or ignoring the conflict created thereby. The text of the letter is set forth below:

Dear John:

The Board of Directors of Airgas has considered your letter of November 20, 2009.

As you know, the Airgas Board carefully considered the same proposal several weeks ago and concluded that the proposed stock-for-stock acquisition of Airgas by Air Products is not in the best interests of our shareholders and should not be pursued. We have again carefully reviewed your proposal and have consulted with our legal and financial advisors. At the meeting called to review your November 20 letter, the Board again unanimously authorized me to advise you that it believes that Air Products is grossly undervaluing Airgas and offering a currency that is not attractive. The Board has no interest in pursuing Air Products' unsolicited proposal.

We can certainly understand why Air Products would find an acquisition of Airgas to be appealing to Air Products and its shareholders. Over the last five and ten year periods, Airgas' stock has consistently and significantly outperformed Air Products' stock, having risen 83% over the last five years (vs. 44% for Air Products' stock) and 387% over the last ten years (vs. 166% for Air Products' stock). Airgas continues to effectively execute its business plan and is operating well in a difficult environment. We have taken a number of actions that position us to perform even better as the economy improves. Airgas' management and its Board are extremely enthusiastic about our company's prospects and are confident of achieving shareholder returns well in excess of what can be derived from Air Products' proposal.

We also have concerns about Air Products' ability to effectively manage our business, a business that your company exited just seven years ago. The consistently high growth that we have been able to achieve over many years owes much to our entrepreneurial, service-oriented culture and decentralized management structure. The organizational and management structure at Air Products conflicts with ours and would likely reduce rather than create value.

Your letter ignores any mention of the regulatory issues that a combination of our two companies would raise. These issues would slow the process considerably. In this regard, we note that Air Products failed to obtain U.S. antitrust clearance in its last attempt to acquire a major American industrial gas competitor.

While not a factor in our decision, it is important to mention that the advisors representing your company have serious conflicts of interest that we have no intention of waiving or ignoring. Cravath, Swaine & Moore has served as Airgas' counsel for financing matters continuously for the past eight years. They have advised us as recently as October (presumably while working with your company on its approach to us) on matters relating to our outstanding indebtedness and our future financing plans. Your legal and financial advisors, from the services they have rendered very recently to Airgas, well understand that the next several months are important ones for our company with respect to its financing plans. It is disturbing that the key advisors on Airgas' financing team are now representing an adverse party in a potentially hostile transaction.

The Board of Directors of Airgas reiterates the response which I conveyed to you several weeks ago. We are not interested in pursuing your company's proposal and do not believe that any purpose would be served by a meeting.

Very truly yours,

/s/ Peter McCausland

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On December 17, 2009, Mr. McGlade sent a letter to Mr. McCausland revising Air Products' prior \$60 per share stock-for-stock proposal, proposing to acquire Airgas for \$62 per share with consideration including up to 50% cash. Mr. McGlade stated in the letter that the timing for this combination is excellent, citing the fact that the economy is just beginning to emerge from recession and Air Products' belief that waiting may make the combination less attractive in the future. Mr. McGlade also stated that Air Products and its advisors formally requested to meet with Airgas and its advisors as soon as possible and that the companies move expeditiously to consummate a transaction. Mr. McGlade objected to Airgas' characterization of Air Products' performance and other aspects of Mr. McCausland's December 8th letter. The full text of Mr. McGlade's letter is set forth as Exhibit (a)(8) and is incorporated by reference herein.

On December 21, the Airgas Board met to discuss Air Products' revised \$62 unsolicited proposal and reviewed information provided by management, advice from its legal advisors and financial information and analyses provided to the Company by its financial advisors. On January 4, 2010, the Airgas Board met again to resume consideration of the revised \$62 proposal as well as Air Products' request to meet as soon as possible to move expeditiously to consummate a transaction. After careful consideration of presentations by management, advice from its legal advisors and financial information and analyses provided to the Company by its financial advisors, the Airgas Board unanimously concluded that Air Products' revised \$62 unsolicited proposal, at least half of which was to be paid in Air Products stock, grossly undervalued Airgas and its prospects for continued growth and shareholder value creation. Accordingly, the Airgas Board concluded that no purpose would be served by meeting with Air Products to explore further its unsolicited \$62 per share proposal. Mr. McCausland sent the following letter to Mr. McGlade informing him of the determination of the Airgas Board:

Dear John:

Our Board of Directors met and thoroughly considered the proposal set forth in your December 17 letter. It is their unanimous view that the Air Products proposal grossly undervalues Airgas. Therefore, the Board is not interested in pursuing your company's proposal and continues to believe that there is no reason to meet.

Airgas' management has consistently created long-term shareholder value, as measured by stock price appreciation and total shareholder returns (stock price appreciation plus dividends).

In every cumulative annual period since 2000, measured from the first of each calendar year to Dec 31, 2009, Airgas' stock price has consistently outperformed Air Products' with the exception of 2009.

Airgas' stock price appreciated 80% over the last five years and 415% over the last ten years, compared to just 40% and 145% for Air Products' shares over the same periods.

Airgas has achieved total cumulative shareholder returns of 22%, 89%, and 434% over the last three, five and ten years respectively, versus Air Products' 23%, 56% and 197%. From the time of its initial public offering in December 1986, Airgas' total shareholder return has exceeded 4,400% as compared to approximately 1,300% for Air Products over the same period.

Airgas' entrepreneurial culture and customer-centric business model produced operating performance superior to that of Air Products through the last cycle, in expanding and contracting economic conditions. From CY2001 through CY2008, Airgas generated a 24% compound annual growth rate in operating income from continuing operations, compared to Air Products' 8%.

Airgas' associates, with the support of our Board of Directors and shareholders, have built the most valuable independent industrial gas company in the world. We have an outstanding performance record, and strong prospects for organic and acquisition growth in the coming years. Air Products' unsolicited approach is simply an opportunistic attempt to buy Airgas at a bargain price, exploiting a brief anomaly

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in the historic comparative equity market performance of our two companies, just as the economy begins its recovery. Recent performance alone is not indicative of what our respective companies are capable of achieving. Under the terms of Air Products' proposal, our shareholders would sacrifice real value and opportunity, and exchange a dynamic growth stock for one that has significantly underperformed Airgas stock over an extended period of time.

While we agree that the benefits of a letter writing campaign between our two companies have been exhausted, we strongly disagree with many of the assertions in your December 17th letter. In particular, we believe that a combination of our two companies could destroy rather than create value; that you underestimate the seriousness of your advisors' conflicts; and that your characterization of my one conversation with you is inaccurate and misleading.

Air Products' proposal grossly undervalues Airgas and its prospects for continued growth and shareholder value creation. Accordingly, our Board of Directors is not interested in pursuing your company's proposal.

Sincerely yours,

/s/ Peter McCausland

Peter McCausland

Chairman and CEO

On February 1, 2010, Air Products' legal advisor from Cravath telephoned Airgas' legal advisor, and stated that it was important that a meeting occur between Air Products and Airgas within days rather than weeks, and that it would be best for Air Products' stockholders, Airgas stockholders as well as for Peter for the parties to reach agreement rapidly on a negotiated sale of Airgas to Air Products. Airgas' legal advisor stated that they would consult with Airgas regarding the request for a meeting and that any decision whether to meet rested with Airgas.

Later on February 1, representatives of J.P. Morgan, Air Products' financial advisor, contacted an Airgas financial advisor, and also requested a meeting within days. A representative of J.P. Morgan also requested that the Airgas Board be involved in the decision as to whether to meet with Air Products. During the call, representatives of J.P. Morgan also said that a private negotiation would be better for Airgas, its management and Air Products. Airgas' financial advisor replied that they would promptly relay Air Products' urgent request for a meeting to Airgas.

In each of their respective conversations, both the Airgas legal advisor and the Airgas financial advisor noted that, in light of the Airgas Board's views concerning Air Products' prior unsolicited proposals, the Airgas directors may well conclude that the last price proposed by Air Products would not represent a sensible basis to hold any meeting to discuss a possible transaction.

On February 2, 2010, Airgas' financial advisors telephoned Air Products' financial advisor to inform them that the Airgas Board would evaluate their request to meet at Airgas' regularly scheduled Board meeting early in the week of February 8th.

Rather than waiting for the response requested from the Airgas Board, Mr. McGlade sent a letter to Mr. McCausland on February 4, 2010 with an unsolicited proposal to acquire Airgas for a reduced price of \$60 per share on an all-cash basis. The letter stated again that the timing for this combination is ideal, noting that the economy was beginning to emerge from recession, and stated that the proposal offered Airgas stockholders immediate liquidity. The letter also stated that Air Products had decided to inform Airgas' stockholders of its proposal. The full text of this letter is set forth as Exhibit (a)(9) and is incorporated by reference herein.

Also on February 4, Air Products filed an action against Airgas and members of the Airgas Board in the Delaware Chancery Court, alleging breach of fiduciary duty by Airgas' Board in rejecting Air Products

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unsolicited proposals and seeking declaratory and injunctive relief. Please see *Additional Information Litigation Matters* for more information. Air Products' complaint stated that Air Products owned 1,508,255 Airgas Common Shares, which Air Products later disclosed that it had acquired in open market purchases from January 20 through February 4 at average daily prices ranging from \$43.77 to \$49.25. On February 5, 2010, Air Products publicly disclosed its February 4 letter.

The Airgas Board met on the morning of February 5, the fourth occasion on which its members discussed and considered the various unsolicited proposals of Air Products, to consider Air Products' \$60 per share public proposal and, among other matters, to discuss Air Products' most recent letter. Also on February 5, Airgas commenced litigation against its long-time counsel, Cravath, Swaine & Moore LLP, in the Court of Common Pleas of Philadelphia County, Pennsylvania, seeking damages and an order requiring Cravath to withdraw from its representation of Air Products in connection with its attempted takeover of Airgas based on Cravath's prior representation of Airgas. Please see *Additional Information Litigation Matters* for more information.

In a meeting held on February 8 and 9, the Airgas Board again discussed and considered Air Products' unsolicited proposal, and after careful consideration of presentations by management and its financial advisors, and advice from its legal advisors, unanimously determined that the proposal grossly undervalued Airgas and its future prospects and was not in the best interests of Airgas stockholders. Accordingly, the Airgas Board unanimously rejected the proposal and concluded that no purpose would be served by proceeding to meet with Air Products to discuss the inadequate proposal. On February 9, Mr. McCausland sent the following letter to Mr. McGlade informing him of the Airgas Board's determination:

Dear John:

The Board of Directors of Airgas has received your letter dated February 4, 2010 proposing that Air Products acquire all of the outstanding shares of Airgas for \$60 per share in cash. At a meeting held yesterday and today, the Board of Directors carefully reviewed your company's latest proposal with the assistance of its financial advisors, Goldman, Sachs & Co. and Bank of America Merrill Lynch, and its legal counsel. After thorough consideration, it is the unanimous view of the Airgas Board of Directors that your unsolicited proposal very significantly undervalues Airgas and its future prospects. Accordingly, the Airgas Board unanimously rejects Air Products' \$60 per share proposal. Moreover, as we informed you in our letter dated January 4, 2010, your company's prior \$62 per share proposal also grossly undervalues Airgas.

Airgas is the largest and most valuable packaged gas business in the world with an unrivaled platform. Airgas continues to effectively execute its business plan and is operating well in a difficult environment. We have taken a number of actions that position us to perform even better as the economy improves. Moreover, Airgas and its stockholders are poised to realize the significant benefits that will result from the substantial infrastructure investment and industry consolidation achieved by Airgas over the last decade. Our country is just beginning to emerge from the worst recession since the Great Depression and your undervalued proposal would deprive our stockholders of the greater value that they will receive simply with the passage of time.

As you are undoubtedly aware, due to the nature of our customers and markets, historically our business has emerged from recession later, but with much greater upside, than yours. Airgas' management and its Board are extremely enthusiastic about our company's prospects and are confident of achieving stockholder returns well in excess of what can be derived from Air Products' unsolicited and opportunistic proposal.

We note that in your presentation dated February 5th, you state that "Timing is excellent" as a justification for pursuing Air Products' unsolicited proposal at this time. We agree that the timing is excellent for Air Products but it is a terrible time for Airgas stockholders to sell their company. We

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