

Edgar Filing: CHIRON CORP - Form SC 13D/A

CHIRON CORP  
Form SC 13D/A  
March 20, 2006

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13D

(Amendment 2)1

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(a)  
AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

Chiron Corporation

-----  
(Name of Issuer)

Common Stock, \$0.01 par value

-----  
(Title of Class of Securities)

170040109

-----  
(CUSIP Number)

Allison Bennington  
ValueAct Capital  
435 Pacific Avenue, Fourth Floor  
San Francisco, CA 94133  
(415) 362-3700

-----  
(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

With a Copy to:  
Christopher G. Karras, Esq.  
Dechert LLP  
4000 Bell Atlantic Tower  
1717 Arch Street  
Philadelphia, Pennsylvania 19103-2793  
Ph. (215) 994-4000

March 17, 2006

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 240.13d-1(b)(e), 240.13d-1(f) or 240.13d-1(g) check the following box [ ] .

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7(b) for other parties to whom copies are to be sent

1The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

Edgar Filing: CHIRON CORP - Form SC 13D/A

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP NO. 170040109

Page 2 of 14

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Capital Master Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)  (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

WC\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

7. SOLE VOTING POWER  
0

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH PERSON WITH  
8. SHARED VOTING POWER  
9,761,527\*\*

9. SOLE DISPOSITIVE POWER  
0

10. SHARED DISPOSITIVE POWER  
9,761,527\*\*

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,761,527\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.2%

14. TYPE OF REPORTING PERSON

PN

Edgar Filing: CHIRON CORP - Form SC 13D/A

\*See Item 3
\*\*See Item 2 and 5

\*SEE INSTRUCTIONS BEFORE FILLING OUT!
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7
(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE
ATTESTATION.

SCHEDULE 13D

CUSIP NO. 170040109

Page 3 of 14

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE
PERSON (entities only)

ValueAct Capital Partners Co-Investors, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) [X]
(b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

WC\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7. SOLE VOTING POWER
0

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH PERSON WITH
8. SHARED VOTING POWER
38,473\*\*

9. SOLE DISPOSITIVE POWER
0

10. SHARED DISPOSITIVE POWER
38,473\*\*

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

38,473\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES [ ]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

Less than 1%

14. TYPE OF REPORTING PERSON

PN

\*See Item 3
\*\*See Item 2 and 5

Edgar Filing: CHIRON CORP - Form SC 13D/A

\*SEE INSTRUCTIONS BEFORE FILLING OUT!  
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7  
(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE  
ATTESTATION.

SCHEDULE 13D

-----  
CUSIP NO. 170040109

-----  
Page 4 of 14

-----  
1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

VA Partners, L.L.C.

-----  
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

-----  
3. SEC USE ONLY

-----  
4. SOURCE OF FUNDS\*

WC\*

-----  
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e)

-----  
6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

-----  
7. SOLE VOTING POWER  
0

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH  
-----  
8. SHARED VOTING POWER  
9,800,000\*\*

-----  
9. SOLE DISPOSITIVE POWER  
0

-----  
10. SHARED DISPOSITIVE POWER  
9,800,000\*\*

-----  
11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,800,000\*\*

-----  
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES

-----  
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.2%

-----  
14. TYPE OF REPORTING PERSON

00 (LLC)

-----  
\*See Item 3

\*\*See Item 2 and 5

\*SEE INSTRUCTIONS BEFORE FILLING OUT!  
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7

Edgar Filing: CHIRON CORP - Form SC 13D/A

(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE  
ATTESTATION.

SCHEDULE 13D

-----  
CUSIP NO. 170040109

-----  
Page 5 of 14

-----  
1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

Jeffrey W. Ubben

-----  
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

-----  
3. SEC USE ONLY

-----  
4. SOURCE OF FUNDS\*

00\*

-----  
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e)

-----  
6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

-----  
7. SOLE VOTING POWER  
0  
-----  
NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH  
-----  
8. SHARED VOTING POWER  
9,800,000\*\*  
-----  
9. SOLE DISPOSITIVE POWER  
0  
-----  
10. SHARED DISPOSITIVE POWER  
9,800,000\*\*  
-----

-----  
11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,800,000\*\*

-----  
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES

-----  
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.2%

-----  
14. TYPE OF REPORTING PERSON

IN

-----  
\*See Item 3

\*\*See Item 2 and 5

\*SEE INSTRUCTIONS BEFORE FILLING OUT!  
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7  
(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE

Edgar Filing: CHIRON CORP - Form SC 13D/A

ATTESTATION.

SCHEDULE 13D

-----  
CUSIP NO. 170040109

-----  
Page 6 of 14

-----  
1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

George F. Hamel, Jr.

-----  
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

-----  
3. SEC USE ONLY

-----  
4. SOURCE OF FUNDS\*

00\*

-----  
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e)

-----  
6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

-----  
7. SOLE VOTING POWER  
0

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH

-----  
8. SHARED VOTING POWER  
9,800,000\*\*

-----  
9. SOLE DISPOSITIVE POWER  
0

-----  
10. SHARED DISPOSITIVE POWER  
9,800,000\*\*

-----  
11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,800,000\*\*

-----  
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES

-----  
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.2%

-----  
14. TYPE OF REPORTING PERSON

IN

-----  
\*See Item 3

\*\*See Item 2 and 5

\*SEE INSTRUCTIONS BEFORE FILLING OUT!  
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7  
(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE  
ATTESTATION.

Edgar Filing: CHIRON CORP - Form SC 13D/A

SCHEDULE 13D

-----  
CUSIP NO. 170040109

-----  
Page 7 of 14

-----  
1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

Peter H. Kamin

-----  
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a)

(b)

-----  
3. SEC USE ONLY

-----  
4. SOURCE OF FUNDS\*

00\*

-----  
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e)

-----  
6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

-----  
7. SOLE VOTING POWER  
0

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH

-----  
8. SHARED VOTING POWER  
9,800,000\*\*

-----  
9. SOLE DISPOSITIVE POWER  
0

-----  
10. SHARED DISPOSITIVE POWER  
9,800,000\*\*

-----  
11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,800,000\*\*

-----  
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES

-----  
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.2%

-----  
14. TYPE OF REPORTING PERSON

IN

-----  
\*See Item 3

\*\*See Item 2 and 5

\*SEE INSTRUCTIONS BEFORE FILLING OUT!  
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7  
(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE  
ATTESTATION.

## Edgar Filing: CHIRON CORP - Form SC 13D/A

THE PURPOSE OF THIS AMENDMENT NO. 2 TO SCHEDULE 13D IS TO AMEND THE PURPOSE OF TRANSACTION SECTION OF REPORTS FILED BY THE REPORTING PERSONS. THE INFORMATION BELOW SUPPLEMENTS THE INFORMATION PREVIOUSLY REPORTED.

### ITEM 4. PURPOSE OF TRANSACTION.

On March 17, 2006 the Reporting Persons sent a letter (the "Letter") to Howard Pien declining an email invitation sent by Mr. Pien on March 15th to meet and discuss the proposed Novartis transaction in order "to fully understand the serious challenges facing" the Issuer and to "gain a realistic prospective on our [the Issuer's] future prospects." The Reporting Persons indicated in the Letter that they have reviewed many times the rationale for the Novartis merger in each version of the proxy statement and see no purpose in discussing them further, and do not want to participate in what the Reporting Persons perceive to be a sham roadshow undertaken for the wrong reasons in support of the wrong cause. The Reporting Persons further noted that its perspective on the Issuer's outlook is based on the Issuer's internal financial forecasts contained in the proxy materials, and that certain events described as "serious challenges" facing the Issuer in the proxy statement are old news which have little relevance to the current value of the Issuer. Finally, the Reporting Persons indicated that they are skeptical of Mr. Pien and his team's support of the Novartis transaction at \$45, pointing to the Issuer's obligations under the Novartis merger agreement to solicit adoption of the merger agreement. A copy of the Letter is attached as Exhibit B to this report and is incorporated herein by reference.

Page 8 of 14

### ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

Other than as described elsewhere in this Report, the Reporting Persons have no understandings, arrangements, relationships or contracts relating to the Common Stock which are required to be described hereunder.

### ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

- A) Joint Filing Agreement
- B) Letter from Reporting Persons dated March 17, 2006 to the Issuer

Page 9 of 14



Edgar Filing: CHIRON CORP - Form SC 13D/A

SIGNATURES

After reasonable 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.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below on this Schedule 13D hereby constitutes and appoints Jeffrey W. Ubben, George F. Hamel, Jr. and Peter H. Kamin, and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments to this Schedule 13D, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

ValueAct Capital Master Fund L.P., by  
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: March 20, 2006

George F. Hamel, Jr., Managing Member

ValueAct Capital Partners Co-Investors L.P., by  
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: March 20, 2006

George F. Hamel, Jr., Managing Member

VA Partners, L.L.C.

By: /s/ George F. Hamel, Jr.  
-----

Dated: March 20, 2006

George F. Hamel, Jr., Managing Member

Page 10 of 16

By: /s/ Jeffrey W. Ubben  
-----

Dated: March 20, 2006

Jeffrey W. Ubben, Managing Member

By: /s/ George F. Hamel, Jr.  
-----

Dated: March 20, 2006

George F. Hamel, Jr., Managing Member

By: /s/ Peter H. Kamin

Edgar Filing: CHIRON CORP - Form SC 13D/A

Dated: March 20, 2006

-----  
Peter H. Kamin, Managing Member

Page 11 of 14

Exhibit A  
JOINT FILING UNDERTAKING

The undersigned parties hereby agree that the Schedule 13D filed herewith (and any amendments thereto) relating to the Common Stock of Chiron Corporation is being filed jointly on behalf of each of them with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended.

ValueAct Capital Master Fund L.P., by  
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.

Dated: March 20, 2006

-----  
George F. Hamel, Jr., Managing Member

ValueAct Capital Partners Co-Investors L.P., by  
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.

Dated: March 20, 2006

-----  
George F. Hamel, Jr., Managing Member

VA Partners, L.L.C.

By: /s/ George F. Hamel, Jr.

Dated: March 20, 2006

-----  
George F. Hamel, Jr., Managing Member

By: /s/ Jeffrey W. Ubben

Dated: March 20, 2006

-----  
Jeffrey W. Ubben, Managing Member

By: /s/ George F. Hamel, Jr.

Dated: March 20, 2006

-----  
George F. Hamel, Jr., Managing Member

By: /s/ Peter H. Kamin

Dated: March 20, 2006

-----  
Peter H. Kamin, Managing Member

Page 12 of 14

Edgar Filing: CHIRON CORP - Form SC 13D/A

Exhibit B

ValueAct Capital

March 17, 2006

VIA EMAIL AND OVERNIGHT MAIL

Howard H. Pien  
Chairman  
Chiron Corporation  
4560 Horton Street  
Emeryville, CA 94608-2916

Dear Howard:

Thank you for your email of March 15 extending once again an invitation to meet to discuss the proposed Novartis transaction in order "to fully understand the serious challenges facing the Company and to gain a realistic perspective on our future prospects." We have reviewed many times the rationale for the merger as presented by Chiron and Novartis in each successive version of the proxy statement, and see no purpose in discussing them further.

Your email states that such a meeting would give us a "more realistic perspective" on the company's outlook. We have based all our valuation analyses on the company's own internal financial forecasts contained in the proxy materials. We are at a loss to think of a more "realistic" source of information. Are there material business developments that you plan to selectively disclose to roadshow participants but not all shareholders?

We also note that many of the "serious challenges facing the Company" listed in the definitive proxy were only added to the document after shareholder resistance to the merger became public and the stock traded above the proposed merger price of \$45. The most salient challenges listed are the failure of the clinical trial of Tifacogin for sepsis all the way back in 2001 and the revocation of the Fluvirin license in 2004. The implication is that these events reflect systemic weaknesses of operations and controls, and that Chiron is a troubled company. In fact, clinical trial failures and manufacturing shutdowns are unfortunate but not uncommon events in the pharmaceutical industry, and how a company responds to such events says much more about its competencies and culture than the setbacks themselves. Chiron has distinguished itself by its repositioning of Tifacogin for community acquired pneumonia and by its unprecedented remediation of the Fluvirin plant in only one year. These "serious challenges" are both old news, which have little relevance to the current and future value of the company.

Furthermore, we remain deeply skeptical that you and your team genuinely support the Novartis merger at \$45, a price which falls far short of recognizing your many accomplishments. We note that the merger agreement obligates the company to use "commercially reasonable efforts" to

Page 13 of 14

Edgar Filing: CHIRON CORP - Form SC 13D/A

consummate the transaction and requires the board to "recommend the adoption" of the merger agreement and to "take all lawful action to solicit the adoption" of the Merger Agreement by the shareholders. We are somewhat sympathetic to the difficult position you are in but remain disappointed that you are participating in the roadshow.

We therefore again respectfully decline the invitation to participate in what we perceive to be a sham roadshow undertaken for the wrong reasons in support of the wrong cause.

Sincerely,

/s/ G. Mason Morfit

G. Mason Morfit  
Partner

cc:

J. Richard Fredericks, Director  
Denise M. O'Leary, Director  
Dr. Edward E. Penhoet, Director  
Dr. Raymund Breu, Director  
Dr. William J. Rutter, Director  
Vaughn D. Bryson, Director  
Dr. Paul L. Herrling, Director  
Pierre E. Douaze, Director