

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
MFR FR 16(7)(p)
Page 1 of 1

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (p) A copy of the utility's annual report on Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, and any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters;

RESPONSE:

Please see attachment FR_16(7)(p)_Att1 for the Form 10-K filings during the last two years, attachment FR_16(7)(p)_Att2 for the Form 8-K filings during the last two years, and attachment FR_16(7)(p)_Att3 for the Form 10-Q filings during the last six quarters.

ATTACHMENTS:

ATTACHMENT 1 - FR_16(7)(p)_Att1 - 2019 & 2020 Form 10-Ks.pdf, 193 Pages.

ATTACHMENT 2 - FR_16(7)(p)_Att2 - May'19-May'21 Form 8-Ks.pdf, 414 Pages.

ATTACHMENT 3 - FR_16(7)(p)_Att3 - Form 10-Qs.pdf, 252 Pages.

Respondent: Michelle Faulk

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10042

Atmos Energy Corporation

(Exact name of registrant as specified in its charter)

Texas and Virginia

(State or other jurisdiction of incorporation or organization)

1800 Three Lincoln Centre

5430 LBJ Freeway

Dallas, Texas

(Address of principal executive offices)

75-1743247

(IRS employer identification no.)

75240

(Zip code)

Registrant's telephone number, including area code:

(972) 934-9227

Securities registered pursuant to Section 12(b) of the Act:

Table of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the common voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, March 31, 2019, was \$11,826,627,172.

As of November 7, 2019, the registrant had 119,343,545 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed for the Annual Meeting of Shareholders on February 5, 2020 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	<u>Page</u>
<u>Glossary of Key Terms</u>	<u>3</u>
Part I	
Item 1. <u>Business</u>	<u>4</u>
Item 1A. <u>Risk Factors</u>	<u>13</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>18</u>
Item 2. <u>Properties</u>	<u>18</u>
Item 3. <u>Legal Proceedings</u>	<u>19</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>19</u>
Part II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>19</u>
Item 6. <u>Selected Financial Data</u>	<u>21</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>36</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>86</u>
Item 9A. <u>Controls and Procedures</u>	<u>86</u>
Item 9B. <u>Other Information</u>	<u>88</u>
Part III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>88</u>
Item 11. <u>Executive Compensation</u>	<u>89</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>89</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>89</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>89</u>
Part IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	<u>90</u>
Item 16. <u>Form 10-K Summary</u>	<u>93</u>

GLOSSARY OF KEY TERMS

Adjusted diluted net income per share	Non-GAAP measure defined as diluted net income per share before the one-time, non-cash income tax benefit
Adjusted net income	Non-GAAP measure defined as net income before the one-time, non-cash income tax benefit
AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income
ARM	Annual Rate Mechanism
ATO	Trading symbol for Atmos Energy Corporation common stock on the NYSE
Bcf	Billion cubic feet
Contribution Margin	Non-GAAP measure defined as operating revenues less purchased gas cost
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DARR	Dallas Annual Rate Review
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
LTIP	1998 Long-Term Incentive Plan
Mcf	Thousand cubic feet
MDWQ	Maximum daily withdrawal quantity
Mid-Tex ATM Cities	Represents a coalition of 47 incorporated cities or approximately 8 percent of the Mid-Tex Division's customers.
Mid-Tex Cities	Represents all incorporated cities other than Dallas and Mid-Tex ATM Cities, or approximately 72 percent of the Mid-Tex Division's customers.
MMcf	Million cubic feet
Moody's	Moody's Investor Service, Inc.
NGA	Natural Gas Act of 1938
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SAVE	Steps to Advance Virginia Energy
SEC	United States Securities and Exchange Commission
SGR	Supplemental Growth Rider
SIR	System Integrity Rider
SRF	Stable Rate Filing
SSIR	System Safety and Integrity Rider
TCJA	Tax Cuts and Jobs Act of 2017
WNA	Weather Normalization Adjustment

PART I

The terms “we,” “our,” “us”, “Atmos Energy” and the “Company” refer to Atmos Energy Corporation and its subsidiaries, unless the context suggests otherwise.

ITEM 1. *Business.*

Overview and Strategy

Atmos Energy Corporation, headquartered in Dallas, Texas, and incorporated in Texas and Virginia, is one of the country’s largest natural-gas-only distributors based on number of customers. We deliver safe, clean, reliable, efficient, affordable and abundant natural gas through regulated sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers in eight states located primarily in the South. We also operate one of the largest intrastate pipelines in Texas based on miles of pipe.

Atmos Energy's vision is to be the safest provider of natural gas services. We intend to achieve this vision by:

- operating our business exceptionally well
- investing in our people and infrastructure
- enhancing our culture.

Since 2011, our operating strategy has focused on modernizing our distribution and transmission system to improve safety and reliability. Since that time, our capital expenditures have increased approximately 14% annually. Additionally, during this period, we have added new or modified existing regulatory mechanisms to reduce regulatory lag. Our ability to increase capital spending annually to modernize our system has increased our rate base, which has resulted in rising earnings per share and shareholder value.

Our core values include focusing on our employees and customers while conducting our business with honesty and integrity. We continue to strengthen our culture through ongoing communications with our employees and enhanced employee training.

Operating Segments

As of September 30, 2019, we manage and review our consolidated operations through the following reportable segments, which are discussed in further detail below.

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.

Prior to disposition, the natural gas marketing segment, which was comprised of our natural gas marketing business, was also a reportable segment.

Distribution Segment Overview

The following table summarizes key information about our six regulated natural gas distribution divisions, presented in order of total rate base.

Division	Service Areas	Communities Served	Customer Meters
Mid-Tex	Texas, including the Dallas/Fort Worth Metroplex	550	1,722,424
Kentucky/Mid-States	Kentucky	230	183,450
	Tennessee		154,004
	Virginia		24,536
Louisiana	Louisiana	270	365,320
West Texas	Amarillo, Lubbock, Midland	80	316,844
Mississippi	Mississippi	110	266,727
Colorado-Kansas	Colorado	170	121,883
	Kansas		136,647

We operate in our service areas under terms of non-exclusive franchise agreements granted by the various cities and towns that we serve. At September 30, 2019, we held 1,017 franchises having terms generally ranging from five to 35 years. A significant number of our franchises expire each year, which require renewal prior to the end of their terms. Historically, we have successfully renewed these franchises and believe that we will continue to be able to renew our franchises as they expire.

Revenues in this operating segment are established by regulatory authorities in the states in which we operate. These rates are intended to be sufficient to cover the costs of conducting business, including a reasonable return on invested capital. In addition, we transport natural gas for others through our distribution systems.

Rates established by regulatory authorities often include cost adjustment mechanisms for costs that (i) are subject to significant price fluctuations compared to our other costs, (ii) represent a large component of our cost of service and (iii) are generally outside our control.

Purchased gas cost adjustment mechanisms represent a common form of cost adjustment mechanism. Purchased gas cost adjustment mechanisms provide a method of recovering purchased gas costs on an ongoing basis without filing a rate case because they provide a dollar-for-dollar offset to increases or decreases in the cost of natural gas. Therefore, although substantially all of our distribution operating revenues fluctuate with the cost of gas that we purchase, distribution Contribution Margin is generally not affected by fluctuations in the cost of gas.

Additionally, some jurisdictions have performance-based ratemaking adjustments to provide incentives to minimize purchased gas costs through improved storage management and use of financial instruments to reduce volatility in gas costs. Under the performance-based ratemaking adjustments, purchased gas costs savings are shared between the Company and its customers.

Our supply of natural gas is provided by a variety of suppliers, including independent producers, marketers and pipeline companies, withdrawals of gas from proprietary and contracted storage assets and peaking and spot purchase agreements, as needed.

Supply arrangements consist of both base load and swing supply (peaking) quantities and are contracted from our suppliers on a firm basis with various terms at market prices. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions.

Except for local production purchases, we select our natural gas suppliers through a competitive bidding process by periodically requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest reasonable cost. Major suppliers during fiscal 2019 were Castleton Commodities Merchant Trading L.P., CenterPoint Energy Services, Inc., Concord Energy LLC, ConocoPhillips Company, Devon Gas Services, L.P., Hartree Partners, L.P., Targa Gas Marketing LLC, Tenaska Marketing Ventures & Gas Storage, LLC, Texla Energy Management, Inc. and United Energy Trading, LLC.

The combination of base load, peaking and spot purchase agreements, coupled with the withdrawal of gas held in storage, allows us the flexibility to adjust to changes in weather, which minimizes our need to enter into long-term firm commitments.

We estimate our peak-day availability of natural gas supply to be approximately 4.4 Bcf. The peak-day demand for our distribution operations in fiscal 2019 was on March 4, 2019, when sales to customers reached approximately 3.3 Bcf.

Currently, our distribution divisions utilize 37 pipeline transportation companies, both interstate and intrastate, to transport our natural gas. The pipeline transportation agreements are firm and many of them have “pipeline no-notice” storage service, which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal. The natural gas supply for our Mid-Tex Division is delivered primarily by our APT Division.

To maintain our deliveries to high priority customers, we have the ability, and have exercised our right, to curtail deliveries to certain customers under the terms of interruptible contracts or applicable state regulations or statutes. Our customers’ demand on our system is not necessarily indicative of our ability to meet current or anticipated market demands or immediate delivery requirements because of factors such as the physical limitations of gathering, storage and transmission systems, the duration and severity of cold weather, the availability of gas reserves from our suppliers, the ability to purchase additional supplies on a short-term basis and actions by federal and state regulatory authorities. Curtailment rights provide us the flexibility to meet the human-needs requirements of our customers on a firm basis. Priority allocations imposed by federal and state regulatory agencies, as well as other factors beyond our control, may affect our ability to meet the demands of our customers. We do not anticipate any problems with obtaining additional gas supply as needed for our customers.

Pipeline and Storage Segment Overview

Our pipeline and storage segment consists of the pipeline and storage operations of APT and our natural gas transmission operations in Louisiana. APT is one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas-producing areas of central, northern and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. Through its system, APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, marketers and producers. As part of its pipeline operations, APT owns and operates five underground storage reservoirs in Texas.

Revenues earned from transportation and storage services for APT are subject to traditional ratemaking governed by the RRC. Rates are updated through periodic filings made under Texas’ GRIP. GRIP allows us to include in our rate base annually approved capital costs incurred in the prior calendar year provided that we file a complete rate case at least once every five years; the most recent of which was completed in August 2017. APT’s existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates.

Our natural gas transmission operations in Louisiana are comprised of a 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and, on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans in Louisiana that serve distribution affiliates of the Company, which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Natural Gas Marketing Segment Overview

Through December 31, 2016, we were engaged in a nonregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM’s primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilized proprietary and customer-owned transportation and storage assets to provide various services to its customers as requested.

As more fully described in Note 16, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy fully exited the nonregulated natural gas marketing business. Accordingly, these operations have been reported as discontinued operations.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our regulated businesses operate. The regulatory authorities have the responsibility of ensuring that utilities in their jurisdictions operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on their investment. Generally, each regulatory authority reviews rate requests and establishes a rate structure intended to generate revenue sufficient to cover the costs of conducting business, including a reasonable return on invested capital.

Our rate strategy focuses on reducing or eliminating regulatory lag, obtaining adequate returns and providing stable, predictable margins, which benefit both our customers and the Company. As a result of our ratemaking efforts in recent years, Atmos Energy has:

- Formula rate mechanisms in place in four states that provide for an annual rate review and adjustment to rates.
- Infrastructure programs in place in the majority of our states that provide for an annual adjustment to rates for qualifying capital expenditures. Through our annual formula rate mechanisms and infrastructure programs, we have the ability to recover approximately 90 percent of our capital expenditures within six months and substantially all of our capital expenditures within twelve months.
- Authorization in tariffs, statute or commission rules that allows us to defer certain elements of our cost of service such as depreciation, ad valorem taxes and pension costs, until they are included in rates.
- WNA mechanisms in seven states that serve to minimize the effects of weather on approximately 97 percent of our distribution Contribution Margin.
- The ability to recover the gas cost portion of bad debts in five states.

The following table provides a jurisdictional rate summary for our regulated operations as of September 30, 2019. This information is for regulatory purposes only and may not be representative of our actual financial position.

Division	Jurisdiction	Effective Date of Last Rate/GRIP Action	Rate Base (thousands) ⁽¹⁾	Authorized Rate of Return ⁽¹⁾	Authorized Debt/Equity Ratio ⁽¹⁾	Authorized Return on Equity ⁽¹⁾
Atmos Pipeline — Texas	Texas	05/07/2019	\$2,387,764	8.87%	47/53	11.50%
Colorado-Kansas	Colorado	05/03/2018	134,726	7.55%	44/56	9.45%
	Colorado SSIR	01/01/2019	40,009	7.55%	44/56	9.45%
	Kansas	03/17/2016	200,564	(3)	(3)	(3)
	Kansas GSRS	05/01/2019	26,322	(3)	(3)	(3)
Kentucky/Mid-States	Kentucky	05/08/2019	424,929	7.49%	42/58	9.65%
	Tennessee	06/01/2019	389,061	7.79%	42/58	9.80%
	Virginia	04/01/2019	47,827	7.43%	42/58	9.20%
Louisiana	Trans La	04/01/2019	192,586	7.81%	41/59	9.80%
	LGS	07/01/2019	468,958	7.79%	42/58	9.80%
Mid-Tex	Mid-Tex Cities ⁽⁸⁾	10/01/2018	2,587,261 ⁽²⁾	7.87%	42/58	9.80%
	Mid-Tex - ATM Cities	09/26/2019	2,975,975 ⁽²⁾	7.97%	40/60	9.80%
	Mid-Tex - Environs	06/04/2019	2,975,978 ⁽²⁾	7.97%	40/60	9.80%
	Dallas ⁽¹¹⁾	06/01/2019	2,861,599 ⁽²⁾	7.96%	40/60	9.80%
Mississippi	Mississippi ⁽⁷⁾	11/01/2018	415,627	7.81%	45/55	10.24%
	Mississippi - SIR ⁽⁷⁾	11/01/2018	126,049	7.81%	45/55	10.24%
West Texas	West Texas Cities ^{(4) (9)}	10/01/2018	503,332 ⁽¹⁰⁾	7.87%	42/58	9.80%
	West Texas - ALDC	05/01/2019	594,539 ⁽¹⁰⁾	8.57%	48/52	10.50%
	West Texas - Environs	06/04/2019	592,919 ⁽¹⁰⁾	7.97%	40/60	9.80%

Division	Jurisdiction	Bad Debt Rider ⁽⁵⁾	Formula Rate	Infrastructure Mechanism	Performance Based Rate Program ⁽⁶⁾	WNA Period
Atmos Pipeline — Texas	Texas	No	Yes	Yes	N/A	N/A
Colorado-Kansas	Colorado	No	No	Yes	No	N/A
	Kansas	Yes	No	Yes	Yes	October-May
Kentucky/Mid-States	Kentucky	Yes	No	Yes	Yes	November-April
	Tennessee	Yes	Yes	No	Yes	October-April
	Virginia	Yes	No	Yes	No	January-December
Louisiana	Trans La	No	Yes	Yes	No	December-March
	LGS	No	Yes	Yes	No	December-March
Mid-Tex Cities	Texas	Yes	Yes	Yes	No	November-April
Mid-Tex — Dallas	Texas	Yes	Yes	Yes	No	November-April
Mississippi	Mississippi	No	Yes	Yes	No	November-April
West Texas	Texas	Yes	Yes	Yes	No	October-May

- (1) The rate base, authorized rate of return, authorized debt/equity ratio and authorized return on equity presented in this table are those from the most recent regulatory filing for each jurisdiction. These rate bases, rates of return, debt/equity ratio and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.
- (2) The Mid-Tex rate base represents a "system-wide," or 100 percent, of the Mid-Tex Division's rate base.
- (3) A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.
- (4) The West Texas Cities includes all West Texas Division cities except Amarillo, Channing, Dalhart and Lubbock (ALDC).
- (5) The bad debt rider allows us to recover from ratepayers the gas cost portion of bad debts.
- (6) The performance-based rate program provides incentives to distribution companies to minimize purchased gas costs by allowing the companies and their customers to share the purchased gas costs savings.
- (7) The Mississippi Public Service Commission approved a settlement at its meeting on October 24, 2019, which included a rate base of \$634.4 million and an authorized return of 7.81%. New rates were implemented November 1, 2019.
- (8) The Mid-Tex Cities approved the Formula Rate Mechanism filing with rates effective October 1, 2019, which included a rate base of \$3,052.6 million, an authorized return of 7.83%, a debt/equity ratio of 42/58 and an authorized ROE of 9.80%.
- (9) The West Texas Cities approved the Formula Rate Mechanism filing with rates effective October 1, 2019, which included a rate base of \$591.5 million, an authorized return of 7.83%, a debt/equity ratio of 42/58 and an authorized ROE of 9.80%.
- (10) The West Texas rate base represents a "system-wide," or 100 percent, of the West Texas Division's rate base.
- (11) The Company and the City of Dallas have arrived at a settlement. This settlement has not yet been approved by the Railroad Commission of Texas (RRC). The DARR rates were implemented subject to refund on June 1, 2019.

Although substantial progress has been made in recent years to improve rate design and recovery of investment across our service areas, we are continuing to seek improvements in rate design to address cost variations and pursue tariffs that reduce regulatory lag associated with investments. Further, potential changes in federal energy policy, federal safety regulations and changing economic conditions will necessitate continued vigilance by the Company and our regulators in meeting the challenges presented by these external factors.

Recent Ratemaking Activity

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of the commission's or other governmental authority's final ruling. The following table summarizes our ratemaking outcomes for the last three fiscal years. The ratemaking outcomes for fiscal 2019 and 2018 include the effect of tax reform legislation enacted effective January 1, 2018 and do not reflect the true economic benefit of the outcomes because they do not include the corresponding income tax benefit we will receive due to the decrease in our statutory tax rate.

Rate Action	Annual Increase (Decrease) to Operating Income For the Fiscal Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Annual formula rate mechanisms	\$ 114,810	\$ 92,472	\$ 90,427
Rate case filings	1,656	(12,853)	12,961
Other ratemaking activity	214	457	784
	<u>\$ 116,680</u>	<u>\$ 80,076</u>	<u>\$ 104,172</u>

Additionally, the following ratemaking efforts seeking \$81.2 million in annual operating income were initiated during fiscal 2019 but had not been completed as of September 30, 2019:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Colorado-Kansas	Rate Case	Kansas	\$ 3,697
Kentucky/Mid-States	Infrastructure Mechanism	Kentucky ⁽¹⁾	2,912
Kentucky/Mid-States	Formula Rate Mechanism	Tennessee	726
Kentucky/Mid-States	Infrastructure Mechanism	Virginia ⁽²⁾	85
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities ⁽³⁾	47,733
Mississippi	Infrastructure Mechanism	Mississippi ⁽⁴⁾	8,569
Mississippi	Formula Rate Mechanism	Mississippi ⁽⁴⁾	11,448
West Texas	Formula Rate Mechanism	West Texas Cities ⁽⁵⁾	6,226
West Texas	Rate Case	West Texas Triangle	(242)
			\$ 81,154

(1) On September 24, 2019, the Kentucky Public Service Commission approved this filing with rates to be implemented beginning October 1, 2019.

(2) On September 24, 2019, the State Corporation Commission of Virginia approved a rate increase of \$0.1 million effective October 1, 2019.

(3) The Mid-Tex Cities approved a rate increase of \$34.4 million effective October 1, 2019.

(4) The Mississippi Public Service Commission approved an increase in operating income of \$7.6 million for the SIR filing and \$6.9 million for the SRF filing. New rates were implemented November 1, 2019.

(5) The West Texas Cities approved a rate increase of \$4.9 million effective October 1, 2019.

Our recent ratemaking activity is discussed in greater detail below.

Annual Formula Rate Mechanisms

As an instrument to reduce regulatory lag, formula rate mechanisms allow us to refresh our rates on an annual basis without filing a formal rate case. However, these filings still involve discovery by the appropriate regulatory authorities prior to the final determination of rates under these mechanisms. The following table summarizes our annual formula rate mechanisms by state.

State	Annual Formula Rate Mechanisms	
	Infrastructure Programs	Formula Rate Mechanisms
Colorado	System Safety and Integrity Rider (SSIR)	—
Kansas	Gas System Reliability Surcharge (GSRS)	—
Kentucky	Pipeline Replacement Program (PRP)	—
Louisiana	(1)	Rate Stabilization Clause (RSC)
Mississippi	System Integrity Rider (SIR)	Stable Rate Filing (SRF)
Tennessee	—	Annual Rate Mechanism (ARM)
Texas	Gas Reliability Infrastructure Program (GRIP), (1)	Dallas Annual Rate Review (DARR), Rate Review Mechanism (RRM)
Virginia	Steps to Advance Virginia Energy (SAVE)	—

(1) Infrastructure mechanisms in Texas and Louisiana allow for the deferral of all expenses associated with capital expenditures incurred pursuant to these rules, which primarily consists of interest, depreciation and other taxes (Texas only), until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

The following table summarizes our annual formula rate mechanisms with effective dates during the fiscal years ended September 30, 2019, 2018 and 2017:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
<i>2019 Filings:</i>				
Mid-Tex	ATM Cities	12/2018	\$ 6,591	09/26/2019
Louisiana	LGS	12/2018	7,124	07/01/2019
Mid-Tex	Environs	12/2018	2,435	06/04/2019
West Texas	Environs	12/2018	1,005	06/04/2019
Mid-Tex	DARR ⁽¹⁾	09/2018	9,452	06/01/2019
Kentucky/Mid-States	Tennessee ARM	05/2020	2,393	06/01/2019
Atmos Pipeline - Texas	Texas	12/2018	49,225	05/07/2019
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2018	5,692	05/01/2019
Colorado-Kansas	Kansas GSRS	12/2018	1,562	05/01/2019
Louisiana	Trans La	09/2018	4,719	04/01/2019
Colorado-Kansas	Colorado GIS	12/2019	87	04/01/2019
Colorado-Kansas	Colorado SSIR	12/2019	2,147	01/01/2019
Mississippi	Mississippi - SIR	10/2019	7,135	11/01/2018
Mississippi	Mississippi - SRF	10/2019	(118)	11/01/2018
Kentucky/Mid-States	Tennessee ARM	05/2019	(5,032)	10/15/2018
Mid-Tex	Mid-Tex RRM Cities	12/2017	17,633	10/01/2018
West Texas	West Texas Cities RRM	12/2017	2,760	10/01/2018
Total 2019 Filings			<u>\$ 114,810</u>	
<i>2018 Filings:</i>				
Louisiana	LGS	12/2017	\$ (1,521)	07/01/2018
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2017	4,418	06/08/2018
Mid-Tex	Environs	12/2017	1,604	06/05/2018
West Texas	Environs	12/2017	826	06/05/2018
Atmos Pipeline - Texas	Texas	12/2017	42,173	05/22/2018
Louisiana	Trans La	09/2017	(1,913)	05/01/2018
Colorado-Kansas	Kansas GSRS	09/2018	820	02/27/2018
Mississippi	Mississippi - SIR	10/2018	7,658	01/01/2018
Mississippi	Mississippi - SGR ⁽²⁾	10/2018	1,245	01/01/2018
Mississippi	Mississippi - SRF ⁽²⁾	10/2018	—	01/01/2018
Colorado-Kansas	Colorado SSIR	12/2018	2,228	12/20/2017
Atmos Pipeline - Texas	Texas	12/2016	28,988	12/05/2017
Kentucky/Mid-States	Kentucky - PRP	09/2018	5,638	10/27/2017
Kentucky/Mid-States	Virginia - SAVE	09/2017	308	10/01/2017
Total 2018 Filings			<u>\$ 92,472</u>	
<i>2017 Filings:</i>				
Louisiana	LGS	12/2016	\$ 6,237	07/01/2017
Mid-Tex	Mid-Tex DARR	09/2016	9,672	06/01/2017

Mid-Tex	Mid-Tex Cities RRM	12/2016	36,239	06/01/2017
Kentucky/Mid-States	Tennessee ARM	05/2018	6,740	06/01/2017
Mid-Tex	Environs	12/2016	1,568	05/23/2017
West Texas	Environs	12/2016	872	05/23/2017
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2016	4,682	04/25/2017
Louisiana	Trans La	09/2016	4,392	04/01/2017
West Texas	West Texas Cities RRM	09/2016	4,255	03/15/2017
Colorado-Kansas	Kansas	09/2016	801	02/09/2017
Mississippi	Mississippi - SRF	10/2017	4,390	02/01/2017
Mississippi	Mississippi - SIR	10/2017	3,334	01/01/2017
Mississippi	Mississippi - SGR	10/2017	1,292	01/01/2017
Colorado-Kansas	Colorado - SSIR	12/2017	1,350	01/01/2017
Kentucky/Mid-States	Kentucky - PRP	09/2017	4,981	10/14/2016
Kentucky/Mid-States	Virginia - SAVE	09/2017	(378)	10/01/2016
Total 2017 Filings			<u>\$ 90,427</u>	

- (1) The Company and the City of Dallas have arrived at a settlement. This settlement has not yet been approved by the RRC. The DARR rates were implemented subject to refund on June 1, 2019.
- (2) Beginning in fiscal 2019, our SGR rate base was combined with our SRF rate base, per Commission order.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to customers. Rate cases may also be initiated when the regulatory authorities request us to justify our rates. This process is referred to as a “show cause” action. Adequate rates are intended to provide for recovery of the Company’s costs as well as a reasonable rate of return to our shareholders and ensure that we continue to safely deliver reliable, reasonably priced natural gas service to our customers. The following table summarizes our recent rate cases:

Division	State	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
<i>2019 Rate Case Filings:</i>			
Mid-Tex (ATM Cities)	Texas	\$ 2,113	06/01/2019
Kentucky/Mid-States	Kentucky	3,441	05/08/2019
Kentucky/Mid-States	Virginia	(400)	04/01/2019
Mid-Tex (Environs)	Texas	(2,674)	01/01/2019
West Texas (Environs)	Texas	(824)	01/01/2019
Total 2019 Rate Case Filings		<u>\$ 1,656</u>	
<i>2018 Rate Case Filings:</i>			
Colorado-Kansas	Colorado	\$ (241)	05/03/2018
Kentucky/Mid-States	Kentucky	(7,504)	05/03/2018
Mid-Tex - City of Dallas	Texas	(5,108)	02/14/2018
Total 2018 Rate Case Filings		<u>\$ (12,853)</u>	
<i>2017 Rate Case Filings:</i>			
Atmos Pipeline - Texas	Texas	\$ 12,955	08/01/2017
Kentucky/Mid-States	Virginia	6	12/27/2016
Total 2017 Rate Case Filings		<u>\$ 12,961</u>	

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the fiscal years ended September 30, 2019, 2018 and 2017:

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income (In thousands)	Effective Date
<i>2019 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem ⁽¹⁾	\$ 214	02/01/2019
Total 2019 Other Rate Activity			\$ 214	
<i>2018 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem ⁽¹⁾	\$ 457	02/01/2018
Total 2018 Other Rate Activity			\$ 457	
<i>2017 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad-Valorem ⁽¹⁾	\$ 784	02/01/2017
Total 2017 Other Rate Activity			\$ 784	

(1) The Ad Valorem filing relates to property taxes that are either over or undercollected compared to the amount included in our Kansas service area's base rates.

Other Regulation

We are regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our transmission and distribution facilities. In addition, our operations are also subject to various state and federal laws regulating environmental matters. From time to time, we receive inquiries regarding various environmental matters. We believe that our properties and operations comply with, and are operated in conformity with, applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality statutes pending or known to be contemplated by governmental agencies which would have a material adverse effect on us or our operations. Our environmental claims have arisen primarily from former manufactured gas plant sites. The Pipeline and Hazardous Materials Safety Administration (PHMSA), within the U.S. Department of Transportation, develops and enforces regulations for the safe, reliable and environmentally sound operation of the pipeline transportation system. The PHMSA pipeline safety statutes provide for states to assume safety authority over intrastate natural transmission and distribution gas pipelines. State pipeline safety programs are responsible for adopting and enforcing the federal and state pipeline safety regulations for intrastate natural gas transmission and distribution pipelines.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act (NGA), gas transportation services through our APT assets "on behalf of" interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC under the NGA. Additionally, the FERC has regulatory authority over the use and release of interstate pipeline and storage capacity. The FERC also has authority to detect and prevent market manipulation and to enforce compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. We have taken what we believe are the necessary and appropriate steps to comply with these regulations.

The SEC and the Commodities Futures Trading Commission, pursuant to the Dodd-Frank Act, established numerous regulations relating to U.S. financial markets. We enacted procedures and modified existing business practices and contractual arrangements to comply with such regulations. There are, however, some rulemaking proceedings that have not yet been finalized, including those relating to capital and margin rules for (non-cleared) swaps. We do not expect these rules to directly impact our business practices or collateral requirements. However, depending on the substance of these final rules, in addition to certain international regulatory requirements still under development that are similar to Dodd-Frank, our swap counterparties could be subject to additional and potentially significant capitalization requirements. These regulations could motivate counterparties to increase our collateral requirements or cash postings.

Competition

Although our regulated distribution operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Electric utilities offer electricity as a rival energy source and

compete for the space heating, water heating and cooking markets. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets.

Our pipeline and storage operations have historically faced competition from other existing intrastate pipelines seeking to provide or arrange transportation, storage and other services for customers. In the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Employees

At September 30, 2019, we had 4,776 employees, consisting of 4,645 employees in our distribution operations and 131 employees in our pipeline and storage operations.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms that we file with or furnish to the Securities and Exchange Commission (SEC) at their website, www.sec.gov, are also available free of charge at our website, www.atmosenergy.com, under "Publications and SEC Filings" under the "Investors" tab under "Our Company", as soon as reasonably practicable, after we electronically file these reports with, or furnish these reports to, the SEC. We will also provide copies of these reports free of charge upon request to Shareholder Relations at the address and telephone number appearing below:

Shareholder Relations
Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
972-855-3729

Corporate Governance

In accordance with and pursuant to relevant related rules and regulations of the SEC as well as corporate governance-related listing standards of the New York Stock Exchange (NYSE), the Board of Directors of the Company has established and periodically updated our Corporate Governance Guidelines and Code of Conduct, which is applicable to all directors, officers and employees of the Company. In addition, in accordance with and pursuant to such NYSE listing standards, our Chief Executive Officer during fiscal 2019, Michael E. Haefner, certified to the New York Stock Exchange that he was not aware of any violations by the Company of NYSE corporate governance listing standards. The Board of Directors also annually reviews and updates, if necessary, the charters for each of its Audit, Human Resources and Nominating and Corporate Governance Committees. All of the foregoing documents are posted on our website, www.atmosenergy.com, under "Governance" under the "Corporate Responsibility" tab under "Our Company". We will also provide copies of all corporate governance documents free of charge upon request to Shareholder Relations at the address listed above.

ITEM 1A. *Risk Factors.*

Our financial and operating results are subject to a number of risk factors, many of which are not within our control. Investors should carefully consider the following discussion of risk factors as well as other information appearing in this report. These factors include the following:

We are subject to state and local regulations that affect our operations and financial results.

We are subject to regulatory oversight from various state and local regulatory authorities in the eight states that we serve. Therefore, our returns are continuously monitored and are subject to challenge for their reasonableness by the appropriate regulatory authorities or other third-party intervenors. In the normal course of business, as a regulated entity, we often need to place assets in service and establish historical test periods before rate cases that seek to adjust our allowed returns to recover that investment can be filed. Further, the regulatory review process can be lengthy in the context of traditional ratemaking. Because of this process, we suffer the negative financial effects of having placed assets in service without the benefit of rate relief, which is commonly referred to as "regulatory lag."

However, in the last several years, a number of regulatory authorities in the states we serve have approved rate mechanisms that provide for annual adjustments to rates that allow us to recover the cost of investments made to replace existing infrastructure or reflect changes in our cost of service. These mechanisms work to effectively reduce the regulatory lag inherent in the ratemaking process. However, regulatory lag could significantly increase if the regulatory authorities modify or terminate these rate mechanisms. The regulatory process also involves the risk that regulatory authorities may (i) review our

purchases of natural gas and adjust the amount of our gas costs that we pass through to our customers or (ii) limit the costs we may have incurred from our cost of service that can be recovered from customers.

We are also subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to protection of the environment and health and safety matters, including those that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Failure to comply with these laws, regulations, permits and licenses may expose us to fines, penalties or interruptions in our operations that could be significant to our financial results. In addition, existing environmental regulations may be revised or our operations may become subject to new regulations.

Some of our operations are subject to increased federal regulatory oversight that could affect our operations and financial results.

FERC has regulatory authority over some of our operations, including the use and release of interstate pipeline and storage capacity. FERC has adopted rules designed to prevent market power abuse and market manipulation and to promote compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. These rules carry increased penalties for violations. Although we have taken steps to structure current and future transactions to comply with applicable current FERC regulations, changes in FERC regulations or their interpretation by FERC or additional regulations issued by FERC in the future could also adversely affect our business, financial condition or financial results.

We may experience increased federal, state and local regulation of the safety of our operations.

The safety and protection of the public, our customers and our employees is our top priority. We constantly monitor and maintain our pipeline and distribution systems to ensure that natural gas is delivered safely, reliably and efficiently through our network of more than 75,000 miles of distribution and transmission lines. As in recent years, natural gas distribution and pipeline companies are continuing to encounter increasing federal, state and local oversight of the safety of their operations. Although we believe these are costs ultimately recoverable through our rates, the costs of complying with new laws and regulations may have at least a short-term adverse impact on our operating costs and financial results.

We may incur significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs.

PHMSA requires pipeline operators to develop integrity management programs to comprehensively evaluate certain areas along their pipelines and to take additional measures to protect pipeline segments located in "high consequence areas" where a leak or rupture could potentially do the most harm. As pipeline operator, the Company will be required to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a "high consequence area";
- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventative and mitigating actions.

The Company incurs significant costs associated with its compliance with existing PHMSA and comparable state regulations. Although we believe these are costs ultimately recoverable through our rates, the costs of complying with new laws and regulations may have at least a short-term adverse impact on our operating costs and financial results. For example, the adoption of new regulations requiring more comprehensive or stringent safety standards could require installation of new or modified safety controls, new capital projects, or accelerated maintenance programs, all of which could require a potentially significant increase in operating costs.

Distributing, transporting and storing natural gas involve risks that may result in accidents and additional operating costs.

Our operations involve a number of hazards and operating risks inherent in storing and transporting natural gas that could affect the public safety and reliability of our distribution system. While Atmos Energy, with the support from each of its regulatory commissions, is accelerating the replacement of aging pipeline infrastructure, operating issues such as leaks, accidents, equipment problems and incidents, including explosions and fire, could result in legal liability, repair and remediation costs, increased operating costs, significant increased capital expenditures, regulatory fines and penalties and other costs and a loss of customer confidence. We maintain liability and property insurance coverage in place for many of these hazards and risks. However, because some of our transmission pipeline and storage facilities are near or are in populated areas,

any loss of human life or adverse financial results resulting from such events could be large. If these events were not fully covered by our general liability and property insurance, which policies are subject to certain limits and deductibles, our operations or financial results could be adversely affected.

Our growth in the future may be limited by the nature of our business, which requires extensive capital spending.

Our operations are capital-intensive. We must make significant capital expenditures on a long-term basis to modernize our distribution and transmission system to improve the safety and reliability and to comply with the safety rules and regulations issued by the regulatory authorities responsible for the service areas we operate. In addition, we must continually build new capacity to serve the growing needs of the communities we serve. The magnitude of these expenditures may be affected by a number of factors, including new regulations, the general state of the economy and weather.

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. The cost and availability of borrowing funds from third party lenders or issuing equity is dependent on the liquidity of the credit markets, interest rates and other market conditions. This in turn may limit the amount of funds we can invest in our infrastructure.

The Company is dependent on continued access to the credit and capital markets to execute our business strategy.

Our long-term debt is currently rated as “investment grade” by Standard & Poor’s Corporation and Moody’s Investors Service, Inc. Similar to most companies, we rely upon access to both short-term and long-term credit and capital markets to satisfy our liquidity requirements. If adverse credit conditions were to cause a significant limitation on our access to the private credit and public capital markets, we could see a reduction in our liquidity. A significant reduction in our liquidity could in turn trigger a negative change in our ratings outlook or even a reduction in our credit ratings by one or more of the credit rating agencies. Such a downgrade could further limit our access to private credit and/or public capital markets and increase our costs of borrowing.

While we believe we can meet our capital requirements from our operations and the sources of financing available to us, we can provide no assurance that we will continue to be able to do so in the future, especially if the market price of natural gas increases significantly in the near term. The future effects on our business, liquidity and financial results of a deterioration of current conditions in the credit and capital markets could be material and adverse to us, both in the ways described above or in other ways that we do not currently anticipate.

We are exposed to market risks that are beyond our control, which could adversely affect our financial results.

We are subject to market risks beyond our control, including (i) commodity price volatility caused by market supply and demand dynamics, counterparty performance or counterparty creditworthiness, and (ii) interest rate risk. We are generally insulated from commodity price risk through our purchased gas cost mechanisms. With respect to interest rate risk, we have been operating in a relatively low interest-rate environment in recent years compared to historical norms for both short and long-term interest rates. However, increases in interest rates could adversely affect our future financial results to the extent that we do not recover our actual interest expense in our rates.

The concentration of our operations in the State of Texas exposes our operations and financial results to economic conditions, weather patterns and regulatory decisions in Texas.

Approximately 70 percent of our consolidated operations are located in the State of Texas. This concentration of our business in Texas means that our operations and financial results may be significantly affected by changes in the Texas economy in general, weather patterns and regulatory decisions by state and local regulatory authorities in Texas.

A deterioration in economic conditions could adversely affect our customers and negatively impact our financial results.

Any adverse changes in economic conditions in the United States, especially in the states in which we operate, could adversely affect the financial resources of many domestic households. As a result, our customers could seek to use less gas and it may be more difficult for them to pay their gas bills. This would likely lead to slower collections and higher than normal levels of accounts receivable. This, in turn, could increase our financing requirements. Additionally, should economic conditions deteriorate, our industrial customers could seek alternative energy sources, which could result in lower sales volumes.

Increased gas costs could adversely impact our customer base and customer collections and increase our level of indebtedness.

Rapid increases in the costs of purchased gas would cause us to experience a significant increase in short-term debt. We must pay suppliers for gas when it is purchased, which can be significantly in advance of when these costs may be recovered through the collection of monthly customer bills for gas delivered. Increases in purchased gas costs also slow our natural gas distribution collection efforts as customers are more likely to delay the payment of their gas bills, leading to higher than normal

accounts receivable. This could result in higher short-term debt levels, greater collection efforts and increased bad debt expense.

If contracted gas supplies, interstate pipeline and/or storage services are not available or delivered in a timely manner, our ability to meet our customers' natural gas requirements may be impaired and our financial condition may be adversely affected.

In order to meet our customers' annual and seasonal natural gas demands, we must obtain a sufficient supply of natural gas, interstate pipeline capacity and storage capacity. If we are unable to obtain these, either from our suppliers' inability to deliver the contracted commodity or the inability to secure replacement quantities, our financial condition and results of operations may be adversely affected. If a substantial disruption to or reduction in interstate natural gas pipelines' transmission and storage capacity occurred due to operational failures or disruptions, legislative or regulatory actions, hurricanes, tornadoes, floods, terrorist or cyber-attacks or acts of war, our operations or financial results could be adversely affected.

Our operations are subject to increased competition.

In residential and commercial customer markets, our distribution operations compete with other energy products, such as electricity and propane. Our primary product competition is with electricity for heating, water heating and cooking. Increases in the price of natural gas could negatively impact our competitive position by decreasing the price benefits of natural gas to the consumer. This could adversely impact our business if our customer growth slows or if our customers further conserve their use of gas, resulting in reduced gas purchases and customer billings.

In the case of industrial customers, such as manufacturing plants, adverse economic conditions, including higher gas costs, could cause these customers to use alternative sources of energy, such as electricity, or bypass our systems in favor of special competitive contracts with lower per-unit costs. Our pipeline and storage operations historically have faced limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, in the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Adverse weather conditions could affect our operations or financial results.

We have weather-normalized rates for approximately 97 percent of our residential and commercial meters in our distribution operations, which substantially mitigates the adverse effects of warmer-than-normal weather for meters in those service areas. However, there is no assurance that we will continue to receive such regulatory protection from adverse weather in our rates in the future. The loss of such weather-normalized rates could have an adverse effect on our operations and financial results. In addition, our operating results may continue to vary somewhat with the actual temperatures during the winter heating season. Additionally, sustained cold weather could challenge our ability to adequately meet customer demand in our operations.

The costs of providing health care benefits, pension and postretirement health care benefits and related funding requirements may increase substantially.

We provide health care benefits, a cash-balance pension plan and postretirement health care benefits to eligible full-time employees. The costs of providing health care benefits to our employees could significantly increase over time due to rapidly increasing health care inflation, and any future legislative changes related to the provision of health care benefits. The impact of additional costs which are likely to be passed on to the Company is difficult to measure at this time.

The costs of providing a cash-balance pension plan to eligible full-time employees prior to 2011 and postretirement health care benefits to eligible full-time employees and related funding requirements could be influenced by changes in the market value of the assets funding our pension and postretirement health care plans. Any significant declines in the value of these investments due to sustained declines in equity markets or a reduction in bond yields could increase the costs of our pension and postretirement health care plans and related funding requirements in the future. Further, our costs of providing such benefits and related funding requirements are also subject to a number of factors, including (i) changing demographics, including longer life expectancy of beneficiaries and an expected increase in the number of eligible former employees over the next five to ten years; (ii) various actuarial calculations and assumptions which may differ materially from actual results due primarily to changing market and economic conditions, including changes in interest rates, and higher or lower withdrawal rates; and (iii) future government regulation.

The costs to the Company of providing these benefits and related funding requirements could also increase materially in the future, should there be a material reduction in the amount of the recovery of these costs through our rates or should significant delays develop in the timing of the recovery of such costs, which could adversely affect our financial results.

The inability to continue to hire, train and retain operational, technical and managerial personnel could adversely affect our results of operations.

Although the average age of the employee base of Atmos Energy is not significantly changing year over year, there are still a number of employees who will become eligible to retire within the next five to 10 years. If we were unable to hire appropriate personnel or contractors to fill future needs, the Company could encounter operating challenges and increased costs, primarily due to a loss of knowledge, errors due to inexperience or the lengthy time period typically required to adequately train replacement personnel. In addition, higher costs could result from loss of productivity or increased safety compliance issues. The inability to hire, train and retain new operational, technical and managerial personnel adequately and to transfer institutional knowledge and expertise could adversely affect our ability to manage and operate our business. If we were unable to hire, train and retain appropriately qualified personnel, our results of operations could be adversely affected.

The operations and financial results of the Company could be adversely impacted as a result of climate change.

As climate change occurs, our businesses could be adversely impacted, although we believe it is likely that any such resulting impacts would occur very gradually over a long period of time and thus would be difficult to quantify with any degree of specificity. Such climate change could cause shifts in population, including customers moving away from our service territories.

It could also result in more frequent and more severe weather events, such as hurricanes and tornadoes, which could increase our costs to repair damaged facilities and restore service to our customers. If we were unable to deliver natural gas to our customers, our financial results would be impacted by lost revenues, and we generally would have to seek approval from regulators to recover restoration costs. To the extent we would be unable to recover those costs, or if higher rates resulting from our recovery of such costs would result in reduced demand for our services, our future business, financial condition or financial results could be adversely impacted.

Greenhouse gas emissions or other legislation or regulations intended to address climate change could increase our operating costs, adversely affecting our financial results, growth, cash flows and results of operations.

Federal, regional and/or state legislative and/or regulatory initiatives may attempt to control or limit the causes of climate change, including greenhouse gas emissions, such as carbon dioxide and methane. Such laws or regulations could impose costs tied to greenhouse gas emissions, operational requirements or restrictions, or additional charges to fund energy efficiency activities. They could also provide a cost advantage to alternative energy sources, impose costs or restrictions on end users of natural gas, or result in other costs or requirements, such as costs associated with the adoption of new infrastructure and technology to respond to new mandates. The focus on climate change could adversely impact the reputation of fossil fuel products or services. The occurrence of the foregoing events could put upward pressure on the cost of natural gas relative to other energy sources, increase our costs and the prices we charge to customers, reduce the demand for natural gas or cause fuel switching to other energy sources, and impact the competitive position of natural gas and the ability to serve new or existing customers, adversely affecting our business, results of operations and cash flows.

Increased dependence on technology may hinder the Company's business operations and adversely affect its financial condition and results of operations if such technologies fail.

Over the last several years, the Company has implemented or acquired a variety of technological tools including both Company-owned information technology and technological services provided by outside parties. These tools and systems support critical functions including, scheduling and dispatching of service technicians, automated meter reading systems, customer care and billing, operational plant logistics, management reporting, and external financial reporting. The failure of these or other similarly important technologies, or the Company's inability to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder its business operations and adversely impact its financial condition and results of operations.

Although the Company has, when possible, developed alternative sources of technology and built redundancy into its computer networks and tools, there can be no assurance that these efforts would protect against all potential issues related to the loss of any such technologies.

Cyber-attacks or acts of cyber-terrorism could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information.

Our business operations and information technology systems may be vulnerable to an attack by individuals or organizations intending to disrupt our business operations and information technology systems, even though the Company has implemented policies, procedures and controls to prevent and detect these activities. We use our information technology systems to manage our distribution and intrastate pipeline and storage operations and other business processes. Disruption of those systems could adversely impact our ability to safely deliver natural gas to our customers, operate our pipeline and storage

systems or serve our customers timely. Accordingly, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected.

In addition, we use our information technology systems to protect confidential or sensitive customer, employee and Company information developed and maintained in the normal course of our business. Any attack on such systems that would result in the unauthorized release of customer, employee or other confidential or sensitive data could have a material adverse effect on our business reputation, increase our costs and expose us to additional material legal claims and liability. Even though we have insurance coverage in place for many of these cyber-related risks, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected to the extent not fully covered by such insurance coverage.

Natural disasters, terrorist activities or other significant events could adversely affect our operations or financial results.

Natural disasters are always a threat to our assets and operations. In addition, the threat of terrorist activities could lead to increased economic instability and volatility in the price of natural gas that could affect our operations. Also, companies in our industry may face a heightened risk of exposure to actual acts of terrorism, which could subject our operations to increased risks. As a result, the availability of insurance covering such risks may become more limited, which could increase the risk that an event could adversely affect our operations or financial results.

ITEM 1B. *Unresolved Staff Comments.*

Not applicable.

ITEM 2. *Properties.*

Distribution, transmission and related assets

At September 30, 2019, in our distribution segment, we owned an aggregate of 70,875 miles of underground distribution and transmission mains throughout our distribution systems. These mains are located on easements or rights-of-way. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Through our pipeline and storage segment we owned 5,669 miles of gas transmission lines as well.

Storage Assets

We own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes certain information regarding our underground gas storage facilities at September 30, 2019:

State	Usable Capacity (Mcf)	Cushion Gas ⁽¹⁾ (Mcf)	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
<i>Distribution Segment</i>				
Kentucky	7,956,991	9,562,283	17,519,274	158,100
Kansas	3,239,000	2,300,000	5,539,000	45,000
Mississippi	1,907,571	2,442,917	4,350,488	31,000
<i>Total</i>	13,103,562	14,305,200	27,408,762	234,100
<i>Pipeline and Storage Segment</i>				
Texas	46,083,549	15,878,025	61,961,574	1,710,000
Louisiana	411,040	256,900	667,940	56,000
<i>Total</i>	46,494,589	16,134,925	62,629,514	1,766,000
Total	59,598,151	30,440,125	90,038,276	2,000,100

(1) Cushion gas represents the volume of gas that must be retained in a facility to maintain reservoir pressure.

Additionally, we contract for storage service in underground storage facilities on many of the interstate and intrastate pipelines serving us to supplement our proprietary storage capacity. The following table summarizes our contracted storage capacity at September 30, 2019:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity ⁽¹⁾ (MDWQ)
<i>Distribution Segment</i>			
	Colorado-Kansas Division	6,343,728	147,965
	Kentucky/Mid-States Division	8,175,103	226,739
	Louisiana Division	2,514,875	173,765
	Mid-Tex Division	4,000,000	150,000
	Mississippi Division	5,099,536	164,764
	West Texas Division	5,500,000	176,000
<i>Total</i>		31,633,242	1,039,233
<i>Pipeline and Storage Segment</i>			
	Trans Louisiana Gas Pipeline, Inc.	1,000,000	47,500
Total Contracted Storage Capacity		32,633,242	1,086,733

(1) Maximum daily withdrawal quantity (MDWQ) amounts will fluctuate depending upon the season and the month. Unless otherwise noted, MDWQ amounts represent the MDWQ amounts as of November 1, which is the beginning of the winter heating season.

Offices

Our administrative offices and corporate headquarters are consolidated in a leased facility in Dallas, Texas. We also maintain field offices throughout our service territory, some of which are located in leased facilities.

ITEM 3. *Legal Proceedings.*

See Note 12 to the consolidated financial statements, which is incorporated in this Item 3 by reference.

ITEM 4. *Mine Safety Disclosures.*

Not applicable.

PART II

ITEM 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our stock trades on the New York Stock Exchange under the trading symbol "ATO." The dividends paid per share of our common stock for fiscal 2019 and 2018 are listed below.

	Fiscal 2019	Fiscal 2018
Quarter ended:		
December 31	\$ 0.525	\$ 0.485
March 31	0.525	0.485
June 30	0.525	0.485
September 30	0.525	0.485
	<u>\$ 2.10</u>	<u>\$ 1.94</u>

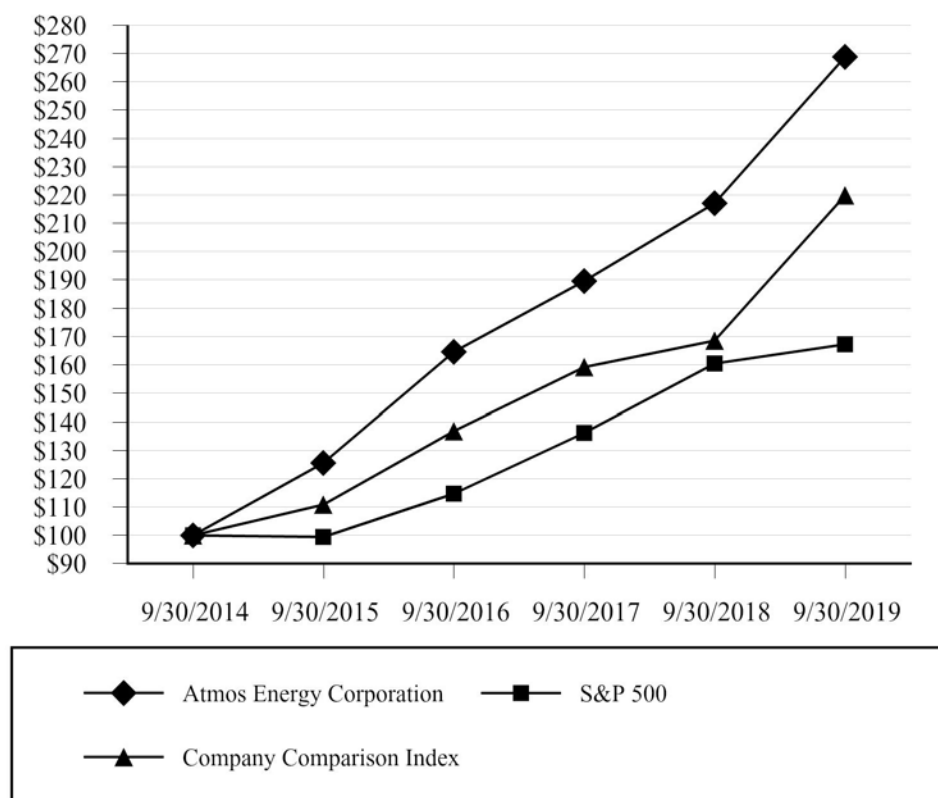
Dividends are payable at the discretion of our Board of Directors out of legally available funds. The Board of Directors typically declares dividends in the same fiscal quarter in which they are paid. As of October 31, 2019, there were 11,806 holders of record of our common stock. Future payments of dividends, and the amounts of these dividends, will depend on our

financial condition, results of operations, capital requirements and other factors. We sold no securities during fiscal 2019 that were not registered under the Securities Act of 1933, as amended.

Performance Graph

The performance graph and table below compares the yearly percentage change in our total return to shareholders for the last five fiscal years with the total return of the S&P 500 Stock Index (S&P 500) and the cumulative total return of a customized peer company group, the Comparison Company Index. The Comparison Company Index is comprised of natural gas distribution companies with similar revenues, market capitalizations and asset bases to that of the Company. The graph and table below assume that \$100.00 was invested on September 30, 2014 in our common stock, the S&P 500 and in the common stock of the companies in the Comparison Company Indices, as well as a reinvestment of dividends paid on such investments throughout the period.

Comparison of Five-Year Cumulative Total Return among Atmos Energy Corporation, S&P 500 Index and Comparison Company Index



	Cumulative Total Return					
	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Atmos Energy Corporation	100.00	125.54	164.58	189.56	217.10	268.76
S&P 500 Stock Index	100.00	99.39	114.72	136.07	160.44	167.27
Comparison Company Index	100.00	110.80	136.77	159.21	168.54	219.86

The Comparison Company Index reflects the cumulative total return of companies in our peer group, which is comprised of a hybrid group of utility companies, primarily natural gas distribution companies, recommended by our independent executive compensation consulting firm and approved by the Board of Directors. The companies in the index are Alliant Energy Corporation, Ameren Corporation, CenterPoint Energy, Inc., CMS Energy Corporation, DTE Energy Company, National Fuel Gas Company, NiSource Inc., ONE Gas, Inc., Spire Inc. (formerly The Laclede Group, Inc.), Vectren Corporation⁽¹⁾, WEC Energy Group, Inc., and Xcel Energy, Inc.

(1) Vectren Corporation merged with CenterPoint Energy, Inc. prior to September 30, 2019. As a result, the cumulative total return of Vectren Corporation is not included in the Comparison Company Index represented in the graph above.

The following table sets forth the number of securities authorized for issuance under our equity compensation plans at September 30, 2019.

	Number of securities to be issued upon exercise of outstanding options, restricted stock units, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
1998 Long-Term Incentive Plan	1,004,158 ⁽¹⁾	\$ —	1,489,985
Total equity compensation plans approved by security holders	1,004,158	—	1,489,985
Equity compensation plans not approved by security holders	—	—	—
Total	1,004,158	\$ —	1,489,985

(1) Comprised of a total of 384,056 time-lapse restricted stock units, 343,467 director share units and 276,635 performance-based restricted stock units at the target level of performance granted under our 1998 Long-Term Incentive Plan.

ITEM 6. Selected Financial Data.

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein.

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
(In thousands, except per share data)					
Results of Operations					
Operating revenues	\$ 2,901,848	\$ 3,115,546	\$ 2,759,735	\$ 2,454,648	\$ 2,926,985
Contribution Margin	\$ 2,043,011	\$ 1,947,698	\$ 1,834,199	\$ 1,708,456	\$ 1,631,310
Income from continuing operations	\$ 511,406	\$ 603,064	\$ 382,711	\$ 345,542	\$ 305,623
Net income	\$ 511,406	\$ 603,064	\$ 396,421	\$ 350,104	\$ 315,075
Diluted income per share from continuing operations	\$ 4.35	\$ 5.43	\$ 3.60	\$ 3.33	\$ 3.00
Diluted net income per share	\$ 4.35	\$ 5.43	\$ 3.73	\$ 3.38	\$ 3.09
Cash dividends declared per share	\$ 2.10	\$ 1.94	\$ 1.80	\$ 1.68	\$ 1.56
Financial Condition					
Net property, plant and equipment ⁽¹⁾	\$ 11,787,669	\$ 10,371,147	\$ 9,259,182	\$ 8,268,606	\$ 7,416,700
Total assets	\$ 13,367,619	\$ 11,874,437	\$ 10,749,596	\$ 10,010,889	\$ 9,075,072
Capitalization:					
Shareholders' equity	\$ 5,750,223	\$ 4,769,951	\$ 3,898,666	\$ 3,463,059	\$ 3,194,797
Long-term debt (excluding current maturities)	3,529,452	2,493,665	3,067,045	2,188,779	2,437,515
Total capitalization	\$ 9,279,675	\$ 7,263,616	\$ 6,965,711	\$ 5,651,838	\$ 5,632,312

(1) Amounts shown are net of assets held for sale related to the divestiture of our natural gas marketing business for fiscal years 2016 and 2015.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**INTRODUCTION**

This section provides management's discussion of the financial condition, changes in financial condition and results of operations of Atmos Energy Corporation and its consolidated subsidiaries with specific information on results of operations and liquidity and capital resources. It includes management's interpretation of our financial results, the factors affecting these results, the major factors expected to affect future operating results and future investment and financing plans. This discussion should be read in conjunction with our consolidated financial statements and notes thereto.

Several factors exist that could influence our future financial performance, some of which are described in Item 1A above, "Risk Factors". They should be considered in connection with evaluating forward-looking statements contained in this report or otherwise made by or on behalf of us since these factors could cause actual results and conditions to differ materially from those set out in such forward-looking statements.

Cautionary Statement for the Purposes of the Safe Harbor under the Private Securities Litigation Reform Act of 1995

The statements contained in this Annual Report on Form 10-K may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Report are forward-looking statements made in good faith by us and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this Report, or any other of our documents or oral presentations, the words "anticipate", "believe", "estimate", "expect", "forecast", "goal", "intend", "objective", "plan", "projection", "seek", "strategy" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to our strategy, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. These risks and uncertainties include the following: state and local regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty performance or creditworthiness and interest rate risk; the concentration of our operations in Texas; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; the inability to continue to hire, train and retain operational, technical and managerial personnel; the impact of climate change; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; increased dependence on technology that may hinder the Company's business if such technologies fail; the threat of cyber-attacks or acts of cyber-terrorism that could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information; natural disasters, terrorist activities or other events and other risks and uncertainties discussed herein, all of which are difficult to predict and many of which are beyond our control. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, we undertake no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. Preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from estimates.

Our significant accounting policies are discussed in Notes 2 and 16 to our consolidated financial statements. The accounting policies discussed below are both important to the presentation of our financial condition and results of operations and require management to make difficult, subjective or complex accounting estimates. Accordingly, these critical accounting policies are reviewed periodically by the Audit Committee of the Board of Directors.

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
<i>Regulation</i>	<p>Our distribution and pipeline operations meet the criteria of a cost-based, rate-regulated entity under accounting principles generally accepted in the United States. Accordingly, the financial results for these operations reflect the effects of the ratemaking and accounting practices and policies of the various regulatory commissions to which we are subject.</p> <p>As a result, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts expected to be recovered or recognized are based upon historical experience and our understanding of the regulations.</p> <p>Discontinuing the application of this method of accounting for regulatory assets and liabilities or changes in the accounting for our various regulatory mechanisms could significantly increase our operating expenses as fewer costs would likely be capitalized or deferred on the balance sheet, which could reduce our net income.</p>	<p>Decisions of regulatory authorities</p> <p>Issuance of new regulations or regulatory mechanisms</p> <p>Assessing the probability of the recoverability of deferred costs</p> <p>Continuing to meet the criteria of a cost-based, rate regulated entity for accounting purposes</p>
<i>Unbilled Revenue</i>	<p>We follow the revenue accrual method of accounting for distribution segment revenues whereby revenues attributable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense.</p> <p>When permitted, we implement rates that have not been formally approved by our regulatory authorities, subject to refund. We recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.</p>	<p>Estimates of delivered sales volumes based on actual tariff information and weather information and estimates of customer consumption and/or behavior</p> <p>Estimates of purchased gas costs related to estimated deliveries</p> <p>Estimates of amounts billed subject to refund</p>

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
<i>Pension and other postretirement plans</i>	<p>Pension and other postretirement plan costs and liabilities are determined on an actuarial basis using a September 30 measurement date and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.</p> <p>The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net periodic pension and postretirement benefit plan costs. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds.</p> <p>The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of our annual pension and postretirement plan costs. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan costs are not affected. Rather, this gain or loss reduces or increases future pension or postretirement plan costs over a period of approximately ten to twelve years.</p> <p>The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this methodology will delay the impact of current market fluctuations on the pension expense for the period.</p> <p>We estimate the assumed health care cost trend rate used in determining our postretirement net expense based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon our annual review of our participant census information as of the measurement date.</p>	<p>General economic and market conditions</p> <p>Assumed investment returns by asset class</p> <p>Assumed future salary increases</p> <p>Assumed discount rate</p> <p>Projected timing of future cash disbursements</p> <p>Health care cost experience trends</p> <p>Participant demographic information</p> <p>Actuarial mortality assumptions</p> <p>Impact of legislation</p> <p>Impact of regulation</p>
<i>Impairment assessments</i>	<p>We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstance indicate that such carrying values may not be recoverable, and at least annually for goodwill, as required by U.S. accounting standards.</p> <p>The evaluation of our goodwill balances and other long-lived assets or identifiable assets for which uncertainty exists regarding the recoverability of the carrying value of such assets involves the assessment of future cash flows and external market conditions and other subjective factors that could impact the estimation of future cash flows including, but not limited to the commodity prices, the amount and timing of future cash flows, future growth rates and the discount rate. Unforeseen events and changes in circumstances or market conditions could adversely affect these estimates, which could result in an impairment charge.</p>	<p>General economic and market conditions</p> <p>Projected timing and amount of future discounted cash flows</p> <p>Judgment in the evaluation of relevant data</p>

Non-GAAP Financial Measures

Our operations are affected by the cost of natural gas, which is passed through to our customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees and settlements of financial instruments used to mitigate commodity price risk. These costs are reflected in the consolidated statements of comprehensive income as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe Contribution Margin, a non-GAAP financial measure, defined as operating revenues less purchased gas cost, is a more useful and relevant measure to analyze our financial performance than operating revenues. As such, the following discussion and analysis of our financial performance will reference Contribution Margin rather than operating revenues and purchased gas cost individually. Further, the term Contribution Margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance and is not necessarily comparable to similarly titled measures reported by other companies.

As described further in Note 13, the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") required us to remeasure our deferred tax assets and liabilities at our new federal statutory income tax rate as of December 22, 2017. The remeasurement of our net deferred tax liabilities resulted in the recognition of a non-cash income tax benefit of \$158.8 million for the fiscal year ended September 30, 2018. Due to the non-recurring nature of this benefit, we believe that net income and diluted net income per share before the non-cash income tax benefit provide a more relevant measure to analyze our financial performance than net income and diluted net income per share in order to allow investors to better analyze our core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the following discussion and analysis of our financial performance will reference adjusted net income and adjusted diluted earnings per share, non-GAAP measures, which are calculated as follows:

	For the Fiscal Year Ended September 30		
	2019	2018	Change
(In thousands, except per share data)			
Net income	\$ 511,406	\$ 603,064	\$ (91,658)
TCJA non-cash income tax benefit	—	(158,782)	158,782
Adjusted net income	<u>\$ 511,406</u>	<u>\$ 444,282</u>	<u>\$ 67,124</u>
Diluted net income per share	\$ 4.35	\$ 5.43	\$ (1.08)
Diluted EPS from TCJA non-cash income tax benefit	—	(1.43)	1.43
Adjusted diluted net income per share	<u>\$ 4.35</u>	<u>\$ 4.00</u>	<u>\$ 0.35</u>

RESULTS OF OPERATIONS**Overview**

Atmos Energy strives to operate its businesses safely and reliably while delivering superior shareholder value. Our commitment to modernizing our natural gas distribution and transmission systems requires a significant level of capital spending. We have the ability to begin recovering a significant portion of these investments timely through rate designs and mechanisms that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. The execution of our capital spending program, the ability to recover these investments timely and our ability to access the capital markets to satisfy our financing needs are the primary drivers that affect our financial performance.

During fiscal 2019, we recorded net income of \$511.4 million, or \$4.35 per diluted share, compared to net income of \$603.1 million, or \$5.43 per diluted share in the prior year. After adjusting for the nonrecurring benefit recognized after implementing the TCJA in fiscal 2018, we recorded adjusted net income of \$444.3 million, or \$4.00 per diluted share for the year ended September 30, 2018.

The following table details our consolidated net income by segment during the last three fiscal years:

	For the Fiscal Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Distribution segment	\$ 328,814	\$ 442,966	\$ 268,369
Pipeline and storage segment	182,592	160,098	114,342
Net income from continuing operations	511,406	603,064	382,711
Net income from discontinued operations	—	—	13,710
Net income	<u>\$ 511,406</u>	<u>\$ 603,064</u>	<u>\$ 396,421</u>

The year-over-year increase in adjusted net income of \$67.1 million, or 15 percent, largely reflects positive rate outcomes driven by safety and reliability spending, customer growth in our distribution business, positive Contribution Margin in our pipeline and storage business primarily due to positive supply and demand dynamics affecting the Permian Basin due to wider spreads and the impact of the TCJA on our effective income tax rate. During the year ended September 30, 2019, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of \$116.7 million and had nine ratemaking efforts in progress at September 30, 2019, seeking a total increase in annual operating income of \$81.2 million.

Capital expenditures for fiscal 2019 increased 15 percent period-over-period, to \$1.7 billion. Over 80 percent was invested to improve the safety and reliability of our distribution and transmission systems, with a significant portion of this investment incurred under regulatory mechanisms that reduce regulatory lag to six months or less. We funded a portion of our current-year capital expenditures program through operating cash flows of \$968.8 million. Additionally, we completed over \$2 billion in external financing during the year ended September 30, 2019 with the issuance of \$1.1 billion in 30-year senior notes and over \$1.0 billion of common stock, of which approximately \$470 million was allocated to forward sale agreements which have not yet been settled. The net proceeds from these issuances, together with available cash, were used to repay at maturity our \$450 million 8.5% unsecured senior notes, to repay short-term debt under our commercial paper program, to fund capital spending and for general corporate purposes.

Additionally, on October 2, 2019, we completed a public offering of \$300 million of 2.625% senior notes due 2029 and \$500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after underwriting discount and estimated offering expenses of approximately \$791.6 million, that were used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program. The effective interest rate of these notes is 2.72% and 3.42% after giving effect to the offering costs.

As a result of the continued contribution and stability of our earnings, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 9.5% percent for fiscal 2020.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of our distribution operations are our ability to earn our authorized rates of return, competitive factors in the energy industry and economic conditions in our service areas.

Our ability to earn our authorized rates is based primarily on our ability to improve the rate design in our various ratemaking jurisdictions to minimize regulatory lag and, ultimately, separate the recovery of our approved rates from customer usage patterns. Improving rate design is a long-term process and is further complicated by the fact that we operate in multiple rate jurisdictions. The “*Ratemaking Activity*” section of this Form 10-K describes our current rate strategy, progress towards implementing that strategy and recent ratemaking initiatives in more detail.

We are generally able to pass the cost of gas through to our customers without markup under purchased gas cost adjustment mechanisms; therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Contribution Margin in our Texas and Mississippi service areas include franchise fees and gross receipt taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenue is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in revenue related taxes arising from changes in gas costs affect Contribution Margin, over time the impact is offset within operating income.

Although the cost of gas typically does not have a direct impact on our Contribution Margin, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense, and may require us to increase borrowings under our credit facilities resulting in higher interest expense. In addition, higher gas costs, as well as competitive factors in the industry and general economic conditions may cause customers to conserve or, in the case of industrial consumers, to use alternative energy sources. Currently, gas cost risk has been mitigated by rate design that allows us to collect

from our customers the gas cost portion of our bad debt expense on approximately 76 percent of our residential and commercial margins.

During fiscal 2019, we completed 22 regulatory proceedings in our distribution segment, resulting in a \$67.5 million increase in annual operating income.

Review of Financial and Operating Results

Financial and operational highlights for our distribution segment for the fiscal years ended September 30, 2019, 2018 and 2017 are presented below.

	For the Fiscal Year Ended September 30				
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
	(In thousands, unless otherwise noted)				
Operating revenues	\$ 2,745,461	\$ 3,003,047	\$ 2,649,175	\$ (257,586)	\$ 353,872
Purchased gas cost	1,268,591	1,559,836	1,269,456	(291,245)	290,380
Contribution Margin	1,476,870	1,443,211	1,379,719	33,659	63,492
Operating expenses ⁽¹⁾	1,006,098	957,544	865,995	48,554	91,549
Operating income	470,772	485,667	513,724	(14,895)	(28,057)
Other non-operating income (expense) ⁽¹⁾	6,241	(6,649)	(9,777)	12,890	3,128
Interest charges	60,031	65,850	79,789	(5,819)	(13,939)
Income before income taxes	416,982	413,168	424,158	3,814	(10,990)
Income tax expense	88,168	107,880	155,789	(19,712)	(47,909)
TCJA non-cash income tax benefit	—	(137,678)	—	137,678	(137,678)
Net income	\$ 328,814	\$ 442,966	\$ 268,369	\$ (114,152)	\$ 174,597
Consolidated distribution sales volumes — MMcf	315,476	300,817	246,825	14,659	53,992
Consolidated distribution transportation volumes — MMcf	155,078	150,566	141,540	4,512	9,026
Total consolidated distribution throughput — MMcf	470,554	451,383	388,365	19,171	63,018
Consolidated distribution average cost of gas per Mcf sold	\$ 4.02	\$ 5.19	\$ 5.14	\$ (1.17)	\$ 0.05

(1) In accordance with our adoption of new accounting standards, changes in income statement presentation were implemented on a retrospective basis and impacted previously issued financial statements for the fiscal years ended 2018 and 2017, as discussed in greater detail in Note 2.

Fiscal year ended September 30, 2019 compared with fiscal year ended September 30, 2018

Income before income taxes for our distribution segment increased slightly, primarily due to a \$33.7 million increase in Contribution Margin and a combined \$18.7 million decrease in other non-operating expense and interest charges, partially offset by a \$48.6 million increase in operating expenses. The year-to-date increase in Contribution Margin primarily reflects:

- a \$33.0 million net increase in rate adjustments, after the effect of the TCJA, primarily in our Mid-Tex, Mississippi and West Texas Divisions.
- a \$12.8 million increase from customer growth primarily in our Mid-Tex Division.
- a \$9.6 million decrease in revenue-related taxes primarily in our Mid-Tex Division, offset by a corresponding \$9.8 million decrease in the related tax expense.
- a \$2.3 million decrease in residential and commercial net consumption.

Operating expenses, which include operating and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased \$48.6 million primarily due to:

- a \$35.9 million increase in depreciation expense and property taxes associated with increased capital investments.
- a \$20.7 million increase in pipeline maintenance and related activities.
- a \$13.7 million increase in employee and training costs as we have increased service-related headcount to support operations in our fastest growing service territories.
- a \$3.5 million increase in software maintenance fees.
- a \$24.3 million decrease in nonrecurring expenses related to the planned outage of our natural gas distribution system in Northwest Dallas in March 2018.

The year-over-year decrease in other non-operating expense and interest charges of \$18.7 million is primarily due to increased capitalized interest and AFUDC, as well as decreases due to the adoption of new accounting standards. As discussed further in Note 2, we are now required to recognize changes in the fair value of our equity securities formerly designated as available-for-sale on our consolidated statements of comprehensive income and the components of net periodic cost other than the service cost component are included in other non-operating expense in the consolidated statements of comprehensive income. These decreases are partially offset by an increase in interest expense due to the issuance of long-term debt during fiscal 2019.

The decrease in income tax expense reflects a reduction in our effective tax rate from 26.1% to 21.1%, as a result of the TCJA.

The fiscal year ended September 30, 2018 compared with fiscal year ended September 30, 2017 for our distribution segment is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

The following table shows our operating income by distribution division, in order of total rate base, for the fiscal years ended September 30, 2019, 2018 and 2017. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	For the Fiscal Year Ended September 30				
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
	(In thousands)				
Mid-Tex	\$ 202,050	\$ 202,444	\$ 233,158	\$ (394)	\$ (30,714)
Kentucky/Mid-States	73,965	81,105	75,214	(7,140)	5,891
Louisiana	70,440	70,609	69,300	(169)	1,309
West Texas	44,902	45,494	46,859	(592)	(1,365)
Mississippi	46,229	47,237	38,505	(1,008)	8,732
Colorado-Kansas	34,362	32,333	34,658	2,029	(2,325)
Other	(1,176)	6,445	16,030	(7,621)	(9,585)
Total	<u>\$ 470,772</u>	<u>\$ 485,667</u>	<u>\$ 513,724</u>	<u>\$ (14,895)</u>	<u>\$ (28,057)</u>

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of APT and our natural gas transmission operations in Louisiana. APT is one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas producing areas of central, northern and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, as well as marketers and producers. As part of its pipeline operations, APT owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and, on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans, which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage of natural gas. However, natural gas prices and demand for natural gas could influence the level of drilling activity in the supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. Further, natural gas price differences between the various hubs that we serve in Texas could influence the volumes of gas transported for shippers through Texas pipeline systems and rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. On February 15, 2019, APT made a GRIP filing that covered changes in net investment from January 1, 2018 through December 31, 2018 with a requested increase in operating income of \$49.2 million. On May 7, 2019, the RRC approved the Company's GRIP filing.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017.

Review of Financial and Operating Results

Financial and operational highlights for our pipeline and storage segment for the fiscal years ended September 30, 2019, 2018 and 2017 are presented below.

	For the Fiscal Year Ended September 30				
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
	(In thousands, unless otherwise noted)				
Mid-Tex / Affiliate transportation revenue	\$ 369,743	\$ 354,885	\$ 338,850	\$ 14,858	\$ 16,035
Third-party transportation revenue	183,014	140,231	100,100	42,783	40,131
Other revenue	14,267	12,597	18,080	1,670	(5,483)
Total operating revenues	567,024	507,713	457,030	59,311	50,683
Total purchased gas cost	(360)	1,978	2,506	(2,338)	(528)
Contribution Margin	567,384	505,735	454,524	61,649	51,211
Operating expenses	292,098	263,468	232,620	28,630	30,848
Operating income	275,286	242,267	221,904	33,019	20,363
Other non-operating income (expense)	1,163	(3,495)	(1,575)	4,658	(1,920)
Interest charges	43,122	40,796	40,393	2,326	403
Income before income taxes	233,327	197,976	179,936	35,351	18,040
Income tax expense	50,735	58,982	65,594	(8,247)	(6,612)
TCJA non-cash income tax benefit	—	(21,104)	—	21,104	(21,104)
Net income	\$ 182,592	\$ 160,098	\$ 114,342	\$ 22,494	\$ 45,756
Gross pipeline transportation volumes — MMcf	939,376	871,904	770,348	67,472	101,556
Consolidated pipeline transportation volumes — MMcf	721,998	663,900	596,179	58,098	67,721

Fiscal year ended September 30, 2019 compared with fiscal year ended September 30, 2018

Income before income taxes for our pipeline and storage segment increased 18 percent, primarily due to a \$61.6 million increase in Contribution Margin, partially offset by a \$28.6 million increase in operating expenses. The increase in Contribution Margin primarily reflects:

- a \$46.5 million net increase in rate adjustments, after the effect of the TCJA, primarily from the approved GRIP filings approved in May 2018 and May 2019. The increase in rates was driven primarily by increased safety and reliability spending.
- a net increase of \$12.2 million primarily from positive supply and demand dynamics affecting the Permian Basin, due to wider spreads.

The increase in operating expenses is primarily due to higher depreciation expense of \$11.6 million associated with increased capital investments and higher system maintenance expense of \$15.3 million primarily due to spending on hydro testing and in-line inspections.

The decrease in income tax expense primarily reflects a reduction in our effective tax rate from 29.8% to 21.7%, as a result of the TCJA.

The fiscal year ended September 30, 2018 compared with fiscal year ended September 30, 2017 for our pipeline and storage segment is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices.

As more fully described in Note 16, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy fully exited the nonregulated natural gas marketing business. Accordingly, a gain on sale from discontinued operations for \$2.7 million was recorded and net income of \$11.0 million for AEM is reported as discontinued operations for the year ended September 30, 2017.

The fiscal year ended September 30, 2018 compared with fiscal year ended September 30, 2017 for our natural gas marketing segment is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. External debt financing is provided primarily through the issuance of long-term debt, a \$1.5 billion commercial paper program and three committed revolving credit facilities with a total availability from third-party lenders of approximately \$1.5 billion. The commercial paper program and credit facilities provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-total-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. The liquidity provided by these sources is expected to be sufficient to fund the Company's working capital needs and capital expenditures program for fiscal year 2020 and beyond.

To support our capital market activities, we filed a registration statement with the SEC on November 13, 2018 that permits us to issue a total of \$3.0 billion in common stock and/or debt securities. The registration statement replaced our previous registration statement that was effectively exhausted in October 2018. At September 30, 2019, approximately \$1.3 billion of securities remained available for issuance under the shelf registration statement.

On November 19, 2018, we filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity sales program under which we may issue and sell shares of our common stock up to an aggregate offering price of \$500 million (including shares of common stock that may be sold pursuant to forward sale agreements entered into concurrently with the ATM equity sales program). At September 30, 2019, approximately \$75 million remained available under the ATM equity sales program.

For the year ended September 30, 2019, we completed over \$2 billion of long-term debt and equity financing. During fiscal 2019, we executed forward sales with various forward sellers who borrowed and sold 6,813,135 shares of our common stock for initial aggregate proceeds of approximately \$673 million.

The following table summarizes the remaining availability under our various forward sales as of September 30, 2019:

Issue Quarter	Shares Available	Net Proceeds Available (In thousands)	Maturity	Forward Price
December 31, 2018	485,189	\$ 44,342	3/31/2020	\$ 91.39
March 31, 2019	1,670,509	158,348	3/31/2020	\$ 94.79
June 30, 2019	1,050,563	106,034	9/30/2020	\$ 100.93
September 30, 2019	1,423,599	154,631	9/30/2020	\$ 108.62
Total	4,629,860	\$ 463,355		

The following table presents our capitalization as of September 30, 2019 and 2018:

	September 30			
	2019		2018	
	(In thousands, except percentages)			
Short-term debt	\$ 464,915	4.8%	\$ 575,780	6.8%
Long-term debt	3,529,452	36.2%	3,068,665	36.5%
Shareholders' equity	5,750,223	59.0%	4,769,951	56.7%
Total capitalization, including short-term debt	\$ 9,744,590	100.0%	\$ 8,414,396	100.0%

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These factors include regulatory changes, the price for our services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks and other factors.

Cash flows from operating, investing and financing activities for the years ended September 30, 2019, 2018 and 2017 are presented below.

	For the Fiscal Year Ended September 30				
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
	(In thousands)				
Total cash provided by (used in)					
Operating activities	\$ 968,769	\$ 1,124,662	\$ 867,090	\$ (155,893)	\$ 257,572
Investing activities	(1,683,660)	(1,463,566)	(1,056,306)	(220,094)	(407,260)
Financing activities	725,670	326,266	168,091	399,404	158,175
Change in cash and cash equivalents	10,779	(12,638)	(21,125)	23,417	8,487
Cash and cash equivalents at beginning of period	13,771	26,409	47,534	(12,638)	(21,125)
Cash and cash equivalents at end of period	\$ 24,550	\$ 13,771	\$ 26,409	\$ 10,779	\$ (12,638)

Cash flows for the fiscal year ended September 30, 2018 compared with fiscal year ended September 30, 2017 is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

Cash flows from operating activities

For the fiscal year ended September 30, 2019, we generated cash flow from operating activities of \$968.8 million compared with \$1,124.7 million in the prior year. The year-over-year decrease is primarily attributable to the change in net income and working capital changes, particularly in our distribution segment resulting from the timing of payments for natural gas purchases and deferred gas cost recoveries.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 84 percent of our capital spending has been committed to improving the safety and reliability of our system.

We allocate our capital spending among our service areas using risk management models and subject matter experts to identify, assess and develop a plan of action to address our highest risk facilities. We have regulatory mechanisms in most of our service areas that provide the opportunity to include approved capital costs in rate base on a periodic basis without being required to file a rate case. These mechanisms permit us a reasonable opportunity to earn a fair return on our investment without compromising safety or reliability.

For the fiscal year ended September 30, 2019, we had \$1.7 billion in capital expenditures compared with \$1.5 billion for the fiscal year ended September 30, 2018. Capital spending increased by \$225.9 million, or 15%, as a result of planned increases in our distribution segment to repair and replace vintage pipe and increases in spending in our pipeline and storage segment to improve the reliability of gas service to our local distribution company customers.

Cash flows from financing activities

Our financing activities provided \$725.7 million and \$326.3 million in cash for fiscal years 2019 and 2018. Our significant financing activities for the fiscal years ended September 30, 2019 and 2018 are summarized as follows:

2019

During the fiscal year ended September 30, 2019, we received \$1.7 billion in net proceeds from the issuance and repayment of long-term debt and issuance of equity. This activity is summarized below:

- In October 2018, we completed the public offering of \$600 million of 30-year 4.30% senior notes. The net proceeds of \$590.6 million were used to repay working capital borrowings pursuant to our commercial paper program.

- In November 2018, we sold 5,390,836 shares of common stock for \$500 million. The net proceeds of \$494.1 million were used to fund our capital expenditure program and for general corporate purposes.
- In March 2019, we completed the public offering of \$450 million of 30-year 4.125% senior notes. The net proceeds of \$443.4 million, together with available cash, were used to repay at maturity our \$450 million 8.50% 10-year unsecured senior notes due March 15, 2019 and the related settlement of our interest rate swaps for \$90.1 million.
- In May and August 2019, we settled forward sale agreements for 2,183,275 shares of common stock for net proceeds of approximately \$200 million.
- In September 2019, we repaid our \$125 million floating rate term loan at its maturity.

Additionally, cash dividends increased due to an 8.2 percent increase in our dividend rate and an increase in shares outstanding.

2018

During the fiscal year ended September 30, 2018, we used \$395.1 million in net proceeds from equity financing to reduce short-term debt, to support our capital spending and for other general corporate purposes.

The following table shows the number of shares issued for the fiscal years ended September 30, 2019, 2018 and 2017:

	For the Fiscal Year Ended September 30		
	2019	2018	2017
Shares issued:			
Direct Stock Purchase Plan	110,063	131,213	112,592
Retirement Savings Plan	81,456	94,081	228,326
1998 Long-Term Incentive Plan (LTIP)	299,612	385,351	529,662
Equity Offering ⁽¹⁾	7,574,111	4,558,404	—
At-the-Market (ATM) Equity Sales Program ⁽¹⁾	—	—	1,303,494
Total shares issued	8,065,242	5,169,049	2,174,074

(1) Share amounts do not include shares issued under forward sale agreements until the shares have been settled.

Credit Ratings

Our credit ratings directly affect our ability to obtain short-term and long-term financing, in addition to the cost of such financing. In determining our credit ratings, the rating agencies consider a number of quantitative factors, including but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and operating cash flow less dividends to debt. In addition, the rating agencies consider qualitative factors such as consistency of our earnings over time, the risks associated with our business and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by two rating agencies: Standard & Poor's Corporation (S&P) and Moody's Investors Service (Moody's). On December 14, 2018, Moody's affirmed our debt ratings and changed their outlook from stable to positive, citing improvements to our regulatory construct that reduce investment recovery lag and our balanced fiscal policy. As of September 30, 2019, S&P maintained a stable outlook. Our current debt ratings are all considered investment grade and are as follows:

	S&P	Moody's
Senior unsecured long-term debt	A	A2
Short-term debt	A-1	P-1

A significant degradation in our operating performance or a significant reduction in our liquidity caused by more limited access to the private and public credit markets as a result of deteriorating global or national financial and credit conditions could trigger a negative change in our ratings outlook or even a reduction in our credit ratings by the two credit rating agencies. This would mean more limited access to the private and public credit markets and an increase in the costs of such borrowings.

A credit rating is not a recommendation to buy, sell or hold securities. The highest investment grade credit rating is AAA for S&P and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. Our credit ratings may be revised or withdrawn at any time by the rating agencies, and each rating should be evaluated independently of any other rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, or withdrawn entirely, by a rating agency if, in its judgment, circumstances so warrant.

Debt Covenants

We were in compliance with all of our debt covenants as of September 30, 2019. Our debt covenants are described in Note 6 to the consolidated financial statements.

Contractual Obligations and Commercial Commitments

The following table provides information about contractual obligations and commercial commitments at September 30, 2019.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(In thousands)					
Contractual Obligations					
Long-term debt ⁽¹⁾	\$ 3,560,000	\$ —	\$ —	\$ —	\$ 3,560,000
Short-term debt ⁽¹⁾	464,915	464,915	—	—	—
Interest charges ⁽²⁾	3,392,249	155,742	311,484	311,484	2,613,539
Capital lease obligations ⁽³⁾	5,608	243	501	521	4,343
Operating leases ⁽⁴⁾	200,136	21,017	39,786	33,789	105,544
Financial instrument obligations ⁽⁵⁾	5,801	4,552	1,249	—	—
Pension and postretirement benefit plan contributions ⁽⁶⁾	308,033	44,994	61,954	48,900	152,185
Uncertain tax positions ⁽⁷⁾	27,716	—	27,716	—	—
Total contractual obligations	<u>\$ 7,964,458</u>	<u>\$ 691,463</u>	<u>\$ 442,690</u>	<u>\$ 394,694</u>	<u>\$ 6,435,611</u>

(1) See Note 6 to the consolidated financial statements.

(2) Interest charges were calculated using the effective rate for each debt issuance.

(3) Capital lease payments shown above include interest totaling \$3.0 million. See Note 11 to the consolidated financial statements.

(4) Future minimum lease payments do not include amounts for fleet leases and other de minimis items that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments for these leases are \$17.6 million in 2020, \$18.0 million in 2021, \$11.8 million in 2022, \$8.5 million in 2023, \$5.4 million in 2024 and \$2.7 million thereafter. See Note 11 to the consolidated financial statements.

(5) Represents liabilities for natural gas commodity financial instruments that were valued as of September 30, 2019. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled.

(6) Represents expected contributions to our defined benefit and postretirement benefit plans, which are discussed in Note 8 to the consolidated financial statements. Based upon current market conditions, the current funded position of the plans and the funding requirements under the PPA, we do not anticipate minimum required contributions for the foreseeable future. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

(7) Represents liabilities associated with uncertain tax positions claimed or expected to be claimed on tax returns. The amount does not include interest and penalties that may be applied to these positions.

We maintain supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of individual contracts. Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at market and fixed prices. At September 30, 2019, we were committed to purchase 40.1 Bcf within one year and 1.6 Bcf within two to three years under indexed contracts.

The change in deferred taxes related to our cost of service ratemaking (referred to as excess deferred taxes) was reclassified into a regulatory liability and will be returned to ratepayers in accordance with regulatory requirements. At September 30, 2019, this liability totaled \$726.3 million. We received approval from regulators to return excess deferred taxes in most of our jurisdictions in accordance with regulatory proceedings on a provisional basis over periods ranging from 13 to

51 years. In our remaining jurisdictions, the treatment of the effects of the TCJA in rates is being addressed in ongoing or will be addressed in future regulatory proceedings. See Note 13 for further information.

Risk Management Activities

In our distribution and pipeline and storage segments, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to reduce our exposure to unusually large winter-period gas price increases. In the past we managed interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

We record our financial instruments as a component of risk management assets and liabilities, which are classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. Substantially all of our financial instruments are valued using external market quotes and indices.

The following table shows the components of the change in fair value of our financial instruments for the fiscal year ended September 30, 2019 (in thousands):

Fair value of contracts at September 30, 2018	\$ (55,218)
Contracts realized/settled	97,288
Fair value of new contracts	(300)
Other changes in value	(45,760)
Fair value of contracts at September 30, 2019	<u>(3,990)</u>
Netting of cash collateral	—
Cash collateral and fair value of contracts at September 30, 2019	<u><u>\$ (3,990)</u></u>

The fair value of our financial instruments at September 30, 2019, is presented below by time period and fair value source:

Source of Fair Value	Fair Value of Contracts at September 30, 2019				
	Maturity in years				Total Fair Value
	Less than 1	1-3	4-5	Greater than 5	
	(In thousands)				
Prices actively quoted	\$ (2,966)	\$ (1,024)	\$ —	\$ —	\$ (3,990)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	<u>\$ (2,966)</u>	<u>\$ (1,024)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3,990)</u>

RECENT ACCOUNTING DEVELOPMENTS

Recent accounting developments and their impact on our financial position, results of operations and cash flows are described in Note 2 to the consolidated financial statements.

ITEM 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

We are exposed to risks associated with commodity prices and interest rates. Commodity price risk is the potential loss that we may incur as a result of changes in the fair value of a particular instrument or commodity. Interest-rate risk is the potential increased cost we could incur when we issue debt instruments or to provide financing and liquidity for our business activities. Additionally, interest-rate risk could affect our ability to issue cost effective equity instruments.

We conduct risk management activities in our distribution and pipeline and storage segments. In our distribution segment, we use a combination of physical storage, fixed-price forward contracts and financial instruments, primarily over-the-counter swap and option contracts, in an effort to minimize the impact of natural gas price volatility on our customers during the winter heating season. Our risk management activities and related accounting treatment are described in further detail in Note 14 to the consolidated financial statements. Additionally, our earnings are affected by changes in short-term interest rates as a result of our issuance of short-term commercial paper and our other short-term borrowings.

Commodity Price Risk

We purchase natural gas for our distribution operations. Substantially all of the costs of gas purchased for distribution operations are recovered from our customers through purchased gas cost adjustment mechanisms. Therefore, our distribution operations have limited commodity price risk exposure.

Interest Rate Risk

Our earnings are exposed to changes in short-term interest rates associated with our short-term commercial paper program and other short-term borrowings. We use a sensitivity analysis to estimate our short-term interest rate risk. For purposes of this analysis, we estimate our short-term interest rate risk as the difference between our actual interest expense for the period and estimated interest expense for the period assuming a hypothetical average one percent increase in the interest rates associated with our short-term borrowings. Had interest rates associated with our short-term borrowings increased by an average of one percent, our interest expense would not have been materially increased during 2019.

ITEM 8. *Financial Statements and Supplementary Data.*

Index to financial statements and financial statement schedule:

	<u>Page</u>
Report of independent registered public accounting firm	37
Financial statements and supplementary data:	
Consolidated balance sheets at September 30, 2019 and 2018	39
Consolidated statements of comprehensive income for the years ended September 30, 2019, 2018 and 2017	40
Consolidated statements of shareholders' equity for the years ended September 30, 2019, 2018 and 2017	41
Consolidated statements of cash flow for the years ended September 30, 2019, 2018 and 2017	42
Notes to consolidated financial statements	43
Selected Quarterly Financial Data (Unaudited)	84
Financial statement schedule for the years ended September 30, 2019, 2018 and 2017	
Schedule II. Valuation and Qualifying Accounts	97

All other financial statement schedules are omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and accompanying notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**To the Shareholders and the Board of Directors of Atmos Energy Corporation****Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation (the "Company") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended September 30, 2019, and the related notes and financial statement schedule listed in the Index at Item 8 (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2019, in conformity with US generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 12, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Determination of Capital Costs***Description of the Matter***

As more fully described in Note 2 to the financial statements, the Company capitalizes the direct and indirect costs of construction. Once a project is completed, it is placed into service and included in the Company's rate base. Costs of maintenance and repairs that are not included in the Company's rate base are charged to expense. For the year ended September 30, 2019, the Company capitalized approximately \$1.8 billion of construction-related costs for regulated property, plant and equipment.

Auditing management's identification of capital additions and maintenance and repairs expense involved significant effort and auditor judgment. These amounts have both a higher magnitude and a higher likelihood of potential misstatement. As a cost-based, rate-regulated entity, the rates charged to customers are designed to recover the entity's costs and provide a rate of return on rate base. Net property, plant and equipment is the most significant component of the Company's rate base. As a result, inappropriate capitalization of costs could affect the amount, timing and classification of revenues and expenses in the consolidated financial statements.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the initial determination and approval of expenditures for either capital additions or maintenance and repair. For example, we selected a sample of projects initiated during the year to evaluate the effectiveness of management's review controls to determine the proper categorization of project expenditures as either capitalizable costs or current-period expense.

Our audit procedures included, among others, testing a sample of projects initiated during the year, including the evaluation of the nature of the project, with Company personnel outside of accounting and financial reporting. For example, we evaluated project setup through inspection of each project's description for compliance with the Company's capitalization policy as described in Note 2 and a series of inquiries of the project approver to understand how they assessed whether projects should be treated as capital or expense. Other audit procedures included evaluating whether the descriptions and amounts included on third-party invoices either support or contradict the project classification as capital, evaluating the appropriateness of individuals capitalizing direct labor charges to projects by assessing the relevance of their job function to the capital project, and recalculating other overhead costs capitalized to projects.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1983.
Dallas, Texas
November 12, 2019

ATMOS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30	
	2019	2018
(In thousands, except share data)		
ASSETS		
Property, plant and equipment	\$ 13,758,899	\$ 12,217,648
Construction in progress	421,694	349,725
	14,180,593	12,567,373
Less accumulated depreciation and amortization	2,392,924	2,196,226
Net property, plant and equipment	11,787,669	10,371,147
Current assets		
Cash and cash equivalents	24,550	13,771
Accounts receivable, less allowance for doubtful accounts of \$15,899 in 2019 and \$14,795 in 2018	230,571	253,295
Gas stored underground	130,138	165,732
Other current assets	72,772	46,055
Total current assets	458,031	478,853
Goodwill	730,706	730,419
Deferred charges and other assets	391,213	294,018
	<u>\$ 13,367,619</u>	<u>\$ 11,874,437</u>
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at \$.005 per share); 200,000,000 shares authorized; issued and outstanding: 2019 — 119,338,925 shares, 2018 — 111,273,683 shares	\$ 597	\$ 556
Additional paid-in capital	3,712,194	2,974,926
Accumulated other comprehensive loss	(114,583)	(83,647)
Retained earnings	2,152,015	1,878,116
Shareholders' equity	5,750,223	4,769,951
Long-term debt	3,529,452	2,493,665
Total capitalization	9,279,675	7,263,616
Commitments and contingencies (See Note 12)		
Current liabilities		
Accounts payable and accrued liabilities	265,024	217,283
Other current liabilities	479,501	547,068
Short-term debt	464,915	575,780
Current maturities of long-term debt	—	575,000
Total current liabilities	1,209,440	1,915,131
Deferred income taxes	1,300,015	1,154,067
Regulatory excess deferred taxes (See Note 13)	705,101	739,670
Regulatory cost of removal obligation	473,172	466,405
Pension and postretirement liabilities	279,083	177,520
Deferred credits and other liabilities	121,133	158,028
	<u>\$ 13,367,619</u>	<u>\$ 11,874,437</u>

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended September 30		
	2019	2018	2017
	(In thousands, except per share data)		
Operating revenues			
Distribution segment	\$ 2,745,461	\$ 3,003,047	\$ 2,649,175
Pipeline and storage segment	567,024	507,713	457,030
Intersegment eliminations	(410,637)	(395,214)	(346,470)
Total operating revenues	<u>2,901,848</u>	<u>3,115,546</u>	<u>2,759,735</u>
Purchased gas cost			
Distribution segment	1,268,591	1,559,836	1,269,456
Pipeline and storage segment	(360)	1,978	2,506
Intersegment eliminations	(409,394)	(393,966)	(346,426)
Total purchased gas cost	<u>858,837</u>	<u>1,167,848</u>	<u>925,536</u>
Operation and maintenance expense	630,308	594,795	538,716
Depreciation and amortization expense	391,456	361,083	319,448
Taxes, other than income	275,189	263,886	240,407
Operating income	<u>746,058</u>	<u>727,934</u>	<u>735,628</u>
Other non-operating income (expense)	7,404	(10,144)	(11,352)
Interest charges	103,153	106,646	120,182
Income from continuing operations before income taxes	<u>650,309</u>	<u>611,144</u>	<u>604,094</u>
Income tax expense	138,903	8,080	221,383
Income from continuing operations	<u>511,406</u>	<u>603,064</u>	<u>382,711</u>
Income from discontinued operations, net of tax (\$0, \$0 and \$6,841)	—	—	10,994
Gain on sale of discontinued operations, net of tax (\$0, \$0 and \$10,215)	—	—	2,716
Net Income	<u>\$ 511,406</u>	<u>\$ 603,064</u>	<u>\$ 396,421</u>
Basic net income per share			
Income per share from continuing operations	\$ 4.36	\$ 5.43	\$ 3.60
Income per share from discontinued operations	—	—	0.13
Net income per share - basic	<u>\$ 4.36</u>	<u>\$ 5.43</u>	<u>\$ 3.73</u>
Diluted net income per share			
Income per share from continuing operations	\$ 4.35	\$ 5.43	\$ 3.60
Income per share from discontinued operations	—	—	0.13
Net income per share - diluted	<u>\$ 4.35</u>	<u>\$ 5.43</u>	<u>\$ 3.73</u>
Weighted average shares outstanding:			
Basic	<u>117,200</u>	<u>111,012</u>	<u>106,100</u>
Diluted	<u>117,461</u>	<u>111,012</u>	<u>106,100</u>
Net income	\$ 511,406	\$ 603,064	\$ 396,421
Other comprehensive income (loss), net of tax			
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of \$64, \$(146) and \$1,473 (See Note 2)	218	(395)	2,564
Cash flow hedges:			
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of \$(6,782), \$13,017 and \$43,238	(22,944)	44,936	75,222
Net unrealized gains on commodity cash flow hedges, net of tax of \$0, \$0 and \$3,183	—	—	4,982
Total other comprehensive income (loss)	<u>(22,726)</u>	<u>44,541</u>	<u>82,768</u>
Total comprehensive income	<u>\$ 488,680</u>	<u>\$ 647,605</u>	<u>\$ 479,189</u>

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Number of Shares	Stated Value				
	(In thousands, except share and per share data)					
Balance, September 30, 2016	103,930,560	\$ 520	\$ 2,388,027	\$ (188,022)	\$ 1,262,534	\$ 3,463,059
Net income	—	—	—	—	396,421	396,421
Other comprehensive income	—	—	—	82,768	—	82,768
Cash dividends (\$1.80 per share)	—	—	—	—	(191,931)	(191,931)
Common stock issued:						
Public offering	1,303,494	6	98,749	—	—	98,755
Direct stock purchase plan	112,592	1	8,970	—	—	8,971
Retirement savings plan	228,326	1	17,551	—	—	17,552
1998 Long-term incentive plan	529,662	3	3,698	—	—	3,701
Employee stock-based compensation	—	—	19,370	—	—	19,370
Balance, September 30, 2017	106,104,634	531	2,536,365	(105,254)	1,467,024	3,898,666
Net income	—	—	—	—	603,064	603,064
Other comprehensive income	—	—	—	44,541	—	44,541
Cash dividends (\$1.94 per share)	—	—	—	—	(214,906)	(214,906)
Cumulative effect of accounting change	—	—	—	(22,934)	22,934	—
Common stock issued:						
Public offering	4,558,404	22	395,070	—	—	395,092
Direct stock purchase plan	131,213	1	11,322	—	—	11,323
Retirement savings plan	94,081	—	8,240	—	—	8,240
1998 Long-term incentive plan	385,351	2	3,469	—	—	3,471
Employee stock-based compensation	—	—	20,460	—	—	20,460
Balance, September 30, 2018	111,273,683	556	2,974,926	(83,647)	1,878,116	4,769,951
Net income	—	—	—	—	511,406	511,406
Other comprehensive loss	—	—	—	(22,726)	—	(22,726)
Cash dividends (\$2.10 per share)	—	—	—	—	(245,717)	(245,717)
Cumulative effect of accounting change ⁽¹⁾	—	—	—	(8,210)	8,210	—
Common stock issued:						
Public offering	7,574,111	38	694,065	—	—	694,103
Direct stock purchase plan	110,063	1	11,070	—	—	11,071
Retirement savings plan	81,456	—	8,252	—	—	8,252
1998 Long-term incentive plan	299,612	2	2,946	—	—	2,948
Employee stock-based compensation	—	—	20,935	—	—	20,935
Balance, September 30, 2019	119,338,925	\$ 597	\$ 3,712,194	\$ (114,583)	\$ 2,152,015	\$ 5,750,223

(1) See Note 2, "Recent Accounting Pronouncements" for additional information.

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2019	2018	2017
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 511,406	\$ 603,064	\$ 396,421
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	391,456	361,083	319,633
Deferred income taxes	132,004	158,271	227,183
One-time income tax benefit	—	(158,782)	—
Gain on sale of discontinued operations	—	—	(12,931)
Discontinued cash flow hedging for commodity contracts	—	—	(10,579)
Stock-based compensation	11,121	12,863	14,064
Amortization of debt issuance costs	9,464	7,865	6,469
Equity component of AFUDC	(11,165)	—	—
Other	1,169	5,437	97
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	18,724	(29,208)	(58,696)
(Increase) decrease in gas stored underground	35,594	18,921	(35,126)
(Increase) decrease in other current assets	(26,590)	60,424	9,991
(Increase) decrease in deferred charges and other assets	(58,403)	(10,049)	102,254
Increase (decrease) in accounts payable and accrued liabilities	9,908	(11,857)	53,017
Increase (decrease) in other current liabilities	(103,895)	74,707	(78,651)
Increase (decrease) in deferred credits and other liabilities	47,976	31,923	(66,056)
Net cash provided by operating activities	968,769	1,124,662	867,090
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(1,693,477)	(1,467,591)	(1,137,089)
Acquisition	—	—	(86,128)
Proceeds from the sale of discontinued operations	4,000	3,000	140,253
Purchases of debt and equity securities	(29,153)	(46,401)	(53,597)
Proceeds from sale of debt and equity securities	6,070	22,360	31,792
Maturities of debt securities	20,299	15,716	9,332
Use tax refund	—	790	29,790
Other, net	8,601	8,560	9,341
Net cash used in investing activities	(1,683,660)	(1,463,566)	(1,056,306)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	(110,865)	128,035	(382,066)
Proceeds from issuance of long-term debt, net of premium/discount	1,045,221	—	884,911
Net proceeds from equity offering	694,103	395,092	98,755
Issuance of common stock through stock purchase and employee retirement plans	19,323	19,563	26,523
Settlement of interest rate swaps	(90,141)	—	(36,996)
Interest rate swaps cash collateral	—	—	25,670
Repayment of long-term debt	(575,000)	—	(250,000)
Cash dividends paid	(245,717)	(214,906)	(191,931)
Debt issuance costs	(11,254)	—	(6,775)
Other	—	(1,518)	—
Net cash provided by financing activities	725,670	326,266	168,091
Net increase (decrease) in cash and cash equivalents	10,779	(12,638)	(21,125)
Cash and cash equivalents at beginning of year	13,771	26,409	47,534
Cash and cash equivalents at end of year	\$ 24,550	\$ 13,771	\$ 26,409

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Atmos Energy Corporation (“Atmos Energy” or the “Company”) and its subsidiaries are engaged in the regulated natural gas distribution and pipeline and storage businesses. Through our distribution business, we deliver natural gas through sales and transportation arrangements to over three million residential, commercial, public-authority and industrial customers through our six regulated distribution divisions in the service areas described below:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas
Atmos Energy Kentucky/Mid-States Division	Kentucky, Tennessee, Virginia ⁽¹⁾
Atmos Energy Louisiana Division	Louisiana
Atmos Energy Mid-Tex Division	Texas, including the Dallas/Fort Worth metropolitan area
Atmos Energy Mississippi Division	Mississippi
Atmos Energy West Texas Division	West Texas

(1) Denotes location where we have more limited service areas.

In addition, we transport natural gas for others through our distribution system. Our distribution business is subject to federal and state regulation and/or regulation by local authorities in each of the states in which our distribution divisions operate. Our corporate headquarters and shared-services function are located in Dallas, Texas, and our customer support centers are located in Amarillo and Waco, Texas.

Our pipeline and storage business, which is also subject to federal and state regulation, consists of the the pipeline and storage operations of our Atmos Pipeline–Texas (APT) Division and our natural gas transmission business in Louisiana. The APT division provides transportation and storage services to our Mid-Tex Division, other third-party local distribution companies, industrial and electric generation customers, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage facilities in Texas. We also provide ancillary services customary to the pipeline industry including parking arrangements, lending and sales of inventory on hand. Our natural gas transmission operations in Louisiana are comprised of a 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties.

2. Summary of Significant Accounting Policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of Atmos Energy Corporation and its wholly-owned subsidiaries. All material intercompany transactions have been eliminated; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates’ rate regulation process.

Use of estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include the allowance for doubtful accounts, unbilled revenues, contingency accruals, pension and postretirement obligations, deferred income taxes, impairment of long-lived assets, risk management and trading activities, fair value measurements and the valuation of goodwill and other long-lived assets. Actual results could differ from those estimates.

Regulation — Our distribution and pipeline and storage operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which we operate. Our accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions. Accounting principles generally accepted in the United States require cost-based, rate-regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. As a result, certain costs are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations. Further, regulation may impact the period in which revenues or expenses are recognized.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and our regulatory liabilities are recorded as a component of other current liabilities and deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and the long-term portion of regulatory excess deferred taxes and regulatory cost of removal obligation are reported separately. Significant regulatory assets and liabilities as of September 30, 2019 and 2018 included the following:

	September 30	
	2019	2018
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	\$ 86,089	\$ 6,496
Infrastructure mechanisms ⁽¹⁾	131,894	96,739
Deferred gas costs	23,766	1,927
Recoverable loss on reacquired debt	6,551	8,702
Deferred pipeline record collection costs	26,418	20,467
Rate case costs	1,346	2,741
Other	8,483	6,739
	<u>\$ 284,547</u>	<u>\$ 143,811</u>
Regulatory liabilities:		
Regulatory excess deferred taxes ⁽²⁾	\$ 726,307	\$ 744,895
Regulatory cost of service reserve	5,238	22,508
Regulatory cost of removal obligation	528,893	522,175
Deferred gas costs	14,112	94,705
Asset retirement obligation	17,054	12,887
APT annual adjustment mechanism	78,402	35,228
Pension and postretirement benefit costs	—	69,113
Other	16,120	9,486
	<u>\$ 1,386,126</u>	<u>\$ 1,510,997</u>

- (1) Infrastructure mechanisms in Texas and Louisiana allow for the deferral of all eligible expenses associated with capital expenditures incurred pursuant to these rules, including the recording of interest on the deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recovered through base rates.
- (2) The TCJA resulted in the remeasurement of the net deferred tax liability included in our rate base. Of this amount, \$21.2 million as of September 30, 2019 and \$5.2 million as of September 30, 2018 is recorded in other current liabilities. The period and timing of the return of the excess deferred taxes is being determined by regulators in each of our jurisdictions. See Note 13 for further information.

Revenue recognition — Effective October 1, 2018, we adopted the new guidance under Accounting Standards Codification (ASC) Topic 606. See “Accounting pronouncements adopted in fiscal 2019” herein and Note 5 for information regarding our adoption of ASC 606 and the related disclosures.

Distribution Revenues

Distribution revenues represent the delivery of natural gas to residential, commercial, industrial and public authority customers at prices based on tariff rates established by regulatory authorities in the states in which we operate. Revenue is recognized and our performance obligation is satisfied over time when natural gas is delivered and simultaneously consumed by our customer. We have elected to use the invoice practical expedient and recognize revenue for volumes delivered that we have the right to invoice our customers. We read meters and bill our customers on a monthly cycle basis. Accordingly, we estimate volumes from the last meter read to the balance sheet date and accrue revenue for gas delivered but not yet billed.

In our Texas and Mississippi jurisdictions, we pay franchise fees and gross receipt taxes to operate in these service areas. These franchise fees and gross receipts taxes are required to be paid regardless of our ability to collect from our customers. Accordingly, we account for these amounts on a gross basis in revenue and we record the associated tax expense as a component of taxes, other than income.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pipeline and Storage Revenues

Pipeline and storage revenues primarily represent the transportation and storage of natural gas on our APT system and the transmission of natural gas through our 21-mile pipeline in Louisiana. APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies and certain industrial customers under tariff rates approved by the RRC. APT also provides certain transportation and storage services to industrial and electric generation customers, as well as marketers and producers, under negotiated rates. Our pipeline in Louisiana is primarily used to aggregate gas supply for our Louisiana Division under a long-term contract and on a more limited basis to third parties. The demand fee charged to our Louisiana Division is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans with distribution affiliates of the Company at terms that have been approved by the applicable state regulatory commissions. The performance obligations for these transportation customers are satisfied by means of transporting customer-supplied gas to the designated location. Revenue is recognized and our performance obligation is satisfied over time when natural gas is delivered to the customer. Management determined that these arrangements qualify for the invoice practical expedient for recognizing revenue. For demand fee arrangements, revenue is recognized and our performance obligation is satisfied by standing ready to transport natural gas over the period of each individual month.

Alternative Revenue Program Revenues

In our distribution segment, we have weather-normalization adjustment mechanisms that serve to minimize the effects of weather on our Contribution Margin. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark of \$69.4 million that was established in its most recent rate case. Differences between actual revenues and revenues calculated under these mechanisms adjust the amount billed to customers. These mechanisms are considered to be alternative revenue programs under accounting standards generally accepted in the United States as they are deemed to be contracts between us and our regulator. Accordingly, revenue under these mechanisms are excluded from revenue from contracts with customers.

Purchased gas costs — Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas cost adjustment mechanisms. Purchased gas cost adjustment mechanisms provide gas distribution companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of their non-gas costs. There is no margin generated through purchased gas cost adjustments, but they provide a dollar-for-dollar offset to increases or decreases in our distribution segment's gas costs. The effects of these purchased gas cost adjustment mechanisms are recorded as deferred gas costs on our consolidated balance sheets.

Discontinued operations — Accounting policies specific to our discontinued natural gas marketing business are described in more detail in Note 16.

Cash and cash equivalents — We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts — Accounts receivable arise from natural gas sales to residential, commercial, industrial, municipal and other customers. We establish an allowance for doubtful accounts to reduce the net receivable balance to the amount we reasonably expect to collect based on our collection experience or where we are aware of a specific customer's inability or reluctance to pay. However, if circumstances change, our estimate of the recoverability of accounts receivable could be affected. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Gas stored underground — Our gas stored underground is comprised of natural gas injected into storage to support the winter season withdrawals for our distribution operations. The average cost method is used for all of our distribution operations. Gas in storage that is retained as cushion gas to maintain reservoir pressure is classified as property, plant and equipment and is valued at cost.

Property, plant and equipment — Regulated property, plant and equipment is stated at original cost, net of contributions in aid of construction. The cost of additions includes direct construction costs, payroll related costs (taxes, pensions and other fringe benefits), administrative and general costs and an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the capitalizable total cost of funds used to finance the construction of major projects.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table details amounts capitalized for the fiscal year ended September 30.

Component of AFUDC	Statement of Comprehensive Income Location	2019	2018	2017
		(In thousands)		
Debt	Interest charges	\$ 7,643	\$ 6,810	\$ 2,479
Equity	Other non-operating income (expense)	11,165	—	—
		<u>\$ 18,808</u>	<u>\$ 6,810</u>	<u>\$ 2,479</u>

Major renewals, including replacement pipe, and betterments that are recoverable through our regulatory rate base are capitalized while the costs of maintenance and repairs that are not capitalizable are charged to expense as incurred. The costs of large projects are accumulated in construction in progress until the project is completed. When the project is completed, tested and placed in service, the balance is transferred to the regulated plant in service account included in the rate base and depreciation begins.

Regulated property, plant and equipment is depreciated at various rates on a straight-line basis. These rates are approved by our regulatory commissions and are comprised of two components: one based on average service life and one based on cost of removal. Accordingly, we recognize our cost of removal expense as a component of depreciation expense. The related cost of removal accrual is reflected as a regulatory liability on the consolidated balance sheet. At the time property, plant and equipment is retired, removal expenses less salvage, are charged to the regulatory cost of removal accrual. The composite depreciation rate was 3.1 percent, 3.2 percent and 3.1 percent for the fiscal years ended September 30, 2019, 2018 and 2017.

Other property, plant and equipment is stated at cost. Depreciation is generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives.

Asset retirement obligations — We record a liability at fair value for an asset retirement obligation when the legal obligation to retire the asset has been incurred with an offsetting increase to the carrying value of the related asset. Accretion of the asset retirement obligation due to the passage of time is recorded as an operating expense.

As of September 30, 2019 and 2018, we had asset retirement obligations of \$17.1 million and \$12.9 million. Additionally, we had \$11.3 million and \$7.5 million of asset retirement costs recorded as a component of property, plant and equipment that will be depreciated over the remaining life of the underlying associated assets.

We believe we have a legal obligation to retire our natural gas storage facilities. However, we have not recognized an asset retirement obligation associated with our storage facilities because we are not able to determine the settlement date of this obligation as we do not anticipate taking our storage facilities out of service permanently. Therefore, we cannot reasonably estimate the fair value of this obligation.

Impairment of long-lived assets — We evaluate whether events or circumstances have occurred that indicate that other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Goodwill — We annually evaluate our goodwill balances for impairment during our second fiscal quarter or more frequently as impairment indicators arise. During the second quarter of fiscal 2019, we completed our annual goodwill impairment assessment using a qualitative assessment, as permitted under U.S. GAAP. We test goodwill for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit. Based on the assessment performed, we determined that our goodwill was not impaired. Although not applicable for the fiscal 2019 analysis, if the qualitative assessment resulted in impairment indicators, we would then use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. These calculations are dependent on several subjective factors including the timing of future cash flows, future growth rates and the discount rate. An impairment charge is recognized if the carrying value of a reporting unit's goodwill exceeds its fair value.

Marketable securities — As of September 30, 2019, we hold marketable securities classified as either equity or debt securities. Beginning on October 1, 2018, changes in fair value of our equity securities were recorded in net income as discussed further below in the *Recent accounting pronouncements* section. Debt securities, which are considered available for sale securities, are reported at market value with unrealized gains and losses shown as a component of accumulated other

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

comprehensive income (loss). During fiscal 2018 and under the previous accounting guidance, all our debt and equity securities were considered available for sale securities.

We regularly evaluate the performance of our available for sale debt securities on an investment by investment basis for impairment, taking into consideration the securities' purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related investment is written down to its estimated fair value.

Financial instruments and hedging activities — We currently use financial instruments to mitigate commodity price risk in our distribution and pipeline and storage segments and in the past have also used financial instruments to mitigate interest rate risk. The objectives and strategies for using financial instruments have been tailored to our business and are discussed in Note 14.

We record all of our financial instruments on the balance sheet at fair value, with changes in fair value ultimately recorded in the statement of comprehensive income. These financial instruments are reported as risk management assets and liabilities and are classified as current or noncurrent other assets or liabilities based upon the anticipated settlement date of the underlying financial instrument. We record the cash flow impact of our financial instruments in operating cash flows based upon their balance sheet classification.

The timing of when changes in fair value of our financial instruments are recorded in the statement of comprehensive income depends on whether the financial instrument has been designated and qualifies as a part of a hedging relationship or if regulatory rulings require a different accounting treatment. Changes in fair value for financial instruments that do not meet one of these criteria are recognized in the statement of comprehensive income as they occur.

Financial Instruments Associated with Commodity Price Risk

In our distribution segment, the costs associated with and the realized gains and losses arising from the use of financial instruments to mitigate commodity price risk are included in our purchased gas cost adjustment mechanisms in accordance with regulatory requirements. Therefore, changes in the fair value of these financial instruments are initially recorded as a component of deferred gas costs and recognized in the consolidated statements of comprehensive income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue in accordance with accounting principles generally accepted in the United States. Accordingly, there is no earnings impact on our distribution segment as a result of the use of these financial instruments.

Financial Instruments Associated with Interest Rate Risk

In connection with the planned issuance of long-term debt, we may use financial instruments to manage interest rate risk. We historically managed this risk through the use of forward starting interest rate swaps to fix the Treasury yield component of the interest cost associated with anticipated financings. We designate these financial instruments as cash flow hedges at the time the agreements are executed. Unrealized gains and losses associated with the instruments are recorded as a component of accumulated other comprehensive income (loss). When the instruments settle, the realized gain or loss is recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest charges over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred is reported as a component of interest charges. As of September 30, 2019 and September 30, 2018, no cash was required to be held in margin accounts.

Fair Value Measurements — We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We primarily use quoted market prices and other observable market pricing information in valuing our financial assets and liabilities and minimize the use of unobservable pricing inputs in our measurements.

Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.

Amounts reported at fair value are subject to potentially significant volatility based upon changes in market prices, including, but not limited to, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions and interest rates, each of which directly affect the estimated fair value of our financial instruments. We believe the market prices and models used to value these financial instruments represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then current market conditions.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Authoritative accounting literature establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The levels of the hierarchy are described below:

Level 1 — Represents unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is defined as a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value.

Our Level 1 measurements consist primarily of our debt and equity securities. The Level 1 measurements for investments in the Atmos Energy Corporation Master Retirement Trust (the Master Trust), Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of exchange-traded financial instruments.

Level 2 — Represents pricing inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability as of the reporting date. These inputs are derived principally from, or corroborated by, observable market data. Our Level 2 measurements primarily consist of non-exchange-traded financial instruments, such as over-the-counter options and swaps and municipal and corporate bonds where market data for pricing is observable. The Level 2 measurements for investments in our Master Trust, Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of non-exchange traded financial instruments such as corporate bonds and government securities.

Level 3 — Represents generally unobservable pricing inputs which are developed based on the best information available, including our own internal data, in situations where there is little if any market activity for the asset or liability at the measurement date. The pricing inputs utilized reflect what a market participant would use to determine fair value. We currently do not have any Level 3 investments.

Pension and other postretirement plans — Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. Our measurement date is September 30. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities. For the valuation performed as of September 30, 2019, decreases in the discount rate resulted in actuarial losses that increased our plan obligations.

The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligation and net pension and postretirement cost. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds.

The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of the annual pension and postretirement plan cost. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors when making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan cost is not affected. Rather, this gain or loss is amortized over the expected future working lifetime of the plan participants.

The expected return on plan assets is then calculated by applying the expected long-term rate of return on plan assets to the market-related value of the plan assets. The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this calculation will delay the impact of current market fluctuations on the pension expense for the period.

We use a corridor approach to amortize actuarial gains and losses. Under this approach, net gains or losses in excess of ten percent of the larger of the pension benefit obligation or the market-related value of the assets are amortized on a straight-line basis. The period of amortization is the average remaining service of active participants who are expected to receive benefits under the plan.

We estimate the assumed health care cost trend rate used in determining our annual postretirement net cost based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon the annual review of our participant census information as of the measurement date.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income taxes — Income taxes are determined based on the liability method, which results in income tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The liability method requires the effect of tax rate changes on accumulated deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

The Company may recognize the tax benefit from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities. We recognize accrued interest related to unrecognized tax benefits as a component of interest charges. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements.

Tax collections — We are allowed to recover from customers revenue-related taxes that are imposed upon us. We record such taxes as operating expenses and record the corresponding customer charges as operating revenues. However, we do collect and remit various other taxes on behalf of various governmental authorities, and we record these amounts in our consolidated balance sheets on a net basis. We do not collect income taxes from our customers on behalf of governmental authorities.

Contingencies — In the normal course of business, we are confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits, claims made by third parties or the action of various regulatory agencies. For such matters, we record liabilities when they are considered probable and estimable, based on currently available facts and our estimates of the ultimate outcome or resolution of the liability in the future. Actual results may differ from estimates, depending on actual outcomes or changes in the facts or expectations surrounding each potential exposure.

Subsequent events — Except as noted in Note 6 regarding the public offering of senior notes, no events occurred subsequent to the balance sheet date that would require recognition or disclosure in the financial statements.

Recent accounting pronouncements*Accounting pronouncements adopted in fiscal 2019*

During fiscal 2019, we adopted the following accounting guidance updates. The adoption of this new guidance, individually and collectively, did not have a material impact on our financial position, results of operations or cash flows.

- **Revenue recognition** - We adopted the new guidance October 1, 2018 using the modified retrospective method. Under the new guidance, we are required to recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The implementation of the new guidance did not have a material impact on our financial position, results of operations, cash flow or business processes. However, the guidance introduced new disclosures which are presented in Note 5.
- **Classification and measurement of financial instruments** - The new guidance requires that we recognize changes in the fair value of our equity securities formerly designated as available-for-sale in other non-operating income (expense) in our consolidated statement of comprehensive income on a prospective basis from the date of adoption. However, we continue to classify cash flows from purchases and sales of equity securities within investing activities given the nature of these securities. Additionally, in accordance with the guidance, we reclassified a net \$8.2 million unrealized gain related to these equity securities from accumulated other comprehensive income (AOCI) to retained earnings at October 1, 2018. The accounting for debt securities designated as available-for-sale did not change as a result of this new guidance. Accordingly, changes in the fair value of these securities will continue to be recorded as a component of AOCI.
- **Presentation of the Components of Net Periodic Benefit Cost** - On October 1, 2018, we adopted the new guidance, which requires us to present only the current service cost component of the net benefit cost within operations and maintenance expense in the consolidated statements of comprehensive income. The remaining components of net benefit cost are now recorded in other non-operating income (expense) in our consolidated statements of comprehensive income. The change in presentation of these costs was implemented on a retrospective basis as required by the guidance. In lieu of determining how each component of the net periodic benefit cost was actually reflected in the prior periods' statement of comprehensive income, we elected to utilize a practical expedient that permits the use of the amounts disclosed for these costs in our pension and post-retirement benefit plans footnote as the basis to retroactively apply this standard.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, under the new guidance, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). We continue to capitalize these costs into property, plant and equipment.

However, the FERC, which establishes the regulatory accounting practices for rate-regulated entities, issued guidance that permits such entities the option to continue to capitalize non-service benefit costs for regulatory purposes. Since the accounting guidelines by the FERC are typically followed by our state regulatory authorities, for U.S. GAAP reporting purposes, we are prospectively deferring into a regulatory asset the portion of non-service components of net periodic benefit cost that are capitalizable for regulatory purposes.

- Accounting for Implementation Costs Incurred in A Hosting Arrangement That Is A Service Contract - The new guidance aligns the requirements for capitalizing implementation costs incurred for these contracts with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). We elected to early adopt the new guidance on a prospective basis effective October 1, 2018. Accordingly, we will capitalize the up-front costs incurred for cloud computing arrangements had they been capitalizable in a similar on-premise software solution.
- Disclosures of Defined Benefit Pension and Other Postretirement Plans - As of September 30, 2019, we elected to early adopt the new guidance, issued by the FASB in August 2018, that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance removes the disclosure requirements for the amounts of gain/loss and prior service cost/credit amortization expected in the following year and the disclosure of the effect of a one-percentage-point change in the health care cost trend rate, among other changes. The guidance adds certain disclosures including the weighted average interest crediting rate for cash balance plans and a narrative description for the significant change in gains and losses as well as any other significant change in the plan obligations or assets. The adoption of this new guidance impacted only our disclosures, see Note 8.

Accounting pronouncements that will be effective after fiscal 2019

In February 2016, the FASB issued a comprehensive new leasing standard that will require lessees to recognize a lease liability and a right-of-use asset for all leases, including operating leases, with an initial term greater than 12 months on its balance sheet. Subsequently, the FASB issued practical expedients to 1) allow entities to not evaluate existing or expired land easements that were not previously accounted for as leases under the current guidance and 2) allow entities the option to adopt the standard and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than applying the new guidance at the beginning of the earliest comparative period presented in the year of adoption. The new standard was effective for us beginning on October 1, 2019.

The impact of this change on our financial position is expected to be material and we will be required to make additional disclosures. We do not anticipate the adoption of this standard will have a material impact to our results of operations or cash flows. We adopted the following practical expedients and accounting policy elections:

- land easements practical expedient under the provisions of ASU 2018-01, as described above,
- package of three practical expedients described in ASC 842-10-65-1,
- transition method practical expedient provided in ASU 2018-11, as described above,
- lease and non-lease component accounting policy election accounted for as single component, and
- short-term lease exemption to not apply Topic 842, as permitted.

We are implementing a new lease accounting system, which we will utilize to capture, track and account for lease data. The new system will also aid in automating the compilation of disclosure information. Additionally, we are implementing internal controls to adhere to the new accounting guidance and to facilitate in the preparation of financial information.

In June 2016, the FASB issued new guidance which will require credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model. Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. In contrast, current U.S. GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. The new guidance also introduces a new impairment recognition model for available-for-sale debt securities that will require credit losses for available-for-sale debt securities to be recorded through an allowance account. The new standard will be effective for us beginning on October 1, 2020; early adoption is permitted. We are currently evaluating the potential impact of this new guidance on our financial position, results of operations and cash flows.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Segment Information

As of September 30, 2019, we manage and review our consolidated operations through the following two reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.

Prior to disposition, the natural gas marketing segment, which was comprised of our natural gas marketing business, was also a reportable segment.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers. Although our distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on net income or loss of the respective operating units. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. All material intercompany transactions have been eliminated; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates' rate regulation process. Income taxes are allocated to each segment as if each segment's income taxes were calculated on a separate return basis.

Income statements and capital expenditures by segment are shown in the following tables.

	Year Ended September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	\$ 2,742,824	\$ 159,024	\$ —	\$ 2,901,848
Intersegment revenues	2,637	408,000	(410,637)	—
Total operating revenues	2,745,461	567,024	(410,637)	2,901,848
Purchased gas cost	1,268,591	(360)	(409,394)	858,837
Operation and maintenance expense	480,222	151,329	(1,243)	630,308
Depreciation and amortization expense	283,697	107,759	—	391,456
Taxes, other than income	242,179	33,010	—	275,189
Operating income	470,772	275,286	—	746,058
Other non-operating income	6,241	1,163	—	7,404
Interest charges	60,031	43,122	—	103,153
Income before income taxes	416,982	233,327	—	650,309
Income tax expense	88,168	50,735	—	138,903
Net income	\$ 328,814	\$ 182,592	\$ —	\$ 511,406
Capital expenditures	\$ 1,274,613	\$ 418,864	\$ —	\$ 1,693,477

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	\$ 3,000,404	\$ 115,142	\$ —	\$ 3,115,546
Intersegment revenues	2,643	392,571	(395,214)	—
Total operating revenues	3,003,047	507,713	(395,214)	3,115,546
Purchased gas cost	1,559,836	1,978	(393,966)	1,167,848
Operation and maintenance expense	461,048	134,995	(1,248)	594,795
Depreciation and amortization expense	264,930	96,153	—	361,083
Taxes, other than income	231,566	32,320	—	263,886
Operating income	485,667	242,267	—	727,934
Other non-operating expense	(6,649)	(3,495)	—	(10,144)
Interest charges	65,850	40,796	—	106,646
Income before income taxes	413,168	197,976	—	611,144
Income tax (benefit) expense	(29,798)	37,878	—	8,080
Net income	\$ 442,966	\$ 160,098	\$ —	\$ 603,064
Capital expenditures	\$ 1,025,800	\$ 441,791	\$ —	\$ 1,467,591

	Year Ended September 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
	(In thousands)				
Operating revenues from external parties	\$ 2,647,813	\$ 111,922	\$ —	\$ —	\$ 2,759,735
Intersegment revenues	1,362	345,108	—	(346,470)	—
Total operating revenues	2,649,175	457,030	—	(346,470)	2,759,735
Purchased gas cost	1,269,456	2,506	—	(346,426)	925,536
Operation and maintenance expense	404,995	133,765	—	(44)	538,716
Depreciation and amortization expense	249,071	70,377	—	—	319,448
Taxes, other than income	211,929	28,478	—	—	240,407
Operating income	513,724	221,904	—	—	735,628
Other non-operating expense	(9,777)	(1,575)	—	—	(11,352)
Interest charges	79,789	40,393	—	—	120,182
Income from continuing operations before income taxes	424,158	179,936	—	—	604,094
Income tax expense	155,789	65,594	—	—	221,383
Income from continuing operations	268,369	114,342	—	—	382,711
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	\$ 268,369	\$ 114,342	\$ 13,710	\$ —	\$ 396,421
Capital expenditures	\$ 849,950	\$ 287,139	\$ —	\$ —	\$ 1,137,089

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our revenues from external parties, excluding intersegment revenues, by products and services for the fiscal years ended September 30.

	2019	2018	2017
	(In thousands)		
Distribution revenues:			
Gas sales revenues:			
Residential	\$ 1,733,548	\$ 1,916,101	\$ 1,642,918
Commercial	711,284	797,073	708,167
Industrial	118,046	131,267	133,372
Public authority and other	42,613	47,714	45,820
Total gas sales revenues	2,605,491	2,892,155	2,530,277
Transportation revenues	95,629	99,250	86,332
Other gas revenues	41,704	8,999	31,204
Total distribution revenues	2,742,824	3,000,404	2,647,813
Pipeline and storage revenues	159,024	115,142	111,922
Total operating revenues	<u>\$ 2,901,848</u>	<u>\$ 3,115,546</u>	<u>\$ 2,759,735</u>

Balance sheet information at September 30, 2019 and 2018 by segment is presented in the following tables.

	September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	\$ 8,737,590	\$ 3,050,079	\$ —	\$ 11,787,669
Total assets	<u>\$ 12,579,741</u>	<u>\$ 3,279,323</u>	<u>\$ (2,491,445)</u>	<u>\$ 13,367,619</u>

	September 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	\$ 7,644,693	\$ 2,726,454	\$ —	\$ 10,371,147
Total assets	<u>\$ 11,109,128</u>	<u>\$ 2,963,480</u>	<u>\$ (2,198,171)</u>	<u>\$ 11,874,437</u>

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. The calculation of earnings per share using the two-class method excludes income attributable to these participating securities from the numerator and excludes the dilutive impact of those shares from the denominator. Basic weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 7, when the impact is dilutive.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Basic and diluted earnings per share for the fiscal years ended September 30 are calculated as follows:

	2019	2018	2017
	(In thousands, except per share data)		
Basic Earnings Per Share from continuing operations			
Income from continuing operations	\$ 511,406	\$ 603,064	\$ 382,711
Less: Income from continuing operations allocated to participating securities	416	580	475
Income from continuing operations available to common shareholders	<u>\$ 510,990</u>	<u>\$ 602,484</u>	<u>\$ 382,236</u>
Basic weighted average shares outstanding	<u>117,200</u>	<u>111,012</u>	<u>106,100</u>
Income from continuing operations per share — Basic	<u>\$ 4.36</u>	<u>\$ 5.43</u>	<u>\$ 3.60</u>
Basic Earnings Per Share from discontinued operations			
Income from discontinued operations	\$ —	\$ —	\$ 13,710
Less: Income from discontinued operations allocated to participating securities	—	—	12
Income from discontinued operations available to common shareholders	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,698</u>
Basic weighted average shares outstanding	<u>117,200</u>	<u>111,012</u>	<u>106,100</u>
Income from discontinued operations per share - Basic	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.13</u>
Net Income per share — Basic	<u>\$ 4.36</u>	<u>\$ 5.43</u>	<u>\$ 3.73</u>
Diluted Earnings Per Share from continuing operations			
Income from continuing operations available to common shareholders	\$ 510,990	\$ 602,484	\$ 382,236
Effect of dilutive shares	—	—	—
Income from continuing operations available to common shareholders	<u>\$ 510,990</u>	<u>\$ 602,484</u>	<u>\$ 382,236</u>
Basic weighted average shares outstanding	<u>117,200</u>	<u>111,012</u>	<u>106,100</u>
Dilutive shares	261	—	—
Diluted weighted average shares outstanding	<u>117,461</u>	<u>111,012</u>	<u>106,100</u>
Income from continuing operations per share — Diluted	<u>\$ 4.35</u>	<u>\$ 5.43</u>	<u>\$ 3.60</u>
Diluted Earnings Per Share from discontinued operations			
Income from discontinued operations available to common shareholders	\$ —	\$ —	\$ 13,698
Effect of dilutive shares	—	—	—
Income from discontinued operations available to common shareholders	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,698</u>
Basic weighted average shares outstanding	<u>117,200</u>	<u>111,012</u>	<u>106,100</u>
Dilutive shares	261	—	—
Diluted weighted average shares outstanding	<u>117,461</u>	<u>111,012</u>	<u>106,100</u>
Income from discontinued operations per share - Diluted	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.13</u>
Net Income per share — Diluted	<u>\$ 4.35</u>	<u>\$ 5.43</u>	<u>\$ 3.73</u>

ATMOS ENERGY CORPORATION

5. Revenue NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table disaggregates our revenue from contracts with customers by customer type and segment and provides a reconciliation to total operating revenues, including intersegment revenues, for the period presented.

	Year Ended September 30, 2019	
	Distribution	Pipeline and Storage
	(In thousands)	
Gas sales revenues:		
Residential	\$ 1,755,229	\$ —
Commercial	716,757	—
Industrial	118,060	—
Public authority and other	42,796	—
Total gas sales revenues	2,632,842	—
Transportation revenues	97,495	623,808
Miscellaneous revenues	26,050	8,060
Revenues from contracts with customers	2,756,387	631,868
Alternative revenue program revenues ⁽¹⁾	(12,958)	(64,844)
Other revenues	2,032	—
Total operating revenues	\$ 2,745,461	\$ 567,024

- (1) In our distribution segment, we have weather-normalization adjustment mechanisms that serve to minimize the effects of weather on our Contribution Margin. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark.

6. Debt

Long-term debt

Long-term debt at September 30, 2019 and 2018 consisted of the following:

	2019	2018
	(In thousands)	
Unsecured 8.50% Senior Notes, due March 2019	\$ —	\$ 450,000
Unsecured 3.00% Senior Notes, due 2027	500,000	500,000
Unsecured 5.95% Senior Notes, due 2034	200,000	200,000
Unsecured 5.50% Senior Notes, due 2041	400,000	400,000
Unsecured 4.15% Senior Notes, due 2043	500,000	500,000
Unsecured 4.125% Senior Notes, due 2044	750,000	750,000
Unsecured 4.30% Senior Notes, due 2048	600,000	—
Unsecured 4.125% Senior Notes, due 2049	450,000	—
Medium term Series A notes, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due September 2019 ⁽¹⁾	—	125,000
Total long-term debt	3,560,000	3,085,000
Less:		
Original issue (premium) / discount on unsecured senior notes and debentures	193	(4,439)
Debt issuance cost	30,355	20,774
Current maturities	—	575,000
	\$ 3,529,452	\$ 2,493,665

- (1) Up to \$200 million was available to be drawn under this term loan prior to its maturity in September 2019.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Maturities of long-term debt at September 30, 2019 were as follows (in thousands):

2020	\$	—
2021		—
2022		—
2023		—
2024		—
Thereafter		3,560,000
	<u>\$</u>	<u>3,560,000</u>

On October 2, 2019, we completed a public offering of \$300 million of 2.625% senior notes due 2029 and \$500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and estimated offering expenses, of \$791.6 million, that were used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program. The effective interest rate on these notes is 2.72% and 3.42%, after giving effect to the offering costs.

On September 20, 2019, we repaid our \$125 million floating rate term loan at its maturity.

On March 4, 2019, we completed a public offering of \$450 million of 4.125% senior notes due 2049. The effective interest rate of these notes is 4.86%, after giving effect to the offering costs and the settlement of the associated forward starting interest rate swaps. The net proceeds, after the underwriting discount and offering expenses, of \$443.4 million, together with available cash, was used to repay at maturity our \$450 million 8.50% unsecured senior notes due March 15, 2019 and the related settlement of our interest rate swaps.

On October 4, 2018, we completed a public offering of \$600 million of 4.30% senior notes due 2048. We received net proceeds from the offering, after the underwriting discount and offering expenses, of \$590.6 million, that were used to repay working capital borrowings pursuant to our commercial paper program. The effective interest rate of these notes is 4.37% after giving effect to the offering costs.

We utilize short-term debt to provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Our short-term borrowing requirements are driven primarily by construction work in progress and the seasonal nature of the natural gas business.

Currently, our short-term borrowing requirements are satisfied through a combination of a \$1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately \$1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured \$1.5 billion credit facility. On March 29, 2019, we executed our final one-year extension option which extended the maturity date from September 25, 2022 to September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 1.25 percent, based on the Company's credit ratings. Additionally, the facility contains a \$250 million accordion feature, which provides the opportunity to increase the total committed loan to \$1.75 billion. At September 30, 2019 and 2018, there was \$464.9 million and \$575.8 million outstanding under our commercial paper program with weighted average interest rates of 2.24% and 2.15% and weighted average maturities of less than one month.

Additionally, we have a \$25 million 364-day unsecured facility, which was renewed on April 1, 2019, and a \$10 million 364-day unsecured revolving credit facility, which was renewed September 30, 2019, and is used primarily to issue letters of credit. At September 30, 2019, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our \$10 million unsecured revolving facility to \$4.4 million.

The availability of funds under these credit facilities is subject to conditions specified in the respective credit agreements, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in these agreements. We are required by the financial covenants in each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total-debt-to-total-capitalization of no greater than 70 percent. At September 30, 2019, our total-debt-to-total-capitalization ratio, as defined, was 42 percent. In addition, both the interest margin and the fee that we pay on unused amounts under each of these facilities are subject to adjustment depending upon our credit ratings.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

These credit facilities and our public indentures contain usual and customary covenants for our business, including covenants substantially limiting liens, substantial asset sales and mergers. Additionally, our public debt indentures relating to our senior notes and debentures, as well as certain of our revolving credit agreements, each contain a default provision that is triggered if outstanding indebtedness arising out of any other credit agreements in amounts ranging from in excess of \$15 million to in excess of \$100 million becomes due by acceleration or is not paid at maturity. We were in compliance with all of our debt covenants as of September 30, 2019. If we were unable to comply with our debt covenants, we would likely be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions.

7. Shareholders' Equity

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

On November 13, 2018, we filed a registration statement with the Securities and Exchange Commission (SEC) to issue, from time to time, up to \$3.0 billion in common stock and/or debt securities, which expires November 13, 2021. This registration statement replaced our previous registration statement that was effectively exhausted in October 2018. At September 30, 2019, approximately \$1.3 billion of securities remained available for issuance under the shelf registration statement.

On November 19, 2018, we filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity sales program under which we may issue and sell shares of our common stock up to an aggregate offering price of \$500 million (including shares of common stock that may be sold pursuant to a forward sale agreement entered into in connection with the ATM equity sales program), which expires November 13, 2021. During the year ended September 30, 2019, we executed forward sales under the ATM with various forward sellers who borrowed and sold 4,144,671 shares of our common stock for \$425.0 million. As of September 30, 2019, the ATM program had approximately \$75 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for \$500 million. After expenses, net proceeds from the offering were \$494.1 million. Concurrently, we entered into separate forward sale agreements with two forward sellers who borrowed and sold 2,668,464 shares of our common stock for \$247.5 million. During the year ended September 30, 2019, we settled 2,183,275 shares for net proceeds of \$200.0 million.

If we had settled all shares that remain available under our various forward sale agreements as of September 30, 2019, we would have received proceeds of \$463.4 million, based on a net price of \$100.08 per share.

The following table presents information relevant to the forward sales during fiscal 2019.

	Maturity				Total	
	September 30, 2020		March 31, 2020		Shares	Price ⁽¹⁾
	Shares	Price ⁽¹⁾	Shares	Price ⁽¹⁾		
Available Balance September 30, 2018	—	\$ —	—	\$ —	—	\$ —
Q1 Issuance	—	—	2,668,464	91.77	2,668,464	91.77
Q2 Issuance	—	—	1,670,509	95.46	1,670,509	95.46
Q3 Issuance	1,050,563	101.41	—	—	1,050,563	101.41
Q3 Settlement	—	—	(1,089,700)	91.44	(1,089,700)	91.44
Q4 Issuance	1,423,599	108.70	—	—	1,423,599	108.70
Q4 Settlement	—	—	(1,093,575)	91.78	(1,093,575)	91.78
Available Balance September 30, 2019	<u>2,474,162</u>		<u>2,155,698</u>		<u>4,629,860</u>	

(1) Issued price as disclosed is calculated as the weighted average price for activity occurring during the quarter.

On November 30, 2017, we filed a prospectus supplement under the previous registration statement relating to an underwriting agreement to sell 4,558,404 shares of our common stock for \$400 million. After expenses, net proceeds from the offering were \$395.1 million.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

1998 Long-Term Incentive Plan

In August 1998, the Board of Directors approved and adopted the 1998 Long-Term Incentive Plan (LTIP), which became effective in October 1998 after approval by our shareholders. The LTIP is a comprehensive, long-term incentive compensation plan providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units to certain employees and non-employee directors of the Company and our subsidiaries. The objectives of this plan include attracting and retaining the best available personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire our common stock.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in accumulated other comprehensive income (AOCI) related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities are recognized in earnings upon settlement, while deferred gains (losses) related to our interest rate agreement cash flow hedges are recognized in earnings as a component of interest charges, as they are amortized. The following tables provide the components of our accumulated other comprehensive income (loss) balances, net of the related tax effects allocated to each component of other comprehensive income (loss).

	Available- for-Sale Securities ⁽¹⁾	Interest Rate Agreement Cash Flow Hedges	Total
	(In thousands)		
September 30, 2018	\$ 8,124	\$ (91,771)	\$ (83,647)
Other comprehensive income (loss) before reclassifications	219	(25,966)	(25,747)
Amounts reclassified from accumulated other comprehensive income	(1)	3,022	3,021
Net current-period other comprehensive income (loss)	218	(22,944)	(22,726)
Cumulative effect of accounting change (See Note 2)	(8,210)	—	(8,210)
September 30, 2019	\$ 132	\$ (114,715)	\$ (114,583)

	Available- for-Sale Securities ⁽¹⁾	Interest Rate Agreement Cash Flow Hedges	Total
	(In thousands)		
September 30, 2017	\$ 7,048	\$ (112,302)	\$ (105,254)
Other comprehensive income (loss) before reclassifications	1,426	43,184	44,610
Amounts reclassified from accumulated other comprehensive income	(1,821)	1,752	(69)
Net current-period other comprehensive income (loss)	(395)	44,936	44,541
Cumulative effect of accounting change	1,471	(24,405)	(22,934)
September 30, 2018	\$ 8,124	\$ (91,771)	\$ (83,647)

- (1) Available-for-sale securities reported in fiscal 2018 include both debt and equity securities, while fiscal 2019 includes only debt securities. See Note 2 for further discussion regarding our adoption of the new accounting standard.

8. Retirement and Post-Retirement Employee Benefit Plans

We have both funded and unfunded noncontributory defined benefit plans that together cover most of our employees. We also maintain post-retirement plans that provide health care benefits to retired employees. Finally, we sponsor a defined contribution plan that covers substantially all employees. These plans are discussed in further detail below.

As a rate regulated entity, most of our net periodic pension and other postretirement benefits costs are recoverable through our rates over a period of up to 15 years. A portion of these costs is capitalized into our rate base or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

operating expense. Additionally, the amounts that have not yet been recognized in net periodic pension cost that have been recorded as regulatory assets or liabilities are as follows:

	Defined Benefit Plan	Supplemental Executive Retirement Plans	Postretirement Plans	Total
	(In thousands)			
September 30, 2019				
Unrecognized prior service (credit) cost	\$ (815)	\$ —	\$ 1,125	\$ 310
Unrecognized actuarial (gain) loss	67,191	56,784	(43,782)	80,193
	<u>\$ 66,376</u>	<u>\$ 56,784</u>	<u>\$ (42,657)</u>	<u>\$ 80,503</u>
September 30, 2018				
Unrecognized prior service (credit) cost	\$ (1,047)	\$ —	\$ 1,298	\$ 251
Unrecognized actuarial (gain) loss	(2,310)	33,912	(100,966)	(69,364)
	<u>\$ (3,357)</u>	<u>\$ 33,912</u>	<u>\$ (99,668)</u>	<u>\$ (69,113)</u>

Defined Benefit Plans*Employee Pension Plan*

As of September 30, 2019, we maintained one defined benefit plan, the Atmos Energy Corporation Pension Account Plan (the Plan). The assets of the Plan are held within the Atmos Energy Corporation Master Retirement Trust (the Master Trust). The Plan is a cash balance pension plan that was established effective January 1999 and covers most of the employees of Atmos Energy that were hired on or before September 30, 2010. The plan was closed to new participants effective October 1, 2010.

Opening account balances were established for participants as of January 1999 equal to the present value of their respective accrued benefits under the pension plans which were previously in effect as of December 31, 1998. The Plan credits an allocation to each participant's account at the end of each year according to a formula based on the participant's age, service and total pay (excluding incentive pay). In addition, at the end of each year, a participant's account is credited with interest on the employee's prior year account balance. Participants are fully vested in their account balances after three years of service and may choose to receive their account balances as a lump sum or an annuity.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974, including the funding requirements under the Pension Protection Act of 2006 (PPA). However, additional voluntary contributions are made from time to time as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

During fiscal 2019 and 2018 we contributed \$8.5 million and \$7.0 million in cash to the Plan to achieve a desired level of funding while maximizing the tax deductibility of this payment. Based upon market conditions at September 30, 2019, the current funded position of the Plan and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2020. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We make investment decisions and evaluate performance of the assets in the Master Trust on a medium-term horizon of at least three to five years. We also consider our current financial status when making recommendations and decisions regarding the Master Trust's assets. Finally, we strive to ensure the Master Trust's assets are appropriately invested to maintain an acceptable level of risk and meet the Master Trust's long-term asset investment policy adopted by the Board of Directors.

To achieve these objectives, we invest the Master Trust's assets in equity securities, fixed income securities, interests in commingled pension trust funds, other investment assets and cash and cash equivalents. Investments in equity securities are diversified among the market's various subsectors in an effort to diversify risk and maximize returns. Fixed income securities are invested in investment grade securities. Cash equivalents are invested in securities that either are short term (less than 180 days) or readily convertible to cash with modest risk.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents asset allocation information for the Master Trust as of September 30, 2019 and 2018.

Security Class	Targeted Allocation Range	Actual Allocation September 30	
		2019	2018
Domestic equities	35%-55%	40.6%	44.3%
International equities	10%-20%	14.5%	15.4%
Fixed income	5%-30%	18.8%	16.9%
Company stock	0%-15%	15.4%	12.7%
Other assets	0%-20%	10.7%	10.7%

At September 30, 2019 and 2018, the Plan held 716,700 shares of our common stock which represented 15.4 percent and 12.7 percent of total Plan assets. These shares generated dividend income for the Plan of approximately \$1.5 million and \$1.4 million during fiscal 2019 and 2018.

Our employee pension plan expenses and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets and assumed discount rates and demographic data. We review the estimates and assumptions underlying our employee pension plans annually based upon a September 30 measurement date. The development of our assumptions is fully described in our significant accounting policies in Note 2. The actuarial assumptions used to determine the pension liability for the Plan was determined as of September 30, 2019 and 2018 and the actuarial assumptions used to determine the net periodic pension cost for the Plan was determined as of September 30, 2018, 2017 and 2016. On October 23, 2019, the Society of Actuaries released its annually-updated mortality improvement scale for pension plans incorporating new assumptions surrounding life expectancies in the United States. As of September 30, 2019, we updated our assumed mortality rates to incorporate the updated mortality table.

Additional assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2019	2018	2019	2018	2017
Discount rate	3.29%	4.38%	4.38%	3.89%	3.73%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Expected return on plan assets	6.50%	6.75%	6.75%	6.75%	7.00%
Interest crediting rate	4.69%	4.69%	4.69%	4.69%	4.69%

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the Plan's accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2019 and 2018:

	2019	2018
	(In thousands)	
Accumulated benefit obligation	\$ 541,287	\$ 478,750
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 504,719	\$ 533,455
Service cost	15,311	17,264
Interest cost	22,071	20,803
Actuarial (gain) loss	71,139	(29,087)
Benefits paid	(35,970)	(37,716)
Benefit obligation at end of year	577,270	504,719
Change in plan assets:		
Fair value of plan assets at beginning of year	531,691	508,244
Actual return on plan assets	25,888	54,163
Employer contributions	8,500	7,000
Benefits paid	(35,970)	(37,716)
Fair value of plan assets at end of year	530,109	531,691
Reconciliation:		
Funded status	(47,161)	26,972
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Net amount recognized	\$ (47,161)	\$ 26,972

Net periodic pension cost for the Plan for fiscal 2019, 2018 and 2017 is presented in the following table.

	Fiscal Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$ 15,311	\$ 17,264	\$ 18,109
Interest cost ⁽¹⁾	22,071	20,803	20,443
Expected return on assets ⁽¹⁾	(28,451)	(27,666)	(27,975)
Amortization of prior service credit ⁽¹⁾	(232)	(231)	(231)
Recognized actuarial loss ⁽¹⁾	4,201	9,114	12,744
Net periodic pension cost	\$ 12,900	\$ 19,284	\$ 23,090

- (1) The components of net periodic cost other than the service cost component are included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income or are capitalized on the consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30, 2019 and 2018. As required by authoritative accounting literature, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement. The methods used to determine fair value for the assets held by the Plan are fully described in Note 2. Investments in our common/collective trusts and limited partnerships that are measured at net asset value per share equivalent are not classified in the fair value hierarchy. The net asset value amounts presented are intended to reconcile the fair value hierarchy to the total investments. In addition to the assets shown below, the Plan had net accounts receivable of \$1.3 million and \$2.0 million at September 30, 2019 and 2018, which materially approximates fair value due to the short-term nature of these assets.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Assets at Fair Value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Common stocks	\$ 212,785	\$ —	\$ —	\$ 212,785
Money market funds	—	16,419	—	16,419
Registered investment companies	26,326	—	—	26,326
Government securities:				
Mortgage-backed securities	—	19,986	—	19,986
U.S. treasuries	22,930	885	—	23,815
Corporate bonds	—	55,774	—	55,774
Total investments measured at fair value	<u>\$ 262,041</u>	<u>\$ 93,064</u>	<u>\$ —</u>	<u>355,105</u>
Investments measured at net asset value:				
Common/collective trusts ⁽¹⁾				108,975
Limited partnerships ⁽¹⁾				64,718
Total investments				<u>\$ 528,798</u>

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Common stocks	\$ 197,577	\$ —	\$ —	\$ 197,577
Money market funds	—	19,153	—	19,153
Registered investment companies	50,895	—	—	50,895
Government securities:				
Mortgage-backed securities	—	18,821	—	18,821
U.S. treasuries	23,071	868	—	23,939
Corporate bonds	—	46,498	—	46,498
Total investments measured at fair value	<u>\$ 271,543</u>	<u>\$ 85,340</u>	<u>\$ —</u>	<u>356,883</u>
Investments measured at net asset value:				
Common/collective trusts ⁽¹⁾				108,391
Limited partnerships ⁽¹⁾				64,399
Total investments				<u>\$ 529,673</u>

- (1) The fair value of our common/collective trusts and limited partnerships are measured using the net asset value per share practical expedient. There are no redemption restrictions, redemption notice periods or unfunded commitments for these investments. The redemption frequency is daily.

Supplemental Executive Retirement Plans

We have three nonqualified supplemental plans which provide additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company.

The first plan is referred to as the Supplemental Executive Benefits Plan (SEBP) and covers our officers, division presidents and certain other employees of the Company who were employed on or before August 12, 1998. The SEBP is a defined benefit arrangement which provides a benefit equal to 75 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SEBP.

In August 1998, we adopted the Supplemental Executive Retirement Plan (SERP) (formerly known as the Performance-Based Supplemental Executive Benefits Plan), which covers all officers or division presidents selected to participate in the plan between August 12, 1998 and August 5, 2009 and any corporate officer who was appointed to the Management Committee through December 31, 2015. The SERP is a defined benefit arrangement which provides a benefit equal to 60 percent of

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SERP.

Effective August 5, 2009, we adopted a new defined benefit Supplemental Executive Retirement Plan (the 2009 SERP), for corporate officers, division presidents or any other employees selected at the discretion of the Board. Under the 2009 SERP, a nominal account has been established for each participant, to which the Company contributes at the end of each calendar year an amount equal to ten percent (25 percent for members of the Management Committee appointed on or after January 1, 2016) of the total of each participant's base salary and cash incentive compensation earned during each prior calendar year, beginning December 31, 2009. The benefits vest after three years of service and attainment of age 55 and earn interest credits at the same annual rate as the Company's Pension Account Plan.

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental plans annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for the supplemental plans were determined as of September 30, 2019 and 2018 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of September 30, 2018, 2017 and 2016. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2019	2018	2019	2018	2017
Discount rate ⁽¹⁾	3.29%	4.38%	4.38%	4.08%	3.73%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Interest crediting rate	4.69%	4.69%	4.69%	4.69%	4.69%

(1) Reflects a weighted average discount rate for pension cost for fiscal 2018 due to settlements during the year.

The following table presents the supplemental plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2019 and 2018:

	2019		2018	
	(In thousands)			
Accumulated benefit obligation	\$	138,772	\$	116,943
Change in projected benefit obligation:				
Benefit obligation at beginning of year	\$	121,370	\$	134,480
Service cost		869		1,332
Interest cost		5,127		4,988
Actuarial (gain) loss		25,099		(1,020)
Benefits paid		(8,478)		(4,523)
Settlements		—		(13,887)
Benefit obligation at end of year		143,987		121,370
Change in plan assets:				
Fair value of plan assets at beginning of year		—		—
Employer contribution		8,478		18,410
Benefits paid		(8,478)		(4,523)
Settlements		—		(13,887)
Fair value of plan assets at end of year		—		—
Reconciliation:				
Funded status		(143,987)		(121,370)
Unrecognized prior service cost		—		—
Unrecognized net loss		—		—
Accrued pension cost	\$	(143,987)	\$	(121,370)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assets for the supplemental plans are held in separate rabbi trusts. At September 30, 2019 and 2018, assets held in the rabbi trusts consisted of equity securities of \$44.0 million and \$46.5 million, which are included in our fair value disclosures in Note 15.

Net periodic pension cost for the supplemental plans for fiscal 2019, 2018 and 2017 is presented in the following table.

	Fiscal Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$ 869	\$ 1,332	\$ 2,756
Interest cost ⁽¹⁾	5,127	4,988	4,744
Recognized actuarial loss ⁽¹⁾	2,227	3,079	4,251
Settlements ⁽¹⁾	—	4,159	2,685
Net periodic pension cost	\$ 8,223	\$ 13,558	\$ 14,436

- (1) The components of net periodic cost other than the service cost component are included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income or are capitalized on the consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

Estimated Future Benefit Payments

The following benefit payments for our defined benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years:

	Pension Plan	Supplemental Plans
	(In thousands)	
2020	\$ 33,238	\$ 26,197
2021	35,037	24,407
2022	36,128	8,978
2023	37,851	9,105
2024	39,395	8,440
2025-2029	207,634	50,187

Postretirement Benefits

We sponsor the Retiree Medical Plan for Retirees and Disabled Employees of Atmos Energy Corporation (the Atmos Retiree Medical Plan). This plan provides medical and prescription drug protection to all qualified participants based on their date of retirement. The Atmos Retiree Medical Plan provides different levels of benefits depending on the level of coverage chosen by the participants and the terms of predecessor plans; however, we generally pay 80 percent of the projected net claims and administrative costs and participants pay the remaining 20 percent. Effective January 1, 2015, for employees who had not met the participation requirements by September 30, 2009, the contribution rates for the Company are limited to a three percent cost increase in claims and administrative costs each year, with the participant responsible for the additional costs.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of ERISA. However, additional voluntary contributions are made annually as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. We expect to contribute between \$10 million and \$20 million to our postretirement benefits plan during fiscal 2020.

We maintain a formal investment policy with respect to the assets in our postretirement benefits plan to ensure the assets funding the postretirement benefit plan are appropriately invested to maintain an acceptable level of risk. We also consider our current financial status when making recommendations and decisions regarding the postretirement benefits plan.

We currently invest the assets funding our postretirement benefit plan in diversified investment funds which consist of common stocks, preferred stocks and fixed income securities. The diversified investment funds may invest up to 75 percent of assets in common stocks and convertible securities. The following table presents asset allocation information for the postretirement benefit plan assets as of September 30, 2019 and 2018.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Security Class</u>	Actual Allocation September 30	
	2019	2018
Diversified investment funds	97.1%	97.5%
Cash and cash equivalents	2.9%	2.5%

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for our postretirement plan were determined as of September 30, 2019 and 2018 and the actuarial assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of September 30, 2018, 2017 and 2016. The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2019	2018	2019	2018	2017
Discount rate	3.29%	4.38%	4.38%	3.89%	3.73%
Expected return on plan assets	5.14%	5.33%	5.33%	4.29%	4.45%
Initial trend rate	6.25%	6.50%	6.50%	7.00%	7.50%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2025	2022	2022	2022	2022

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2019 and 2018:

	2019	2018
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 265,986	\$ 274,098
Service cost	10,810	12,078
Interest cost	11,839	10,907
Plan participants' contributions	5,901	4,720
Actuarial (gain) loss	39,472	(17,252)
Benefits paid	(17,975)	(18,565)
Benefit obligation at end of year	316,033	265,986
Change in plan assets:		
Fair value of plan assets at beginning of year	199,361	184,790
Actual return on plan assets	1,125	10,997
Employer contributions	13,489	17,419
Plan participants' contributions	5,901	4,720
Benefits paid	(17,975)	(18,565)
Fair value of plan assets at end of year	201,901	199,361
Reconciliation:		
Funded status	(114,132)	(66,625)
Unrecognized transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued postretirement cost	\$ (114,132)	\$ (66,625)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic postretirement cost for fiscal 2019, 2018 and 2017 is presented in the following table.

	Fiscal Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Components of net periodic postretirement cost:			
Service cost	\$ 10,810	\$ 12,078	\$ 12,436
Interest cost ⁽¹⁾	11,839	10,907	10,679
Expected return on assets ⁽¹⁾	(10,659)	(8,006)	(7,185)
Amortization of transition obligation ⁽¹⁾	—	—	—
Amortization of prior service cost (credit) ⁽¹⁾	173	11	(1,644)
Recognized actuarial gain ⁽¹⁾	(8,178)	(6,473)	(2,827)
Net periodic postretirement cost	<u>\$ 3,985</u>	<u>\$ 8,517</u>	<u>\$ 11,459</u>

- (1) The components of net periodic cost other than the service cost component are included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income or are capitalized on the consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

We are currently recovering other postretirement benefits costs through our regulated rates in substantially all of our service areas under accrual accounting as prescribed by accounting principles generally accepted in the United States. Other postretirement benefits costs have been specifically addressed in rate orders in each jurisdiction served by our Kentucky/Mid-States, West Texas, Mid-Tex and Mississippi Divisions as well as our Kansas jurisdiction and APT or have been included in a rate case and not disallowed. Management believes that this accounting method is appropriate and will continue to seek rate recovery of accrual-based expenses in its ratemaking jurisdictions that have not yet approved the recovery of these expenses.

The following tables set forth by level, within the fair value hierarchy, the Retiree Medical Plan's assets at fair value as of September 30, 2019 and 2018. The methods used to determine fair value for the assets held by the Retiree Medical Plan are fully described in Note 2.

	Assets at Fair Value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Money market funds	\$ —	\$ 5,972	\$ —	\$ 5,972
Registered investment companies	195,929	—	—	195,929
Total investments measured at fair value	<u>\$ 195,929</u>	<u>\$ 5,972</u>	<u>\$ —</u>	<u>\$ 201,901</u>

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Money market funds	\$ —	\$ 5,003	\$ —	\$ 5,003
Registered investment companies	194,358	—	—	194,358
Total investments measured at fair value	<u>\$ 194,358</u>	<u>\$ 5,003</u>	<u>\$ —</u>	<u>\$ 199,361</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated Future Benefit Payments

The following benefit payments paid by us, retirees and prescription drug subsidy payments for our postretirement benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years. Company payments for fiscal 2019 include contributions to our postretirement plan trusts.

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
	(In thousands)			
2020	\$ 18,797	\$ 3,901	\$ —	\$ 22,698
2021	14,161	4,150	—	18,311
2022	14,408	4,470	—	18,878
2023	15,277	4,939	—	20,216
2024	16,078	5,369	—	21,447
2025-2029	89,998	32,135	—	122,133

Defined Contribution Plan

The Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan) covers substantially all employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Effective January 1, 2007, employees automatically become participants of the Retirement Savings Plan on the date of employment. Participants may elect a salary reduction up to a maximum of 65 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. New participants are automatically enrolled in the Plan at a contribution rate of four percent of eligible compensation, from which they may opt out. We match 100 percent of a participant's contributions, limited to four percent of the participant's salary. Participants are eligible to receive matching contributions after completing one year of service, in which they are immediately vested. Participants are also permitted to take out a loan against their accounts subject to certain restrictions. Employees hired on or after October 1, 2010 participate in the enhanced plan in which participants receive a fixed annual contribution of four percent of eligible earnings to their Retirement Savings Plan account. Participants will continue to be eligible for company matching contributions of up to four percent of their eligible earnings and will be fully vested in the fixed annual contribution after three years of service.

Matching and fixed annual contributions to the Retirement Savings Plan are expensed as incurred and amounted to \$16.7 million, \$16.2 million and \$15.4 million for fiscal years 2019, 2018 and 2017. At September 30, 2019 and 2018, the Retirement Savings Plan held 2.6 percent and 3.2 percent of our outstanding common stock.

9. Stock and Other Compensation Plans*Stock-Based Compensation Plans*

Total stock-based compensation cost was \$23.9 million, \$23.9 million and \$23.1 million for the fiscal years ended September 30, 2019, 2018 and 2017. Of this amount, \$12.8 million, \$11.1 million and \$9.0 million was capitalized. Tax benefits related to stock-based compensation were \$0.7 million, \$2.3 million and \$4.4 million for the fiscal years ended September 30, 2019, 2018 and 2017.

1998 Long-Term Incentive Plan

We have a Long-Term Incentive Plan (LTIP), which provides a long-term incentive compensation plan providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units to certain employees and non-employee directors of the Company and our subsidiaries. The objectives of this plan include attracting and retaining the best available personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock.

We were originally authorized to grant awards up to a maximum cumulative amount of 11.2 million shares of common stock under this plan subject to certain adjustment provisions. As of September 30, 2019, non-qualified stock options, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units had been issued under this plan, and 1.5 million shares are available for future issuance through September 30, 2021.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock Units Award Grants

As noted above, the LTIP provides for discretionary awards of restricted stock units to help attract, retain and reward employees of Atmos Energy and its subsidiaries. Certain of these awards vest based upon the passage of time and other awards vest based upon the passage of time and the achievement of specified performance targets. The fair value of the awards granted is based on the market price of our stock at the date of grant. We estimate forfeitures using our historical forfeiture rate. The associated expense is recognized ratably over the vesting period. We use authorized and unissued shares to meet share requirements for the vesting of restricted stock units.

Employees who are granted time-lapse restricted stock units under our LTIP have a nonforfeitable right to dividend equivalents that are paid at the same rate and at the same time at which they are paid on shares of stock without restrictions. Time-lapse restricted stock units contain only a service condition that the employee recipients render continuous services to the Company for a period of three years from the date of grant, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions). There are no performance conditions required to be met for employees to be vested in time-lapse restricted stock units.

Employees who are granted performance-based restricted stock units under our LTIP have a forfeitable right to dividend equivalents that accrue at the same rate at which they are paid on shares of stock without restrictions. Dividend equivalents on the performance-based restricted stock units are paid either in cash or in the form of shares upon the vesting of the award. Performance-based restricted stock units contain a service condition that the employee recipients render continuous services to the Company for a period of three years from the beginning of the applicable three-year performance period, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions) and a performance condition based on a cumulative earnings per share target amount.

The following summarizes information regarding the restricted stock units granted under the plan during the fiscal years ended September 30, 2019, 2018 and 2017:

	2019		2018		2017	
	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	538,592	\$ 80.91	570,814	\$ 69.45	782,431	\$ 57.66
Granted	241,472	98.25	248,710	85.62	273,497	74.15
Vested	(269,347)	76.71	(274,392)	64.43	(448,326)	52.23
Forfeited	(7,645)	86.37	(6,540)	74.87	(36,788)	63.48
Nonvested at end of year	503,072	\$ 91.66	538,592	\$ 80.91	570,814	\$ 69.45

As of September 30, 2019, there was \$13.7 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the LTIP. That cost is expected to be recognized over a weighted average period of 1.6 years. The fair value of restricted stock vested during the fiscal years ended September 30, 2019, 2018 and 2017 was \$20.5 million, \$17.2 million and \$23.4 million.

Other Plans*Direct Stock Purchase Plan*

We maintain a Direct Stock Purchase Plan, open to all investors, which allows participants to have all or part of their cash dividends paid quarterly in additional shares of our common stock. The minimum initial investment required to join the plan is \$1,250. Direct Stock Purchase Plan participants may purchase additional shares of our common stock as often as weekly with voluntary cash payments of at least \$25, up to an annual maximum of \$100,000.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

We have an Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, which provides non-employee directors of Atmos Energy with the opportunity to defer receipt, until retirement, of compensation for services rendered to the Company and invest deferred compensation into either a cash account or a stock account.

Other Discretionary Compensation Plans

We have an annual incentive program covering substantially all employees to give each employee an opportunity to share in our financial success based on the achievement of key performance measures considered critical to achieving business

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

objectives for a given year with minimum and maximum thresholds. The Company must meet the minimum threshold for the plan to be funded and distributed to employees. These performance measures may include earnings growth objectives, improved cash flow objectives or crucial customer satisfaction and safety results. We monitor progress towards the achievement of the performance measures throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded. During the last several fiscal years, we have used earnings per share as our sole performance measure.

10. Details of Selected Financial Statement Captions

The following tables provide additional information regarding the composition of certain financial statement captions.

Balance Sheet**Accounts receivable**

Accounts receivable was comprised of the following at September 30, 2019 and 2018:

	September 30	
	2019	2018
	(In thousands)	
Billed accounts receivable	\$ 126,984	\$ 138,794
Unbilled revenue	78,986	81,005
Contributions in aid of construction receivable	22,378	23,015
Other accounts receivable	18,122	25,276
Total accounts receivable	<u>246,470</u>	<u>268,090</u>
Less: allowance for doubtful accounts	(15,899)	(14,795)
Net accounts receivable	<u>\$ 230,571</u>	<u>\$ 253,295</u>

Other current assets

Other current assets as of September 30, 2019 and 2018 were comprised of the following accounts.

	September 30	
	2019	2018
	(In thousands)	
Deferred gas costs	\$ 23,766	\$ 1,927
Prepaid expenses	38,895	33,233
Materials and supplies	5,916	8,106
Assets from risk management activities	1,586	1,369
Other	2,609	1,420
Total	<u>\$ 72,772</u>	<u>\$ 46,055</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2019 and 2018:

	September 30	
	2019	2018
(In thousands)		
Storage plant	\$ 431,286	\$ 414,857
Transmission plant	3,157,316	2,851,423
Distribution plant	9,333,011	8,141,733
General plant	799,095	771,355
Intangible plant	38,191	38,280
	<u>13,758,899</u>	<u>12,217,648</u>
Construction in progress	421,694	349,725
	<u>14,180,593</u>	<u>12,567,373</u>
Less: accumulated depreciation and amortization	(2,392,924)	(2,196,226)
Net property, plant and equipment ⁽¹⁾	<u>\$ 11,787,669</u>	<u>\$ 10,371,147</u>

(1) Net property, plant and equipment includes plant acquisition adjustments of \$(46.7) million and \$(55.5) million at September 30, 2019 and 2018.

Goodwill

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2019:

	Distribution	Pipeline and Storage	Total
	(In thousands)		
Balance as of September 30, 2018	\$ 587,342	\$ 143,077	\$ 730,419
Deferred tax adjustments on prior acquisitions ⁽¹⁾	262	25	287
Balance as of September 30, 2019	<u>\$ 587,604</u>	<u>\$ 143,102</u>	<u>\$ 730,706</u>

(1) We annually adjust certain deferred taxes recorded in connection with an acquisition completed in fiscal 2005, which resulted in an increase to goodwill and net deferred tax liabilities of \$0.3 million for fiscal 2019.

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2019 and 2018 were comprised of the following accounts.

	September 30	
	2019	2018
(In thousands)		
Marketable securities	\$ 101,883	\$ 99,385
Regulatory assets	260,220	141,778
Assets from risk management activities	225	250
Pension asset	—	26,972
Tax receivable	10,099	10,099
Other	18,786	15,534
Total	<u>\$ 391,213</u>	<u>\$ 294,018</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of September 30, 2019 and 2018 were comprised of the following accounts.

	September 30	
	2019	2018
	(In thousands)	
Trade accounts payable	\$ 176,581	\$ 135,159
Accrued gas payable	36,817	48,721
Accrued liabilities	51,626	33,403
Total	<u>\$ 265,024</u>	<u>\$ 217,283</u>

Other current liabilities

Other current liabilities as of September 30, 2019 and 2018 were comprised of the following accounts.

	September 30	
	2019	2018
	(In thousands)	
Customer credit balances and deposits	\$ 54,617	\$ 52,648
Accrued employee costs	55,216	52,101
Deferred gas costs	14,112	94,705
Accrued interest	51,381	39,486
Liabilities from risk management activities	4,552	56,734
Taxes payable	135,597	123,457
Pension and postretirement obligations	26,197	10,475
Regulatory cost of service reserve	4,209	22,508
Regulatory cost of removal obligation	55,721	55,770
APT annual adjustment mechanism	52,856	19,918
Regulatory excess deferred taxes (See Note 13)	21,206	5,225
Other	3,837	14,041
Total	<u>\$ 479,501</u>	<u>\$ 547,068</u>

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2019 and 2018 were comprised of the following accounts.

	September 30	
	2019	2018
	(In thousands)	
Customer advances for construction	\$ 12,566	\$ 11,010
Other regulatory liabilities	16,120	78,599
Asset retirement obligation	17,054	12,887
Liabilities from risk management activities	1,249	103
APT annual adjustment mechanism	25,545	15,310
Unrecognized tax benefits	27,716	26,203
Other	20,883	13,916
Total	<u>\$ 121,133</u>	<u>\$ 158,028</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Comprehensive Income**Other non-operating income (expense)**

Other non-operating income (expense) for the fiscal years ended September 30, 2019, 2018 and 2017 were comprised of the following accounts.

	Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Equity component of AFUDC	\$ 11,165	\$ —	\$ —
Performance-based rate program	6,737	6,745	9,240
Pension and other postretirement non-service credit (cost) ⁽¹⁾	3,016	(5,770)	(8,469)
Interest income	4,160	1,450	1,390
Donations	(4,771)	(6,053)	(4,413)
Unrealized loss on equity securities ⁽¹⁾	(1,349)	—	—
Miscellaneous	(11,554)	(6,516)	(9,100)
Total Other non-operating income (expense)	\$ 7,404	\$ (10,144)	\$ (11,352)

(1) In accordance with our adoption of new accounting standards, the net periodic non-service credit (cost) and unrealized loss on equity securities are now included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income, as described in Note 2.

Statement of Cash Flows

Supplemental disclosures of cash flow information for the fiscal years ended September 30, 2019, 2018 and 2017 were as follows:

	Year Ended September 30		
	2019	2018	2017
	(In thousands)		
Cash Paid During The Period For:			
Interest	\$ 184,852	\$ 169,987	\$ 156,668
Income taxes	\$ 11,467	\$ 6,102	\$ 5,264
Non-Cash Transactions:			
Capital expenditures included in current liabilities	\$ 149,993	\$ 112,211	\$ 116,194

11. Leases

We are the lessee for substantially all of our leasing activity, which primarily includes operating leases for towers, office and warehouse space, vehicles and heavy equipment used in our operations. We are also a lessee in a capital lease for office and warehouse space. The remaining lease terms range from one to 21 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Renewal options exist for certain of these leases.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The related future minimum lease payments at September 30, 2019 were as follows:

	Operating Leases ⁽¹⁾	Capital Lease
	(In thousands)	
2020	\$ 21,017	\$ 243
2021	20,416	248
2022	19,370	253
2023	18,071	258
2024	15,718	263
Thereafter	105,544	4,343
Total minimum lease payments	<u>\$ 200,136</u>	<u>5,608</u>
Less amount representing interest		3,018
Present value of net minimum lease payments		<u>\$ 2,590</u>

- (1) Future minimum lease payments do not include amounts for fleet leases and other de minimis items that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are \$17.6 million in 2020, \$18.0 million in 2021, \$11.8 million in 2022, \$8.5 million in 2023, \$5.4 million in 2024 and \$2.7 million thereafter.

Consolidated lease and rental expense amounted to \$40.4 million, \$33.8 million and \$32.7 million for fiscal 2019, 2018 and 2017.

12. Commitments and Contingencies

Litigation and Environmental Matters

In the normal course of business, we are subject to various legal and regulatory proceedings. For such matters, we record liabilities when they are considered probable and estimable, based on currently available facts, our historical experience and our estimates of the ultimate outcome or resolution of the liability in the future. While the outcome of these proceedings is uncertain and a loss in excess of the amount we have accrued is possible though not reasonably estimable, it is the opinion of management that any amounts exceeding the accruals will not have a material adverse impact on our financial position, results of operations or cash flows.

We maintain liability insurance for various risks associated with the operation of our natural gas pipelines and facilities, including for property damage and bodily injury. These liability insurance policies generally require us to be responsible for the first \$1.0 million (self-insured retention) of each incident.

The National Transportation Safety Board (NTSB) is investigating an incident that occurred at a Dallas, Texas residence on February 23, 2018 that resulted in one fatality and injuries to four other residents. Together with the RRC and the PHMSA, Atmos Energy is a party to the investigation and in that capacity is working closely with the NTSB to help determine the cause of this incident.

On March 29, 2018, a civil action was filed in Dallas, Texas against Atmos Energy in response to the February 23rd incident. In May 2019, the parties resolved the civil action to their mutual satisfaction subject to our self-insured retention noted above.

We are a party to various other litigation and environmental-related matters or claims that have arisen in the ordinary course of our business. While the results of such litigation and response actions to such environmental-related matters or claims cannot be predicted with certainty, we continue to believe the final outcome of such litigation and matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Purchase Commitments

Our distribution and pipeline and storage segments maintain supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of the individual contract.

Our Mid-Tex Division maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at prices indexed to natural gas trading hubs. At September 30, 2019, we were committed to purchase 40.1 Bcf within one year and 1.6 Bcf within two to three years under

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

indexed contracts. Purchases under these contracts totaled \$50.8 million, \$57.2 million and \$49.7 million for 2019, 2018 and 2017.

Rate Regulatory Proceedings

Except for routine rate regulatory proceedings as discussed in further detail above in the *Business — Ratemaking Activity* section, there were no material changes to rate regulatory proceedings during the year ended September 30, 2019.

As of September 30, 2019, rate regulatory proceedings were in progress in almost all of our service areas. These regulatory proceedings are discussed in further detail above in the *Business — Ratemaking Activity* section. Additionally, as discussed in further detail in Note 13, all jurisdictions are addressing impacts of the TCJA.

13. Income Taxes*Income Tax Expense*

The components of income tax expense from continuing operations for 2019, 2018 and 2017 were as follows:

	2019	2018	2017
	(In thousands)		
Current			
Federal	\$ —	\$ (10,099)	\$ —
State	8,412	11,075	9,022
Deferred			
Federal	113,331	150,556	197,013
State	17,160	15,330	15,348
TCJA Impact	—	(158,782)	—
	<u>\$ 138,903</u>	<u>\$ 8,080</u>	<u>\$ 221,383</u>

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2019, 2018 and 2017 are set forth below:

	2019	2018	2017
	(In thousands)		
Tax at statutory rate ⁽¹⁾	\$ 136,565	\$ 149,730	\$ 211,433
Common stock dividends deductible for tax reporting	(1,460)	(1,745)	(2,584)
State taxes (net of federal benefit)	20,202	19,826	16,100
Amortization of excess deferred taxes	(14,085)	(1,219)	—
Remeasurement due to TCJA	—	(158,782)	—
Other, net	(2,319)	270	(3,566)
Income tax expense	<u>\$ 138,903</u>	<u>\$ 8,080</u>	<u>\$ 221,383</u>

(1) Tax expense is calculated at the statutory federal income tax rate of 21%, 24.5%, 35% for the year ended September 30, 2019, 2018 and 2017.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that gave rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 2019 and 2018 are presented below:

	2019	2018
	(In thousands)	
Deferred tax assets:		
Employee benefit plans	\$ 70,929	\$ 72,745
Interest rate swaps	33,918	27,135
Net operating loss carryforwards	485,133	461,481
Charitable and other credit carryforwards	8,241	6,818
Regulatory excess deferred tax	165,701	169,947
Other	13,186	13,804
Total deferred tax assets	777,108	751,930
Valuation allowance	(1,894)	(1,465)
Net deferred tax assets	775,214	750,465
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(2,004,516)	(1,859,787)
Pension funding	(4,384)	(6,986)
Gas cost adjustments	(18,072)	1,005
Other	(48,257)	(38,764)
Total deferred tax liabilities	(2,075,229)	(1,904,532)
Net deferred tax liabilities	\$ (1,300,015)	\$ (1,154,067)
Deferred credits for rate regulated entities	\$ 2,582	\$ 762

At September 30, 2019, we had \$451.8 million of federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2029. The Company also has \$10.1 million of federal alternative minimum tax credit carryforwards, which do not expire and are expected to be fully refunded to us between 2020 and 2022 as a result of changes introduced by the TCJA. These credit carryforwards are now reflected as taxes receivable within the deferred charges and other assets line item on our consolidated balance sheet. In addition, the Company has \$5.5 million in remeasured charitable contribution carryforwards to offset future taxable income. The Company's charitable contribution carryforwards expiration period begins in 2020.

The Company also has \$33.3 million of state net operating loss carryforwards (net of \$8.8 million of federal effects) and \$1.8 million of state tax credits carryforwards (net of \$0.5 million of federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards expiration period begins in 2020.

We believe it is more likely than not that the benefit from certain state net operating loss carryforwards and state credit carryforwards will not be realized. Due to the uncertainty of realizing a benefit from the deferred tax asset recorded for the carryforwards, a valuation allowance of \$1.8 million was established for the year ended September 30, 2019.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At September 30, 2019, we had recorded liabilities associated with unrecognized tax benefits totaling \$27.7 million. The following table reconciles the beginning and ending balance of our unrecognized tax benefits:

	2019	2018	2017
	(In thousands)		
Unrecognized tax benefits - beginning balance	\$ 26,203	\$ 23,719	\$ 20,298
Increase (decrease) resulting from prior period tax positions	(923)	22	(366)
Increase resulting from current period tax positions	2,436	2,462	3,787
Unrecognized tax benefits - ending balance	27,716	26,203	23,719
Less: deferred federal and state income tax benefits	(5,820)	(5,503)	(8,302)
Total unrecognized tax benefits that, if recognized, would impact the effective income tax rate as of the end of the year	<u>\$ 21,896</u>	<u>\$ 20,700</u>	<u>\$ 15,417</u>

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties included within interest charges in our consolidated statements of comprehensive income. During the years ended September 30, 2019, 2018 and 2017, the Company recognized approximately \$2.2 million, \$1.6 million and \$1.1 million in interest and penalties. The Company had approximately \$7.9 million, \$6.1 million and \$4.5 million for the payment of interest and penalties accrued at September 30, 2019, 2018 and 2017.

We file income tax returns in the U.S. federal jurisdiction as well as in various states where we have operations. We have concluded substantially all U.S. federal income tax matters through fiscal year 2009 and concluded substantially all Texas income tax matters through fiscal year 2010.

Impact of the Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. As a result of the implementation of the TCJA, we recognized a \$158.8 million income tax benefit in our consolidated statement of comprehensive income for the year ended September 30, 2018 related to a change in deferred taxes that were not related to our cost of service ratemaking. The change in deferred taxes related to our cost of service ratemaking (referred to as excess deferred taxes) was reclassified into a regulatory liability and will be returned to ratepayers in accordance with regulatory requirements. As of September 30, 2019 and 2018, this liability totaled \$726.3 million and \$744.9 million.

We have worked and continue to work with our regulators in each jurisdiction to fully incorporate the effects of the TCJA into customer bills. As of September 30, 2019, we have received approval from regulators to update our cost of service rates to reflect the decrease in the statutory income tax rate in all of our service areas.

Regulators in all of our service areas issued accounting orders that required us to establish, effective January 1, 2018, a separate regulatory liability for the difference in taxes included in our rates that were calculated based on a 35% statutory income tax rate and rates based on the new 21% statutory income tax rate until the new rates could be established. As of September 30, 2019, we received approval from most of our regulators to return these liabilities to customers. This regulatory liability totaled \$5.2 million and \$22.5 million as of September 30, 2019 and 2018.

As of September 30, 2019, we received approval from regulators to return excess deferred taxes in most of our jurisdictions in accordance with regulatory proceedings on a provisional basis over periods ranging from 13 to 51 years. In our remaining jurisdictions, the treatment of the effects of the TCJA in rates is being addressed in ongoing or will be addressed in future regulatory proceedings.

The SEC issued guidance in Staff Accounting Bulletin 118 (SAB 118), which allowed us to record provisional amounts during a one-year measurement period, similar to the measurement period in accounting for business combinations. The Company recorded provisional amounts for the income tax effects of the TCJA for the fiscal year ended September 30, 2018. Although the Company no longer considers the accounting effects of the TCJA to be provisional under SAB 118, many aspects of the TCJA remain unclear and its impact on the Company's income tax balances may change following further interpretation of TCJA provisions by issuance of U.S. Treasury regulations or guidance from the Internal Revenue Service. We continue to monitor and assess the accounting implications of the TCJA developments on the consolidated financial statements.

14. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and in the past have also used financial instruments to mitigate interest rate risk. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when our financial instruments are in net liability positions.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As discussed in Note 2 and Note 16, we report our financial instruments as risk management assets and liabilities, each of which is classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. The following table shows the fair values of our risk management assets and liabilities at September 30, 2019 and 2018.

	September 30	
	2019	2018
	(In thousands)	
Assets from risk management activities, current	\$ 1,586	\$ 1,369
Assets from risk management activities, noncurrent	225	250
Liabilities from risk management activities, current	(4,552)	(56,734)
Liabilities from risk management activities, noncurrent	(1,249)	(103)
Net liabilities	<u>\$ (3,990)</u>	<u>\$ (55,218)</u>

Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, our customers are exposed to the effects of volatile natural gas prices. We manage this exposure through a combination of physical storage, fixed-price forward contracts and financial instruments, primarily over-the-counter swap and option contracts, in an effort to minimize the impact of natural gas price volatility on our customers during the winter heating season.

Our distribution gas supply department is responsible for executing this segment's commodity risk management activities in conformity with regulatory requirements. In jurisdictions where we are permitted to mitigate commodity price risk through financial instruments, the relevant regulatory authorities may establish the level of heating season gas purchases that can be hedged. Historically, if the regulatory authority does not establish this level, we seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2018-2019 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 33 percent, or approximately 18.9 Bcf of the winter flowing gas requirements at a weighted average cost of approximately \$2.86 per Mcf. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

In fiscal 2014 and 2015, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with \$450 million of the anticipated issuance of \$450 million unsecured senior notes in fiscal 2019. These notes were issued as planned in March 2019 and we settled the swaps with the payment of \$90.1 million. Because the swaps were effective, the realized loss was recorded as a component of AOCI and is being recognized as a component of interest charges over the 30-year life of the senior notes.

As of September 30, 2019, we had \$114.7 million of net realized losses in AOCI associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest charges over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2049.

Quantitative Disclosures Related to Financial Instruments

The following tables present detailed information concerning the impact of financial instruments on our consolidated balance sheet and statements of comprehensive income.

As of September 30, 2019, our financial instruments were comprised of both long and short commodity positions. A long position is a contract to purchase the commodity, while a short position is a contract to sell the commodity. As of September 30, 2019, we had 24,270 MMcf of net long commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of September 30, 2019 and 2018. The gross amounts of recognized assets and liabilities are netted within our consolidated balance sheets to the extent that we have netting arrangements with the counterparties. However, as of September 30, 2019 and 2018, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Balance Sheet Location	(In thousands)	
		Assets	Liabilities
September 30, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	\$ 1,586	\$ (4,552)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	225	(1,249)
Total		1,811	(5,801)
Gross / Net Financial Instruments		\$ 1,811	\$ (5,801)

	Balance Sheet Location	(In thousands)	
		Assets	Liabilities
September 30, 2018			
Designated As Hedges:			
Interest rate swaps	Other current assets / Other current liabilities	\$ —	\$ (56,499)
Total		—	(56,499)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	1,369	(235)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	250	(103)
Total		1,619	(338)
Gross / Net Financial Instruments		\$ 1,619	\$ (56,837)

*Impact of Financial Instruments on the Statement of Comprehensive Income*Cash Flow Hedges

As discussed above, the interest rate agreements we executed in prior years were designated as cash flow hedges when those agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our consolidated statements of comprehensive income for the years ended September 30, 2019, 2018 and 2017 was \$3.9 million, \$2.4 million and \$1.0 million.

The following table summarizes the gains and losses arising from hedging transactions that were recognized as a component of other comprehensive income (loss), for the years ended September 30, 2019 and 2018. The amounts included in the table below exclude gains and losses arising from ineffectiveness because these amounts are immediately recognized in the statement of comprehensive income as incurred.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fiscal Year Ended September 30	
	2019	2018
	(In thousands)	
<i>Increase (decrease) in fair value:</i>		
Interest rate agreements	\$ (25,966)	\$ 43,184
<i>Recognition of losses in earnings due to settlements:</i>		
Interest rate agreements	3,022	1,752
Total other comprehensive income (loss) from hedging, net of tax	\$ (22,944)	\$ 44,936

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized over the terms of the underlying debt instruments. The following amounts, net of deferred taxes, represent the expected recognition in earnings, as of September 30, 2019, of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments at the date of settlement.

	Interest Rate Agreements
	(In thousands)
2020	\$ (4,212)
2021	(4,212)
2022	(4,212)
2023	(4,212)
2024	(4,212)
Thereafter	(93,655)
Total	\$ (114,715)

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are used in our distribution segment are not designated as hedges. However, there is no earnings impact on our distribution segment as a result of the use of these financial instruments because the gains and losses arising from the use of these financial instruments are recognized in the consolidated statements of comprehensive income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue. Accordingly, the impact of these financial instruments is excluded from this presentation.

15. Fair Value Measurements

We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We record cash and cash equivalents, accounts receivable and accounts payable at carrying value, which substantially approximates fair value due to the short-term nature of these assets and liabilities. For other financial assets and liabilities, we primarily use quoted market prices and other observable market pricing information to minimize the use of unobservable pricing inputs in our measurements when determining fair value. The methods used to determine fair value for our assets and liabilities are fully described in Note 2.

Fair value measurements also apply to the valuation of our pension and post-retirement plan assets. The fair value of these assets is presented in Note 8.

Quantitative DisclosuresFinancial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data are observable or corroborated by observable market data. The following tables summarize, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2019 and 2018. As required under authoritative accounting literature, assets and liabilities are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2) ⁽¹⁾	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	September 30, 2019
	(In thousands)				
Assets:					
Financial instruments	\$ —	\$ 1,811	\$ —	\$ —	\$ 1,811
Debt and equity securities					
Registered investment companies	41,406	—	—	—	41,406
Bond mutual funds	25,966	—	—	—	25,966
Bonds ⁽²⁾	—	31,915	—	—	31,915
Money market funds	—	2,596	—	—	2,596
Total debt and equity securities	67,372	34,511	—	—	101,883
Total assets	\$ 67,372	\$ 36,322	\$ —	\$ —	\$ 103,694
Liabilities:					
Financial instruments	\$ —	\$ 5,801	\$ —	\$ —	\$ 5,801
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2) ⁽¹⁾	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	September 30, 2018
	(In thousands)				
Assets:					
Financial instruments	\$ —	\$ 1,619	\$ —	\$ —	\$ 1,619
Debt and equity securities					
Registered investment companies	42,644	—	—	—	42,644
Bond mutual funds	21,507	—	—	—	21,507
Bonds ⁽²⁾	—	31,400	—	—	31,400
Money market funds	—	3,834	—	—	3,834
Total debt and equity securities	64,151	35,234	—	—	99,385
Total assets	\$ 64,151	\$ 36,853	\$ —	\$ —	\$ 101,004
Liabilities:					
Financial instruments	\$ —	\$ 56,837	\$ —	\$ —	\$ 56,837

(1) Our Level 2 measurements consist of over-the-counter options and swaps, which are valued using a market-based approach in which observable market prices are adjusted for criteria specific to each instrument, such as the strike price, notional amount or basis differences, municipal and corporate bonds, which are valued based on the most recent available quoted market prices and money market funds which are valued at cost.

(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance as described in Note 2.

At September 30, 2019 and 2018, our available-for-sale debt securities amortized cost was \$31.7 million and \$31.5 million. At September 30, 2019 we maintained investments in bonds that have contractual maturity dates ranging from October 2019 through September 2022.

Other Fair Value Measures

In addition to the financial instruments above, we have several financial and nonfinancial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and debt. The nonfinancial assets and liabilities include asset retirement obligations and pension and post-retirement plan assets. We record cash and cash equivalents, accounts receivable, accounts payable and debt at carrying value. For cash and cash equivalents, accounts receivable and accounts payable, we consider carrying value to materially approximate fair value due to the short-term nature of these assets and liabilities.

Our debt is recorded at carrying value. The fair value of our debt is determined using third party market value quotations, which are considered Level 1 fair value measurements for debt instruments with a recent, observable trade or Level 2 fair value

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

measurements for debt instruments where fair value is determined using the most recent available quoted market price. The following table presents the carrying value and fair value of our debt as of September 30, 2019:

	September 30, 2019	
	(In thousands)	
Carrying Amount	\$	3,560,000
Fair Value	\$	4,216,249

16. Discontinued Operations

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of AEM. The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of \$38.3 million plus working capital of \$109.0 million for total cash consideration of \$147.3 million. Of this amount, \$7.0 million was placed into escrow, to be paid to the Company within 24 months, net of any indemnification claims agreed upon between the two companies. In January 2018, \$3.0 million of this escrowed amount was released and received by the Company. In January 2019, the remaining \$4.0 million of this escrowed amount was released and received by the Company. We recognized a net gain of \$0.03 per diluted share on the sale in the second quarter of fiscal 2017 and completed the working capital true-up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the consolidated statements of comprehensive income as income from discontinued operations, net of income tax for the year ended September 30, 2017. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results. The decision to report this segment as a discontinued operation was predicated, in part, on the following qualitative and quantitative factors: 1) the disposal resulted in the company becoming a fully regulated entity; 2) the fact that an entire reportable segment was disposed and 3) the fact the disposed segment represented in excess of 30 percent of consolidated revenues over the last five fiscal years.

The tables below set forth selected financial information related to discontinued operations. Operating expenses include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income.

The following table presents statement of comprehensive income data related to discontinued operations.

	Year Ended September 30, 2017	
	(In thousands)	
Operating revenues	\$	303,474
Purchased gas cost		277,554
Operating expenses		7,874
Operating income		18,046
Other nonoperating expense		(211)
Income from discontinued operations before income taxes		17,835
Income tax expense		6,841
Income from discontinued operations		10,994
Gain on sale from discontinued operations, net of tax (\$10,215)		2,716
Net income from discontinued operations	\$	13,710

The following table presents statement of cash flow data related to discontinued operations.

	Year Ended September 30, 2017	
	(In thousands)	
Depreciation and amortization	\$	185
Capital expenditures	\$	—
Non-cash loss in commodity contract cash flow hedges	\$	(8,165)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant Accounting Policies Related to Discontinued Operations

Except as noted below, AEM adhered to the same Significant Accounting Policies as described in Note 2.

Revenue recognition — We adopted ASC 606 using the modified retrospective approach so AEM's revenue recognition was not impacted by the adoption of the new standard. Operating revenues for our natural gas marketing segment were recognized in the period in which actual volumes were transported and storage services were provided. Operating revenues for our natural gas marketing segment and the associated carrying value of natural gas inventory (inclusive of storage costs) were recognized when we sold the gas and physically delivered it to our customers. Operating revenues include realized gains and losses arising from the settlement of financial instruments used in our natural gas marketing activities.

Gas stored underground — Gas stored underground was comprised of natural gas injected into storage to conduct the operations of the natural gas marketing segment. Our natural gas marketing segment utilized the average cost method; however, most of this inventory was hedged and was therefore reported at fair value at the end of each month.

Property, plant and equipment — Natural gas marketing property, plant and equipment was stated at cost. Depreciation was generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives ranging from 3 to 30 years.

Financial instruments and hedging activities — In our natural gas marketing segment, we previously designated most of the natural gas inventory held by this operating segment as the hedged item in a fair-value hedge. This inventory was marked to market at the end of each month based on the Gas Daily index, with changes in fair value recognized as unrealized gains or losses in purchased gas cost, which is reflected in income from discontinued operations in the period of change. The financial instruments associated with this natural gas inventory were designated as fair-value hedges and were marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in purchased gas cost in the period of change. We elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges.

Additionally, we previously elected to treat fixed-price forward contracts used in our natural gas marketing segment to deliver natural gas as normal purchases and normal sales. As such, these deliveries were recorded on an accrual basis in accordance with our revenue recognition policy. Financial instruments used to mitigate the commodity price risk associated with these contracts were designated as cash flow hedges of anticipated purchases and sales at indexed prices. Accordingly, unrealized gains and losses on these open financial instruments were recorded as a component of accumulated other comprehensive income, and were recognized in earnings as a component of purchased gas cost which is reflected in income from discontinued operations when the hedged volumes were sold.

Gains and losses from hedge ineffectiveness were recognized in the statement of comprehensive income. Fair value and cash flow hedge ineffectiveness arising from natural gas market price differences between the locations of the hedged inventory and the delivery location specified in the financial instruments is referred to as basis ineffectiveness. Ineffectiveness arising from changes in the fair value of the fair value hedges due to changes in the difference between the spot price and the futures price, as well as the difference between the timing of the settlement of the futures and the valuation of the underlying physical commodity is referred to as timing ineffectiveness. Hedge ineffectiveness, to the extent incurred, is reported as a component of purchased gas cost reflected in income from discontinued operations for the year ended September 30, 2017.

Our natural gas marketing segment also utilized master netting agreements with significant counterparties that allow us to offset gains and losses arising from financial instruments that would be settled in cash with gains and losses arising from financial instruments that could be settled with the physical commodity. Assets and liabilities from risk management activities, as well as accounts receivable and payable, reflect the master netting agreements in place. Additionally, the accounting guidance for master netting arrangements requires us to include the fair value of cash collateral or the obligation to return cash in the amounts that have been netted under master netting agreements used to offset gains and losses arising from financial instruments.

Fair Value Measurements — Our discontinued operations used the same fair value measurement policies as described in Note 2 for our continuing operations. Level 1 measurements included primarily exchange-traded financial instruments and gas stored underground that was been designated as the hedged item in a fair value hedge. Within our natural gas marketing operations, we utilized a mid-market pricing convention (the mid-point between the bid and ask prices), as permitted under current accounting standards. Values derived from these sources reflected the market in which transactions involving these financial instruments are executed. Level 2 measurements primarily consisted of non-exchange-traded financial instruments, such as over-the-counter options and swaps.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Short-term Debt Related to Discontinued Operations

AEM had one uncommitted \$25 million 364-day bilateral credit facility that was scheduled to expire on July 31, 2017 and one committed \$15 million 364-day bilateral credit facility that was scheduled to expire on September 30, 2017. In connection with the sale of AEM, both facilities were terminated on January 3, 2017.

Commodity Risk Management Activities

Our discontinued natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed our exposure to such risks through a combination of physical storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas cost and recognized a pre-tax gain of \$10.6 million, which is included in income from discontinued operations on the consolidated statement of comprehensive income for the year ended September 30, 2017.

The Company's other risk management activities are discussed in Note 14.

Impact of Financial Instruments on the Statement of Comprehensive Income

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the consolidated statement of comprehensive income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the years ended September 30, 2017, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of \$3.4 million. Additional information regarding ineffectiveness recognized in the statement of comprehensive income is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our consolidated statement of comprehensive income for the year ended September 30, 2017 is presented below.

	<u>Year Ended September 30, 2017</u>
	(In thousands)
Commodity contracts	\$ (9,567)
Fair value adjustment for natural gas inventory designated as the hedged item	12,858
Total decrease in purchased gas cost reflected in income from discontinued operations	<u>\$ 3,291</u>
The decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:	
Basis ineffectiveness	\$ (597)
Timing ineffectiveness	3,888
	<u>\$ 3,291</u>

Basis ineffectiveness arises from natural gas market price differences between the locations of the hedged inventory and the delivery location specified in the hedge instruments. Timing ineffectiveness arises due to changes in the difference between the spot price and the futures price, as well as the difference between the timing of the settlement of the futures and the valuation of the underlying physical commodity. As the commodity contract nears the settlement date, spot-to-forward price differences should converge, which should reduce or eliminate the impact of this ineffectiveness on purchased gas cost.

Cash Flow Hedges

The impact of our natural gas marketing segment cash flow hedges on our consolidated statement of comprehensive income for the year ended September 30, 2017 is presented below. Note that this presentation does not reflect the financial impact arising from the hedged physical transactions. Therefore, this presentation is not indicative of the economic margin we realized when the underlying physical and financial transactions were settled.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2017
	(In thousands)
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	\$ (2,612)
Gain arising from ineffective portion of natural gas marketing commodity contracts	111
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	10,579
Total impact on purchased gas cost reflected in income from discontinued operations	<u>\$ 8,078</u>

Financial Instruments Not Designated as Hedges

The impact of financial instruments that have not been designated as hedges on our consolidated statement of comprehensive income for the year ended September 30, 2017 was a decrease in purchased gas cost reflected in income from discontinued operations of \$6.8 million, which is included in discontinued operations on the consolidated statements of comprehensive income. Note that this presentation does not reflect the expected gains or losses arising from the underlying physical transactions associated with these financial instruments. Therefore, this presentation is not indicative of the economic margin we realized when the underlying physical and financial transactions were settled.

17. Concentration of Credit Risk

Credit risk is the risk of financial loss to us if a customer fails to perform its contractual obligations. We engage in transactions for the purchase and sale of products and services with major companies in the energy industry and with industrial, commercial, residential and municipal energy consumers. These transactions principally occur in the southern and midwestern regions of the United States. We believe that this geographic concentration does not contribute significantly to our overall exposure to credit risk. Credit risk associated with trade accounts receivable for the distribution segment is mitigated by the large number of individual customers and the diversity in our customer base. The credit risk for our other segment is not significant.

18. Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. The sum of net income per share by quarter may not equal the net income per share for the fiscal year due to variations in the weighted average shares outstanding used in computing such amounts. Our businesses are seasonal due to weather conditions in our service areas. For further information on its effects on quarterly results, see the “Results of Operations” discussion included in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section herein.

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal year 2019:				
Operating revenues				
Distribution	\$ 838,835	\$ 1,057,889	\$ 444,944	\$ 403,793
Pipeline and storage	134,470	135,650	149,198	147,706
Intersegment eliminations	(95,523)	(98,894)	(108,404)	(107,816)
Total operating revenues	877,782	1,094,645	485,738	443,683
Purchased gas cost				
	342,165	471,676	31,326	13,670
Operating income	236,464	297,677	122,202	89,715
Net Income	157,646	214,888	80,466	58,406
Basic net income per share				
	\$ 1.38	\$ 1.83	\$ 0.68	\$ 0.49
Diluted net income per share				
	\$ 1.38	\$ 1.82	\$ 0.68	\$ 0.49

ATMOS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quarter Ended			
	December 31	March 31	June 30	September 30
(In thousands, except per share data)				
Fiscal year 2018:				
Operating revenues				
Distribution	\$ 860,792	\$ 1,199,291	\$ 535,488	\$ 407,476
Pipeline and storage	126,463	120,955	127,633	132,662
Intersegment eliminations	(98,063)	(100,837)	(100,876)	(95,438)
Total operating revenues	889,192	1,219,409	562,245	444,700
Purchased gas cost				
	366,917	626,960	130,886	43,085
Operating income	242,083	270,902	124,320	90,629
Net Income	314,132	178,992	71,193	38,747
Basic net income per share				
	\$ 2.89	\$ 1.60	\$ 0.64	\$ 0.35
Diluted net income per share				
	\$ 2.89	\$ 1.60	\$ 0.64	\$ 0.35

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.**Management's Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2019 to provide reasonable assurance that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, including a reasonable level of assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our evaluation under the framework in *Internal Control-Integrated Framework* issued by COSO and applicable Securities and Exchange Commission rules, our management concluded that our internal control over financial reporting was effective as of September 30, 2019, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Ernst & Young LLP has issued its report on the effectiveness of the Company's internal control over financial reporting. That report appears below.

/s/ JOHN K. AKERS

John K. Akers

President, Chief Executive Officer and Director

/s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe

Senior Vice President and Chief Financial Officer

November 12, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**To the Shareholders and the Board of Directors of Atmos Energy Corporation****Opinion on Internal Control over Financial Reporting**

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Atmos Energy Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated November 12, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
November 12, 2019

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) during the fourth quarter of the fiscal year ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information.

Not applicable.

PART III**ITEM 10. Directors, Executive Officers and Corporate Governance.**

Information regarding directors and delinquent Section 16(a) reports, if applicable, is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 5, 2020. Information regarding executive officers is reported below:

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table sets forth certain information as of September 30, 2019, regarding the executive officers of the Company. It is followed by a brief description of the business experience of each executive officer.

<u>Name</u>	<u>Age</u>	<u>Years of Service</u>	<u>Office Currently Held</u>
Kim R. Cocklin	68	13	Executive Chairman of the Board
Michael E. Haefner	59	11	President, Chief Executive Officer and Director
Christopher T. Forsythe	48	16	Senior Vice President and Chief Financial Officer
David J. Park	48	25	Senior Vice President, Utility Operations
John K. Akers	56	28	Executive Vice President
Karen E. Hartsfield	49	4	Senior Vice President, General Counsel and Corporate Secretary
John M. Robbins	49	6	Senior Vice President, Human Resources

Kim R. Cocklin was named Executive Chairman of the Board on October 1, 2017. From October 1, 2010 through September 30, 2015, Mr. Cocklin served the Company as President and Chief Executive Officer and from October 1, 2015 through September 30, 2017, as Chief Executive Officer. Mr. Cocklin joined the Company in June 2006 and served as President and Chief Operating Officer of the Company from October 1, 2008 through September 30, 2010, after having served as Senior Vice President, Regulated Operations from October 2006 through September 2008. Mr. Cocklin was appointed to the Board of Directors on November 10, 2009.

Michael E. Haefner was named President and Chief Executive Officer, effective October 1, 2017. Mr. Haefner was appointed to the Board of Directors on November 4, 2015. Mr. Haefner joined the Company in June 2008 as Senior Vice President, Human Resources. On January 19, 2015, Mr. Haefner was promoted to Executive Vice President and assumed oversight responsibility for APT, Atmos Energy Holdings, Inc. and the gas supply and services function. On October 1, 2015, Mr. Haefner was promoted to the role of President and Chief Operating Officer in which he also assumed oversight responsibility for the operations of our six utility divisions and customer service. From October 1, 2015 through September 30, 2017, Mr. Haefner served the Company as President and Chief Operating Officer. Mr. Haefner has announced his plans to retire from the Company and the Board of Directors, effective January 1, 2020.

Christopher T. Forsythe was named Senior Vice President and Chief Financial Officer effective February 1, 2017. Mr. Forsythe joined the Company in June 2003 and prior to his promotion, served as the Company's Vice President and Controller from May 2009 through January 2017. Prior to joining Atmos Energy, Mr. Forsythe worked in public accounting for 10 years.

David J. Park was named Senior Vice President of Utility Operations, effective January 1, 2017. In this role, Mr. Park is responsible for the operations of Atmos Energy's six utility divisions as well as gas supply. Prior to this promotion, Mr. Park served as the President of the West Texas Division from July 2012 to December 2016. Mr. Park also served as Vice President of

Rates and Regulatory Affairs in the Mid-Tex Division and previously held positions in Engineering and Public Affairs. Mr. Park's years of service include 10 years at a company acquired by Atmos Energy in 2004.

John K. (Kevin) Akers was named President and Chief Executive Officer and was appointed to the Board of Directors effective October 1, 2019. Mr. Akers joined the company in 1991. Mr. Akers assumed increased responsibilities over time and was named President of the Mississippi Division in 2002. He was later named President of the Kentucky/Mid-States Division in May 2007, a position he held until December 2016. Effective January 1, 2017, Mr. Akers was named Senior Vice President, Safety and Enterprise Services and was responsible for customer service, facilities management, safety and supply chain management. In November 2018, Mr. Akers was named Executive Vice President and assumed oversight responsibility for APT.

Karen E. Hartsfield was named Senior Vice President, General Counsel and Corporate Secretary of Atmos Energy, effective August 7, 2017. Ms. Hartsfield joined the Company in June 2015, after having served in private practice for 19 years, most recently as Managing Partner of Jackson Lewis LLP in its Dallas office from July 2013 to June 2015. Prior to joining Jackson Lewis as a partner in January 2009, Ms. Hartsfield was a partner with Baker Botts LLP in Dallas.

John M. (Matt) Robbins was named Senior Vice President, Human Resources, effective January 1, 2017. Mr. Robbins joined the Company in May 2013 and prior to this promotion served as Vice President, Human Resources from February 2015 to December 2016. Before joining Atmos Energy, Mr. Robbins had over 20 years of experience in human resources.

Identification of the members of the Audit Committee of the Board of Directors as well as the Board of Directors' determination as to whether one or more audit committee financial experts are serving on the Audit Committee of the Board of Directors is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 5, 2020.

The Company has adopted a code of ethics for its principal executive officer, principal financial officer and principal accounting officer. Such code of ethics is represented by the Company's Code of Conduct, which is applicable to all directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's Code of Conduct is posted on the Company's website at www.atmosenergy.com, under "Governance" under the "Corporate Responsibility" tab. In addition, any amendment to or waiver granted from a provision of the Company's Code of Conduct will be posted on the Company's website also under "Governance" under the "Corporate Responsibility" tab.

ITEM 11. *Executive Compensation.*

Information on executive compensation is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 5, 2020, under the captions "Human Resources Committee Report," "Compensation Discussion and Analysis," "Other Executive Compensation Matters" and "Named Executive Officer Compensation."

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Security ownership of certain beneficial owners and of management is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 5, 2020, under the heading "Beneficial Ownership of Common Stock." Information concerning our equity compensation plans is provided in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", of this Annual Report on Form 10-K.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information on certain relationships and related transactions as well as director independence is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 5, 2020, under the heading "Corporate Governance and Other Board Matters," "Proposal One – Election of Directors," and "Director Compensation."

ITEM 14. *Principal Accountant Fees and Services.*

Information on our principal accountant's fees and services is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 5, 2020, under the heading "Proposal Two – Ratification of Appointment of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules.*

(a) 1. and 2. *Financial statements and financial statement schedules.*

The financial statements and financial statement schedule listed in the Index to Financial Statements in Item 8 are filed as part of this Form 10-K.

3. *Exhibits*

Exhibit Number	Description	Page Number or Incorporation by Reference to
	<i>Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession</i>	
2.1	Membership Interest Purchase Agreement by and between Atmos Energy Holdings, Inc. as Seller and CenterPoint Energy Services, Inc. as Buyer, dated as of October 29, 2016	Exhibit 2.1 to Form 8-K dated October 29, 2016 (File No. 1-10042)
	<i>Articles of Incorporation and Bylaws</i>	
3.1	Restated Articles of Incorporation of Atmos Energy Corporation - Texas (As Amended Effective February 3, 2010)	Exhibit 3.1 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.2	Restated Articles of Incorporation of Atmos Energy Corporation - Virginia (As Amended Effective February 3, 2010)	Exhibit 3.2 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.3	Amended and Restated Bylaws of Atmos Energy Corporation (as of February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
	<i>Instruments Defining Rights of Security Holders, Including Indentures</i>	
4.1(a)	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit 4.1 to Form 10-K for fiscal year ended September 30, 2012 (File No. 1-10042)
4.1(b)	Description of Registrant's Securities	
4.2	Indenture dated as of November 15, 1995 between United Cities Gas Company and Bank of America Illinois, Trustee	Exhibit 4.11(a) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.3	Indenture dated as of July 15, 1998 between Atmos Energy Corporation and U.S. Bank Trust National Association, Trustee	Exhibit 4.8 to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.4	Indenture dated as of May 22, 2001 between Atmos Energy Corporation and SunTrust Bank, Trustee	Exhibit 99.3 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.5	Indenture dated as of March 23, 2009 between Atmos Energy Corporation and U.S. Bank National Corporation, Trustee	Exhibit 4.1 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.6(a)	Debenture Certificate for the 6 3/4% Debentures due 2028	Exhibit 99.2 to Form 8-K dated July 22, 1998 (File No. 1-10042)
4.6(b)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.6(c)	Global Security for the 5.5% Senior Notes due 2041	Exhibit 4.2 to Form 8-K dated June 10, 2011 (File No. 1-10042)

4.6(d)	Global Security for the 4.15% Senior Notes due 2043	Exhibit 4.2 to Form 8-K dated January 8, 2013 (File No. 1-10042)
4.6(e)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.2 to Form 8-K dated October 15, 2014 (File No. 1-10042)
4.6(f)	Global Security for the 3.000% Senior Notes due 2027	Exhibit 4.2 to Form 8-K dated June 8, 2017 (File No. 1-10042)
4.6(g)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.3 to Form 8-K dated June 8, 2017 (File No. 1-10042)
4.6(h)	Global Security for the 4.300% Senior Notes due 2048	Exhibit 4.2 to Form 8-K dated October 4, 2018 (File No. 1-10042)
4.6(i)	Global Security for the 4.300% Senior Notes due 2048	Exhibit 4.3 to Form 8-K dated October 4, 2018 (File No. 1-10042)
4.6(j)	Global Security for the 4.125% Senior Notes due 2049	Exhibit 4.2 to Form 8-K dated March 4, 2019 (File No. 1-10042)
4.6(k)	Global Security for the 2.625% Senior Notes due 2029	Exhibit 4.2 to Form 8-K dated October 2, 2019 (File No. 1-10042)
4.6(l)	Global Security for the 3.375% Senior Notes due 2049	Exhibit 4.3 to Form 8-K dated October 2, 2019 (File No. 1-10042)

Material Contracts

10.1(a)	Revolving Credit Agreement, dated as of September 25, 2015 among Atmos Energy Corporation, the Lenders from time to time parties thereto, Crédit Agricole Corporate and Investment Bank as Administrative Agent, and Mizuho Bank Ltd., as Syndication Agent	Exhibit 10.1 to Form 8-K dated October 1, 2015 (File No. 1-10042)
10.1(b)	First Amendment to Revolving Credit Agreement, dated as of October 5, 2016, by and among Atmos Energy Corporation, the lenders from time to time parties thereto (the "Lenders") and Credit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders	Exhibit 10.1 to Form 8-K dated October 5, 2016 (File No. 1-10042)
10.1(c)	Second Amendment to Revolving Credit Agreement, dated as of September 7, 2017, by and among Atmos Energy Corporation, the lenders from time to time parties thereto (the "Lenders") and Credit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders	Exhibit 10.1(c) to Form 10-K for fiscal year ended September 30, 2018 (File No. 1-10042)
10.2(a)	Equity Distribution Agreement, dated as of November 16, 2018, among Atmos Energy Corporation and the Managers and Forward Purchasers named in Schedule A thereto	Exhibit 1.1 to Form 8-K dated November 16, 2018 (File No. 1-10042)
10.2(b)	Form of Master Forward Sale Confirmation	Exhibit 1.2 to Form 8-K dated November 16, 2018 (File No. 1-10042)
10.2(c)	Forward Sale Agreement between Atmos Energy Corporation and Goldman Sachs & Co. LLC dated as of November 28, 2018	Exhibit 10.1 to Form 8-K dated November 28, 2018 (File No. 1-10042)
10.2(d)	Forward Sale Agreement between Atmos Energy Corporation and Bank of America, N.A. dated as of November 28, 2018	Exhibit 10.2 to Form 8-K dated November 28, 2018 (File No. 1-10042)
10.2(e)	Additional Forward Sale Agreement between Atmos Energy Corporation and Goldman Sachs & Co. LLC dated as of November 29, 2018	Exhibit 10.3 to Form 8-K dated November 28, 2018 (File No. 1-10042)
10.2(f)	Additional Forward Sale Agreement between Atmos Energy Corporation and Bank of America, N.A. dated as of November 29, 2018	Exhibit 10.4 to Form 8-K dated November 28, 2018 (File No. 1-10042)

Executive Compensation Plans and Arrangements

10.3(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement - Tier I	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.3(b)*	Form of Atmos Energy Corporation Change in Control Severance Agreement - Tier II	Exhibit 10.7(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.4(a)*	Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.4(b)*	Amendment No. 1 to the Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31(a) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.5*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated October 1, 2016)	Exhibit 10.5 to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
10.6(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 7, 2007	Exhibit 10.8(a) to Form 10-K for fiscal year ended September 30, 2008 (File No. 1-10042)
10.6(b)*	Form of Individual Trust Agreement for the Supplemental Executive Benefits Plan	Exhibit 10.3 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.7(a)*	Atmos Energy Corporation Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
10.7(b)*	Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan Trust Agreement, Effective Date December 1, 2000	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.8*	Atmos Energy Corporation Account Balance Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	Exhibit 10.8 to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
10.9(a)*	Mini-Med/Dental Benefit Extension Agreement dated October 1, 1994	Exhibit 10.28(f) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.9(b)*	Amendment No. 1 to Mini-Med/Dental Benefit Extension Agreement dated August 14, 2001	Exhibit 10.28(g) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.9(c)*	Amendment No. 2 to Mini-Med/Dental Benefit Extension Agreement dated December 31, 2002	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2002 (File No. 1-10042)
10.10*	Atmos Energy Corporation Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of January 1, 2012	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2011 (File No. 1-10042)
10.11(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated November 6, 2019)	
10.11(b)*	Form of Award Agreement of Time-Lapse Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.11(c)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	

10.11(d)*	Form of Non-Employee Director Award Agreement of Time-Lapse Restricted Stock Units Under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.11(e)*	Form of Non-Employee Director Award Agreement of Stock Unit Awards Under The Atmos Energy Corporation 1998 Long-Term Incentive Plan	
	<i>Other Exhibits, as indicated</i>	
21	Subsidiaries of the registrant	
23.1	Consent of independent registered public accounting firm, Ernst & Young LLP	
24	Power of Attorney	Signature page of Form 10-K for fiscal year ended September 30, 2019
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications**	
	<i>Interactive Data File</i>	
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	

* This exhibit constitutes a "management contract or compensatory plan, contract, or arrangement."

** These certifications pursuant to 18 U.S.C. Section 1350 by the Company's Chief Executive Officer and Chief Financial Officer, furnished as Exhibit 32 to this Annual Report on Form 10-K, will not be deemed to be filed with the Securities and Exchange Commission or incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such certifications by reference.

ITEM 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By:

/s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
*Senior Vice President and
Chief Financial Officer*

Date: November 12, 2019

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints John K. Akers and Christopher T. Forsythe, or either of them acting alone or together, as his true and lawful attorney-in-fact and agent with full power to act alone, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ KIM R. COCKLIN Kim R. Cocklin	Executive Chairman of the Board	November 12, 2019
/s/ JOHN K. AKERS John K. Akers	President, Chief Executive Officer and Director	November 12, 2019
/s/ CHRISTOPHER T. FORSYTHE Christopher T. Forsythe	Senior Vice President and Chief Financial Officer	November 12, 2019
/s/ RICHARD M. THOMAS Richard M. Thomas	Vice President and Controller (Principal Accounting Officer)	November 12, 2019
/s/ ROBERT W. BEST Robert W. Best	Director	November 12, 2019
/s/ KELLY H. COMPTON Kelly H. Compton	Director	November 12, 2019
/s/ SEAN DONOHUE Sean Donohue	Director	November 12, 2019
/s/ RAFAEL G. GARZA Rafael G. Garza	Director	November 12, 2019
/s/ RICHARD K. GORDON Richard K. Gordon	Director	November 12, 2019
/s/ ROBERT C. GRABLE Robert C. Grable	Director	November 12, 2019
/s/ MICHAEL E. HAEFNER Michael E. Haefner	Director	November 12, 2019
/s/ NANCY K. QUINN Nancy K. Quinn	Director	November 12, 2019
/s/ RICHARD A. SAMPSON Richard A. Sampson	Director	November 12, 2019
/s/ STEPHEN R. SPRINGER Stephen R. Springer	Director	November 12, 2019
/s/ DIANA J. WALTERS Diana J. Walters	Director	November 12, 2019
/s/ RICHARD WARE II Richard Ware II	Director	November 12, 2019

ATMOS ENERGY CORPORATION
Valuation and Qualifying Accounts
Three Years Ended September 30, 2019

	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to cost & expenses	Charged to other accounts		
(In thousands)					
2019					
Allowance for doubtful accounts	\$ 14,795	\$ 17,633	\$ —	\$ 16,529 ⁽¹⁾	\$ 15,899
2018					
Allowance for doubtful accounts	\$ 10,865	\$ 14,894	\$ —	\$ 10,964 ⁽¹⁾	\$ 14,795
2017					
Allowance for doubtful accounts	\$ 11,056	\$ 12,269	\$ —	\$ 12,460 ⁽¹⁾	\$ 10,865

⁽¹⁾ Uncollectible accounts written off.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10042

Atmos Energy Corporation

(Exact name of registrant as specified in its charter)

Texas and Virginia

(State or other jurisdiction of incorporation or organization)

75-1743247

(IRS employer identification no.)

1800 Three Lincoln Centre

5430 LBJ Freeway

Dallas, Texas

(Address of principal executive offices)

75240

(Zip code)

Registrant's telephone number, including area code:

(972) 934-9227

Securities registered pursuant to Section 12(b) of the Act:

Table of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the common voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, March 31, 2020, was \$11,938,304,144.

As of November 6, 2020, the registrant had 125,889,456 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed for the Annual Meeting of Shareholders on February 3, 2021 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	<u>Page</u>
<u>Glossary of Key Terms</u>	<u>3</u>
Part I	
Item 1. <u>Business</u>	<u>4</u>
Item 1A. <u>Risk Factors</u>	<u>13</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>19</u>
Item 2. <u>Properties</u>	<u>19</u>
Item 3. <u>Legal Proceedings</u>	<u>20</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>20</u>
Part II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>20</u>
Item 6. <u>Selected Financial Data</u>	<u>22</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>36</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>85</u>
Item 9A. <u>Controls and Procedures</u>	<u>85</u>
Item 9B. <u>Other Information</u>	<u>87</u>
Part III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>87</u>
Item 11. <u>Executive Compensation</u>	<u>88</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>88</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>88</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>88</u>
Part IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	<u>88</u>
Item 16. <u>Form 10-K Summary</u>	<u>92</u>

GLOSSARY OF KEY TERMS

Adjusted diluted net income per share	Non-GAAP measure defined as diluted net income per share before the one-time, non-cash income tax benefit
Adjusted net income	Non-GAAP measure defined as net income before the one-time, non-cash income tax benefit
AFUDC	Allowance for funds used during construction
AOI	Accumulated Other Comprehensive Income
ARM	Annual Rate Mechanism
ATO	Trading symbol for Atmos Energy Corporation common stock on the NYSE
Bcf	Billion cubic feet
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DARR	Dallas Annual Rate Review
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
LIBOR	London Interbank Offered Rate
LTIP	1998 Long-Term Incentive Plan
Mcf	Thousand cubic feet
MDWQ	Maximum daily withdrawal quantity
Mid-Tex ATM Cities	Represents a coalition of 47 incorporated cities or approximately 10 percent of the Mid-Tex Division's customers.
Mid-Tex Cities	Represents all incorporated cities other than Dallas and Mid-Tex ATM Cities, or approximately 72 percent of the Mid-Tex Division's customers.
MMcf	Million cubic feet
Moody's	Moody's Investor Service, Inc.
NGA	Natural Gas Act of 1938
NTSB	National Transportation Safety Board
NYSE	New York Stock Exchange
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SAVE	Steps to Advance Virginia Energy
SEC	United States Securities and Exchange Commission
SGR	Supplemental Growth Rider
SIR	System Integrity Rider
SRF	Stable Rate Filing
SSIR	System Safety and Integrity Rider
TCJA	Tax Cuts and Jobs Act of 2017
WNA	Weather Normalization Adjustment

PART I

The terms “we,” “our,” “us”, “Atmos Energy” and the “Company” refer to Atmos Energy Corporation and its subsidiaries, unless the context suggests otherwise.

ITEM 1. Business.**Overview and Strategy**

Atmos Energy Corporation, headquartered in Dallas, Texas, and incorporated in Texas and Virginia, is the country’s largest natural-gas-only distributor based on number of customers. We safely deliver reliable, affordable, efficient and abundant natural gas through regulated sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers in eight states located primarily in the South. We also operate one of the largest intrastate pipelines in Texas based on miles of pipe.

Atmos Energy's vision is to be the safest provider of natural gas services. We intend to achieve this vision by:

- operating our business exceptionally well
- investing in our people and infrastructure
- enhancing our culture.

Since 2011, our operating strategy has focused on modernizing our distribution and transmission system to improve safety and reliability. This operating strategy also allows us to reduce methane emissions from our system. Since that time, our capital expenditures have increased approximately 14 percent annually. Additionally, during this period, we have added new or modified existing regulatory mechanisms to reduce regulatory lag.

Our core values include focusing on our employees and customers while conducting our business with honesty and integrity. We continue to strengthen our culture through ongoing communications with our employees and enhanced employee training.

Operating Segments

As of September 30, 2020, we manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.

Distribution Segment Overview

The following table summarizes key information about our six regulated natural gas distribution divisions, presented in order of total rate base.

Division	Service Areas	Communities Served	Customer Meters
Mid-Tex	Texas, including the Dallas/Fort Worth Metroplex	550	1,751,898
Kentucky/Mid-States	Kentucky	230	182,639
	Tennessee		156,820
	Virginia		24,493
Louisiana	Louisiana	270	368,332
West Texas	Amarillo, Lubbock, Midland	80	320,085
	Mississippi	Mississippi	110
Colorado-Kansas	Colorado	170	123,423
	Kansas		138,009

We operate in our service areas under terms of non-exclusive franchise agreements granted by the various cities and towns that we serve. At September 30, 2020, we held 1,023 franchises having terms generally ranging from five to 35 years. A significant number of our franchises expire each year, which require renewal prior to the end of their terms. Historically, we have successfully renewed these franchises and believe that we will continue to be able to renew our franchises as they expire.

Revenues in this operating segment are established by regulatory authorities in the states in which we operate. These rates are intended to be sufficient to cover the costs of conducting business, including a reasonable return on invested capital. In addition, we transport natural gas for others through our distribution systems.

Rates established by regulatory authorities often include cost adjustment mechanisms for costs that (i) are subject to significant price fluctuations compared to our other costs, (ii) represent a large component of our cost of service and (iii) are generally outside our control.

Purchased gas cost adjustment mechanisms represent a common form of cost adjustment mechanism. Purchased gas cost adjustment mechanisms provide a method of recovering purchased gas costs on an ongoing basis without filing a rate case because they provide a dollar-for-dollar offset to increases or decreases in the cost of natural gas. Therefore, although substantially all of our distribution operating revenues fluctuate with the cost of gas that we purchase, distribution operating income is generally not affected by fluctuations in the cost of gas.

Additionally, some jurisdictions have performance-based ratemaking adjustments to provide incentives to minimize purchased gas costs through improved storage management and use of financial instruments to reduce volatility in gas costs. Under the performance-based ratemaking adjustments, purchased gas costs savings are shared between the Company and its customers.

Our supply of natural gas is provided by a variety of suppliers, including independent producers, marketers and pipeline companies, withdrawals of gas from proprietary and contracted storage assets and peaking and spot purchase agreements, as needed.

Supply arrangements consist of both base load and swing supply (peaking) quantities and are contracted from our suppliers on a firm basis with various terms at market prices. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions.

Except for local production purchases, we select our natural gas suppliers through a competitive bidding process by periodically requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest reasonable cost. Major suppliers during fiscal 2020 were Castleton Commodities Merchant Trading L.P., CenterPoint Energy Services, Inc., ConocoPhillips Company, Devon Gas Services, L.P., EnLink Gas Marketing LP, Hartree Partners, L.P., Symmetry Energy Solutions, LLC, Targa Gas Marketing LLC, Texla Energy Management, Inc. and Twin Eagle Resources Management, LLC.

The combination of base load, peaking and spot purchase agreements, coupled with the withdrawal of gas held in storage, allows us the flexibility to adjust to changes in weather, which minimizes our need to enter into long-term firm commitments. We estimate our peak-day availability of natural gas supply to be approximately 4.4 Bcf. The peak-day demand for our distribution operations in fiscal 2020 was on November 12, 2019, when sales to customers reached approximately 2.7 Bcf.

Currently, our distribution divisions utilize 37 pipeline transportation companies, both interstate and intrastate, to transport our natural gas. The pipeline transportation agreements are firm and many of them have “pipeline no-notice” storage service, which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal. The natural gas supply for our Mid-Tex Division is delivered primarily by our APT Division.

To maintain our deliveries to high priority customers, we have the ability, and have exercised our right, to curtail deliveries to certain customers under the terms of interruptible contracts or applicable state regulations or statutes. Our customers’ demand on our system is not necessarily indicative of our ability to meet current or anticipated market demands or immediate delivery requirements because of factors such as the physical limitations of gathering, storage and transmission systems, the duration and severity of cold weather, the availability of gas reserves from our suppliers, the ability to purchase additional supplies on a short-term basis and actions by federal and state regulatory authorities. Curtailment rights provide us the flexibility to meet the human-needs requirements of our customers on a firm basis. Priority allocations imposed by federal and state regulatory agencies, as well as other factors beyond our control, may affect our ability to meet the demands of our customers. We do not anticipate any problems with obtaining additional gas supply as needed for our customers.

Pipeline and Storage Segment Overview

Our pipeline and storage segment consists of the pipeline and storage operations of APT and our natural gas transmission operations in Louisiana. APT is one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas-producing areas of central, northern and eastern Texas, extending into or near the major producing areas

of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. Through its system, APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, marketers and producers. As part of its pipeline operations, APT owns and operates five underground storage reservoirs in Texas.

Revenues earned from transportation and storage services for APT are subject to traditional ratemaking governed by the RRC. Rates are updated through periodic filings made under Texas' GRIP. GRIP allows us to include in our rate base annually approved capital costs incurred in the prior calendar year provided that we file a complete rate case at least once every five years; the most recent of which was completed in August 2017. APT's existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates.

Our natural gas transmission operations in Louisiana are comprised of a 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and, on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans in Louisiana that serve distribution affiliates of the Company, which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our regulated businesses operate. The regulatory authorities have the responsibility of ensuring that utilities in their jurisdictions operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on their investment. Generally, each regulatory authority reviews rate requests and establishes a rate structure intended to generate revenue sufficient to cover the costs of conducting business, including a reasonable return on invested capital.

Our rate strategy focuses on reducing or eliminating regulatory lag, obtaining adequate returns and providing stable, predictable margins, which benefit both our customers and the Company. As a result of our ratemaking efforts in recent years, Atmos Energy has:

- Formula rate mechanisms in place in four states that provide for an annual rate review and adjustment to rates.
- Infrastructure programs in place in all of our states that provide for an annual adjustment to rates for qualifying capital expenditures. Through our annual formula rate mechanisms and infrastructure programs, we have the ability to recover approximately 90 percent of our capital expenditures within six months and substantially all of our capital expenditures within twelve months.
- Authorization in tariffs, statute or commission rules that allows us to defer certain elements of our cost of service such as depreciation, ad valorem taxes and pension costs, until they are included in rates.
- WNA mechanisms in seven states that serve to minimize the effects of weather on approximately 97 percent of our distribution residential and commercial revenues.
- The ability to recover the gas cost portion of bad debts in five states.

The following table provides a jurisdictional rate summary for our regulated operations as of September 30, 2020. This information is for regulatory purposes only and may not be representative of our actual financial position.

Division	Jurisdiction	Effective Date of Last Rate/GRIP Action	Rate Base (thousands) ⁽¹⁾	Authorized Rate of Return ⁽¹⁾	Authorized Debt/Equity Ratio ⁽¹⁾	Authorized Return on Equity ⁽¹⁾
Atmos Pipeline — Texas	Texas	05/20/2020	\$2,698,343	8.87%	47/53	11.50%
Colorado-Kansas	Colorado	05/03/2018	134,726	7.55%	44/56	9.45%
	Colorado SSIR	01/01/2020	56,507	7.55%	44/56	9.45%
	Kansas	04/01/2020	242,314	7.03%	44/56	9.10%
	Kansas GSRS	05/01/2019	26,322	(4)	(4)	(4)
Kentucky/Mid-States	Kentucky	05/08/2019	424,929	7.49%	42/58	9.65%
	Kentucky-PRP	10/01/2019	27,315	7.49%	42/58	9.65%
	Tennessee	06/01/2019	389,061	7.79%	42/58	9.80%
	Virginia	04/01/2019	47,827	7.43%	42/58	9.20%
	Virginia-SAVE	10/01/2019	684	7.43%	42/58	9.20%
Louisiana	Louisiana	07/01/2020	747,021	7.57%	42/58	9.80%
Mid-Tex	Mid-Tex Cities ⁽⁶⁾	10/01/2019	3,052,562 ⁽⁵⁾	7.83%	42/58	9.80%
	Mid-Tex - ATM Cities	06/01/2020	3,654,981 ⁽⁵⁾	7.97%	40/60	9.80%
	Mid-Tex - Environs	05/20/2020	3,654,985 ⁽⁵⁾	7.97%	40/60	9.80%
	Dallas	09/01/2020	3,510,508 ⁽⁵⁾	7.83%	40/60	9.80%
Mississippi	Mississippi ⁽⁷⁾	11/01/2019	448,533	7.81%	(4)	(4)
	Mississippi - SIR ⁽⁷⁾	11/01/2019	185,844	7.81%	(4)	(4)
West Texas	West Texas Cities ^{(8) (10)}	10/01/2019	591,513 ⁽⁹⁾	7.83%	42/58	9.80%
	West Texas - ALDC	04/28/2020	671,738 ⁽⁹⁾	8.57%	48/52	10.50%
	West Texas - Environs	06/16/2020	667,994 ⁽⁹⁾	7.97%	40/60	9.80%

Division	Jurisdiction	Bad Debt Rider ⁽²⁾	Formula Rate	Infrastructure Mechanism	Performance Based Rate Program ⁽³⁾	WNA Period
Atmos Pipeline — Texas	Texas	No	Yes	Yes	N/A	N/A
Colorado-Kansas	Colorado	No	No	Yes	No	N/A
	Kansas	Yes	No	Yes	Yes	October-May
Kentucky/Mid-States	Kentucky	Yes	No	Yes	Yes	November-April
	Tennessee	Yes	Yes	Yes	Yes	October-April
	Virginia	Yes	No	Yes	No	January-December
Louisiana	Louisiana	No	Yes	Yes	No	December-March
Mid-Tex Cities	Texas	Yes	Yes	Yes	No	November-April
Mid-Tex — Dallas	Texas	Yes	Yes	Yes	No	November-April
Mississippi	Mississippi	No	Yes	Yes	No	November-April
West Texas	Texas	Yes	Yes	Yes	No	October-May

- (1) The rate base, authorized rate of return, authorized debt/equity ratio and authorized return on equity presented in this table are those from the most recent regulatory filing for each jurisdiction. These rate bases, rates of return, debt/equity ratios and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.
- (2) The bad debt rider allows us to recover from ratepayers the gas cost portion of bad debts.
- (3) The performance-based rate program provides incentives to distribution companies to minimize purchased gas costs by allowing the companies and their customers to share the purchased gas costs savings.
- (4) A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.
- (5) The Mid-Tex rate base represents a "system-wide," or 100 percent, of the Mid-Tex Division's rate base.
- (6) The Mid-Tex Cities approved the Formula Rate Mechanism filing with rates effective December 1, 2020, which included a rate base of \$3,726.3 million, an authorized return of 7.53%, a debt/equity ratio of 42/58 and an authorized ROE of 9.80%.
- (7) The Mississippi Public Service Commission approved a settlement at its meeting on October 6, 2020, which included a rate base of \$721.6 million and an authorized return of 7.81%. New rates were implemented November 1, 2020.
- (8) The West Texas Cities includes all West Texas Division cities except Amarillo, Channing, Dalhart and Lubbock (ALDC).
- (9) The West Texas rate base represents a "system-wide," or 100 percent, of the West Texas Division's rate base.
- (10) The West Texas Cities approved the Formula Rate Mechanism filing with rates effective December 1, 2020, which included a rate base of \$660.9 million, an authorized return of 7.53%, a debt/equity ratio of 42/58 and an authorized ROE of 9.80%.

Although substantial progress has been made in recent years to improve rate design and recovery of investment across our service areas, we are continuing to seek improvements in rate design to address cost variations and pursue tariffs that reduce regulatory lag associated with investments. Further, potential changes in federal energy policy, federal safety regulations and changing economic conditions will necessitate continued vigilance by the Company and our regulators in meeting the challenges presented by these external factors.

Recent Ratemaking Activity

The amounts described in the following sections represent the annual operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of the commission's or other governmental authority's final ruling. The following table summarizes the annualized ratemaking outcomes we implemented in each of the last three fiscal years.

Rate Action	Annual Increase (Decrease) to Operating Income For the Fiscal Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Annual formula rate mechanisms	\$ 160,857	\$ 114,810	\$ 92,472
Rate case filings	(1,057)	1,656	(12,853)
Other ratemaking activity	353	214	457
	<u>\$ 160,153</u>	<u>\$ 116,680</u>	<u>\$ 80,076</u>

Additionally, the following ratemaking efforts seeking \$131.9 million in annual operating income were initiated during fiscal 2020 but had not been completed or implemented as of September 30, 2020:

Division	Rate Action	Jurisdiction	Operating Income Requested (In thousands)
Kentucky/Mid-States	Infrastructure Mechanism	Virginia ⁽¹⁾	\$ 410
Kentucky/Mid-States	Infrastructure Mechanism	Kentucky ⁽²⁾	3,049
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities ⁽³⁾	94,060
Mississippi	Infrastructure Mechanism	Mississippi ⁽⁴⁾	10,526
Mississippi	Formula Rate Mechanism	Mississippi ⁽⁴⁾	8,379
West Texas	Formula Rate Mechanism	West Texas Cities ⁽⁵⁾	7,057
West Texas	Rate Case	Amarillo, Lubbock, Dalhart and Channing	8,406
			<u>\$ 131,887</u>

(1) On August 21, 2020, the State Corporation Commission of Virginia approved a rate increase of \$0.3 million effective October 1, 2020.

(2) On September 30, 2020, the Kentucky Public Service Commission approved a rate increase of \$1.6 million effective October 1, 2020.

(3) The Mid-Tex Cities approved a rate increase of \$82.6 million with new rates to be implemented on December 1, 2020.

(4) The Mississippi Public Service Commission approved an increase in operating income of \$10.6 million for the SIR filing and \$5.9 million for the SRF filing. New rates were implemented November 1, 2020.

(5) The West Texas Cities approved a rate increase of \$5.6 million with new rates to be implemented on December 1, 2020.

Our recent ratemaking activity is discussed in greater detail below.

Annual Formula Rate Mechanisms

As an instrument to reduce regulatory lag, formula rate mechanisms allow us to refresh our rates on an annual basis without filing a formal rate case. However, these filings still involve discovery by the appropriate regulatory authorities prior to the final determination of rates under these mechanisms. The following table summarizes our annual formula rate mechanisms by state.

State	Annual Formula Rate Mechanisms	
	Infrastructure Programs	Formula Rate Mechanisms
Colorado	System Safety and Integrity Rider (SSIR)	—
Kansas	Gas System Reliability Surcharge (GSRS)	—
Kentucky	Pipeline Replacement Program (PRP)	—
Louisiana	(1)	Rate Stabilization Clause (RSC)
Mississippi	System Integrity Rider (SIR)	Stable Rate Filing (SRF)
Tennessee	(1)	Annual Rate Mechanism (ARM)
Texas	Gas Reliability Infrastructure Program (GRIP), (1)	Dallas Annual Rate Review (DARR), Rate Review Mechanism (RRM)
Virginia	Steps to Advance Virginia Energy (SAVE)	—

- (1) Infrastructure mechanisms in Texas, Louisiana and Tennessee allow for the deferral of all expenses associated with capital expenditures incurred pursuant to these rules, which primarily consists of interest, depreciation and other taxes (Texas only), until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

The following table summarizes our annual formula rate mechanisms with effective dates during the fiscal years ended September 30, 2020, 2019 and 2018:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
2020 Filings:				
Mid-Tex	DARR	09/2019	\$ 14,746	09/01/2020
Louisiana	Louisiana ⁽¹⁾	12/2019	14,781	07/01/2020
West Texas	Environs ⁽²⁾	12/2019	1,031	06/16/2020
Kentucky/Mid-States	Tennessee ARM	05/2019	714	06/15/2020
Mid-Tex	ATM Cities ⁽²⁾	12/2019	11,148	06/12/2020
Mid-Tex	Environs ⁽²⁾	12/2019	4,440	05/20/2020
Atmos Pipeline - Texas	Texas	12/2019	49,251	05/20/2020
West Texas	Amarillo, Lubbock, Dalhart and Channing ⁽²⁾	12/2019	5,937	04/28/2020
Colorado-Kansas	Colorado SSIR	12/2020	2,082	01/01/2020
Mississippi	Mississippi - SIR	10/2020	7,586	11/01/2019
Mississippi	Mississippi - SRF	10/2020	6,886	11/01/2019
Kentucky/Mid-States	Virginia - SAVE	09/2020	84	10/01/2019
Kentucky/Mid-States	Kentucky PRP	09/2020	2,912	10/01/2019
Mid-Tex	Mid-Tex RRM Cities	12/2018	34,380	10/01/2019
West Texas	West Texas Cities RRM	12/2018	4,879	10/01/2019
Total 2020 Filings			<u>\$ 160,857</u>	
2019 Filings:				
Mid-Tex	ATM Cities	12/2018	\$ 6,591	09/26/2019
Louisiana	LGS	12/2018	7,124	07/01/2019

Mid-Tex	Environs	12/2018	2,435	06/04/2019
West Texas	Environs	12/2018	1,005	06/04/2019
Mid-Tex	DARR	09/2018	9,452	06/01/2019
Kentucky/Mid-States	Tennessee ARM	05/2020	2,393	06/01/2019
Atmos Pipeline - Texas	Texas	12/2018	49,225	05/07/2019
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2018	5,692	05/01/2019
Colorado-Kansas	Kansas GSRS	12/2018	1,562	05/01/2019
Louisiana	Trans La	09/2018	4,719	04/01/2019
Colorado-Kansas	Colorado GIS	12/2019	87	04/01/2019
Colorado-Kansas	Colorado SSIR	12/2019	2,147	01/01/2019
Mississippi	Mississippi - SIR	10/2019	7,135	11/01/2018
Mississippi	Mississippi - SRF	10/2019	(118)	11/01/2018
Kentucky/Mid-States	Tennessee ARM	05/2019	(5,032)	10/15/2018
Mid-Tex	Mid-Tex RRM Cities	12/2017	17,633	10/01/2018
West Texas	West Texas Cities RRM	12/2017	2,760	10/01/2018
Total 2019 Filings			<u>\$ 114,810</u>	

2018 Filings:

Louisiana	LGS	12/2017	\$ (1,521)	07/01/2018
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2017	4,418	06/08/2018
Mid-Tex	Environs	12/2017	1,604	06/05/2018
West Texas	Environs	12/2017	826	06/05/2018
Atmos Pipeline - Texas	Texas	12/2017	42,173	05/22/2018
Louisiana	Trans La	09/2017	(1,913)	05/01/2018
Colorado-Kansas	Kansas GSRS	09/2018	820	02/27/2018
Mississippi	Mississippi - SIR	10/2018	7,658	01/01/2018
Mississippi	Mississippi - SGR ⁽³⁾	10/2018	1,245	01/01/2018
Mississippi	Mississippi - SRF ⁽³⁾	10/2018	—	01/01/2018
Colorado-Kansas	Colorado SSIR	12/2018	2,228	12/20/2017
Atmos Pipeline - Texas	Texas	12/2016	28,988	12/05/2017
Kentucky/Mid-States	Kentucky - PRP	09/2018	5,638	10/27/2017
Kentucky/Mid-States	Virginia - SAVE	09/2017	308	10/01/2017
Total 2018 Filings			<u>\$ 92,472</u>	

- (1) Beginning in fiscal 2020, our Trans La and LGS filings were combined into one filing, per Commission order. These rates were implemented on July 1, 2020 subject to refund.
- (2) The rate increases for our Texas GRIP filings were approved based on the effective date herein; however, the new rates were implemented beginning September 1, 2020.
- (3) Beginning in fiscal 2019, our SGR rate base was combined with our SRF rate base, per Commission order.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to customers. Rate cases may also be initiated when the regulatory authorities request us to justify our rates. This process is referred to as a “show cause” action. Adequate rates are intended to provide for recovery of the Company’s costs as well as a reasonable rate of return to our shareholders and ensure that we continue to safely deliver reliable, reasonably priced natural gas service to our customers.

The following table summarizes our recent rate cases:

Division	State	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
<i>2020 Rate Case Filings:</i>			
West Texas (Triangle)	Texas	\$ (808)	04/21/2020
Colorado-Kansas	Kansas	(249)	04/01/2020
Total 2020 Rate Case Filings		<u>\$ (1,057)</u>	
<i>2019 Rate Case Filings:</i>			
Mid-Tex (ATM Cities)	Texas	\$ 2,113	06/01/2019
Kentucky/Mid-States	Kentucky	3,441	05/08/2019
Kentucky/Mid-States	Virginia	(400)	04/01/2019
Mid-Tex (Environs)	Texas	(2,674)	01/01/2019
West Texas (Environs)	Texas	(824)	01/01/2019
Total 2019 Rate Case Filings		<u>\$ 1,656</u>	
<i>2018 Rate Case Filings:</i>			
Colorado-Kansas	Colorado	\$ (241)	05/03/2018
Kentucky/Mid-States	Kentucky	(7,504)	05/03/2018
Mid-Tex - City of Dallas	Texas	(5,108)	02/14/2018
Total 2018 Rate Case Filings		<u>\$ (12,853)</u>	

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the fiscal years ended September 30, 2020, 2019 and 2018:

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income (In thousands)	Effective Date
<i>2020 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem ⁽¹⁾	\$ 353	02/01/2020
Total 2020 Other Rate Activity			<u>\$ 353</u>	
<i>2019 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem ⁽¹⁾	\$ 214	02/01/2019
Total 2019 Other Rate Activity			<u>\$ 214</u>	
<i>2018 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad-Valorem ⁽¹⁾	\$ 457	02/01/2018
Total 2018 Other Rate Activity			<u>\$ 457</u>	

(1) The Ad Valorem filing relates to property taxes that are either over or undercollected compared to the amount included in our Kansas service area's base rates.

Other Regulation

We are regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our transmission and distribution facilities. In addition, our operations are also subject to various state and federal laws regulating environmental matters. From time to time, we receive inquiries regarding various environmental matters. We believe that our properties and operations comply with, and are operated in conformity with, applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality statutes pending or known to be contemplated by governmental agencies which would have a material adverse effect on us or our operations. The Pipeline and Hazardous Materials Safety Administration (PHMSA), within the U.S. Department of Transportation, develops and enforces regulations for the safe, reliable and environmentally sound operation of the pipeline transportation system. The PHMSA

pipeline safety statutes provide for states to assume safety authority over intrastate natural transmission and distribution gas pipelines. State pipeline safety programs are responsible for adopting and enforcing the federal and state pipeline safety regulations for intrastate natural gas transmission and distribution pipelines.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act (NGA), gas transportation services through our APT assets “on behalf of” interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC under the NGA. Additionally, the FERC has regulatory authority over the use and release of interstate pipeline and storage capacity. The FERC also has authority to detect and prevent market manipulation and to enforce compliance with FERC’s other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. We have taken what we believe are the necessary and appropriate steps to comply with these regulations.

The SEC and the Commodities Futures Trading Commission, pursuant to the Dodd–Frank Act, established numerous regulations relating to U.S. financial markets. We enacted procedures and modified existing business practices and contractual arrangements to comply with such regulations. There are, however, some rulemaking proceedings that have not yet been finalized, including those relating to capital and margin rules for (non–cleared) swaps. We do not expect these rules to directly impact our business practices or collateral requirements. However, depending on the substance of these final rules, in addition to certain international regulatory requirements still under development that are similar to Dodd–Frank, our swap counterparties could be subject to additional and potentially significant capitalization requirements. These regulations could motivate counterparties to increase our collateral requirements or cash postings.

Competition

Although our regulated distribution operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets.

Our pipeline and storage operations have historically faced competition from other existing intrastate pipelines seeking to provide or arrange transportation, storage and other services for customers. In the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Employees

The Corporate Responsibility, Sustainability, and Safety Committee of the Board of Directors oversees matters relating to equality, diversity, and inclusion; human workplace rights; employee health and safety; and the Company’s vision, values, and culture. It also assists management in integrating responsibility and sustainability into strategic business activities to create long-term shareholder value.

Our culture respects and appreciates inclusion and diversity. Thus, we strive to have a workforce that reflects the unique 1,400 communities that we serve. At September 30, 2020, we had 4,694 employees, substantially unchanged from last year. We monitor our workforce data on a calendar year basis. As of December 31, 2019, 61 percent of our employees worked in field roles and 39 percent worked in support/shared services roles.



To recruit and hire individuals with a variety of skills, talents, backgrounds and experiences, we value and cultivate our strong relationships with hundreds of community and diversity outreach sources. We also target jobs fairs including those focused on minority, veteran and women candidates and partner with local colleges and universities to identify and recruit qualified applicants in each of the cities and towns we serve. Over the last five calendar years, we hired over 1,800 employees.



We perform succession planning annually to ensure that we develop and sustain a strong bench of talent capable of performing at the highest levels. Not only is talent identified, but potential paths of development are discussed to ensure that employees have an opportunity to build their skills and are well-prepared for future roles. The strength of our succession planning process is evident through our long history of promoting our leaders from within the organization.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms that we file with or furnish to the Securities and Exchange Commission (SEC) at their website, www.sec.gov, are also available free of charge at our website, www.atmosenergy.com, under "Publications and SEC Filings" under the "Investors" tab under "Our Company", as soon as reasonably practicable, after we electronically file these reports with, or furnish these reports to, the SEC. We will also provide copies of these reports free of charge upon request to Shareholder Relations at the address and telephone number appearing below:

Shareholder Relations
Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
972-855-3729

Corporate Governance

In accordance with and pursuant to relevant related rules and regulations of the SEC as well as corporate governance-related listing standards of the New York Stock Exchange (NYSE), the Board of Directors of the Company has established and periodically updated our Corporate Governance Guidelines and Code of Conduct, which is applicable to all directors, officers and employees of the Company. In addition, in accordance with and pursuant to such NYSE listing standards, our Chief Executive Officer during fiscal 2020, John K. Akers, certified to the New York Stock Exchange that he was not aware of any violations by the Company of NYSE corporate governance listing standards. The Board of Directors also annually reviews and updates, if necessary, the charters for each of its Audit, Human Resources, Nominating and Corporate Governance and Corporate Responsibility, Sustainability and Safety Committees. All of the foregoing documents are posted on our website, www.atmosenergy.com, under "Corporate Governance" under the "Corporate Responsibility" tab under "Our Company". We will also provide copies of all corporate governance documents free of charge upon request to Shareholder Relations at the address listed above.

ITEM 1A. Risk Factors.

Our financial and operating results are subject to a number of risk factors, many of which are not within our control. Investors should carefully consider the following discussion of risk factors as well as other information appearing in this report. These factors include the following, which are organized by category:

Regulatory and Legislative Risks

We are subject to federal, state and local regulations that affect our operations and financial results.

We are subject to regulatory oversight from various federal, state and local regulatory authorities in the eight states that we serve. Therefore, our returns are continuously monitored and are subject to challenge for their reasonableness by the appropriate regulatory authorities or other third-party intervenors. In the normal course of business, as a regulated entity, we often need to place assets in service and establish historical test periods before rate cases that seek to adjust our allowed returns to recover that investment can be filed. Further, the regulatory review process can be lengthy in the context of traditional ratemaking. Because of this process, we suffer the negative financial effects of having placed assets in service without the benefit of rate relief, which is commonly referred to as "regulatory lag."

However, in the last several years, a number of regulatory authorities in the states we serve have approved rate mechanisms that provide for annual adjustments to rates that allow us to recover the cost of investments made to replace existing infrastructure or reflect changes in our cost of service. These mechanisms work to effectively reduce the regulatory lag inherent in the ratemaking process. However, regulatory lag could significantly increase if the regulatory authorities modify or terminate these rate mechanisms. The regulatory process also involves the risk that regulatory authorities may (i) review our purchases of natural gas and adjust the amount of our gas costs that we pass through to our customers or (ii) limit the costs we may have incurred from our cost of service that can be recovered from customers.

We are also subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to protection of the environment and health and safety matters, including those that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Failure to comply with these laws, regulations, permits and licenses may expose us to fines, penalties or interruptions in our operations that could be significant to our financial results. In addition, existing environmental regulations may be revised or our operations may become subject to new regulations.

Some of our operations are subject to increased federal regulatory oversight that could affect our operations and financial results.

FERC has regulatory authority over some of our operations, including the use and release of interstate pipeline and storage capacity. FERC has adopted rules designed to prevent market power abuse and market manipulation and to promote compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. These rules carry increased penalties for violations. Although we have taken steps to structure current and future transactions to comply with applicable current FERC regulations, changes in FERC regulations or their interpretation by FERC or additional regulations issued by FERC in the future could also adversely affect our business, financial condition or financial results.

We may experience increased federal, state and local regulation of the safety of our operations.

The safety and protection of the public, our customers and our employees is our top priority. We constantly monitor and maintain our pipeline and distribution systems to ensure that natural gas is delivered safely, reliably and efficiently through our network of more than 75,000 miles of distribution and transmission lines. As in recent years, natural gas distribution and pipeline companies are continuing to encounter increasing federal, state and local oversight of the safety of their operations. Although we believe these are costs ultimately recoverable through our rates, the costs of complying with new laws and regulations may have at least a short-term adverse impact on our operating costs and financial results.

Greenhouse gas emissions or other legislation or regulations intended to address climate change could increase our operating costs, adversely affecting our financial results, growth, cash flows and results of operations.

Federal, regional and/or state legislative and/or regulatory initiatives may attempt to control or limit the causes of climate change, including greenhouse gas emissions, such as carbon dioxide and methane. Such laws or regulations could impose costs tied to greenhouse gas emissions, operational requirements or restrictions, or additional charges to fund energy efficiency activities. They could also provide a cost advantage to alternative energy sources, impose costs or restrictions on end users of natural gas, or result in other costs or requirements, such as costs associated with the adoption of new infrastructure and technology to respond to new mandates. The focus on climate change could adversely impact the reputation of fossil fuel products or services. The occurrence of the foregoing events could put upward pressure on the cost of natural gas relative to other energy sources, increase our costs and the prices we charge to customers, reduce the demand for natural gas or cause fuel switching to other energy sources, and impact the competitive position of natural gas and the ability to serve new or existing customers, adversely affecting our business, results of operations and cash flows.

Operational Risks

We may incur significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs.

PHMSA requires pipeline operators to develop integrity management programs to comprehensively evaluate certain areas along their pipelines and to take additional measures to protect pipeline segments located in "high consequence areas" where a leak or rupture could potentially do the most harm. As a pipeline operator, the Company is required to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a "high consequence area";

- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventative and mitigating actions.

The Company incurs significant costs associated with its compliance with existing PHMSA and comparable state regulations. Although we believe these are costs ultimately recoverable through our rates, the costs of complying with new laws and regulations may have at least a short-term adverse impact on our operating costs and financial results. For example, the adoption of new regulations requiring more comprehensive or stringent safety standards could require installation of new or modified safety controls, new capital projects, or accelerated maintenance programs, all of which could require a potentially significant increase in operating costs.

Distributing, transporting and storing natural gas involve risks that may result in accidents and additional operating costs.

Our operations involve a number of hazards and operating risks inherent in storing and transporting natural gas that could affect the public safety and reliability of our distribution system. While Atmos Energy, with the support from each of its regulatory commissions, is accelerating the replacement of aging pipeline infrastructure, operating issues such as leaks, accidents, equipment problems and incidents, including explosions and fire, could result in legal liability, repair and remediation costs, increased operating costs, significant increased capital expenditures, regulatory fines and penalties and other costs and a loss of customer confidence. We maintain liability and property insurance coverage in place for many of these hazards and risks. However, because some of our transmission pipeline and storage facilities are near or are in populated areas, any loss of human life or adverse financial results resulting from such events could be large. If these events were not fully covered by our general liability and property insurance, which policies are subject to certain limits and deductibles, our operations or financial results could be adversely affected.

If contracted gas supplies, interstate pipeline and/or storage services are not available or delivered in a timely manner, our ability to meet our customers' natural gas requirements may be impaired and our financial condition may be adversely affected.

In order to meet our customers' annual and seasonal natural gas demands, we must obtain a sufficient supply of natural gas, interstate pipeline capacity and storage capacity. If we are unable to obtain these, either from our suppliers' inability to deliver the contracted commodity or the inability to secure replacement quantities, our financial condition and results of operations may be adversely affected. If a substantial disruption to or reduction in interstate natural gas pipelines' transmission and storage capacity occurred due to operational failures or disruptions, legislative or regulatory actions, hurricanes, tornadoes, floods, terrorist or cyber-attacks or acts of war, our operations or financial results could be adversely affected.

Our operations are subject to increased competition.

In residential and commercial customer markets, our distribution operations compete with other energy products, such as electricity and propane. Our primary product competition is with electricity for heating, water heating and cooking. Increases in the price of natural gas could negatively impact our competitive position by decreasing the price benefits of natural gas to the consumer. This could adversely impact our business if our customer growth slows or if our customers further conserve their use of gas, resulting in reduced gas purchases and customer billings.

In the case of industrial customers, such as manufacturing plants, adverse economic conditions, including higher gas costs, could cause these customers to use alternative sources of energy, such as electricity, or bypass our systems in favor of special competitive contracts with lower per-unit costs. Our pipeline and storage operations historically have faced limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, in the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Adverse weather conditions could affect our operations or financial results.

We have weather-normalized rates for approximately 97 percent of our residential and commercial revenues in our distribution operations, which substantially mitigates the adverse effects of warmer-than-normal weather for meters in those service areas. However, there is no assurance that we will continue to receive such regulatory protection from adverse weather in our rates in the future. The loss of such weather-normalized rates could have an adverse effect on our operations and financial results. In addition, our operating results may continue to vary somewhat with the actual temperatures during the winter heating season. Additionally, sustained cold weather could challenge our ability to adequately meet customer demand in our operations.

The operations and financial results of the Company could be adversely impacted as a result of climate change.

As climate change occurs, our businesses could be adversely impacted, although we believe it is likely that any such resulting impacts would occur very gradually over a long period of time and thus would be difficult to quantify with any degree of specificity. Such climate change could cause shifts in population, including customers moving away from our service territories.

It could also result in more frequent and more severe weather events, such as hurricanes and tornadoes, which could increase our costs to repair damaged facilities and restore service to our customers. If we were unable to deliver natural gas to our customers, our financial results would be impacted by lost revenues, and we generally would have to seek approval from regulators to recover restoration costs. To the extent we would be unable to recover those costs, or if higher rates resulting from our recovery of such costs would result in reduced demand for our services, our future business, financial condition or financial results could be adversely impacted.

The inability to continue to hire, train and retain operational, technical and managerial personnel could adversely affect our results of operations.

Although the average age of the employee base of Atmos Energy is not significantly changing year over year, there are still a number of employees who will become eligible to retire within the next five to 10 years. If we were unable to hire appropriate personnel or contractors to fill future needs, the Company could encounter operating challenges and increased costs, primarily due to a loss of knowledge, errors due to inexperience or the lengthy time period typically required to adequately train replacement personnel. In addition, higher costs could result from loss of productivity or increased safety compliance issues. The inability to hire, train and retain new operational, technical and managerial personnel adequately and to transfer institutional knowledge and expertise could adversely affect our ability to manage and operate our business. If we were unable to hire, train and retain appropriately qualified personnel, our results of operations could be adversely affected.

Increased dependence on technology may hinder the Company's business operations and adversely affect its financial condition and results of operations if such technologies fail.

Over the last several years, the Company has implemented or acquired a variety of technological tools including both Company-owned information technology and technological services provided by outside parties. These tools and systems support critical functions including, scheduling and dispatching of service technicians, automated meter reading systems, customer care and billing, operational plant logistics, management reporting, and external financial reporting. The failure of these or other similarly important technologies, or the Company's inability to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder its business operations and adversely impact its financial condition and results of operations.

Although the Company has, when possible, developed alternative sources of technology and built redundancy into its computer networks and tools, there can be no assurance that these efforts would protect against all potential issues related to the loss of any such technologies.

Cyber-attacks or acts of cyber-terrorism could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information.

Our business operations and information technology systems may be vulnerable to an attack by individuals or organizations intending to disrupt our business operations and information technology systems, even though the Company has implemented policies, procedures and controls to prevent and detect these activities. We use our information technology systems to manage our distribution and intrastate pipeline and storage operations and other business processes. Disruption of those systems could adversely impact our ability to safely deliver natural gas to our customers, operate our pipeline and storage systems or serve our customers timely. Accordingly, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected.

In addition, we use our information technology systems to protect confidential or sensitive customer, employee and Company information developed and maintained in the normal course of our business. Any attack on such systems that would result in the unauthorized release of customer, employee or other confidential or sensitive data could have a material adverse effect on our business reputation, increase our costs and expose us to additional material legal claims and liability. Even though we have insurance coverage in place for many of these cyber-related risks, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected to the extent not fully covered by such insurance coverage.

Natural disasters, terrorist activities or other significant events could adversely affect our operations or financial results.

Natural disasters are always a threat to our assets and operations. In addition, the threat of terrorist activities could lead to increased economic instability and volatility in the price of natural gas that could affect our operations. Also, companies in our industry may face a heightened risk of exposure to actual acts of terrorism, which could subject our operations to increased

risks. As a result, the availability of insurance covering such risks may become more limited, which could increase the risk that an event could adversely affect our operations or financial results.

Financial, Economic and Market Risks

Our growth in the future may be limited by the nature of our business, which requires extensive capital spending.

Our operations are capital-intensive. We must make significant capital expenditures on a long-term basis to modernize our distribution and transmission system and to comply with the safety rules and regulations issued by the regulatory authorities responsible for the service areas we operate. In addition, we must continually build new capacity to serve the growing needs of the communities we serve. The magnitude of these expenditures may be affected by a number of factors, including new regulations, the general state of the economy and weather.

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. The cost and availability of borrowing funds from third party lenders or issuing equity is dependent on the liquidity of the credit markets, interest rates and other market conditions. This in turn may limit the amount of funds we can invest in our infrastructure.

The Company is dependent on continued access to the credit and capital markets to execute our business strategy.

Our long-term debt is currently rated as “investment grade” by Standard & Poor’s Corporation and Moody’s Investors Service, Inc. Similar to most companies, we rely upon access to both short-term and long-term credit and capital markets to satisfy our liquidity requirements. If adverse credit conditions were to cause a significant limitation on our access to the private credit and public capital markets, we could see a reduction in our liquidity. A significant reduction in our liquidity could in turn trigger a negative change in our ratings outlook or even a reduction in our credit ratings by one or more of the credit rating agencies. Such a downgrade could further limit our access to private credit and/or public capital markets and increase our costs of borrowing.

While we believe we can meet our capital requirements from our operations and the sources of financing available to us, we can provide no assurance that we will continue to be able to do so in the future, especially if the market price of natural gas increases significantly. The future effects on our business, liquidity and financial results of a deterioration of current conditions in the credit and capital markets could be material and adverse to us, both in the ways described above or in other ways that we do not currently anticipate.

We are exposed to market risks that are beyond our control, which could adversely affect our financial results.

We are subject to market risks beyond our control, including (i) commodity price volatility caused by market supply and demand dynamics, counterparty performance or counterparty creditworthiness, and (ii) interest rate risk. We are generally insulated from commodity price risk through our purchased gas cost mechanisms. With respect to interest rate risk, we have been operating in a relatively low interest-rate environment in recent years compared to historical norms for both short and long-term interest rates. However, increases in interest rates could adversely affect our future financial results to the extent that we do not recover our actual interest expense in our rates.

The concentration of our operations in the State of Texas exposes our operations and financial results to economic conditions, weather patterns and regulatory decisions in Texas.

Approximately 70 percent of our consolidated operations are located in the State of Texas. This concentration of our business in Texas means that our operations and financial results may be significantly affected by changes in the Texas economy in general, weather patterns and regulatory decisions by state and local regulatory authorities in Texas.

A deterioration in economic conditions could adversely affect our customers and negatively impact our financial results.

Any adverse changes in economic conditions in the United States, especially in the states in which we operate, could adversely affect the financial resources of many domestic households. As a result, our customers could seek to use less gas and it may be more difficult for them to pay their gas bills. This would likely lead to slower collections and higher than normal levels of accounts receivable. This, in turn, could increase our financing requirements. Additionally, should economic conditions deteriorate, our industrial customers could seek alternative energy sources, which could result in lower sales volumes.

Increased gas costs could adversely impact our customer base and customer collections and increase our level of indebtedness.

Rapid increases in the costs of purchased gas would cause us to experience a significant increase in short-term debt. We must pay suppliers for gas when it is purchased, which can be significantly in advance of when these costs may be recovered through the collection of monthly customer bills for gas delivered. Increases in purchased gas costs also slow our natural gas distribution collection efforts as customers are more likely to delay the payment of their gas bills, leading to higher than normal

accounts receivable. This could result in higher short-term debt levels, greater collection efforts and increased bad debt expense.

The costs of providing health care benefits, pension and postretirement health care benefits and related funding requirements may increase substantially.

We provide health care benefits, a cash-balance pension plan and postretirement health care benefits to eligible full-time employees. The costs of providing health care benefits to our employees could significantly increase over time due to rapidly increasing health care inflation, and any future legislative changes related to the provision of health care benefits. The impact of additional costs which are likely to be passed on to the Company is difficult to measure at this time.

The costs of providing a cash-balance pension plan to eligible full-time employees prior to 2011 and postretirement health care benefits to eligible full-time employees and related funding requirements could be influenced by changes in the market value of the assets funding our pension and postretirement health care plans. Any significant declines in the value of these investments due to sustained declines in equity markets or a reduction in bond yields could increase the costs of our pension and postretirement health care plans and related funding requirements in the future. Further, our costs of providing such benefits and related funding requirements are also subject to a number of factors, including (i) changing demographics, including longer life expectancy of beneficiaries and an expected increase in the number of eligible former employees over the next five to ten years; (ii) various actuarial calculations and assumptions which may differ materially from actual results due primarily to changing market and economic conditions, including changes in interest rates, and higher or lower withdrawal rates; and (iii) future government regulation.

The costs to the Company of providing these benefits and related funding requirements could also increase materially in the future, should there be a material reduction in the amount of the recovery of these costs through our rates or should significant delays develop in the timing of the recovery of such costs, which could adversely affect our financial results.

The outbreak of COVID-19 and its impact on business and economic conditions could negatively affect our business, results of operations and financial condition.

The scale and scope of the recent COVID-19 outbreak, the resulting pandemic, and the impact on the economy and financial markets could adversely affect the Company's business, results of operations and financial condition. As an essential business, the Company continues to provide natural gas services and has implemented business continuity and emergency response plans to continue to provide natural gas services to customers and support the Company's operations, while taking health and safety measures such as implementing worker distancing measures and using a remote workforce where possible. However, there is no assurance that the continued spread of COVID-19 and efforts to contain the virus (including, but not limited to, voluntary and mandatory quarantines, restrictions on travel, limiting gatherings of people, and reduced operations and extended closures of many businesses and institutions) will not materially impact our business, results of operations and financial condition. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- impact customer demand for natural gas, particularly from commercial and industrial customers;
- reduce the availability and productivity of our employees and contractors;
- cause us to experience an increase in costs as a result of our emergency measures, delayed payments from our customers and uncollectable accounts;
- cause the Company's contractors, suppliers and other business partners to be unable to fulfill their contractual obligations;
- result in our inability to meet the requirements of the covenants in our existing credit facilities, including covenants regarding the ratio of indebtedness to total capitalization;
- cause a deterioration in our financial metrics or the business environment that impacts our credit ratings;
- impact our liquidity position and cost of and ability to access funds from financial institutions and capital markets; and
- cause other unpredictable events.

The situation surrounding COVID-19 remains fluid and the likelihood of an impact on the Company that could be material increases the longer the virus impacts activity levels in the United States. Therefore, it is difficult to predict with certainty the potential impact of the virus on the Company's business, results of operations and financial condition.

To the extent the COVID-19 pandemic has an adverse impact on the Company's business, results of operations and financial condition, it may also have the effect of heightening many of the other risk factors disclosed herein, such as those relating to our ability to continue to access the credit and capital markets to execute our business strategy; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty performance or creditworthiness and interest rate risk; and the impact of adverse economic conditions on our customers.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.**Distribution, transmission and related assets**

At September 30, 2020, in our distribution segment, we owned an aggregate of 71,558 miles of underground distribution and transmission mains throughout our distribution systems. These mains are located on easements or rights-of-way. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Through our pipeline and storage segment we also owned 5,684 miles of gas transmission lines.

Storage Assets

We own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes certain information regarding our underground gas storage facilities at September 30, 2020:

State	Usable Capacity (Mcf)	Cushion Gas ⁽¹⁾ (Mcf)	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
<i>Distribution Segment</i>				
Kentucky	7,956,991	9,562,283	17,519,274	158,100
Kansas	3,239,000	2,300,000	5,539,000	45,000
Mississippi	1,907,571	2,442,917	4,350,488	31,000
<i>Total</i>	<u>13,103,562</u>	<u>14,305,200</u>	<u>27,408,762</u>	<u>234,100</u>
<i>Pipeline and Storage Segment</i>				
Texas	46,083,549	15,878,025	61,961,574	1,710,000
Louisiana	411,040	256,900	667,940	56,000
<i>Total</i>	<u>46,494,589</u>	<u>16,134,925</u>	<u>62,629,514</u>	<u>1,766,000</u>
Total	<u><u>59,598,151</u></u>	<u><u>30,440,125</u></u>	<u><u>90,038,276</u></u>	<u><u>2,000,100</u></u>

(1) Cushion gas represents the volume of gas that must be retained in a facility to maintain reservoir pressure.

Additionally, we contract for storage service in underground storage facilities on many of the interstate and intrastate pipelines serving us to supplement our proprietary storage capacity. The following table summarizes our contracted storage capacity at September 30, 2020:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity ⁽¹⁾ (MDWQ)
<i>Distribution Segment</i>			
	Colorado-Kansas Division	6,343,728	147,965
	Kentucky/Mid-States Division	8,175,103	226,320
	Louisiana Division	2,594,875	177,765
	Mid-Tex Division	4,000,000	150,000
	Mississippi Division	5,099,536	164,764
	West Texas Division	5,500,000	176,000
<i>Total</i>		<u>31,713,242</u>	<u>1,042,814</u>
<i>Pipeline and Storage Segment</i>			
	Trans Louisiana Gas Pipeline, Inc.	1,000,000	47,500
Total Contracted Storage Capacity		<u><u>32,713,242</u></u>	<u><u>1,090,314</u></u>

(1) Maximum daily withdrawal quantity (MDWQ) amounts will fluctuate depending upon the season and the month. Unless otherwise noted, MDWQ amounts represent the MDWQ amounts as of November 1, which is the beginning of the winter heating season.

ITEM 3. Legal Proceedings.

See Note 12 to the consolidated financial statements, which is incorporated in this Item 3 by reference.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II**ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our stock trades on the New York Stock Exchange under the trading symbol "ATO." The dividends paid per share of our common stock for fiscal 2020 and 2019 are listed below.

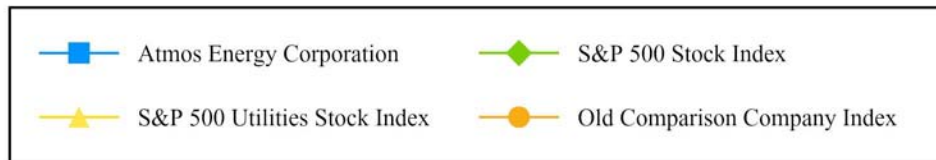
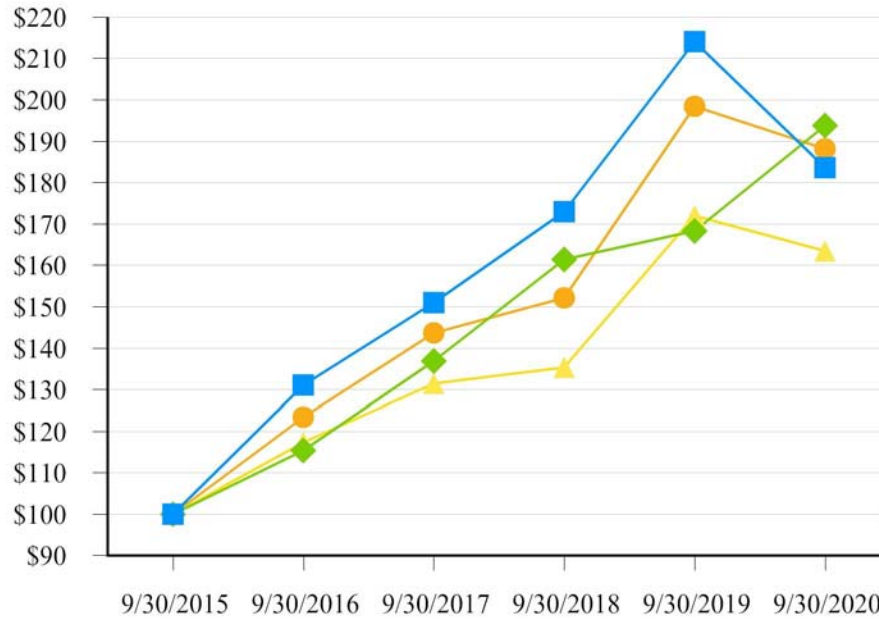
	Fiscal 2020	Fiscal 2019
Quarter ended:		
December 31	\$ 0.575	\$ 0.525
March 31	0.575	0.525
June 30	0.575	0.525
September 30	0.575	0.525
	<u>\$ 2.30</u>	<u>\$ 2.10</u>

Dividends are payable at the discretion of our Board of Directors out of legally available funds. The Board of Directors typically declares dividends in the same fiscal quarter in which they are paid. As of October 31, 2020, there were 11,199 holders of record of our common stock. Future payments of dividends, and the amounts of these dividends, will depend on our financial condition, results of operations, capital requirements and other factors. We sold no securities during fiscal 2020 that were not registered under the Securities Act of 1933, as amended.

Performance Graph

The performance graph and table below compares the yearly percentage change in our total return to shareholders for the last five fiscal years with the total return of the S&P 500 Stock Index (S&P 500), the total return of the S&P 500 Utilities Industry Index and the cumulative total return of the customized peer company group described in Part II, Item 5 of our Annual Report on Form 10-K for fiscal 2019, referred to herein as the Old Comparison Company Index. The Old Comparison Company Index is comprised of natural gas distribution companies with similar revenues, market capitalizations and asset bases to that of the Company. The graph and table below assume that \$100.00 was invested on September 30, 2015 in our common stock, the S&P 500, the S&P 500 Utilities Industry Index and in the common stock of the companies in the Old Comparison Company Index, as well as a reinvestment of dividends paid on such investments throughout the period.

**Comparison of Five-Year Cumulative Total Return
among Atmos Energy Corporation, S&P 500 Index,
S&P 500 Utilities Industry Index and Old Comparison Company Index**



	Cumulative Total Return					
	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
Atmos Energy Corporation	100.00	131.10	151.00	172.94	214.09	183.63
S&P 500 Stock Index	100.00	115.43	136.91	161.43	168.30	193.80
S&P 500 Utilities Stock Index	100.00	117.37	131.49	135.34	172.02	163.47
Old Comparison Company Index ⁽¹⁾	100.00	123.44	143.69	152.10	198.43	188.11

(1) The Old Comparison Company Index reflects the cumulative total return of the group of utility companies described in Part II, Item 5 of our Annual Report on Form 10-K for fiscal 2019, except that Vectren Corporation has since been acquired, and as a result, its cumulative total return is not included in the graph.

The following table sets forth the number of securities authorized for issuance under our equity compensation plans at September 30, 2020.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
1998 Long-Term Incentive Plan	952,586 ⁽¹⁾	\$ —	1,288,782
Total equity compensation plans approved by security holders	952,586	—	1,288,782
Equity compensation plans not approved by security holders			
	—	—	—
Total	952,586	\$ —	1,288,782

(1) Comprised of a total of 355,481 time-lapse restricted stock units, 361,039 director share units and 236,066 performance-based restricted stock units at the target level of performance granted under our 1998 Long-Term Incentive Plan.

ITEM 6. *Selected Financial Data.*

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein.

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
(In thousands, except per share data)					
Results of Operations					
Operating revenues	\$ 2,821,137	\$ 2,901,848	\$ 3,115,546	\$ 2,759,735	\$ 2,454,648
Operating income ⁽¹⁾	\$ 824,099	\$ 746,058	\$ 727,934	\$ 735,628	\$ 665,368
Income from continuing operations	\$ 601,443	\$ 511,406	\$ 603,064	\$ 382,711	\$ 345,542
Net income	\$ 601,443	\$ 511,406	\$ 603,064	\$ 396,421	\$ 350,104
Diluted income per share from continuing operations	\$ 4.89	\$ 4.35	\$ 5.43	\$ 3.60	\$ 3.33
Diluted net income per share	\$ 4.89	\$ 4.35	\$ 5.43	\$ 3.73	\$ 3.38
Cash dividends declared per share	\$ 2.30	\$ 2.10	\$ 1.94	\$ 1.80	\$ 1.68
Financial Condition					
Net property, plant and equipment ⁽²⁾	\$ 13,355,347	\$ 11,787,669	\$ 10,371,147	\$ 9,259,182	\$ 8,268,606
Total assets	\$ 15,359,032	\$ 13,367,619	\$ 11,874,437	\$ 10,749,596	\$ 10,010,889
Capitalization:					
Shareholders' equity	\$ 6,791,203	\$ 5,750,223	\$ 4,769,951	\$ 3,898,666	\$ 3,463,059
Long-term debt (excluding current maturities)	4,531,779	3,529,452	2,493,665	3,067,045	2,188,779
Total capitalization	\$ 11,322,982	\$ 9,279,675	\$ 7,263,616	\$ 6,965,711	\$ 5,651,838

(1) In accordance with our adoption of new accounting standards, changes in comprehensive income statement presentation were implemented on a retrospective basis and impacted previously issued financial statements for the fiscal years ended 2016 through 2018.

(2) Amounts shown are net of assets held for sale related to the divestiture of our natural gas marketing business for fiscal year 2016.

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.***INTRODUCTION**

This section provides management's discussion of the financial condition, changes in financial condition and results of operations of Atmos Energy Corporation and its consolidated subsidiaries with specific information on results of operations and liquidity and capital resources. It includes management's interpretation of our financial results, the factors affecting these results, the major factors expected to affect future operating results and future investment and financing plans. This discussion should be read in conjunction with our consolidated financial statements and notes thereto.

Several factors exist that could influence our future financial performance, some of which are described in Item 1A above, "Risk Factors". They should be considered in connection with evaluating forward-looking statements contained in this report or otherwise made by or on behalf of us since these factors could cause actual results and conditions to differ materially from those set out in such forward-looking statements.

Cautionary Statement for the Purposes of the Safe Harbor under the Private Securities Litigation Reform Act of 1995

The statements contained in this Annual Report on Form 10-K may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Report are forward-looking statements made in good faith by us and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this Report, or any other of our documents or oral presentations, the words "anticipate", "believe", "estimate", "expect", "forecast", "goal", "intend", "objective", "plan", "projection", "seek", "strategy" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to our strategy, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. These risks and uncertainties include the following: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company's business if such technologies fail; the threat of cyber-attacks or acts of cyber-terrorism that could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information; natural disasters, terrorist activities or other events and other risks and uncertainties discussed herein, all of which are difficult to predict and many of which are beyond our control; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty performance or creditworthiness and interest rate risk; the concentration of our operations in Texas; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; the outbreak of COVID-19 and its impact on business and economic conditions. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, we undertake no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. Preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from estimates.

Our significant accounting policies are discussed in Note 2 to our consolidated financial statements. The accounting policies discussed below are both important to the presentation of our financial condition and results of operations and require management to make difficult, subjective or complex accounting estimates. Accordingly, these critical accounting policies are reviewed periodically by the Audit Committee of the Board of Directors.

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
<i>Regulation</i>	<p>Our distribution and pipeline operations meet the criteria of a cost-based, rate-regulated entity under accounting principles generally accepted in the United States. Accordingly, the financial results for these operations reflect the effects of the ratemaking and accounting practices and policies of the various regulatory commissions to which we are subject.</p> <p>As a result, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts expected to be recovered or recognized are based upon historical experience and our understanding of the regulations.</p> <p>Discontinuing the application of this method of accounting for regulatory assets and liabilities or changes in the accounting for our various regulatory mechanisms could significantly increase our operating expenses as fewer costs would likely be capitalized or deferred on the balance sheet, which could reduce our net income.</p>	<p>Decisions of regulatory authorities</p> <p>Issuance of new regulations or regulatory mechanisms</p> <p>Assessing the probability of the recoverability of deferred costs</p> <p>Continuing to meet the criteria of a cost-based, rate regulated entity for accounting purposes</p>
<i>Unbilled Revenue</i>	<p>We follow the revenue accrual method of accounting for distribution segment revenues whereby revenues attributable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense.</p> <p>When permitted, we implement rates that have not been formally approved by our regulatory authorities, subject to refund. We recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.</p>	<p>Estimates of delivered sales volumes based on actual tariff information and weather information and estimates of customer consumption and/or behavior</p> <p>Estimates of purchased gas costs related to estimated deliveries</p> <p>Estimates of amounts billed subject to refund</p>

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
<p><i>Pension and other postretirement plans</i></p>	<p>Pension and other postretirement plan costs and liabilities are determined on an actuarial basis using a September 30 measurement date and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.</p> <p>The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net periodic pension and postretirement benefit plan costs. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds.</p> <p>The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of our annual pension and postretirement plan costs. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year’s annual pension or postretirement plan costs are not affected. Rather, this gain or loss reduces or increases future pension or postretirement plan costs over a period of approximately ten to twelve years.</p> <p>The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this methodology will delay the impact of current market fluctuations on the pension expense for the period.</p> <p>We estimate the assumed health care cost trend rate used in determining our postretirement net expense based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon our annual review of our participant census information as of the measurement date.</p>	<p>General economic and market conditions</p> <p>Assumed investment returns by asset class</p> <p>Assumed future salary increases</p> <p>Assumed discount rate</p> <p>Projected timing of future cash disbursements</p> <p>Health care cost experience trends</p> <p>Participant demographic information</p> <p>Actuarial mortality assumptions</p> <p>Impact of legislation</p> <p>Impact of regulation</p>
<p><i>Impairment assessments</i></p>	<p>We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstance indicate that such carrying values may not be recoverable, and at least annually for goodwill, as required by U.S. accounting standards.</p> <p>The evaluation of our goodwill balances and other long-lived assets or identifiable assets for which uncertainty exists regarding the recoverability of the carrying value of such assets involves the assessment of future cash flows and external market conditions and other subjective factors that could impact the estimation of future cash flows including, but not limited to the commodity prices, the amount and timing of future cash flows, future growth rates and the discount rate. Unforeseen events and changes in circumstances or market conditions could adversely affect these estimates, which could result in an impairment charge.</p>	<p>General economic and market conditions</p> <p>Projected timing and amount of future discounted cash flows</p> <p>Judgment in the evaluation of relevant data</p>

Non-GAAP Financial Measures

As described further in Note 13 to the consolidated financial statements, due to the passage of Kansas House Bill 2585, we remeasured our deferred tax liability and updated our state deferred tax rate. As a result, we recorded a non-cash income tax benefit of \$21.0 million for the fiscal year ended September 30, 2020. Additionally, the enactment of the Tax Cuts and Jobs Act of 2017 (the TCJA) required us to remeasure our deferred tax assets and liabilities at our new federal statutory income tax rate as of December 22, 2017. The remeasurement of our net deferred tax liabilities resulted in the recognition of a non-cash income tax benefit of \$158.8 million for the fiscal year ended September 30, 2018. Due to the non-recurring nature of these benefits, we believe that net income and diluted net income per share before the non-cash income tax benefits provide a more relevant measure to analyze our financial performance than net income and diluted net income per share in order to allow investors to better analyze our core results and allow the information to be presented on a comparative basis. Accordingly, the following discussion and analysis of our financial performance will reference adjusted net income and adjusted diluted earnings per share, non-GAAP measures, which are calculated as follows:

	For the Fiscal Year Ended September 30				
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	(In thousands, except per share data)				
Net income	\$ 601,443	\$ 511,406	\$ 603,064	\$ 90,037	\$ (91,658)
Non-cash income tax benefits	(20,962)	—	(158,782)	(20,962)	158,782
Adjusted net income	\$ 580,481	\$ 511,406	\$ 444,282	\$ 69,075	\$ 67,124
Diluted net income per share	\$ 4.89	\$ 4.35	\$ 5.43	\$ 0.54	\$ (1.08)
Diluted EPS from non-cash income tax benefits	(0.17)	—	(1.43)	(0.17)	1.43
Adjusted diluted net income per share	\$ 4.72	\$ 4.35	\$ 4.00	\$ 0.37	\$ 0.35

RESULTS OF OPERATIONS**Overview**

Atmos Energy strives to operate its businesses safely and reliably while delivering superior shareholder value. Our commitment to modernizing our natural gas distribution and transmission systems requires a significant level of capital spending. We have the ability to begin recovering a significant portion of these investments timely through rate designs and mechanisms that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. The execution of our capital spending program, the ability to recover these investments timely and our ability to access the capital markets to satisfy our financing needs are the primary drivers that affect our financial performance.

We continue to execute our strategy well while managing the ongoing impacts of the Coronavirus Disease 2019 (COVID-19) pandemic. Approximately 95 percent of our employees continue to work remotely as we provide essential services to ensure the safety and functionality of our critical infrastructure while taking precautions to provide a safe work environment for employees and customers.

During fiscal 2020, we recorded net income of \$601.4 million, or \$4.89 per diluted share, compared to net income of \$511.4 million, or \$4.35 per diluted share in the prior year. After adjusting for a nonrecurring income tax benefit recognized during fiscal 2020, we recorded adjusted net income of \$580.5 million, or \$4.72 per diluted share for the year ended September 30, 2020.

The following table details our consolidated net income by segment during the last three fiscal years:

	For the Fiscal Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Distribution segment	\$ 395,664	\$ 328,814	\$ 442,966
Pipeline and storage segment	205,779	182,592	160,098
Net income	\$ 601,443	\$ 511,406	\$ 603,064

The year-over-year increase in adjusted net income of \$69.1 million, or 14 percent, largely reflects positive rate outcomes driven by safety and reliability spending and customer growth in our distribution business. We did not experience a material change in year-over-year residential revenue in our distribution segment due to COVID-19; however, we did experience a 10

percent year-over-year decline in nonresidential revenue, including service and other revenues, primarily during the third and fourth fiscal quarter. The decline is partially offset by a reduction in certain operating and maintenance expenses.

During the year ended September 30, 2020, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of \$160.2 million and had ratemaking efforts in progress at September 30, 2020, seeking a total increase in annual operating income of \$131.9 million. As of the date of this report, we have received approval to implement \$106.6 million of this amount in the first quarter of fiscal 2021.

Capital expenditures for fiscal 2020 increased 14 percent period-over-period, to \$1.9 billion. Over 85 percent was invested to improve the safety and reliability of our distribution and transmission systems, with a significant portion of this investment incurred under regulatory mechanisms that reduce regulatory lag to six months or less.

During fiscal 2020, we completed over \$1.6 billion of long-term debt and equity financing. As of September 30, 2020, our equity capitalization was 60 percent and we had approximately \$2.6 billion in total liquidity, including cash and cash equivalents and funds available through equity forward sales agreements.

As a result of the continued contribution and stability of our earnings, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 8.7% percent for fiscal 2021.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of our distribution operations are our ability to earn our authorized rates of return, competitive factors in the energy industry and economic conditions in our service areas.

Our ability to earn our authorized rates is based primarily on our ability to improve the rate design in our various ratemaking jurisdictions to minimize regulatory lag and, ultimately, separate the recovery of our approved rates from customer usage patterns. Improving rate design is a long-term process and is further complicated by the fact that we operate in multiple rate jurisdictions. The “*Ratemaking Activity*” section of this Form 10-K describes our current rate strategy, progress towards implementing that strategy and recent ratemaking initiatives in more detail.

Revenues in our Texas and Mississippi service areas include franchise fees and gross receipt taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenue is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income.

The cost of gas typically does not have a direct impact on our operating income because these costs are recovered through our purchased gas cost adjustment mechanisms. However, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense. This risk is currently mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 78 percent of our residential and commercial revenues. Additionally, higher gas costs may require us to increase borrowings under our credit facilities, resulting in higher interest expense. Finally, higher gas costs, as well as competitive factors in the industry and general economic conditions may cause customers to conserve or, in the case of industrial consumers, to use alternative energy sources.

During fiscal 2020, we completed 17 regulatory proceedings in our distribution segment, resulting in a \$110.9 million increase in annual operating income.

Review of Financial and Operating Results

Financial and operational highlights for our distribution segment for the fiscal years ended September 30, 2020, 2019 and 2018 are presented below.

	For the Fiscal Year Ended September 30				
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	(In thousands, unless otherwise noted)				
Operating revenues	\$ 2,626,993	\$ 2,745,461	\$ 3,003,047	\$ (118,468)	\$ (257,586)
Purchased gas cost	1,071,227	1,268,591	1,559,836	(197,364)	(291,245)
Operating expenses ⁽¹⁾	1,027,523	1,006,098	957,544	21,425	48,554
Operating income	528,243	470,772	485,667	57,471	(14,895)
Other non-operating income (expense) ⁽¹⁾	(1,265)	6,241	(6,649)	(7,506)	12,890
Interest charges	39,634	60,031	65,850	(20,397)	(5,819)
Income before income taxes	487,344	416,982	413,168	70,362	3,814
Income tax expense	105,147	88,168	107,880	16,979	(19,712)
Non-cash income tax benefits ⁽²⁾	(13,467)	—	(137,678)	(13,467)	137,678
Net income	\$ 395,664	\$ 328,814	\$ 442,966	\$ 66,850	\$ (114,152)
Consolidated distribution sales volumes — MMcf	291,650	315,476	300,817	(23,826)	14,659
Consolidated distribution transportation volumes — MMcf	147,387	155,078	150,566	(7,691)	4,512
Total consolidated distribution throughput — MMcf	439,037	470,554	451,383	(31,517)	19,171
Consolidated distribution average cost of gas per Mcf sold	\$ 3.67	\$ 4.02	\$ 5.19	\$ (0.35)	\$ (1.17)

(1) In accordance with our adoption of new accounting standards, changes in comprehensive income statement presentation were implemented on a retrospective basis and impacted previously issued financial statements for fiscal 2018.

(2) See Note 13 to the consolidated financial statements for further information.

Fiscal year ended September 30, 2020 compared with fiscal year ended September 30, 2019

Operating income for our distribution segment increased 12 percent, which primarily reflects:

- an \$86.8 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a \$13.7 million increase from customer growth primarily in our Mid-Tex Division.
- a \$11.7 million decrease in operating expense in response to COVID-19:
 - \$8.1 million associated with travel and entertainment and training.
 - \$3.6 million associated with lower overtime/standby costs and benefit costs.

Partially offset by:

- a \$18.4 million decrease attributable to COVID-19:
 - \$5.9 million decrease in net consumption and transportation during the third and fourth fiscal quarter, primarily due to a 13 percent decrease in commercial volumes.
 - \$6.3 million decrease in service order revenues primarily during the third and fourth quarter due to the cessation of collection activities during the third and fourth quarters.
 - \$6.2 million increase in bad debt expense primarily due to the cessation of collection activities during the third and fourth quarters.
- a \$30.6 million increase in depreciation expense and property taxes associated with increased capital investments.
- a \$4.5 million increase in information technology spending to support the modernization of our systems.

The year-over-year change in other non-operating expense and interest charges of \$12.9 million primarily reflects increased capitalized interest and AFUDC primarily due to increased capitalized spending, partially offset by an increase in interest expense due to the issuance of long-term debt during fiscal 2020, an increase in community support spending and an increase in pension and other postretirement non-service costs.

The fiscal year ended September 30, 2019 compared with fiscal year ended September 30, 2018 for our distribution segment is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

The following table shows our operating income by distribution division, in order of total rate base, for the fiscal years ended September 30, 2020, 2019 and 2018. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	For the Fiscal Year Ended September 30				
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	(In thousands)				
Mid-Tex	\$ 236,066	\$ 202,050	\$ 202,444	\$ 34,016	\$ (394)
Kentucky/Mid-States	76,745	73,965	81,105	2,780	(7,140)
Louisiana	71,892	70,440	70,609	1,452	(169)
West Texas	52,493	44,902	45,494	7,591	(592)
Mississippi	55,938	46,229	47,237	9,709	(1,008)
Colorado-Kansas	34,039	34,362	32,333	(323)	2,029
Other	1,070	(1,176)	6,445	2,246	(7,621)
Total	\$ 528,243	\$ 470,772	\$ 485,667	\$ 57,471	\$ (14,895)

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our APT Division and our natural gas transmission operations in Louisiana. Over 80 percent of this segment's revenues are derived from transportation and storage services provided by APT to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, as well as marketers and producers.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage of natural gas. However, natural gas prices and demand for natural gas could influence the level of drilling activity in the supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. Further, natural gas price differences between the various hubs that we serve in Texas could influence the volumes of gas transported for shippers through Texas pipeline systems and rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. On February 14, 2020, APT made a GRIP filing that covered changes in net investment from January 1, 2019 through December 31, 2019 with a requested increase in operating income of \$49.3 million. On May 20, 2020, the RRC approved the Company's GRIP filing.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017.

Review of Financial and Operating Results

Financial and operational highlights for our pipeline and storage segment for the fiscal years ended September 30, 2020, 2019 and 2018 are presented below.

	For the Fiscal Year Ended September 30				
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	(In thousands, unless otherwise noted)				
Mid-Tex / Affiliate transportation revenue	\$ 474,077	\$ 428,586	\$ 384,500	\$ 45,491	\$ 44,086
Third-party transportation revenue	127,444	129,930	115,207	(2,486)	14,723
Other revenue	7,818	8,508	8,006	(690)	502
Total operating revenues	609,339	567,024	507,713	42,315	59,311
Total purchased gas cost	1,548	(360)	1,978	1,908	(2,338)
Operating expenses	311,935	292,098	263,468	19,837	28,630
Operating income	295,856	275,286	242,267	20,570	33,019
Other non-operating income (expense)	8,436	1,163	(3,495)	7,273	4,658
Interest charges	44,840	43,122	40,796	1,718	2,326
Income before income taxes	259,452	233,327	197,976	26,125	35,351
Income tax expense	61,168	50,735	58,982	10,433	(8,247)
Non-cash income tax benefits ⁽¹⁾	(7,495)	—	(21,104)	(7,495)	21,104
Net income	\$ 205,779	\$ 182,592	\$ 160,098	\$ 23,187	\$ 22,494
Gross pipeline transportation volumes — MMcf	822,499	939,376	871,904	(116,877)	67,472
Consolidated pipeline transportation volumes — MMcf	621,371	721,998	663,900	(100,627)	58,098

(1) See Note 13 to the consolidated financial statements for further information.

Fiscal year ended September 30, 2020 compared with fiscal year ended September 30, 2019

Operating income for our pipeline and storage segment increased seven percent, which primarily reflects:

- a \$53.2 million net increase due to rate adjustments from the GRIP filing approved in May 2019 and 2020. The increase in rates was driven by increased safety and reliability spending.

Partially offset by:

- a \$13.6 million net decrease primarily associated with the tightening of regional spreads driven by a reduction in associated Permian Basin gas production.
- a \$12.5 million increase in depreciation expense associated with increased capital investments.
- a \$9.4 million increase in system maintenance expense primarily due to spending on hydro testing and in-line inspections.

The year-over-year change in other non-operating income and interest charges of \$5.6 million reflects increased AFUDC primarily due to increased capital spending, partially offset by an increase in interest expense due to the issuance of long-term debt during fiscal 2020.

The fiscal year ended September 30, 2019 compared with fiscal year ended September 30, 2018 for our pipeline and storage segment is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. As of September 30, 2020, external debt financing is provided primarily through the issuance of long-term debt, a \$1.5 billion commercial paper program and four committed revolving credit facilities with a total availability from third-party lenders of approximately \$2.2 billion. The commercial paper program and credit facilities provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-total-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis.

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to \$4.0 billion in common stock and/or debt securities. As of the date of this report, approximately \$2.4 billion of securities remained available for issuance under the shelf registration statement, which expires February 11, 2023.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of \$1.0 billion, which expires February 11, 2023. At September 30, 2020, approximately \$552 million of equity is available for issuance under this ATM equity sales program. Additionally, as of September 30, 2020, we have \$345.2 million in proceeds from previously executed forward sale agreements that must be settled during fiscal 2021.

The liquidity provided by these sources is expected to be sufficient to fund the Company's working capital needs and capital expenditures program.

The following table presents our capitalization as of September 30, 2020 and 2019:

	September 30			
	2020		2019	
	(In thousands, except percentages)			
Short-term debt	\$ —	—%	\$ 464,915	4.8%
Long-term debt ⁽¹⁾	4,531,944	40.0%	3,529,452	36.2%
Shareholders' equity	6,791,203	60.0%	5,750,223	59.0%
Total capitalization, including short-term debt	\$ 11,323,147	100.0%	\$ 9,744,590	100.0%

(1) Inclusive of our finance leases as of September 30, 2020.

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These factors include regulatory changes, the price for our services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks and other factors.

Cash flows from operating, investing and financing activities for the years ended September 30, 2020, 2019 and 2018 are presented below.

	For the Fiscal Year Ended September 30				
	2020	2019	2018	2020 vs. 2019	2018 vs. 2017
	(In thousands)				
Total cash provided by (used in)					
Operating activities	\$ 1,037,999	\$ 968,769	\$ 1,124,662	\$ 69,230	\$ (155,893)
Investing activities	(1,925,518)	(1,683,660)	(1,463,566)	(241,858)	(220,094)
Financing activities	883,777	725,670	326,266	158,107	399,404
Change in cash and cash equivalents	(3,742)	10,779	(12,638)	(14,521)	23,417
Cash and cash equivalents at beginning of period	24,550	13,771	26,409	10,779	(12,638)
Cash and cash equivalents at end of period	\$ 20,808	\$ 24,550	\$ 13,771	\$ (3,742)	\$ 10,779

Cash flows for the fiscal year ended September 30, 2019 compared with fiscal year ended September 30, 2018 is described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

Cash flows from operating activities

For the fiscal year ended September 30, 2020, we generated cash flow from operating activities of \$1,038.0 million compared with \$968.8 million in the prior year. The year-over-year increase in operating cash flows reflects positive cash effects of rate case outcomes achieved in fiscal 2019 and working capital changes, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 87 percent of our capital spending has been committed to improving the safety and reliability of our system.

We allocate our capital spending among our service areas using risk management models and subject matter experts to identify, assess and develop a plan of action to address our highest risk facilities. We have regulatory mechanisms in most of our service areas that provide the opportunity to include approved capital costs in rate base on a periodic basis without being required to file a rate case. These mechanisms permit us a reasonable opportunity to earn a fair return on our investment without compromising safety or reliability.

For the fiscal year ended September 30, 2020, we had \$1.9 billion in capital expenditures compared with \$1.7 billion for the fiscal year ended September 30, 2019. Capital spending increased by \$242.2 million, or 14 percent, as a result of planned increases to modernize our system.

Cash flows from financing activities

Our financing activities provided \$883.8 million and \$725.7 million in cash for fiscal years 2020 and 2019.

During the fiscal year ended September 30, 2020, we received \$1.6 billion in net proceeds from the issuance of long-term debt and equity. We completed a public offering of \$300 million of 2.625% senior notes due 2029 and \$500 million of 3.375% senior notes due 2049 and entered into a two year \$200 million term loan. We received net proceeds from these offerings, after the underwriting discount and offering expenses, of \$791.7 million. Additionally, during the fiscal year ended September 30, 2020, we settled 6,101,916 shares that had been sold on a forward basis for net proceeds of approximately \$624 million. The net proceeds were used primarily to support capital spending, reduce short-term debt and other general corporate purposes.

Additionally, cash dividends increased due to a 9.5 percent increase in our dividend rate and an increase in shares outstanding.

During the fiscal year ended September 30, 2019, we received \$1.7 billion in net proceeds from the issuance of long-term debt and equity. A portion of the net proceeds was used to repay at maturity our \$450 million 8.50% unsecured senior notes and the related settlement of our interest rate swaps for \$90.1 million, to repay at maturity our \$125 million floating rate term loan, to reduce short-term debt, to support our capital spending and for other general corporate purposes. Cash dividends increased due to an 8.2 percent increase in our dividend rate and an increase in shares outstanding.

The following table shows the number of shares issued for the fiscal years ended September 30, 2020, 2019 and 2018:

	For the Fiscal Year Ended September 30		
	2020	2019	2018
Shares issued:			
Direct Stock Purchase Plan	107,989	110,063	131,213
Retirement Savings Plan and Trust	78,941	81,456	94,081
1998 Long-Term Incentive Plan (LTIP)	254,706	299,612	385,351
Equity Issuance ⁽¹⁾	6,101,916	7,574,111	4,558,404
Total shares issued	6,543,552	8,065,242	5,169,049

(1) Share amounts do not include shares issued under forward sale agreements until the shares have been settled.

Credit Ratings

Our credit ratings directly affect our ability to obtain short-term and long-term financing, in addition to the cost of such financing. In determining our credit ratings, the rating agencies consider a number of quantitative factors, including but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and operating cash flow less dividends to debt. In addition, the rating agencies consider qualitative factors such as consistency of our earnings over time, the risks associated with our business and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by two rating agencies: Standard & Poor's Corporation (S&P) and Moody's Investors Service (Moody's). On December 16, 2019, Moody's upgraded our senior unsecured long-term debt rating to A1 and changed their outlook to stable, citing our strong credit metrics as a result of continued improvement in rate design to minimize regulatory lag and our balanced fiscal policy.

As of September 30, 2020, our outlook and current debt ratings, which are all considered investment grade are as follows:

	S&P	Moody's
Senior unsecured long-term debt	A	A1
Short-term debt	A-1	P-1
Outlook	Stable	Stable

A significant degradation in our operating performance or a significant reduction in our liquidity caused by more limited access to the private and public credit markets as a result of deteriorating global or national financial and credit conditions could trigger a negative change in our ratings outlook or even a reduction in our credit ratings by the two credit rating agencies. This would mean more limited access to the private and public credit markets and an increase in the costs of such borrowings.

A credit rating is not a recommendation to buy, sell or hold securities. The highest investment grade credit rating is AAA for S&P and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. Our credit ratings may be revised or withdrawn at any time by the rating agencies, and each rating should be evaluated independently of any other rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, or withdrawn entirely, by a rating agency if, in its judgment, circumstances so warrant.

Debt Covenants

We were in compliance with all of our debt covenants as of September 30, 2020. Our debt covenants are described in Note 7 to the consolidated financial statements.

Contractual Obligations and Commercial Commitments

The following table provides information about contractual obligations and commercial commitments at September 30, 2020.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(In thousands)					
Contractual Obligations					
Long-term debt ⁽¹⁾	\$ 4,560,000	\$ —	\$ 200,000	\$ 10,000	\$ 4,350,000
Interest charges ⁽²⁾	3,925,475	194,092	381,386	378,984	2,971,013
Finance leases ⁽³⁾	16,477	741	1,513	1,557	12,666
Operating leases ⁽⁴⁾	278,181	40,049	70,176	41,573	126,383
Financial instrument obligations ⁽⁵⁾	2,015	2,015	—	—	—
Pension and postretirement benefit plan contributions ⁽⁶⁾	423,505	60,553	133,694	85,792	143,466
Uncertain tax positions ⁽⁷⁾	30,921	—	30,921	—	—
Total contractual obligations	\$ 9,236,574	\$ 297,450	\$ 817,690	\$ 517,906	\$ 7,603,528

(1) Long-term debt excludes our finance lease obligations, which are separately reported within this table. See Note 7 to the consolidated financial statements for further details.

(2) Interest charges were calculated using the effective rate for each debt issuance.

(3) Finance lease payments shown above include interest totaling \$7.8 million. See Note 6 to the consolidated financial statements.

(4) Operating lease payments shown above include interest totaling \$41.4 million. See Note 6 to the consolidated financial statements.

(5) Represents liabilities for natural gas commodity financial instruments that were valued as of September 30, 2020. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled.

(6) Represents expected contributions to our defined benefit and postretirement benefit plans, which are discussed in Note 9 to the consolidated financial statements.

(7) Represents liabilities associated with uncertain tax positions claimed or expected to be claimed on tax returns. The amount does not include interest and penalties that may be applied to these positions.

We maintain supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of individual contracts. Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at market and fixed prices.

At September 30, 2020, we were committed to purchase 59.3 Bcf within one year, 57.0 Bcf within two to three years and 0.1 Bcf beyond three years under indexed contracts.

Risk Management Activities

In our distribution and pipeline and storage segments, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to reduce our exposure to unusually large winter-period gas price increases. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

We record our financial instruments as a component of risk management assets and liabilities, which are classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. Substantially all of our financial instruments are valued using external market quotes and indices.

The following table shows the components of the change in fair value of our financial instruments for the fiscal year ended September 30, 2020 (in thousands):

Fair value of contracts at September 30, 2019	\$ (3,990)
Contracts realized/settled	(2,731)
Fair value of new contracts	2,570
Other changes in value	82,814
Fair value of contracts at September 30, 2020	78,663
Netting of cash collateral	—
Cash collateral and fair value of contracts at September 30, 2020	<u>\$ 78,663</u>

The fair value of our financial instruments at September 30, 2020, is presented below by time period and fair value source:

Source of Fair Value	Fair Value of Contracts at September 30, 2020				
	Maturity in years				Total Fair Value
	Less than 1	1-3	4-5	Greater than 5	
	(In thousands)				
Prices actively quoted	\$ 3,672	\$ 49,371	\$ 25,620	\$ —	\$ 78,663
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	<u>\$ 3,672</u>	<u>\$ 49,371</u>	<u>\$ 25,620</u>	<u>\$ —</u>	<u>\$ 78,663</u>

RECENT ACCOUNTING DEVELOPMENTS

Recent accounting developments and their impact on our financial position, results of operations and cash flows are described in Note 2 to the consolidated financial statements.

ITEM 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

We are exposed to risks associated with commodity prices and interest rates. Commodity price risk is the potential loss that we may incur as a result of changes in the fair value of a particular instrument or commodity. Interest-rate risk is the potential increased cost we could incur when we issue debt instruments or to provide financing and liquidity for our business activities. Additionally, interest-rate risk could affect our ability to issue cost effective equity instruments.

We conduct risk management activities in our distribution and pipeline and storage segments. In our distribution segment, we use a combination of physical storage, fixed-price forward contracts and financial instruments, primarily over-the-counter swap and option contracts, in an effort to minimize the impact of natural gas price volatility on our customers during the winter heating season. Our risk management activities and related accounting treatment are described in further detail in Note 14 to the consolidated financial statements. Additionally, our earnings are affected by changes in short-term interest rates as a result of our issuance of short-term commercial paper and our other short-term borrowings.

Commodity Price Risk

We purchase natural gas for our distribution operations. Substantially all of the costs of gas purchased for distribution operations are recovered from our customers through purchased gas cost adjustment mechanisms. Therefore, our distribution operations have limited commodity price risk exposure.

Interest Rate Risk

Our earnings are exposed to changes in short-term interest rates associated with our short-term commercial paper program and other short-term borrowings. We use a sensitivity analysis to estimate our short-term interest rate risk. For purposes of this analysis, we estimate our short-term interest rate risk as the difference between our actual interest expense for the period and estimated interest expense for the period assuming a hypothetical average one percent increase in the interest rates associated with our short-term borrowings. Had interest rates associated with our short-term borrowings increased by an average of one percent, our interest expense would not have materially increased during 2020.

ITEM 8. *Financial Statements and Supplementary Data.*

Index to financial statements and financial statement schedule:

	<u>Page</u>
Report of independent registered public accounting firm	37
Financial statements and supplementary data:	
Consolidated balance sheets at September 30, 2020 and 2019	39
Consolidated statements of comprehensive income for the years ended September 30, 2020, 2019 and 2018	40
Consolidated statements of shareholders' equity for the years ended September 30, 2020, 2019 and 2018	41
Consolidated statements of cash flow for the years ended September 30, 2020, 2019 and 2018	42
Notes to consolidated financial statements	43
Selected Quarterly Financial Data (Unaudited)	83
Financial statement schedule for the years ended September 30, 2020, 2019 and 2018	
Schedule II. Valuation and Qualifying Accounts	96

All other financial statement schedules are omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and accompanying notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**To the Shareholders and the Board of Directors of Atmos Energy Corporation****Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation (the "Company") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended September 30, 2020, and the related notes and financial statement schedule listed in the Index at Item 8 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020, in conformity with US generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 13, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Determination of Capital Costs***Description of the Matter***

As more fully described in Note 2 to the financial statements, the Company capitalizes the direct and indirect costs of construction. Once a project is completed, it is placed into service and included in the Company's rate base. Costs of maintenance and repairs that are not included in the Company's rate base are charged to expense. For the year ended September 30, 2020, the Company capitalized approximately \$1.9 billion of construction-related costs for regulated property, plant and equipment.

Auditing management's identification of capital additions and maintenance and repairs expense involved significant effort and auditor judgment. These amounts have both a higher magnitude and a higher likelihood of potential misstatement. As a cost-based, rate-regulated entity, the rates charged to customers are designed to recover the entity's costs and provide a rate of return on rate base. Net property, plant and equipment is the most significant component of the Company's rate base. As a result, inappropriate capitalization of costs could affect the amount, timing and classification of revenues and expenses in the consolidated financial statements.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the initial determination and approval of expenditures for either capital additions or maintenance and repair. For example, we selected a sample of projects initiated during the year to evaluate the effectiveness of management's review controls to determine the proper categorization of project expenditures as either capitalizable costs or current-period expense.

Our audit procedures included, among others, testing a sample of projects initiated during the year, including the evaluation of the nature of the project, with Company personnel outside of accounting and financial reporting. For example, we evaluated project setup through inspection of each project's description for compliance with the Company's capitalization policy as described in Note 2 and a series of inquiries of the project approver to understand how they assessed whether projects should be treated as capital or expense. Other audit procedures included evaluating whether the descriptions and amounts included on third-party invoices either support or contradict the project classification as capital, evaluating the appropriateness of individuals capitalizing direct labor charges to projects by assessing the relevance of their job function to the capital project, and recalculating other overhead costs capitalized to projects.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1983.

Dallas, Texas
November 13, 2020

ATMOS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30	
	2020	2019
(In thousands, except share data)		
ASSETS		
Property, plant and equipment	\$ 15,539,166	\$ 13,758,899
Construction in progress	418,055	421,694
	15,957,221	14,180,593
Less accumulated depreciation and amortization	2,601,874	2,392,924
Net property, plant and equipment	13,355,347	11,787,669
Current assets		
Cash and cash equivalents	20,808	24,550
Accounts receivable, less allowance for doubtful accounts of \$29,949 in 2020 and \$15,899 in 2019	230,595	230,571
Gas stored underground	111,950	130,138
Other current assets	107,905	72,772
Total current assets	471,258	458,031
Goodwill	731,257	730,706
Deferred charges and other assets	801,170	391,213
	<u>\$ 15,359,032</u>	<u>\$ 13,367,619</u>
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at \$0.005 per share); 200,000,000 shares authorized; issued and outstanding: 2020 — 125,882,477 shares; 2019 — 119,338,925 shares	\$ 629	\$ 597
Additional paid-in capital	4,377,149	3,712,194
Accumulated other comprehensive loss	(57,589)	(114,583)
Retained earnings	2,471,014	2,152,015
Shareholders' equity	6,791,203	5,750,223
Long-term debt	4,531,779	3,529,452
Total capitalization	11,322,982	9,279,675
Commitments and contingencies (See Note 12)		
Current liabilities		
Accounts payable and accrued liabilities	235,775	265,024
Other current liabilities	546,461	479,501
Short-term debt	—	464,915
Current maturities of long-term debt	165	—
Total current liabilities	782,401	1,209,440
Deferred income taxes	1,456,569	1,300,015
Regulatory excess deferred taxes (See Note 13)	697,764	705,101
Regulatory cost of removal obligation	457,188	473,172
Deferred credits and other liabilities	642,128	400,216
	<u>\$ 15,359,032</u>	<u>\$ 13,367,619</u>

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended September 30		
	2020	2019	2018
	(In thousands, except per share data)		
Operating revenues			
Distribution segment	\$ 2,626,993	\$ 2,745,461	\$ 3,003,047
Pipeline and storage segment	609,339	567,024	507,713
Intersegment eliminations	(415,195)	(410,637)	(395,214)
Total operating revenues	2,821,137	2,901,848	3,115,546
Purchased gas cost			
Distribution segment	1,071,227	1,268,591	1,559,836
Pipeline and storage segment	1,548	(360)	1,978
Intersegment eliminations	(413,921)	(409,394)	(393,966)
Total purchased gas cost	658,854	858,837	1,167,848
Operation and maintenance expense	629,601	630,308	594,795
Depreciation and amortization expense	429,828	391,456	361,083
Taxes, other than income	278,755	275,189	263,886
Operating income	824,099	746,058	727,934
Other non-operating income (expense)	7,171	7,404	(10,144)
Interest charges	84,474	103,153	106,646
Income before income taxes	746,796	650,309	611,144
Income tax expense	145,353	138,903	8,080
Net Income	\$ 601,443	\$ 511,406	\$ 603,064
Basic net income per share	\$ 4.89	\$ 4.36	\$ 5.43
Diluted net income per share	\$ 4.89	\$ 4.35	\$ 5.43
Weighted average shares outstanding:			
Basic	122,788	117,200	111,012
Diluted	122,872	117,461	111,012
Net income	\$ 601,443	\$ 511,406	\$ 603,064
Other comprehensive income (loss), net of tax			
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of \$32, \$64 and \$(146)	106	218	(395)
Cash flow hedges:			
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of \$17,198, \$(6,782) and \$13,017	56,888	(22,944)	44,936
Total other comprehensive income (loss)	56,994	(22,726)	44,541
Total comprehensive income	\$ 658,437	\$ 488,680	\$ 647,605

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Number of Shares	Stated Value				
	(In thousands, except share and per share data)					
Balance, September 30, 2017	106,104,634	\$ 531	\$ 2,536,365	\$ (105,254)	\$ 1,467,024	\$ 3,898,666
Net income	—	—	—	—	603,064	603,064
Other comprehensive income	—	—	—	44,541	—	44,541
Cash dividends (\$1.94 per share)	—	—	—	—	(214,906)	(214,906)
Cumulative effect of accounting change	—	—	—	(22,934)	22,934	—
Common stock issued:						
Public offering	4,558,404	22	395,070	—	—	395,092
Direct stock purchase plan	131,213	1	11,322	—	—	11,323
Retirement savings plan	94,081	—	8,240	—	—	8,240
1998 Long-term incentive plan	385,351	2	3,469	—	—	3,471
Employee stock-based compensation	—	—	20,460	—	—	20,460
Balance, September 30, 2018	111,273,683	556	2,974,926	(83,647)	1,878,116	4,769,951
Net income	—	—	—	—	511,406	511,406
Other comprehensive loss	—	—	—	(22,726)	—	(22,726)
Cash dividends (\$2.10 per share)	—	—	—	—	(245,717)	(245,717)
Cumulative effect of accounting change	—	—	—	(8,210)	8,210	—
Common stock issued:						
Public offering	7,574,111	38	694,065	—	—	694,103
Direct stock purchase plan	110,063	1	11,070	—	—	11,071
Retirement savings plan	81,456	—	8,252	—	—	8,252
1998 Long-term incentive plan	299,612	2	2,946	—	—	2,948
Employee stock-based compensation	—	—	20,935	—	—	20,935
Balance, September 30, 2019	119,338,925	597	3,712,194	(114,583)	2,152,015	5,750,223
Net income	—	—	—	—	601,443	601,443
Other comprehensive income	—	—	—	56,994	—	56,994
Cash dividends (\$2.30 per share)	—	—	—	—	(282,444)	(282,444)
Common stock issued:						
Public offering	6,101,916	30	624,272	—	—	624,302
Direct stock purchase plan	107,989	1	11,325	—	—	11,326
Retirement savings plan	78,941	—	8,222	—	—	8,222
1998 Long-term incentive plan	254,706	1	2,748	—	—	2,749
Employee stock-based compensation	—	—	18,388	—	—	18,388
Balance, September 30, 2020	125,882,477	\$ 629	\$ 4,377,149	\$ (57,589)	\$ 2,471,014	\$ 6,791,203

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2020	2019	2018
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 601,443	\$ 511,406	\$ 603,064
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	429,828	391,456	361,083
Deferred income taxes	155,322	132,004	158,271
One-time income tax benefit	(20,962)	—	(158,782)
Stock-based compensation	9,583	11,121	12,863
Amortization of debt issuance costs	11,543	9,464	7,865
Equity component of AFUDC	(23,493)	(11,165)	—
Other	8,411	1,169	5,437
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	7,167	18,724	(29,208)
Decrease in gas stored underground	18,188	35,594	18,921
(Increase) decrease in other current assets	(35,878)	(26,590)	60,424
Increase in deferred charges and other assets	(31,935)	(58,403)	(10,049)
Increase (decrease) in accounts payable and accrued liabilities	7,359	9,908	(11,857)
Increase (decrease) in other current liabilities	(129,543)	(103,895)	74,707
Increase in deferred credits and other liabilities	30,966	47,976	31,923
Net cash provided by operating activities	<u>1,037,999</u>	<u>968,769</u>	<u>1,124,662</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(1,935,676)	(1,693,477)	(1,467,591)
Proceeds from the sale of discontinued operations	—	4,000	3,000
Purchases of debt and equity securities	(50,517)	(29,153)	(46,401)
Proceeds from sale of debt and equity securities	32,339	6,070	22,360
Maturities of debt securities	18,669	20,299	15,716
Other, net	9,667	8,601	9,350
Net cash used in investing activities	<u>(1,925,518)</u>	<u>(1,683,660)</u>	<u>(1,463,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	(464,915)	(110,865)	128,035
Proceeds from issuance of long-term debt, net of premium/discount	999,450	1,045,221	—
Net proceeds from equity offering	624,302	694,103	395,092
Issuance of common stock through stock purchase and employee retirement plans	19,548	19,323	19,563
Settlement of interest rate swaps	(4,426)	(90,141)	—
Repayment of long-term debt	—	(575,000)	—
Cash dividends paid	(282,444)	(245,717)	(214,906)
Debt issuance costs	(7,738)	(11,254)	—
Other	—	—	(1,518)
Net cash provided by financing activities	<u>883,777</u>	<u>725,670</u>	<u>326,266</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,742)</u>	<u>10,779</u>	<u>(12,638)</u>
Cash and cash equivalents at beginning of year	24,550	13,771	26,409
Cash and cash equivalents at end of year	<u>\$ 20,808</u>	<u>\$ 24,550</u>	<u>\$ 13,771</u>

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Atmos Energy Corporation (Atmos Energy or the “Company”) and its subsidiaries are engaged in the regulated natural gas distribution and pipeline and storage businesses. Through our distribution business, we deliver natural gas through sales and transportation arrangements to over three million residential, commercial, public-authority and industrial customers through our six regulated distribution divisions in the service areas described below:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas
Atmos Energy Kentucky/Mid-States Division	Kentucky, Tennessee, Virginia ⁽¹⁾
Atmos Energy Louisiana Division	Louisiana
Atmos Energy Mid-Tex Division	Texas, including the Dallas/Fort Worth metropolitan area
Atmos Energy Mississippi Division	Mississippi
Atmos Energy West Texas Division	West Texas

(1) Denotes location where we have more limited service areas.

In addition, we transport natural gas for others through our distribution system. Our distribution business is subject to federal and state regulation and/or regulation by local authorities in each of the states in which our distribution divisions operate. Our corporate headquarters and shared-services function are located in Dallas, Texas, and our customer support centers are located in Amarillo and Waco, Texas.

Our pipeline and storage business, which is also subject to federal and state regulation, consists of the pipeline and storage operations of our Atmos Pipeline–Texas (APT) Division and our natural gas transmission business in Louisiana. The APT division provides transportation and storage services to our Mid-Tex Division, other third-party local distribution companies, industrial and electric generation customers, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage facilities in Texas. We also provide ancillary services customary to the pipeline industry including parking arrangements, lending and sales of inventory on hand. Our natural gas transmission operations in Louisiana are comprised of a 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties.

2. Summary of Significant Accounting Policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of Atmos Energy Corporation and its wholly-owned subsidiaries. All material intercompany transactions have been eliminated; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates’ rate regulation process.

Use of estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include the allowance for doubtful accounts, unbilled revenues, contingency accruals, pension and postretirement obligations, deferred income taxes, impairment of long-lived assets, risk management and trading activities, fair value measurements and the valuation of goodwill and other long-lived assets. Actual results could differ from those estimates.

Regulation — Our distribution and pipeline and storage operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which we operate. Our accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions. Accounting principles generally accepted in the United States require cost-based, rate-regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. As a result, certain costs are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations. Further, regulation may impact the period in which revenues or expenses are recognized.

Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and our regulatory liabilities are recorded as a component of other current liabilities and deferred credits and other liabilities. Deferred

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

gas costs are recorded either in other current assets or liabilities and the long-term portion of regulatory excess deferred taxes and regulatory cost of removal obligation are reported separately. Significant regulatory assets and liabilities as of September 30, 2020 and 2019 included the following:

	September 30	
	2020	2019
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	\$ 149,089	\$ 86,089
Infrastructure mechanisms ⁽¹⁾	183,943	131,894
Deferred gas costs	40,593	23,766
Recoverable loss on reacquired debt	4,894	6,551
Deferred pipeline record collection costs	29,839	26,418
Other	6,283	9,829
	<u>\$ 414,641</u>	<u>\$ 284,547</u>
Regulatory liabilities:		
Regulatory excess deferred taxes ⁽²⁾	\$ 718,651	\$ 726,307
Regulatory cost of service reserve	1,716	5,238
Regulatory cost of removal obligation	531,096	528,893
Deferred gas costs	19,985	14,112
Asset retirement obligation	20,348	17,054
APT annual adjustment mechanism	57,379	78,402
Other	17,838	16,120
	<u>\$ 1,367,013</u>	<u>\$ 1,386,126</u>

- (1) Infrastructure mechanisms in Texas, Louisiana and Tennessee allow for the deferral of all eligible expenses associated with capital expenditures incurred pursuant to these rules, including the recording of interest on the deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recovered through base rates.
- (2) Due to the passage of the Kansas House Bill 2585, on June 1, 2020, we remeasured our deferred tax liability and updated our state deferred tax rate resulting in a \$12.1 million regulatory liability as of September 30, 2020. The remaining amount reflects the remeasurement of the net deferred tax liability included in our rate base as a result of the Tax Cuts and Jobs Act of 2017 (the TCJA). Of this amount, \$20.9 million as of September 30, 2020 and \$21.2 million as of September 30, 2019 is recorded in other current liabilities. See Note 13 for further information.

As of September 30, 2020, we received regulatory orders in most states to defer into a regulatory asset all expenses, beyond the normal course of business, related to Coronavirus Disease 2019 (COVID-19), including bad debt expense. As of September 30, 2020, no amounts have been recorded as regulatory assets or liabilities for expenses related to COVID-19.

Revenue recognition*Distribution Revenues*

Distribution revenues represent the delivery of natural gas to residential, commercial, industrial and public authority customers at prices based on tariff rates established by regulatory authorities in the states in which we operate. Revenue is recognized and our performance obligation is satisfied over time when natural gas is delivered and simultaneously consumed by our customers. We have elected to use the invoice practical expedient and recognize revenue for volumes delivered that we have the right to invoice our customers. We read meters and bill our customers on a monthly cycle basis. Accordingly, we estimate volumes from the last meter read to the balance sheet date and accrue revenue for gas delivered but not yet billed.

In our Texas and Mississippi jurisdictions, we pay franchise fees and gross receipt taxes to operate in these service areas. These franchise fees and gross receipts taxes are required to be paid regardless of our ability to collect from our customers. Accordingly, we account for these amounts on a gross basis in revenue and we record the associated tax expense as a component of taxes, other than income.

Pipeline and Storage Revenues

Pipeline and storage revenues primarily represent the transportation and storage of natural gas on our APT system and the transmission of natural gas through our 21-mile pipeline in Louisiana. APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies and certain industrial customers under tariff rates approved by

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the RRC. APT also provides certain transportation and storage services to industrial and electric generation customers, as well as marketers and producers, under negotiated rates. Our pipeline in Louisiana is primarily used to aggregate gas supply for our Louisiana Division under a long-term contract and on a more limited basis to third parties. The demand fee charged to our Louisiana Division is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans with distribution affiliates of the Company at terms that have been approved by the applicable state regulatory commissions. The performance obligations for these transportation customers are satisfied by means of transporting customer-supplied gas to the designated location. Revenue is recognized and our performance obligation is satisfied over time when natural gas is delivered to the customer. Management determined that these arrangements qualify for the invoice practical expedient for recognizing revenue. For demand fee arrangements, revenue is recognized and our performance obligation is satisfied by standing ready to transport natural gas over the period of each individual month.

Alternative Revenue Program Revenues

In our distribution segment, we have weather-normalization adjustment mechanisms that serve to minimize the effects of weather on our residential and commercial revenues. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark of \$69.4 million that was established in its most recent rate case. Differences between actual revenues and revenues calculated under these mechanisms adjust the amount billed to customers. These mechanisms are considered to be alternative revenue programs under accounting standards generally accepted in the United States as they are deemed to be contracts between us and our regulator. Accordingly, revenue under these mechanisms are excluded from revenue from contracts with customers.

Purchased gas costs — Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas cost adjustment mechanisms. Purchased gas cost adjustment mechanisms provide gas distribution companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of their non-gas costs. There is no margin generated through purchased gas cost adjustments, but they provide a dollar-for-dollar offset to increases or decreases in our distribution segment's gas costs. The effects of these purchased gas cost adjustment mechanisms are recorded as deferred gas costs on our consolidated balance sheets.

Cash and cash equivalents — We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts — Accounts receivable arise from natural gas sales to residential, commercial, industrial, public authority and other customers. We establish an allowance for doubtful accounts to reduce the net receivable balance to the amount we reasonably expect to collect based on our collection experience or where we are aware of a specific customer's inability or reluctance to pay. However, if circumstances change, our estimate of the recoverability of accounts receivable could be affected. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Gas stored underground — Our gas stored underground is comprised of natural gas injected into storage to support the winter season withdrawals for our distribution operations. The average cost method is used for all of our distribution operations. Gas in storage that is retained as cushion gas to maintain reservoir pressure is classified as property, plant and equipment and is valued at cost.

Property, plant and equipment — Regulated property, plant and equipment is stated at original cost, net of contributions in aid of construction. The cost of additions includes direct construction costs, payroll related costs (taxes, pensions and other benefits), administrative and general costs and an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the capitalizable total cost of funds used to finance the construction of major projects.

The following table details amounts capitalized for the fiscal year ended September 30.

Component of AFUDC	Statement of Comprehensive Income Location	2020	2019	2018
		(In thousands)		
Debt	Interest charges	\$ 8,436	\$ 7,643	\$ 6,810
Equity	Other non-operating income (expense)	23,493	11,165	—
		<u>\$ 31,929</u>	<u>\$ 18,808</u>	<u>\$ 6,810</u>

Major renewals, including replacement pipe, and betterments that are recoverable through our regulatory rate base are capitalized while the costs of maintenance and repairs that are not capitalizable are charged to expense as incurred. The costs of

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

large projects are accumulated in construction in progress until the project is completed. When the project is completed, tested and placed in service, the balance is transferred to the regulated plant in service account included in the rate base and depreciation begins.

Regulated property, plant and equipment is depreciated at various rates on a straight-line basis. These rates are approved by our regulatory commissions and are comprised of two components: one based on average service life and one based on cost of removal. Accordingly, we recognize our cost of removal expense as a component of depreciation expense. The related cost of removal accrual is reflected as a regulatory liability on the consolidated balance sheet. At the time property, plant and equipment is retired, removal expenses less salvage, are charged to the regulatory cost of removal accrual. The composite depreciation rate was 3.0 percent, 3.1 percent and 3.2 percent for the fiscal years ended September 30, 2020, 2019 and 2018.

Other property, plant and equipment is stated at cost. Depreciation is generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives.

Asset retirement obligations — We record a liability at fair value for an asset retirement obligation when the legal obligation to retire the asset has been incurred with an offsetting increase to the carrying value of the related asset. Accretion of the asset retirement obligation due to the passage of time is recorded as an operating expense.

As of September 30, 2020 and 2019, we had asset retirement obligations of \$20.3 million and \$17.1 million. Additionally, we had \$14.4 million and \$11.3 million of asset retirement costs recorded as a component of property, plant and equipment that will be depreciated over the remaining life of the underlying associated assets.

We believe we have a legal obligation to retire our natural gas storage facilities. However, we have not recognized an asset retirement obligation associated with our storage facilities because we are not able to determine the settlement date of this obligation as we do not anticipate taking our storage facilities out of service permanently. Therefore, we cannot reasonably estimate the fair value of this obligation.

Impairment of long-lived assets — We evaluate whether events or circumstances have occurred that indicate that other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Goodwill — We annually evaluate our goodwill balances for impairment during our second fiscal quarter or more frequently as impairment indicators arise. During the second quarter of fiscal 2020, we completed our annual goodwill impairment assessment using a qualitative assessment, as permitted under U.S. GAAP. We test goodwill for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit. Based on the assessment performed, we determined that our goodwill was not impaired. Although not applicable for the fiscal 2020 analysis, if the qualitative assessment resulted in impairment indicators, we would then use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. These calculations are dependent on several subjective factors including the timing of future cash flows, future growth rates and the discount rate. An impairment charge is recognized if the carrying value of a reporting unit's goodwill exceeds its fair value.

Lease accounting — We adopted the provisions of the new lease accounting standard beginning on October 1, 2019. Results for reporting periods beginning on October 1, 2019 are presented under the new lease accounting standard and prior periods are presented under the former lease accounting standard. Upon adoption, we recorded right of use assets and lease liabilities within the consolidated balance sheet. See Note 6 for further discussion regarding the accounting policies for these leases.

Marketable securities — As of September 30, 2020, we hold marketable securities classified as either equity or debt securities. Beginning on October 1, 2018, changes in fair value of our equity securities are recorded in net income, while debt securities, which are considered available for sale securities, are reported at market value with unrealized gains and losses shown as a component of accumulated other comprehensive income (loss). During fiscal 2018 and under the previous accounting guidance, all our debt and equity securities were considered available for sale securities.

We regularly evaluate the performance of our available for sale debt securities on an investment by investment basis for impairment, taking into consideration the securities' purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related investment is written down to its estimated fair value.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial instruments and hedging activities — We use financial instruments to mitigate commodity price risk in our distribution and pipeline and storage segments and to mitigate interest rate risk. The objectives and strategies for using financial instruments have been tailored to our business and are discussed in Note 14.

We record all of our financial instruments on the balance sheet at fair value, with changes in fair value ultimately recorded in the statement of comprehensive income. These financial instruments are reported as risk management assets and liabilities and are classified as current or noncurrent other assets or liabilities based upon the anticipated settlement date of the underlying financial instrument. We record the cash flow impact of our financial instruments in operating cash flows based upon their balance sheet classification.

The timing of when changes in fair value of our financial instruments are recorded in the statement of comprehensive income depends on whether the financial instrument has been designated and qualifies as a part of a hedging relationship or if regulatory rulings require a different accounting treatment. Changes in fair value for financial instruments that do not meet one of these criteria are recognized in the statement of comprehensive income as they occur.

Financial Instruments Associated with Commodity Price Risk

In our distribution segment, the costs associated with and the realized gains and losses arising from the use of financial instruments to mitigate commodity price risk are included in our purchased gas cost adjustment mechanisms in accordance with regulatory requirements. Therefore, changes in the fair value of these financial instruments are initially recorded as a component of deferred gas costs and recognized in the consolidated statements of comprehensive income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue in accordance with accounting principles generally accepted in the United States. Accordingly, there is no earnings impact on our distribution segment as a result of the use of these financial instruments.

Financial Instruments Associated with Interest Rate Risk

In connection with the planned issuance of long-term debt, we may use financial instruments to manage interest rate risk. We currently manage this risk through the use of forward starting interest rate swaps to fix the Treasury yield component of the interest cost associated with anticipated financings. We designate these financial instruments as cash flow hedges at the time the agreements are executed. Unrealized gains and losses associated with the instruments are recorded as a component of accumulated other comprehensive income (loss). When the instruments settle, the realized gain or loss is recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest charges over the life of the related financing arrangement. As of September 30, 2020 and 2019, no cash was required to be held in margin accounts.

Fair Value Measurements — We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We primarily use quoted market prices and other observable market pricing information in valuing our financial assets and liabilities and minimize the use of unobservable pricing inputs in our measurements.

Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.

Amounts reported at fair value are subject to potentially significant volatility based upon changes in market prices, including, but not limited to, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions and interest rates, each of which directly affect the estimated fair value of our financial instruments. We believe the market prices and models used to value these financial instruments represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then current market conditions.

Authoritative accounting literature establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The levels of the hierarchy are described below:

Level 1 — Represents unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is defined as a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our Level 1 measurements consist primarily of our debt and equity securities. The Level 1 measurements for investments in the Atmos Energy Corporation Master Retirement Trust (the Master Trust), Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of exchange-traded financial instruments.

Level 2 — Represents pricing inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability as of the reporting date. These inputs are derived principally from, or corroborated by, observable market data. Our Level 2 measurements primarily consist of non-exchange-traded financial instruments, such as over-the-counter options and swaps and municipal and corporate bonds where market data for pricing is observable. The Level 2 measurements for investments in our Master Trust, Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of non-exchange traded financial instruments such as corporate bonds and government securities.

Level 3 — Represents generally unobservable pricing inputs which are developed based on the best information available, including our own internal data, in situations where there is little if any market activity for the asset or liability at the measurement date. The pricing inputs utilized reflect what a market participant would use to determine fair value. We currently do not have any Level 3 investments.

Pension and other postretirement plans — Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. Our measurement date is September 30. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities. For the valuation performed as of September 30, 2020, decreases in the discount rate resulted in actuarial losses that increased our plan obligations.

The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligation and net pension and postretirement cost. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds.

The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of the annual pension and postretirement plan cost. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors when making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan cost is not affected. Rather, this gain or loss is amortized over the expected future working lifetime of the plan participants.

The expected return on plan assets is then calculated by applying the expected long-term rate of return on plan assets to the market-related value of the plan assets. The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this calculation will delay the impact of current market fluctuations on the pension expense for the period.

We use a corridor approach to amortize actuarial gains and losses. Under this approach, net gains or losses in excess of ten percent of the larger of the pension benefit obligation or the market-related value of the assets are amortized on a straight-line basis. The period of amortization is the average remaining service of active participants who are expected to receive benefits under the plan.

We estimate the assumed health care cost trend rate used in determining our annual postretirement net cost based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon the annual review of our participant census information as of the measurement date.

On October 1, 2018 we adopted new accounting guidance, which required we present only the current service cost component of the net benefit cost within operations and maintenance expense in the consolidated statements of comprehensive income. The remaining components of net benefit cost are recorded in other non-operating income (expense) in our consolidated statements of comprehensive income. The change in presentation of these costs was implemented on a retrospective basis as required by the guidance. In lieu of determining how each component of the net periodic benefit cost was actually reflected in the fiscal 2018 statement of comprehensive income, we elected to utilize a practical expedient that permits the use of the amounts disclosed for these costs in our pension and post-retirement benefit plans footnote as the basis to retroactively apply this standard.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, only the service cost component of net benefit cost is eligible for capitalization and we continue to capitalize these costs into property, plant and equipment. Additionally, we defer into a regulatory asset the portion of non-service components of net periodic benefit cost that are capitalizable for regulatory purposes.

Income taxes — Income taxes are determined based on the liability method, which results in income tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The liability method requires the effect of tax rate changes on accumulated deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

The Company may recognize the tax benefit from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities. We recognize accrued interest related to unrecognized tax benefits as a component of interest charges. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements.

Tax collections — We are allowed to recover from customers revenue-related taxes that are imposed upon us. We record such taxes as operating expenses and record the corresponding customer charges as operating revenues. However, we do collect and remit various other taxes on behalf of various governmental authorities, and we record these amounts in our consolidated balance sheets on a net basis. We do not collect income taxes from our customers on behalf of governmental authorities.

Contingencies — In the normal course of business, we are confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits, claims made by third parties or the action of various regulatory agencies. For such matters, we record liabilities when they are considered probable and estimable, based on currently available facts and our estimates of the ultimate outcome or resolution of the liability in the future. Actual results may differ from estimates, depending on actual outcomes or changes in the facts or expectations surrounding each potential exposure.

Subsequent events — Except as noted in Note 7 regarding the public offering of senior notes, no events occurred subsequent to the balance sheet date that would require recognition or disclosure in the financial statements.

Recent accounting pronouncements*Accounting pronouncements adopted in fiscal 2020*

In February 2016, the Financial Accounting Standards Board (FASB) issued a comprehensive new leasing standard that requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases on its balance sheet. The new standard was effective for us beginning on October 1, 2019. See Note 6 to the consolidated financial statements for further details regarding our adoption of the new lease standard and the related disclosures.

Accounting pronouncements that will be effective after fiscal 2020

In March 2020, the FASB issued optional guidance which will ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the cessation of the London Interbank Offered Rate (LIBOR). The amendments can be elected immediately, as of March 12, 2020, through December 31, 2022. We are currently evaluating if we will apply the optional guidance as we assess the impact of the cessation of LIBOR on our current contracts and hedging relationships and the potential impact on our financial position, results of operations and cash flows.

In December 2019, the FASB issued new guidance related to accounting for income taxes which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocations and calculating income taxes in interim periods. The new standard also adds guidance to reduce complexity in certain areas, such as recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The new standard will be effective for us beginning on October 1, 2021; early adoption is permitted. We do not believe the new standard will have a material impact on our financial position, results of operations and cash flows.

In June 2016, the FASB issued new guidance which will require credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model. Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. In contrast, current U.S. GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. The new guidance also introduces a new impairment recognition model for available-for-sale debt

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

securities that will require credit losses for available-for-sale debt securities to be recorded through an allowance account. The new standard was effective for us beginning on October 1, 2020. We do not anticipate the adoption of this standard will have a material impact to our financial position, results of operations and cash flows.

3. Segment Information

As of September 30, 2020, we manage and review our consolidated operations through the following two reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers. Although our distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on net income or loss of the respective operating units. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. All material intercompany transactions have been eliminated; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates' rate regulation process. Income taxes are allocated to each segment as if each segment's income taxes were calculated on a separate return basis.

Income statements and capital expenditures by segment are shown in the following tables.

	Year Ended September 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	\$ 2,624,251	\$ 196,886	\$ —	\$ 2,821,137
Intersegment revenues	2,742	412,453	(415,195)	—
Total operating revenues	2,626,993	609,339	(415,195)	2,821,137
Purchased gas cost	1,071,227	1,548	(413,921)	658,854
Operation and maintenance expense	472,760	158,115	(1,274)	629,601
Depreciation and amortization expense	309,582	120,246	—	429,828
Taxes, other than income	245,181	33,574	—	278,755
Operating income	528,243	295,856	—	824,099
Other non-operating income (expense)	(1,265)	8,436	—	7,171
Interest charges	39,634	44,840	—	84,474
Income before income taxes	487,344	259,452	—	746,796
Income tax expense	91,680	53,673	—	145,353
Net income	\$ 395,664	\$ 205,779	\$ —	\$ 601,443
Capital expenditures	\$ 1,466,631	\$ 469,045	\$ —	\$ 1,935,676

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	\$ 2,742,824	\$ 159,024	\$ —	\$ 2,901,848
Intersegment revenues	2,637	408,000	(410,637)	—
Total operating revenues	2,745,461	567,024	(410,637)	2,901,848
Purchased gas cost	1,268,591	(360)	(409,394)	858,837
Operation and maintenance expense	480,222	151,329	(1,243)	630,308
Depreciation and amortization expense	283,697	107,759	—	391,456
Taxes, other than income	242,179	33,010	—	275,189
Operating income	470,772	275,286	—	746,058
Other non-operating income	6,241	1,163	—	7,404
Interest charges	60,031	43,122	—	103,153
Income before income taxes	416,982	233,327	—	650,309
Income tax expense	88,168	50,735	—	138,903
Net income	\$ 328,814	\$ 182,592	\$ —	\$ 511,406
Capital expenditures	\$ 1,274,613	\$ 418,864	\$ —	\$ 1,693,477

	Year Ended September 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	\$ 3,000,404	\$ 115,142	\$ —	\$ 3,115,546
Intersegment revenues	2,643	392,571	(395,214)	—
Total operating revenues	3,003,047	507,713	(395,214)	3,115,546
Purchased gas cost	1,559,836	1,978	(393,966)	1,167,848
Operation and maintenance expense	461,048	134,995	(1,248)	594,795
Depreciation and amortization expense	264,930	96,153	—	361,083
Taxes, other than income	231,566	32,320	—	263,886
Operating income	485,667	242,267	—	727,934
Other non-operating expense	(6,649)	(3,495)	—	(10,144)
Interest charges	65,850	40,796	—	106,646
Income before income taxes	413,168	197,976	—	611,144
Income tax expense (benefit)	(29,798)	37,878	—	8,080
Net income	\$ 442,966	\$ 160,098	\$ —	\$ 603,064
Capital expenditures	\$ 1,025,800	\$ 441,791	\$ —	\$ 1,467,591

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our revenues from external parties, excluding intersegment revenues, by products and services for the fiscal years ended September 30.

	2020	2019	2018
	(In thousands)		
Distribution revenues:			
Gas sales revenues:			
Residential	\$ 1,717,070	\$ 1,733,548	\$ 1,916,101
Commercial	654,963	711,284	797,073
Industrial	89,641	118,046	131,267
Public authority and other	42,007	42,613	47,714
Total gas sales revenues	2,503,681	2,605,491	2,892,155
Transportation revenues	97,441	95,629	99,250
Other gas revenues	23,129	41,704	8,999
Total distribution revenues	2,624,251	2,742,824	3,000,404
Pipeline and storage revenues	196,886	159,024	115,142
Total operating revenues	<u>\$ 2,821,137</u>	<u>\$ 2,901,848</u>	<u>\$ 3,115,546</u>

Balance sheet information at September 30, 2020 and 2019 by segment is presented in the following tables.

	September 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	\$ 9,944,978	\$ 3,410,369	\$ —	\$ 13,355,347
Total assets	<u>\$ 14,578,176</u>	<u>\$ 3,647,907</u>	<u>\$ (2,867,051)</u>	<u>\$ 15,359,032</u>

	September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	\$ 8,737,590	\$ 3,050,079	\$ —	\$ 11,787,669
Total assets	<u>\$ 12,579,741</u>	<u>\$ 3,279,323</u>	<u>\$ (2,491,445)</u>	<u>\$ 13,367,619</u>

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. The calculation of earnings per share using the two-class method excludes income attributable to these participating securities from the numerator and excludes the dilutive impact of those shares from the denominator. Basic weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 8, when the impact is dilutive.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Basic and diluted earnings per share for the fiscal years ended September 30 are calculated as follows:

	2020	2019	2018
	(In thousands, except per share data)		
Basic Earnings Per Share			
Net Income	\$ 601,443	\$ 511,406	\$ 603,064
Less: Income allocated to participating securities	444	416	580
Net Income available to common shareholders	<u>\$ 600,999</u>	<u>\$ 510,990</u>	<u>\$ 602,484</u>
Basic weighted average shares outstanding	<u>122,788</u>	<u>117,200</u>	<u>111,012</u>
Net Income per share — Basic	<u>\$ 4.89</u>	<u>\$ 4.36</u>	<u>\$ 5.43</u>
Diluted Earnings Per Share			
Net Income available to common shareholders	\$ 600,999	\$ 510,990	\$ 602,484
Effect of dilutive shares	—	—	—
Net Income available to common shareholders	<u>\$ 600,999</u>	<u>\$ 510,990</u>	<u>\$ 602,484</u>
Basic weighted average shares outstanding	<u>122,788</u>	<u>117,200</u>	<u>111,012</u>
Dilutive shares	84	261	—
Diluted weighted average shares outstanding	<u>122,872</u>	<u>117,461</u>	<u>111,012</u>
Net Income per share — Diluted	<u>\$ 4.89</u>	<u>\$ 4.35</u>	<u>\$ 5.43</u>

5. Revenue

The following table disaggregates our revenue from contracts with customers by customer type and segment and provides a reconciliation to total operating revenues, including intersegment revenues, for the period presented.

	Year Ended September 30, 2020		Year Ended September 30, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	\$ 1,704,444	\$ —	\$ 1,755,229	\$ —
Commercial	650,396	—	716,757	—
Industrial	89,467	—	118,060	—
Public authority and other	41,339	—	42,796	—
Total gas sales revenues	<u>2,485,646</u>	<u>—</u>	<u>2,632,842</u>	<u>—</u>
Transportation revenues	99,435	636,819	97,495	623,808
Miscellaneous revenues	19,085	9,754	26,050	8,060
Revenues from contracts with customers	<u>2,604,166</u>	<u>646,573</u>	<u>2,756,387</u>	<u>631,868</u>
Alternative revenue program revenues ⁽¹⁾	20,856	(37,234)	(12,958)	(64,844)
Other revenues	1,971	—	2,032	—
Total operating revenues	<u>\$ 2,626,993</u>	<u>\$ 609,339</u>	<u>\$ 2,745,461</u>	<u>\$ 567,024</u>

- (1) In our distribution segment, we have weather-normalization adjustment mechanisms that serve to mitigate the effects of weather on our revenue. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark.

6. Leases

We adopted the provisions of the new lease accounting standard beginning on October 1, 2019, using the optional transition method, which allowed us to apply the provisions of the new standard to all leases that existed as of the date of adoption. Therefore, results for reporting periods beginning on October 1, 2019 are presented under the new lease accounting standard and prior periods are presented under the former lease accounting standard.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The new guidance included several practical expedients to facilitate the implementation of the new standard. The following summarizes the practical expedients we used to implement the standard.

- We elected to bundle our lease and non-lease components as a single component for all asset classes.
- We elected not to perform the following:
 - Evaluate existing or expired land easements prior to October 1, 2019 to determine if they are leases.
 - Include short-term leases in the calculation of our lease liability.
 - Evaluate existing or expired contracts to determine if they are leases.
 - Assess lease classification for existing or expired leases.
 - Review initial direct costs for existing leases.
 - Use hindsight in order to determine the lease term or impairment of our ROU assets.

Upon adoption of this new guidance, we recorded ROU assets and lease liabilities of \$231.3 million. Additionally, we reclassified a net \$6.5 million of accrued and prepaid lease costs to the ROU asset and \$2.5 million related to an existing finance lease from deferred credits and other liabilities to long-term debt.

Implementation of the new lease accounting guidance had no material impact on our consolidated statements of comprehensive income or our consolidated statements of cash flows. Additionally, we did not record a cumulative-effect adjustment to retained earnings on the opening balance sheet.

New Lease Accounting Policy

We determine if an arrangement is a lease at the inception of the agreement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and we have the right to control the asset. We are the lessee for substantially all of our leasing activity, which primarily includes operating leases for office and warehouse space, tower space, vehicles and heavy equipment used in our operations. We are also a lessee in finance leases for service centers.

We record a lease liability and a corresponding ROU asset for all of our leases with a term greater than 12 months. For lease contracts containing renewal and termination options, we include the option period in the lease term when it is reasonably certain the option will be exercised. We most frequently assume renewal options at the inception of the arrangement for our tower and fleet leases, based on our anticipated use of the assets. Real estate leases that contain a renewal option are evaluated on a lease-by-lease basis to determine if the option period should be included in the lease term. Currently, we have not included material renewal options for real estate leases in our ROU asset or lease liability. The following table presents our weighted average remaining lease term for our leases.

	September 30, 2020
Weighted average remaining lease term (years)	
Finance leases	19.1
Operating leases	10.6

The lease liability represents the present value of all lease payments over the lease term. The discount rate used to determine the present value of the lease liability is the rate implicit in the lease unless that rate cannot be readily determined. We use the implicit rate stated in the agreement to determine the lease liability for our fleet leases. We use our corporate collateralized incremental borrowing rate as the discount rate for all other lease agreements. This rate is appropriate because we believe it represents the rate we would have incurred to borrow funds to acquire the leased asset over a similar term. We calculated this rate using a combination of inputs, including our current credit rating, quoted market prices of interest rates for our publicly traded unsecured debt, observable market yield curve data for peer companies with a credit rating one notch higher than our current credit rating and the lease term.

The following table represents our weighted average discount rate:

	September 30, 2020
Weighted average discount rate	
Finance leases	8.0%
Operating leases	2.9%

The ROU asset represents the right to use the underlying asset for the lease term, and is equal to the lease liability, adjusted for prepaid or accrued lease payments and any lease incentives that have been paid to us or when we are reasonably certain to incur costs equal to or greater than the allowance defined in the contract.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Variable payments included in our leasing arrangements are expensed in the period in which the obligation for these payments is incurred. Variable payments are dependent on usage, output or may vary for other reasons. Most of our variable lease expense is related to tower leases that have escalating payments based on changes to a stated CPI index, and usage of certain office equipment.

We have not provided material residual value guarantees for our leases, nor do our leases contain material restrictions or covenants.

Lease costs for the year ended September 30, 2020 are presented in the table below. These costs include both amounts recognized in expense and amounts capitalized. For the year ended September 30, 2020 we did not have material short-term lease costs or variable lease costs.

	September 30, 2020
	(In thousands)
Finance lease cost	\$ 622
Operating lease cost	40,887
Total lease cost	<u>\$ 41,509</u>

Our ROU assets and lease liabilities are presented as follows on the consolidated balance sheets:

Balance Sheet Classification		September 30, 2020
		(In thousands)
Assets		
Finance leases	Net Property, Plant and Equipment	\$ 8,480
Operating leases	Deferred charges and other assets	227,146
Total right-of-use assets		<u>\$ 235,626</u>
Liabilities		
Current		
Finance leases	Current maturities of long-term debt	\$ 165
Operating leases	Other current liabilities	35,716
Noncurrent		
Finance leases	Long-term debt	8,466
Operating leases	Deferred credits and other liabilities	201,071
Total lease liabilities		<u>\$ 245,418</u>

Other pertinent information related to leases was as follows. During the year ended September 30, 2020, amounts paid in cash for our finance leases were not material.

	September 30, 2020
	(In thousands)
Cash paid amounts included in the measurement of lease liabilities	
Operating cash flows used for operating leases	\$ 37,758
Right-of-use assets obtained in exchange for lease obligations	
Finance leases	\$ 6,083
Operating leases	\$ 34,169

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Maturities of our lease liabilities as of September 30, 2020 were as follows:

	Total	Finance Leases	Operating Leases
	(In thousands)		
2021	\$ 40,790	\$ 741	\$ 40,049
2022	38,423	751	37,672
2023	33,266	762	32,504
2024	25,464	773	24,691
2025	17,666	784	16,882
Thereafter	139,049	12,666	126,383
Total lease payments	294,658	16,477	278,181
Less: Imputed interest	49,240	7,846	41,394
Total	\$ 245,418	\$ 8,631	\$ 236,787
Reported as of September 30, 2020			
Short-term lease liabilities	\$ 35,881	\$ 165	\$ 35,716
Long-term lease liabilities	209,537	8,466	201,071
Total lease liabilities	\$ 245,418	\$ 8,631	\$ 236,787

Disclosures Related to Prior Periods

The future minimum lease payments as of September 30, 2019 were as follows:

	Operating Leases ⁽¹⁾	Capital Lease
	(In thousands)	
2020	\$ 21,017	\$ 243
2021	20,416	248
2022	19,370	253
2023	18,071	258
2024	15,718	263
Thereafter	105,544	4,343
Total minimum lease payments	\$ 200,136	5,608
Less amount representing interest		3,018
Present value of net minimum lease payments		\$ 2,590

- (1) Future minimum lease payments do not include amounts for fleet leases and other de minimis items that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are \$17.6 million in 2020, \$18.0 million in 2021, \$11.8 million in 2022, \$8.5 million in 2023, \$5.4 million in 2024 and \$2.7 million thereafter.

Consolidated lease and rental expense amounted to \$40.4 million and \$33.8 million for fiscal 2019 and 2018.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

7. Debt

Long-term debt

Long-term debt at September 30, 2020 and 2019 consisted of the following:

	2020	2019
	(In thousands)	
Unsecured 3.00% Senior Notes, due 2027	\$ 500,000	\$ 500,000
Unsecured 2.625% Senior Notes, due 2029	300,000	—
Unsecured 5.95% Senior Notes, due 2034	200,000	200,000
Unsecured 5.50% Senior Notes, due 2041	400,000	400,000
Unsecured 4.15% Senior Notes, due 2043	500,000	500,000
Unsecured 4.125% Senior Notes, due 2044	750,000	750,000
Unsecured 4.30% Senior Notes, due 2048	600,000	600,000
Unsecured 4.125% Senior Notes, due 2049	450,000	450,000
Unsecured 3.375% Senior Notes, due 2049	500,000	—
Floating-rate term loan, due 2022	200,000	—
Medium term Series A notes, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Finance lease obligations (see Note 6)	8,631	—
Total long-term debt	4,568,631	3,560,000
Less:		
Net original issue (premium) / discount on unsecured senior notes and debentures	583	193
Debt issuance cost	36,104	30,355
Current maturities	165	—
	<u>\$ 4,531,779</u>	<u>\$ 3,529,452</u>

Maturities of long-term debt, excluding our finance lease obligations, at September 30, 2020 were as follows (in thousands):

2021	\$	—
2022		200,000
2023		—
2024		—
2025		10,000
Thereafter		4,350,000
	<u>\$</u>	<u>4,560,000</u>

On October 1, 2020, we completed a public offering of \$600 million of 1.50% senior notes due 2031. The net proceeds from the offering, after the underwriting discount and estimated offering expenses, of \$592.5 million, were used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program and the related settlement of our interest rate swaps. The effective interest rate on these notes is 1.71%, after giving effect to the offering costs.

On April 9, 2020, we entered into a two year, \$200 million term loan agreement that bears interest at a rate of LIBOR plus 1.25 percent. The term loan was used to pay down borrowings pursuant to our commercial paper program.

On October 2, 2019, we completed a public offering of \$300 million of 2.625% senior notes due 2029 and \$500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and offering expenses, of \$791.7 million, that were used for general corporate purposes, including the repayment of working capital

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

borrowings pursuant to our commercial paper program. The effective interest rate on these notes was 2.72% and 3.42%, after giving effect to the offering costs.

Short-term Debt

We utilize short-term debt to provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Our short-term borrowing requirements are driven primarily by construction work in progress and the seasonal nature of the natural gas business. Changes in the price of natural gas and the amount of natural gas we need to supply our customers' needs could significantly affect our borrowing requirements. Our short-term borrowings typically reach their highest levels in the winter months.

As of September 30, 2020, our short-term borrowing requirements were satisfied through a combination of a \$1.5 billion commercial paper program and four committed revolving credit facilities with third-party lenders that provide \$2.2 billion of total working capital funding.

The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured \$1.5 billion credit facility that expires on September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 1.25 percent, based on the Company's credit ratings. Additionally, the facility contains a \$250 million accordion feature, which provides the opportunity to increase the total committed loan to \$1.75 billion. At September 30, 2020, there were no amounts outstanding under our commercial paper program. At September 30, 2019, a total of \$464.9 million was outstanding with weighted average interest rates of 2.24% and weighted average maturities of less than one month.

Additionally, we had a \$25 million 364-day unsecured facility that was renewed on April 1, 2020 and increased to \$50 million, which is used to provide working capital funding. There were no borrowings outstanding under this facility as of September 30, 2020.

Finally, we had a \$10 million 364-day unsecured revolving credit facility, which was replaced on April 30, 2020, with a new \$50 million 364-day unsecured revolving credit facility, which is used to issue letters of credit and to provide working capital funding. At September 30, 2020, there were no borrowings outstanding under the new facility; however, outstanding letters of credit reduced the total amount available to us under our \$50 million unsecured revolving facility to \$44.4 million.

On April 23, 2020, we executed a new \$600 million 364-day unsecured revolving credit facility to provide additional working capital funding. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 1.25 percent, based on the Company's credit ratings. At September 30, 2020, there were no borrowings outstanding under this facility.

Debt Covenants

The availability of funds under these credit facilities is subject to conditions specified in the respective credit agreements, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in these agreements. We are required by the financial covenants in each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total-debt-to-total-capitalization of no greater than 70 percent. At September 30, 2020, our total-debt-to-total-capitalization ratio, as defined, was 42 percent. In addition, both the interest margin and the fee that we pay on unused amounts under each of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our public indentures contain usual and customary covenants for our business, including covenants substantially limiting liens, substantial asset sales and mergers. Additionally, our public debt indentures relating to our senior notes and debentures, as well as certain of our revolving credit agreements, each contain a default provision that is triggered if outstanding indebtedness arising out of any other credit agreements in amounts ranging from in excess of \$15 million to in excess of \$100 million becomes due by acceleration or is not paid at maturity. We were in compliance with all of our debt covenants as of September 30, 2020. If we were unable to comply with our debt covenants, we would likely be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions.

8. Shareholders' Equity***Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances***

On February 11, 2020, we filed a shelf registration statement with the Securities and Exchange Commission (SEC) that allows us to issue up to \$4.0 billion in common stock and/or debt securities, which expires February 11, 2023. This shelf registration statement replaced our previous shelf registration statement which was filed on November 13, 2018 (2018

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Registration Statement). At September 30, 2020, approximately \$3.0 billion of securities remained available for issuance under the shelf registration statement. Following the completion of the \$600 million senior unsecured note offering on October 1, 2020 (see Note 7), approximately \$2.4 billion of securities remained available for issuance under the shelf registration statement.

On February 12, 2020, we filed a prospectus supplement under the shelf registration statement relating to an at-the-market (ATM) equity sales program (February 2020 ATM) under which we may issue and sell shares of our common stock up to an aggregate offering price of \$1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into concurrently with the ATM equity sales program). This ATM equity sales program replaced our previous ATM equity sales program, filed on November 19, 2018 (November 2018 ATM), which was exhausted during the second quarter of fiscal 2020.

During the year ended September 30, 2020, we executed forward sales under the February 2020 ATM and the November 2018 ATM equity sales programs with various forward sellers who borrowed and sold 4,808,051 shares of our common stock for \$523.2 million. Additionally, during the year ended September 30, 2020, we settled forward sale agreements with respect to 5,616,727 shares that had been borrowed and sold by various forward sellers under the November 2018 ATM and the February 2020 ATM for net proceeds of \$581.5 million. As of September 30, 2020, the February 2020 ATM program had approximately \$552 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for \$500 million. After expenses, net proceeds from the offering were \$494.1 million. Concurrently, we entered into separate forward sale agreements with two forward sellers who borrowed and sold 2,668,464 shares of our common stock for \$247.5 million. During the year ended September 30, 2019, we settled forward sale agreements with respect to 2,183,275 of the shares that had been borrowed and sold for net proceeds of \$200.0 million. During the year ended September 30, 2020, we settled the remaining 485,189 shares for net proceeds of \$44.4 million.

During the year ended September 30, 2019, we executed forward sales under the November 2018 ATM with various forward sellers who borrowed and sold 4,144,671 shares of our common stock at an aggregate price of \$425.0 million.

If we had settled all shares that remain available under our outstanding forward sale agreements as of September 30, 2020, we would have received proceeds of \$345.2 million, based on a net price of \$103.48 per share. Additional details are presented below.

Maturity	Shares Available	Net Proceeds Available (In Thousands)	Forward Price
March 31, 2021	1,281,578	\$ 134,660	\$ 105.07
June 30, 2021	1,394,423	142,388	\$ 102.11
September 30, 2021	659,994	68,158	\$ 103.27
Total	3,335,995	\$ 345,206	

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in accumulated other comprehensive income (AOCI) related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities are recognized in earnings upon settlement, while deferred gains (losses) related to our interest rate agreement cash flow hedges are recognized in earnings as a component of interest charges, as they are amortized. The following tables provide the components of our accumulated other comprehensive income (loss) balances, net of the related tax effects allocated to each component of other comprehensive income (loss).

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Available- for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
	(In thousands)		
September 30, 2019	\$ 132	\$ (114,715)	\$ (114,583)
Other comprehensive income before reclassifications	108	53,241	53,349
Amounts reclassified from accumulated other comprehensive income	(2)	3,647	3,645
Net current-period other comprehensive income	106	56,888	56,994
September 30, 2020	\$ 238	\$ (57,827)	\$ (57,589)

	Available- for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
	(In thousands)		
September 30, 2018	\$ 8,124	\$ (91,771)	\$ (83,647)
Other comprehensive income (loss) before reclassifications	219	(25,966)	(25,747)
Amounts reclassified from accumulated other comprehensive income	(1)	3,022	3,021
Net current-period other comprehensive income (loss)	218	(22,944)	(22,726)
Cumulative effect of accounting change	(8,210)	—	(8,210)
September 30, 2019	\$ 132	\$ (114,715)	\$ (114,583)

9. Retirement and Post-Retirement Employee Benefit Plans

We have both funded and unfunded noncontributory defined benefit plans that together cover most of our employees. We also maintain post-retirement plans that provide health care benefits to retired employees. Finally, we sponsor a defined contribution plan that covers substantially all employees. These plans are discussed in further detail below.

As a rate regulated entity, most of our net periodic pension and other postretirement benefits costs are recoverable through our rates over a period of up to 15 years. A portion of these costs is capitalized into our rate base or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense. Additionally, the amounts that have not yet been recognized in net periodic pension cost that have been recorded as regulatory assets or liabilities are as follows:

	Defined Benefit Plan	Supplemental Executive Retirement Plans	Postretirement Plans	Total
	(In thousands)			
September 30, 2020				
Unrecognized prior service (credit) cost	\$ (584)	\$ —	\$ 951	\$ 367
Unrecognized actuarial loss	78,082	51,045	9,110	138,237
	\$ 77,498	\$ 51,045	\$ 10,061	\$ 138,604
September 30, 2019				
Unrecognized prior service (credit) cost	\$ (815)	\$ —	\$ 1,125	\$ 310
Unrecognized actuarial (gain) loss	67,191	56,784	(43,782)	80,193
	\$ 66,376	\$ 56,784	\$ (42,657)	\$ 80,503

Defined Benefit Plans*Employee Pension Plan*

As of September 30, 2020, we maintained one cash balance defined benefit plan, the Atmos Energy Corporation Pension Account Plan (the Plan). The Plan was established effective January 1999 and covers most of the employees of Atmos Energy

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

that were hired on or before September 30, 2010. Effective October 1, 2010, the plan was closed to new participants. The assets of the Plan are held within the Atmos Energy Corporation Master Retirement Trust (the Master Trust).

Opening account balances were established for participants as of January 1999 equal to the present value of their respective accrued benefits under the pension plans which were previously in effect as of December 31, 1998. The Plan credits an allocation to each participant's account at the end of each year according to a formula based on the participant's age, service and total pay (excluding incentive pay). In addition, at the end of each year, a participant's account is credited with interest on the employee's prior year account balance. Participants are fully vested in their account balances after three years of service and may choose to receive their account balances as a lump sum or an annuity.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974, including the funding requirements under the Pension Protection Act of 2006 (PPA). However, additional voluntary contributions are made from time to time as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

During fiscal 2020, we did not make a contribution to the Plan. During fiscal 2019 we contributed \$8.5 million in cash to the Plan to achieve a desired level of funding while maximizing the tax deductibility of this payment. Based upon market conditions at September 30, 2020, the current funded position of the Plan and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2021. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We make investment decisions and evaluate performance of the assets in the Master Trust on a medium-term horizon of at least three to five years. We also consider our current financial status when making recommendations and decisions regarding the Master Trust's assets. Finally, we strive to ensure the Master Trust's assets are appropriately invested to maintain an acceptable level of risk and meet the Master Trust's long-term asset investment policy adopted by the Board of Directors.

To achieve these objectives, we invest the Master Trust's assets in equity securities, fixed income securities, interests in commingled pension trust funds, other investment assets and cash and cash equivalents. Investments in equity securities are diversified among the market's various subsectors in an effort to diversify risk and maximize returns. Fixed income securities are invested in investment grade securities. Cash equivalents are invested in securities that either are short term (less than 180 days) or readily convertible to cash with modest risk.

The following table presents asset allocation information for the Master Trust as of September 30, 2020 and 2019.

Security Class	Targeted Allocation Range	Actual Allocation September 30	
		2020	2019
Domestic equities	35%-55%	45.3%	40.6%
International equities	10%-20%	15.6%	14.5%
Fixed income	5%-30%	17.0%	18.8%
Company stock	0%-15%	13.0%	15.4%
Other assets	0%-20%	9.1%	10.7%

At September 30, 2020 and 2019, the Plan held 716,700 shares of our common stock which represented 13.0 percent and 15.4 percent of total Plan assets. These shares generated dividend income for the Plan of approximately \$1.6 million and \$1.5 million during fiscal 2020 and 2019.

Our employee pension plan expenses and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets and assumed discount rates and demographic data. We review the estimates and assumptions underlying our employee pension plans annually based upon a September 30 measurement date. The development of our assumptions is fully described in our significant accounting policies in Note 2. The actuarial assumptions used to determine the pension liability for the Plan was determined as of September 30, 2020 and 2019 and the actuarial assumptions used to determine the net periodic pension cost for the Plan was determined as of September 30, 2019, 2018 and 2017. On October 21, 2020, the Society of Actuaries released its annually-updated mortality improvement scale for pension plans incorporating new assumptions surrounding life expectancies in the United States. As of September 30, 2020, we updated our assumed mortality rates to incorporate the updated mortality table.

Additional assumptions are presented in the following table:

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Pension Liability		Pension Cost		
	2020	2019	2020	2019	2018
Discount rate	2.80%	3.29%	3.29%	4.38%	3.89%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Expected return on plan assets	6.25%	6.50%	6.50%	6.75%	6.75%
Interest crediting rate	4.69%	4.69%	4.69%	4.69%	4.69%

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the Plan's accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2020 and 2019:

	2020	2019
	(In thousands)	
Accumulated benefit obligation	<u>\$ 565,755</u>	<u>\$ 541,287</u>
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 577,270	\$ 504,719
Service cost	17,551	15,311
Interest cost	19,028	22,071
Actuarial (gain) loss	22,898	71,139
Benefits paid	<u>(32,526)</u>	<u>(35,970)</u>
Benefit obligation at end of year	604,221	577,270
Change in plan assets:		
Fair value of plan assets at beginning of year	530,109	531,691
Actual return on plan assets	31,298	25,888
Employer contributions	—	8,500
Benefits paid	<u>(32,526)</u>	<u>(35,970)</u>
Fair value of plan assets at end of year	528,881	530,109
Reconciliation:		
Funded status	(75,340)	(47,161)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Net amount recognized	<u>\$ (75,340)</u>	<u>\$ (47,161)</u>

Net periodic pension cost for the Plan for fiscal 2020, 2019 and 2018 is presented in the following table.

	Fiscal Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$ 17,551	\$ 15,311	\$ 17,264
Interest cost ⁽¹⁾	19,028	22,071	20,803
Expected return on assets ⁽¹⁾	(28,316)	(28,451)	(27,666)
Amortization of prior service credit ⁽¹⁾	(231)	(232)	(231)
Recognized actuarial loss ⁽¹⁾	9,025	4,201	9,114
Net periodic pension cost	<u>\$ 17,057</u>	<u>\$ 12,900</u>	<u>\$ 19,284</u>

- (1) The components of net periodic cost other than the service cost component are included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income or are capitalized on the consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30, 2020 and 2019. As required by authoritative accounting literature, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement. The methods used to determine fair value for the assets held by the Plan are fully described in Note 2. Investments in our common/collective trusts and limited partnerships that are measured at net asset value per share equivalent are not classified in the fair value hierarchy. The net asset value amounts presented are intended to reconcile the fair value hierarchy to the total investments. In addition to the assets shown below, the Plan had net accounts receivable of \$0.7 million and \$1.3 million at September 30, 2020 and 2019, which materially approximates fair value due to the short-term nature of these assets.

Assets at Fair Value as of September 30, 2020				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Investments:				
Common stocks	\$ 211,244	\$ —	\$ —	\$ 211,244
Money market funds	—	6,096	—	6,096
Registered investment companies	29,762	—	—	29,762
Government securities:				
Mortgage-backed securities	—	15,230	—	15,230
U.S. treasuries	21,755	36	—	21,791
Corporate bonds	—	52,648	—	52,648
Total investments measured at fair value	<u>\$ 262,761</u>	<u>\$ 74,010</u>	<u>\$ —</u>	<u>336,771</u>
Investments measured at net asset value:				
Common/collective trusts ⁽¹⁾				122,207
Limited partnerships ⁽¹⁾				69,176
Total investments				<u>\$ 528,154</u>

Assets at Fair Value as of September 30, 2019				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Investments:				
Common stocks	\$ 212,785	\$ —	\$ —	\$ 212,785
Money market funds	—	16,419	—	16,419
Registered investment companies	26,326	—	—	26,326
Government securities:				
Mortgage-backed securities	—	19,986	—	19,986
U.S. treasuries	22,930	885	—	23,815
Corporate bonds	—	55,774	—	55,774
Total investments measured at fair value	<u>\$ 262,041</u>	<u>\$ 93,064</u>	<u>\$ —</u>	<u>355,105</u>
Investments measured at net asset value:				
Common/collective trusts ⁽¹⁾				108,975
Limited partnerships ⁽¹⁾				64,718
Total investments				<u>\$ 528,798</u>

(1) The fair value of our common/collective trusts and limited partnerships are measured using the net asset value per share practical expedient. There are no redemption restrictions, redemption notice periods or unfunded commitments for these investments. The redemption frequency is daily.

Supplemental Executive Retirement Plans

We have three nonqualified supplemental plans which provide additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The first plan is referred to as the Supplemental Executive Benefits Plan (SEBP) and covers our corporate officers and certain other employees of the Company who were employed on or before August 12, 1998. The SEBP is a defined benefit arrangement which provides a benefit equal to 75 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SEBP.

In August 1998, we adopted the Supplemental Executive Retirement Plan (SERP) (formerly known as the Performance-Based Supplemental Executive Benefits Plan), which covers all corporate officers selected to participate in the plan between August 12, 1998 and August 5, 2009. The SERP is a defined benefit arrangement which provides a benefit equal to 60 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SERP.

Effective August 5, 2009, we adopted a new defined benefit Supplemental Executive Retirement Plan (the 2009 SERP), for corporate officers or any other employees selected at the discretion of the Board. Under the 2009 SERP, a nominal account has been established for each participant, to which the Company contributes at the end of each calendar year an amount equal to ten percent (25 percent for members of the Management Committee appointed on or after January 1, 2016) of the total of each participant's base salary and cash incentive compensation earned during each prior calendar year, beginning December 31, 2009. The benefits vest after three years of service and attainment of age 55 and earn interest credits at the same annual rate as the Company's Pension Account Plan.

Due to the retirement of an executive of the company during fiscal 2020, we recognized a one-time settlement charge of \$9.2 million and paid a \$22.7 million lump sum in relation to the retirement.

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental plans annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for the supplemental plans were determined as of September 30, 2020 and 2019 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of September 30, 2019, 2018 and 2017. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2020	2019	2020	2019	2018
Discount rate ⁽¹⁾	2.80%	3.29%	3.19%	4.38%	4.08%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Interest crediting rate	4.69%	4.69%	4.69%	4.69%	4.69%

(1) Reflects a weighted average discount rate for pension cost for fiscal 2020 and 2018 due to the settlements during the year.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the supplemental plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2020 and 2019:

	2020	2019
	(In thousands)	
Accumulated benefit obligation	\$ 122,207	\$ 138,772
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 143,987	\$ 121,370
Service cost	1,074	869
Interest cost	4,188	5,127
Actuarial (gain) loss	7,386	25,099
Benefits paid	(4,766)	(8,478)
Settlements	(22,729)	—
Benefit obligation at end of year	129,140	143,987
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	27,495	8,478
Benefits paid	(4,766)	(8,478)
Settlements	(22,729)	—
Fair value of plan assets at end of year	—	—
Reconciliation:		
Funded status	(129,140)	(143,987)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	\$ (129,140)	\$ (143,987)

Assets for the supplemental plans are held in separate rabbi trusts. At September 30, 2020 and 2019, assets held in the rabbi trusts consisted of equity securities of \$41.9 million and \$44.0 million, which are included in our fair value disclosures in Note 15.

Net periodic pension cost for the supplemental plans for fiscal 2020, 2019 and 2018 is presented in the following table.

	Fiscal Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$ 1,074	\$ 869	\$ 1,332
Interest cost ⁽¹⁾	4,188	5,127	4,988
Recognized actuarial loss ⁽¹⁾	3,945	2,227	3,079
Settlements ⁽¹⁾	9,180	—	4,159
Net periodic pension cost	\$ 18,387	\$ 8,223	\$ 13,558

- (1) The components of net periodic cost other than the service cost component are included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income or are capitalized on the consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated Future Benefit Payments

The following benefit payments for our defined benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years:

	Pension Plan	Supplemental Plans
	(In thousands)	
2021	\$ 37,523	\$ 30,021
2022	37,804	17,117
2023	39,053	5,124
2024	40,036	4,472
2025	41,016	32,550
2026-2030	204,582	22,308

Postretirement Benefits

We sponsor the Retiree Medical Plan for Retirees and Disabled Employees of Atmos Energy Corporation (the Atmos Retiree Medical Plan). This plan provides medical and prescription drug protection to all qualified participants based on their date of retirement. The Atmos Retiree Medical Plan provides different levels of benefits depending on the level of coverage chosen by the participants and the terms of predecessor plans; however, we generally pay 80 percent of the projected net claims and administrative costs and participants pay the remaining 20 percent. Effective January 1, 2015, for employees who had not met the participation requirements by September 30, 2009, the contribution rates for the Company are limited to a three percent cost increase in claims and administrative costs each year, with the participant responsible for the additional costs.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of ERISA. However, additional voluntary contributions are made annually as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. We expect to contribute between \$15 million and \$25 million to our postretirement benefits plan during fiscal 2021.

We maintain a formal investment policy with respect to the assets in our postretirement benefits plan to ensure the assets funding the postretirement benefit plan are appropriately invested to maintain an acceptable level of risk. We also consider our current financial status when making recommendations and decisions regarding the postretirement benefits plan.

We currently invest the assets funding our postretirement benefit plan in diversified investment funds which consist of common stocks, preferred stocks and fixed income securities. The diversified investment funds may invest up to 75 percent of assets in common stocks and convertible securities. The following table presents asset allocation information for the postretirement benefit plan assets as of September 30, 2020 and 2019.

<u>Security Class</u>	Actual Allocation September 30	
	2020	2019
Diversified investment funds	97.4%	97.1%
Cash and cash equivalents	2.6%	2.9%

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for our postretirement plan were determined as of September 30, 2020 and 2019 and the actuarial assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of September 30, 2019, 2018 and 2017.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2020	2019	2020	2019	2018
Discount rate	2.80%	3.29%	3.29%	4.38%	3.89%
Expected return on plan assets	4.94%	5.14%	5.14%	5.33%	4.29%
Initial trend rate	6.25%	6.25%	6.25%	6.50%	7.00%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2026	2025	2025	2022	2022

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2020 and 2019:

	2020		2019	
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$	316,033	\$	265,986
Service cost		13,466		10,810
Interest cost		10,612		11,839
Plan participants' contributions		5,849		5,901
Actuarial (gain) loss		43,412		39,472
Benefits paid		(18,694)		(17,975)
Benefit obligation at end of year		370,678		316,033
Change in plan assets:				
Fair value of plan assets at beginning of year		201,901		199,361
Actual return on plan assets		2,356		1,125
Employer contributions		16,833		13,489
Plan participants' contributions		5,849		5,901
Benefits paid		(18,694)		(17,975)
Fair value of plan assets at end of year		208,245		201,901
Reconciliation:				
Funded status		(162,433)		(114,132)
Unrecognized transition obligation		—		—
Unrecognized prior service cost		—		—
Unrecognized net loss		—		—
Accrued postretirement cost	\$	(162,433)	\$	(114,132)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic postretirement cost for fiscal 2020, 2019 and 2018 is presented in the following table.

	Fiscal Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Components of net periodic postretirement cost:			
Service cost	\$ 13,466	\$ 10,810	\$ 12,078
Interest cost ⁽¹⁾	10,612	11,839	10,907
Expected return on assets ⁽¹⁾	(10,499)	(10,659)	(8,006)
Amortization of transition obligation ⁽¹⁾	—	—	—
Amortization of prior service cost (credit) ⁽¹⁾	173	173	11
Recognized actuarial gain ⁽¹⁾	(1,337)	(8,178)	(6,473)
Net periodic postretirement cost	<u>\$ 12,415</u>	<u>\$ 3,985</u>	<u>\$ 8,517</u>

- (1) The components of net periodic cost other than the service cost component are included in the line item other non-operating income (expense) in the consolidated statements of comprehensive income or are capitalized on the consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

We are currently recovering other postretirement benefits costs through our regulated rates in substantially all of our service areas under accrual accounting as prescribed by accounting principles generally accepted in the United States. Other postretirement benefits costs have been specifically addressed in rate orders in each jurisdiction served by our Kentucky/Mid-States, West Texas, Mid-Tex and Mississippi Divisions as well as our Kansas jurisdiction and APT or have been included in a rate case and not disallowed. Management believes that this accounting method is appropriate and will continue to seek rate recovery of accrual-based expenses in its ratemaking jurisdictions that have not yet approved the recovery of these expenses.

The following tables set forth by level, within the fair value hierarchy, the Retiree Medical Plan's assets at fair value as of September 30, 2020 and 2019. The methods used to determine fair value for the assets held by the Retiree Medical Plan are fully described in Note 2.

	Assets at Fair Value as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Money market funds	\$ —	\$ 5,525	\$ —	\$ 5,525
Registered investment companies	202,720	—	—	202,720
Total investments measured at fair value	<u>\$ 202,720</u>	<u>\$ 5,525</u>	<u>\$ —</u>	<u>\$ 208,245</u>

	Assets at Fair Value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Money market funds	\$ —	\$ 5,972	\$ —	\$ 5,972
Registered investment companies	195,929	—	—	195,929
Total investments measured at fair value	<u>\$ 195,929</u>	<u>\$ 5,972</u>	<u>\$ —</u>	<u>\$ 201,901</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated Future Benefit Payments

The following benefit payments paid by us, retirees and prescription drug subsidy payments for our postretirement benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years. Company payments for fiscal 2020 include contributions to our postretirement plan trusts.

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
	(In thousands)			
2021	\$ 22,632	\$ 4,368	\$ —	\$ 27,000
2022	16,263	4,772	—	21,035
2023	16,590	5,144	—	21,734
2024	17,517	5,651	—	23,168
2025	18,353	6,104	—	24,457
2026-2030	101,158	35,039	—	136,197

Defined Contribution Plan

The Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan) covers substantially all employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Effective January 1, 2007, employees automatically become participants of the Retirement Savings Plan on the date of employment. Participants may elect a salary reduction up to a maximum of 65 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. New participants are automatically enrolled in the Plan at a contribution rate of four percent of eligible compensation, from which they may opt out. We match 100 percent of a participant's contributions, limited to four percent of the participant's salary. Participants are eligible to receive matching contributions after completing one year of service, in which they are immediately vested. Effective January 1, 2021, participants are eligible to receive matching contributions immediately upon enrollment in the Retirement Savings Plan. This matching contribution vests after completing one year of service. Participants are also permitted to take out a loan against their accounts subject to certain restrictions. Employees hired on or after October 1, 2010 participate in the enhanced plan in which participants receive a fixed annual contribution of four percent of eligible earnings to their Retirement Savings Plan account. Participants will continue to be eligible for company matching contributions of up to four percent of their eligible earnings and will be fully vested in the fixed annual contribution after three years of service.

Matching and fixed annual contributions to the Retirement Savings Plan are expensed as incurred and amounted to \$17.9 million, \$16.7 million and \$16.2 million for fiscal years 2020, 2019 and 2018. At September 30, 2020 and 2019, the Retirement Savings Plan held 2.2 percent and 2.6 percent of our outstanding common stock.

10. Stock and Other Compensation Plans*Stock-Based Compensation Plans*

Total stock-based compensation cost was \$21.1 million, \$23.9 million and \$23.9 million for the fiscal years ended September 30, 2020, 2019 and 2018. Of this amount, \$11.6 million, \$12.8 million and \$11.1 million was capitalized.

1998 Long-Term Incentive Plan

We have the 1998 Long-Term Incentive Plan (LTIP), which provides a comprehensive, long-term incentive compensation plan providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units to certain employees and non-employee directors of the Company and our subsidiaries. The objectives of this plan include attracting and retaining the best available personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock.

We were originally authorized to grant awards up to a maximum cumulative amount of 11.2 million shares of common stock under this plan subject to certain adjustment provisions. As of September 30, 2020, non-qualified stock options, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units had been issued under this plan, and 1.3 million shares are available for future issuance through September 30, 2021.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock Units Award Grants

As noted above, the LTIP provides for discretionary awards of restricted stock units to help attract, retain and reward employees of Atmos Energy and its subsidiaries. Certain of these awards vest based upon the passage of time and other awards vest based upon the passage of time and the achievement of specified performance targets. The fair value of the awards granted is based on the market price of our stock at the date of grant. We estimate forfeitures using our historical forfeiture rate. The associated expense is recognized ratably over the vesting period. We use authorized and unissued shares to meet share requirements for the vesting of restricted stock units.

Employees who are granted time-lapse restricted stock units under our LTIP have a nonforfeitable right to dividend equivalents that are paid at the same rate and at the same time at which they are paid on shares of stock without restrictions. Time-lapse restricted stock units contain only a service condition that the employee recipients render continuous services to the Company for a period of three years from the date of grant, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions). There are no performance conditions required to be met for employees to be vested in time-lapse restricted stock units.

Employees who are granted performance-based restricted stock units under our LTIP have a forfeitable right to dividend equivalents that accrue at the same rate at which they are paid on shares of stock without restrictions. Dividend equivalents on the performance-based restricted stock units are paid either in cash or in the form of shares upon the vesting of the award. Performance-based restricted stock units contain a service condition that the employee recipients render continuous services to the Company for a period of three years from the beginning of the applicable three-year performance period, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions) and a performance condition based on a cumulative earnings per share target amount.

The following summarizes information regarding the restricted stock units granted under the plan during the fiscal years ended September 30, 2020, 2019 and 2018:

	2020		2019		2018	
	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	503,072	\$ 91.66	538,592	\$ 80.91	570,814	\$ 69.45
Granted	199,985	102.34	241,472	98.25	248,710	85.62
Vested	(242,975)	85.66	(269,347)	76.71	(274,392)	64.43
Forfeited	(16,803)	96.87	(7,645)	86.37	(6,540)	74.87
Nonvested at end of year	443,279	\$ 99.28	503,072	\$ 91.66	538,592	\$ 80.91

As of September 30, 2020, there was \$13.0 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the LTIP. That cost is expected to be recognized over a weighted average period of 1.5 years. The fair value of restricted stock vested during the fiscal years ended September 30, 2020, 2019 and 2018 was \$20.7 million, \$20.5 million and \$17.2 million.

Other Plans*Direct Stock Purchase Plan*

We maintain a Direct Stock Purchase Plan, open to all investors, which allows participants to have all or part of their cash dividends paid quarterly in additional shares of our common stock. The minimum initial investment required to join the plan is \$1,250. Direct Stock Purchase Plan participants may purchase additional shares of our common stock as often as weekly with voluntary cash payments of at least \$25, up to an annual maximum of \$100,000.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

We have an Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, which provides non-employee directors of Atmos Energy with the opportunity to defer receipt, until retirement, of compensation for services rendered to the Company and invest deferred compensation into either a cash account or a stock account.

Other Discretionary Compensation Plans

We have an annual incentive program covering substantially all employees to give each employee an opportunity to share in our financial success based on the achievement of key performance measures considered critical to achieving business

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

objectives for a given year with minimum and maximum thresholds. The Company must meet the minimum threshold for the plan to be funded and distributed to employees. These performance measures may include earnings growth objectives, improved cash flow objectives or crucial customer satisfaction and safety results. We monitor progress towards the achievement of the performance measures throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded. During the last several fiscal years, we have used earnings per share as our sole performance measure.

11. Details of Selected Financial Statement Captions

The following tables provide additional information regarding the composition of certain financial statement captions.

Balance Sheet**Accounts receivable**

Accounts receivable was comprised of the following at September 30, 2020 and 2019:

	September 30	
	2020	2019
	(In thousands)	
Billed accounts receivable	\$ 140,259	\$ 126,984
Unbilled revenue	80,699	78,986
Contributions in aid of construction receivable	19,821	22,378
Other accounts receivable	19,765	18,122
Total accounts receivable	260,544	246,470
Less: allowance for doubtful accounts	(29,949)	(15,899)
Net accounts receivable	\$ 230,595	\$ 230,571

Other current assets

Other current assets as of September 30, 2020 and 2019 were comprised of the following accounts.

	September 30	
	2020	2019
	(In thousands)	
Deferred gas costs	\$ 40,593	\$ 23,766
Prepaid expenses	40,340	38,895
Materials and supplies	6,829	5,916
Assets from risk management activities	5,687	1,586
Other	14,456	2,609
Total	\$ 107,905	\$ 72,772

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2020 and 2019:

	September 30	
	2020	2019
	(In thousands)	
Storage plant	\$ 530,985	\$ 431,286
Transmission plant	3,459,765	3,157,316
Distribution plant	10,680,495	9,333,011
General plant	829,624	799,095
Intangible plant	38,297	38,191
	<u>15,539,166</u>	<u>13,758,899</u>
Construction in progress	418,055	421,694
	<u>15,957,221</u>	<u>14,180,593</u>
Less: accumulated depreciation and amortization	(2,601,874)	(2,392,924)
Net property, plant and equipment ⁽¹⁾	<u>\$ 13,355,347</u>	<u>\$ 11,787,669</u>

(1) Net property, plant and equipment includes plant acquisition adjustments of \$(37.8) million and \$(46.7) million at September 30, 2020 and 2019.

Goodwill

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2020:

	Distribution	Pipeline and Storage	Total
	(In thousands)		
Balance as of September 30, 2019	\$ 587,604	\$ 143,102	\$ 730,706
Deferred tax adjustments on prior acquisitions ⁽¹⁾	(768)	1,319	551
Balance as of September 30, 2020	<u>\$ 586,836</u>	<u>\$ 144,421</u>	<u>\$ 731,257</u>

(1) We annually adjust certain deferred taxes recorded in connection with an acquisition completed in fiscal 2005, which resulted in an increase to goodwill and net deferred tax liabilities of \$0.6 million for fiscal 2020.

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2020 and 2019 were comprised of the following accounts.

	September 30	
	2020	2019
	(In thousands)	
Marketable securities	\$ 103,952	\$ 101,883
Regulatory assets (See Note 2)	371,707	260,220
Operating lease right of use assets (See Note 6)	227,146	—
Assets from risk management activities	74,991	225
Tax receivable	—	10,099
Other	23,374	18,786
Total	<u>\$ 801,170</u>	<u>\$ 391,213</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of September 30, 2020 and 2019 were comprised of the following accounts.

	September 30	
	2020	2019
	(In thousands)	
Trade accounts payable	\$ 141,075	\$ 176,581
Accrued gas payable	42,054	36,817
Accrued liabilities	52,646	51,626
Total	<u>\$ 235,775</u>	<u>\$ 265,024</u>

Other current liabilities

Other current liabilities as of September 30, 2020 and 2019 were comprised of the following accounts.

	September 30	
	2020	2019
	(In thousands)	
Customer credit balances and deposits	\$ 56,485	\$ 54,617
Accrued employee costs	57,057	55,216
Deferred gas costs	19,985	14,112
Operating lease liabilities (See Note 6)	35,716	—
Accrued interest	53,554	51,381
Liabilities from risk management activities	2,015	4,552
Taxes payable	148,292	135,597
Pension and postretirement liabilities	29,609	26,197
Regulatory cost of service reserve	1,716	4,209
Regulatory cost of removal obligation	73,908	55,721
APT annual adjustment mechanism	43,893	52,856
Regulatory excess deferred taxes (See Note 13)	20,887	21,206
Other	3,344	3,837
Total	<u>\$ 546,461</u>	<u>\$ 479,501</u>

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2020 and 2019 were comprised of the following accounts.

	September 30	
	2020	2019
	(In thousands)	
Pension and post retirement liabilities	\$ 337,303	\$ 279,083
Operating lease liabilities (See Note 6)	201,071	—
Customer advances for construction	10,060	12,566
Other regulatory liabilities (See Note 2)	17,838	16,120
Asset retirement obligation	20,348	17,054
Liabilities from risk management activities	—	1,249
APT annual adjustment mechanism	13,486	25,545
Unrecognized tax benefits	30,921	27,716
Other	11,101	20,883
Total	<u>\$ 642,128</u>	<u>\$ 400,216</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Comprehensive Income**Other non-operating income (expense)**

Other non-operating income (expense) for the fiscal years ended September 30, 2020, 2019 and 2018 were comprised of the following accounts.

	Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Equity component of AFUDC	\$ 23,493	\$ 11,165	\$ —
Performance-based rate program	6,771	6,737	6,745
Pension and other postretirement non-service credit (cost)	(3,189)	3,016	(5,770)
Interest income	2,932	4,160	1,450
Community support spending	(11,728)	(4,771)	(6,053)
Miscellaneous	(11,108)	(12,903)	(6,516)
Total	\$ 7,171	\$ 7,404	\$ (10,144)

Statement of Cash Flows

Supplemental disclosures of cash flow information for the fiscal years ended September 30, 2020, 2019 and 2018 were as follows:

	Year Ended September 30		
	2020	2019	2018
	(In thousands)		
Cash Paid (Received) During The Period For:			
Interest ⁽¹⁾	\$ 194,993	\$ 184,852	\$ 169,987
Income taxes	\$ (3,071)	\$ 11,467	\$ 6,102
Non-Cash Transactions:			
Capital expenditures included in current liabilities	\$ 113,365	\$ 149,993	\$ 112,211

(1) Cash paid during the period for interest, net of amounts capitalized was \$82.3 million, \$91.3 million and \$106.8 million for the fiscal years ended September 30, 2020, 2019 and 2018.

12. Commitments and Contingencies**Litigation and Environmental Matters**

In the normal course of business, we are subject to various legal and regulatory proceedings. For such matters, we record liabilities when they are considered probable and estimable, based on currently available facts, our historical experience and our estimates of the ultimate outcome or resolution of the liability in the future. While the outcome of these proceedings is uncertain and a loss in excess of the amount we have accrued is possible though not reasonably estimable, it is the opinion of management that any amounts exceeding the accruals will not have a material adverse impact on our financial position, results of operations or cash flows.

We maintain liability insurance for various risks associated with the operation of our natural gas pipelines and facilities, including for property damage and bodily injury. These liability insurance policies generally require us to be responsible for the first \$1.0 million (self-insured retention) of each incident.

The National Transportation Safety Board (NTSB) is investigating an incident that occurred at a Dallas, Texas residence on February 23, 2018 that resulted in one fatality and injuries to four other residents. Together with the Railroad Commission of Texas (RRC) and the Pipeline and Hazardous Materials Safety Administration (PHMSA), Atmos Energy is a party to the investigation and in that capacity is working closely with the NTSB to help determine the cause of this incident.

We are a party to various other litigation and environmental-related matters or claims that have arisen in the ordinary course of our business. While the results of such litigation and response actions to such environmental-related matters or claims

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

cannot be predicted with certainty, we continue to believe the final outcome of such litigation and matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Purchase Commitments

Our distribution divisions maintain supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of the individual contract.

Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area, which obligate it to purchase specified volumes at prices indexed to natural gas trading hubs. At September 30, 2020, we were committed to purchase 59.3 Bcf within one year, 57.0 Bcf within two to three years and 0.1 Bcf beyond three years under indexed contracts. Purchases under these contracts totaled \$58.5 million, \$50.8 million and \$57.2 million for 2020, 2019 and 2018.

Rate Regulatory Proceedings

As of September 30, 2020, routine rate regulatory proceedings were in progress in some of our service areas, which are discussed in further detail above in the *Business — Ratemaking Activity* section.

13. Income Taxes*Income Tax Expense*

The components of income tax expense from continuing operations for 2020, 2019 and 2018 were as follows:

	2020	2019	2018
	(In thousands)		
Current			
Federal	\$ —	\$ —	\$ (10,099)
State	14,193	8,412	11,075
Deferred			
Federal	143,039	113,331	150,556
State ⁽¹⁾	(11,879)	17,160	15,330
TCJA Impact	—	—	(158,782)
Income tax expense	<u>\$ 145,353</u>	<u>\$ 138,903</u>	<u>\$ 8,080</u>

(1) Includes a non-cash income tax benefit of \$21.0 million resulting from the remeasurement of the rate at which state deferred taxes will reverse in the future as discussed below.

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2020, 2019 and 2018 are set forth below:

	2020	2019	2018
	(In thousands)		
Tax at statutory rate ⁽¹⁾	\$ 156,827	\$ 136,565	\$ 149,730
Common stock dividends deductible for tax reporting	(1,419)	(1,460)	(1,745)
State taxes (net of federal benefit)	22,791	20,202	19,826
Amortization of excess deferred taxes	(16,125)	(14,085)	(1,219)
Remeasurement due to TCJA	—	—	(158,782)
Remeasurement due to state deferred tax rate change	(20,962)	—	—
Other, net	4,241	(2,319)	270
Income tax expense	<u>\$ 145,353</u>	<u>\$ 138,903</u>	<u>\$ 8,080</u>

(1) Tax expense is calculated at the statutory federal income tax rate of 21.0%, 21.0%, 24.5% for the year ended September 30, 2020, 2019 and 2018.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that gave rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 2020 and 2019 are presented below:

	2020	2019
	(In thousands)	
Deferred tax assets:		
Employee benefit plans	\$ 66,991	\$ 70,929
Interest rate swaps	16,719	33,918
Net operating loss carryforwards	476,507	485,133
Charitable and other credit carryforwards	8,712	8,241
Regulatory excess deferred tax	161,565	165,701
Other	73,542	13,186
Total deferred tax assets	804,036	777,108
Valuation allowance	(1,102)	(1,894)
Net deferred tax assets	802,934	775,214
Deferred tax liabilities:		
Difference in net book value and net tax value of assets ⁽¹⁾	(2,138,966)	(2,004,516)
Pension funding	(484)	(4,384)
Gas cost adjustments	(23,209)	(18,072)
Other	(96,844)	(48,257)
Total deferred tax liabilities	(2,259,503)	(2,075,229)
Net deferred tax liabilities	\$ (1,456,569)	\$ (1,300,015)
Deferred credits for rate regulated entities	\$ 2,537	\$ 2,582

(1) Includes \$129.0 million and \$131.0 million of deferred tax liability related to goodwill as of September 30, 2020 and 2019.

At September 30, 2020, we had \$446.9 million (tax effected) of federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2029. The Company also had \$10.1 million of federal alternative minimum tax credit carryforwards as of September 30, 2019, which did not expire and were fully refunded to us during fiscal 2020. In addition, the Company has \$6.9 million in charitable contribution carryforwards to offset future taxable income. The Company's charitable contribution carryforwards expiration period begins in fiscal 2021.

The Company also has \$29.6 million (tax effected) of state net operating loss carryforwards (net of \$7.9 million of federal effects) and \$1.8 million of state tax credits carryforwards (net of \$0.5 million of federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards expiration period begins in fiscal 2021.

We believe it is more likely than not that the benefit from certain state net operating loss carryforwards and state credit carryforwards will not be realized. Due to the uncertainty of realizing a benefit from the deferred tax asset recorded for the carryforwards, a valuation allowance of \$1.1 million was established for the year ended September 30, 2020.

At September 30, 2020, we had recorded liabilities associated with unrecognized tax benefits totaling \$30.9 million. The following table reconciles the beginning and ending balance of our unrecognized tax benefits:

	2020	2019	2018
	(In thousands)		
Unrecognized tax benefits - beginning balance	\$ 27,716	\$ 26,203	\$ 23,719
Increase (decrease) resulting from prior period tax positions	(26)	(923)	22
Increase resulting from current period tax positions	3,231	2,436	2,462
Unrecognized tax benefits - ending balance	30,921	27,716	26,203
Less: deferred federal and state income tax benefits	(6,493)	(5,820)	(5,503)
Total unrecognized tax benefits that, if recognized, would impact the effective income tax rate as of the end of the year	\$ 24,428	\$ 21,896	\$ 20,700

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties included within interest charges in our consolidated statements of comprehensive income. During the years ended September 30, 2020, 2019 and 2018, the Company recognized approximately \$0.7 million, \$2.2 million and \$1.6 million in interest and penalties. The Company had approximately \$8.2 million, \$7.9 million and \$6.1 million for the payment of interest and penalties accrued at September 30, 2020, 2019 and 2018.

We file income tax returns in the U.S. federal jurisdiction as well as in various states where we have operations. We have concluded substantially all U.S. federal income tax matters through fiscal year 2009 and concluded substantially all Texas income tax matters through fiscal year 2010.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act did not have an impact on our consolidated financial statements for the year ended September 30, 2020.

Excess Deferred Taxes

On June 1, 2020, the Kansas legislature passed House Bill 2585 which eliminated the assessment of state income taxes on regulated utilities. This legislation was effective for the Company on October 1, 2020. Due to the change in the Kansas state tax law and the result of a study to estimate the rate at which state deferred taxes will reverse in the future, we reduced our deferred tax liability by \$32.5 million during the fiscal third quarter of 2020. We established a \$12.1 million regulatory liability for excess deferred taxes that will be returned to Kansas customers. We are currently working with the Kansas Corporation Commission to determine the amortization period for this liability. We recognized a \$21.0 million income tax benefit in our consolidated statement of comprehensive income for the year ended September 30, 2020.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. As a result of the implementation of the TCJA, we recognized a \$158.8 million income tax benefit in our consolidated statement of comprehensive income for the year ended September 30, 2018 related to a change in deferred taxes that were not related to our cost of service ratemaking. The change in deferred taxes related to our cost of service ratemaking (referred to as excess deferred taxes) was reclassified into a regulatory liability and as approved by our regulators, will be returned to ratepayers on a provisional basis over periods ranging from 15 to 46 years. As of September 30, 2020 and 2019, this liability totaled \$706.7 million and \$726.3 million.

During fiscal 2019, we received approval from regulators to update our cost of service rates to reflect the decrease in the statutory income tax rate in all of our service areas. Additionally, as of September 30, 2020, we have returned the separate regulatory liability to customers in substantially all of our service areas for the difference in taxes included in our rates that were calculated based on a 35% statutory income tax rate until new rates could be established based on the new 21% statutory income tax rate.

14. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and to mitigate interest rate risk. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when our financial instruments are in net liability positions.

As discussed in Note 2, we report our financial instruments as risk management assets and liabilities, each of which is classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. The following table shows the fair values of our risk management assets and liabilities at September 30, 2020 and 2019.

	September 30	
	2020	2019
	(In thousands)	
Assets from risk management activities, current	\$ 5,687	\$ 1,586
Assets from risk management activities, noncurrent	74,991	225
Liabilities from risk management activities, current	(2,015)	(4,552)
Liabilities from risk management activities, noncurrent	—	(1,249)
Net assets (liabilities)	<u>\$ 78,663</u>	<u>\$ (3,990)</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, our customers are exposed to the effects of volatile natural gas prices. We manage this exposure through a combination of physical storage, fixed-price forward contracts and financial instruments, primarily over-the-counter swap and option contracts, in an effort to minimize the impact of natural gas price volatility on our customers during the winter heating season.

In jurisdictions where we are permitted to mitigate commodity price risk through financial instruments, the relevant regulatory authorities may establish the level of heating season gas purchases that can be hedged. Our distribution gas supply department is responsible for executing this segment's commodity risk management activities in conformity with regulatory requirements. Historically, if the regulatory authority does not establish this level, we seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2019-2020 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 49 percent, or approximately 19.9 Bcf of the winter flowing gas requirements at a weighted average cost of approximately \$2.84 per Mcf. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

In fiscal 2020, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with \$500 million of a planned issuance of unsecured senior notes in fiscal 2021 at 0.69%; these swaps were settled in September 2020 with a net payment of \$4.4 million. On October 1, 2020, the notes were issued as planned.

Additionally, in fiscal 2020, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with \$450 million of a planned issuance of unsecured senior notes in fiscal 2022 at 1.33%, \$300 million of a planned issuance of unsecured senior notes in fiscal 2023 at 1.36% and \$300 million of a planned issuance of unsecured senior notes in fiscal 2025 at 1.35%, which we designated as cash flow hedges at the time the agreements were executed.

Quantitative Disclosures Related to Financial Instruments

The following tables present detailed information concerning the impact of financial instruments on our consolidated balance sheet and statements of comprehensive income.

As of September 30, 2020, our financial instruments were comprised of both long and short commodity positions. A long position is a contract to purchase the commodity, while a short position is a contract to sell the commodity. As of September 30, 2020, we had 18,191 MMcf of net long commodity contracts outstanding. These contracts have not been designated as hedges.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of September 30, 2020 and 2019. The gross amounts of recognized assets and liabilities are netted within our consolidated balance sheets to the extent that we have netting arrangements with the counterparties. However, as of September 30, 2020 and 2019, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	(In thousands)	
		Assets	Liabilities
September 30, 2020			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	\$ 73,055	\$ —
Total		73,055	—
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	5,687	(2,015)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	1,936	—
Total		7,623	(2,015)
Gross / Net Financial Instruments		\$ 80,678	\$ (2,015)

	Balance Sheet Location	(In thousands)	
		Assets	Liabilities
September 30, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	\$ 1,586	\$ (4,552)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	225	(1,249)
Total		1,811	(5,801)
Gross / Net Financial Instruments		\$ 1,811	\$ (5,801)

*Impact of Financial Instruments on the Statement of Comprehensive Income*Cash Flow Hedges

As discussed above, the interest rate agreements we executed in prior years were designated as cash flow hedges when those agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our consolidated statements of comprehensive income for the years ended September 30, 2020, 2019 and 2018 was \$5.5 million, \$3.9 million and \$2.4 million.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the gains and losses arising from hedging transactions that were recognized as a component of other comprehensive income (loss), for the years ended September 30, 2020 and 2019. The amounts included in the table below exclude gains and losses arising from ineffectiveness because these amounts are immediately recognized in the statement of comprehensive income as incurred.

	Fiscal Year Ended September 30	
	2020	2019
	(In thousands)	
<i>Increase (decrease) in fair value:</i>		
Interest rate agreements	\$ 53,241	\$ (25,966)
<i>Recognition of losses in earnings due to settlements:</i>		
Interest rate agreements	3,647	3,022
Total other comprehensive income (loss) from hedging, net of tax	<u>\$ 56,888</u>	<u>\$ (22,944)</u>

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized over the terms of the underlying debt instruments. As of September 30, 2020, we had \$114.5 million of net realized losses in AOCI associated with our interest rate agreements. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred net losses recorded in AOCI associated with our interest rate agreements, based upon the fair values of these agreements at the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2049. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those financial instruments have not yet settled.

	Interest Rate Agreements	
	(In thousands)	
2021	\$	(4,569)
2022		(4,569)
2023		(4,569)
2024		(4,569)
2025		(4,569)
Thereafter		(91,657)
Total	<u>\$</u>	<u>(114,502)</u>

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are used in our distribution segment are not designated as hedges. However, there is no earnings impact on our distribution segment as a result of the use of these financial instruments because the gains and losses arising from the use of these financial instruments are recognized in the consolidated statements of comprehensive income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue. Accordingly, the impact of these financial instruments is excluded from this presentation.

15. Fair Value Measurements

We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We record cash and cash equivalents, accounts receivable and accounts payable at carrying value, which substantially approximates fair value due to the short-term nature of these assets and liabilities. For other financial assets and liabilities, we primarily use quoted market prices and other observable market pricing information to minimize the use of unobservable pricing inputs in our measurements when determining fair value. The methods used to determine fair value for our assets and liabilities are fully described in Note 2.

Fair value measurements also apply to the valuation of our pension and post-retirement plan assets. The fair value of these assets is presented in Note 9.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Quantitative Disclosures**Financial Instruments**

The classification of our fair value measurements requires judgment regarding the degree to which market data are observable or corroborated by observable market data. The following tables summarize, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2020 and 2019. As required under authoritative accounting literature, assets and liabilities are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs ⁽¹⁾ (Level 2)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	September 30, 2020
	(In thousands)				
Assets:					
Financial instruments	\$ —	\$ 80,678	\$ —	\$ —	\$ 80,678
Debt and equity securities					
Registered investment companies	37,831	—	—	—	37,831
Bond mutual funds	29,166	—	—	—	29,166
Bonds ⁽²⁾	—	32,900	—	—	32,900
Money market funds	—	4,055	—	—	4,055
Total debt and equity securities	66,997	36,955	—	—	103,952
Total assets	\$ 66,997	\$ 117,633	\$ —	\$ —	\$ 184,630
Liabilities:					
Financial instruments	\$ —	\$ 2,015	\$ —	\$ —	\$ 2,015
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs ⁽¹⁾ (Level 2)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	September 30, 2019
	(In thousands)				
Assets:					
Financial instruments	\$ —	\$ 1,811	\$ —	\$ —	\$ 1,811
Debt and equity securities					
Registered investment companies	41,406	—	—	—	41,406
Bond mutual funds	25,966	—	—	—	25,966
Bonds ⁽²⁾	—	31,915	—	—	31,915
Money market funds	—	2,596	—	—	2,596
Total debt and equity securities	67,372	34,511	—	—	101,883
Total assets	\$ 67,372	\$ 36,322	\$ —	\$ —	\$ 103,694
Liabilities:					
Financial instruments	\$ —	\$ 5,801	\$ —	\$ —	\$ 5,801

- (1) Our Level 2 measurements consist of over-the-counter options and swaps, which are valued using a market-based approach in which observable market prices are adjusted for criteria specific to each instrument, such as the strike price, notional amount or basis differences, municipal and corporate bonds, which are valued based on the most recent available quoted market prices and money market funds which are valued at cost.

- (2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance.

At September 30, 2020 and 2019, the amortized cost of our available-for-sale debt securities was \$32.6 million and \$31.7 million. At September 30, 2020 we maintained investments in bonds that have contractual maturity dates ranging from October 2020 through May 2023.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Fair Value Measures

In addition to the financial instruments above, we have several financial and nonfinancial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and debt, which are recorded at carrying value. The nonfinancial assets and liabilities include asset retirement obligations and pension and post-retirement plan assets. For cash and cash equivalents, accounts receivable and accounts payable, we consider carrying value to materially approximate fair value due to the short-term nature of these assets and liabilities.

Our long-term debt is recorded at carrying value. The fair value of our long-term debt, excluding finance leases, is determined using third party market value quotations, which are considered Level 1 fair value measurements for debt instruments with a recent, observable trade or Level 2 fair value measurements for debt instruments where fair value is determined using the most recent available quoted market price. The carrying value of our finance leases materially approximates fair value. The following table presents the carrying value and fair value of our long-term debt, excluding finance leases, debt issuance costs and original issue premium or discount, as of September 30, 2020:

	<u>September 30, 2020</u>	
	<u>(In thousands)</u>	
Carrying Amount	\$	4,560,000
Fair Value	\$	5,597,183

16. Concentration of Credit Risk

Credit risk is the risk of financial loss to us if a customer fails to perform its contractual obligations. We engage in transactions for the purchase and sale of products and services with major companies in the energy industry and with industrial, commercial, residential and municipal energy consumers. These transactions principally occur in the southern and midwestern regions of the United States. We believe that this geographic concentration does not contribute significantly to our overall exposure to credit risk. Credit risk associated with trade accounts receivable for the distribution segment is mitigated by the large number of individual customers and the diversity in our customer base. The credit risk for our other segment is not significant.

17. Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. The sum of net income per share by quarter may not equal the net income per share for the fiscal year due to variations in the weighted average shares outstanding used in computing such amounts. Our businesses are seasonal due to weather conditions in our service areas. For further information on its effects on quarterly results, see the “Results of Operations” discussion included in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section herein.

	<u>Quarter Ended</u>			
	<u>December 31</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>
	<u>(In thousands, except per share data)</u>			
Fiscal year 2020:				
Operating revenues				
Distribution	\$ 828,504	\$ 933,005	\$ 435,308	\$ 430,176
Pipeline and storage	148,176	146,237	158,008	156,918
Intersegment eliminations	(101,117)	(101,577)	(100,321)	(112,180)
Total operating revenues	<u>875,563</u>	<u>977,665</u>	<u>492,995</u>	<u>474,914</u>
Purchased gas cost	296,868	317,883	26,072	18,031
Operating income	252,781	331,438	139,035	100,845
Net Income	178,673	239,646	117,791	65,333
Basic net income per share	\$ 1.47	\$ 1.95	\$ 0.96	\$ 0.53
Diluted net income per share	\$ 1.47	\$ 1.95	\$ 0.96	\$ 0.53

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quarter Ended			
	December 31	March 31	June 30	September 30
(In thousands, except per share data)				
Fiscal year 2019:				
Operating revenues				
Distribution	\$ 838,835	\$ 1,057,889	\$ 444,944	\$ 403,793
Pipeline and storage	134,470	135,650	149,198	147,706
Intersegment eliminations	(95,523)	(98,894)	(108,404)	(107,816)
Total operating revenues	877,782	1,094,645	485,738	443,683
Purchased gas cost	342,165	471,676	31,326	13,670
Operating income	236,464	297,677	122,202	89,715
Net Income	157,646	214,888	80,466	58,406
Basic net income per share	\$ 1.38	\$ 1.83	\$ 0.68	\$ 0.49
Diluted net income per share	\$ 1.38	\$ 1.82	\$ 0.68	\$ 0.49

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.**Management's Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2020 to provide reasonable assurance that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, including a reasonable level of assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our evaluation under the framework in *Internal Control-Integrated Framework* issued by COSO and applicable Securities and Exchange Commission rules, our management concluded that our internal control over financial reporting was effective as of September 30, 2020, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Ernst & Young LLP has issued its report on the effectiveness of the Company's internal control over financial reporting. That report appears below.

/s/ JOHN K. AKERS

John K. Akers

President, Chief Executive Officer and Director

/s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe

Senior Vice President and Chief Financial Officer

November 13, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**To the Shareholders and the Board of Directors of Atmos Energy Corporation****Opinion on Internal Control over Financial Reporting**

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Atmos Energy Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated November 13, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
November 13, 2020

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) during the fourth quarter of the fiscal year ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information.

Not applicable.

PART III**ITEM 10. Directors, Executive Officers and Corporate Governance.**

Information regarding directors and delinquent Section 16(a) reports, if applicable, is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2021. Information regarding executive officers is reported below:

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table sets forth certain information as of September 30, 2020, regarding the executive officers of the Company. It is followed by a brief description of the business experience of each executive officer.

<u>Name</u>	<u>Age</u>	<u>Years of Service</u>	<u>Office Currently Held</u>
Kim R. Cocklin	69	14	Executive Chairman of the Board
John K. Akers	57	29	President, Chief Executive Officer and Director
Christopher T. Forsythe	49	17	Senior Vice President and Chief Financial Officer
David J. Park	49	26	Senior Vice President, Utility Operations
Karen E. Hartsfield	50	5	Senior Vice President, General Counsel and Corporate Secretary
John M. Robbins	50	7	Senior Vice President, Human Resources

Kim R. Cocklin was named Executive Chairman of the Board on October 1, 2017. From October 1, 2010 through September 30, 2015, Mr. Cocklin served the Company as President and Chief Executive Officer and from October 1, 2015 through September 30, 2017, as Chief Executive Officer. Mr. Cocklin joined the Company in June 2006 and served as President and Chief Operating Officer of the Company from October 1, 2008 through September 30, 2010, after having served as Senior Vice President, Regulated Operations from October 2006 through September 2008. Mr. Cocklin was appointed to the Board of Directors on November 10, 2009.

John K. (Kevin) Akers was named President and Chief Executive Officer and was appointed to the Board of Directors effective October 1, 2019. Mr. Akers joined the company in 1991. Mr. Akers assumed increased responsibilities over time and was named President of the Mississippi Division in 2002. He was later named President of the Kentucky/Mid-States Division in May 2007, a position he held until December 2016. Effective January 1, 2017, Mr. Akers was named Senior Vice President, Safety and Enterprise Services and was responsible for customer service, facilities management, safety and supply chain management. In November 2018, Mr. Akers was named Executive Vice President and assumed oversight responsibility for APT.

Christopher T. Forsythe was named Senior Vice President and Chief Financial Officer effective February 1, 2017. Mr. Forsythe joined the Company in June 2003 and prior to this promotion, served as the Company's Vice President and Controller from May 2009 through January 2017. Prior to joining Atmos Energy, Mr. Forsythe worked in public accounting for 10 years.

David J. Park was named Senior Vice President of Utility Operations, effective January 1, 2017. In this role, Mr. Park is responsible for the operations of Atmos Energy's six utility divisions as well as gas supply. Prior to this promotion, Mr. Park served as the President of the West Texas Division from July 2012 to December 2016. Mr. Park also served as Vice President of Rates and Regulatory Affairs in the Mid-Tex Division and previously held positions in Engineering and Public Affairs. Mr. Park's years of service include 10 years at a company acquired by Atmos Energy in 2004.

Karen E. Hartsfield was named Senior Vice President, General Counsel and Corporate Secretary of Atmos Energy, effective August 7, 2017. Ms. Hartsfield joined the Company in June 2015, after having served in private practice for 19 years, most recently as Managing Partner of Jackson Lewis LLP in its Dallas office from July 2013 to June 2015. Prior to joining Jackson Lewis as a partner in January 2009, Ms. Hartsfield was a partner with Baker Botts LLP in Dallas.

John M. (Matt) Robbins was named Senior Vice President, Human Resources, effective January 1, 2017. Mr. Robbins joined the Company in May 2013 and prior to this promotion served as Vice President, Human Resources from February 2015 to December 2016. Before joining Atmos Energy, Mr. Robbins had over 20 years of experience in human resources.

Identification of the members of the Audit Committee of the Board of Directors as well as the Board of Directors' determination as to whether one or more audit committee financial experts are serving on the Audit Committee of the Board of Directors is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2021.

The Company has adopted a code of ethics for its principal executive officer, principal financial officer and principal accounting officer. Such code of ethics is represented by the Company's Code of Conduct, which is applicable to all directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's Code of Conduct is posted on the Company's website at www.atmosenergy.com, under "Corporate Governance" under the "Corporate Responsibility" tab. In addition, any amendment to or waiver granted from a provision of the Company's Code of Conduct will be posted on the Company's website also under "Corporate Governance" under the "Corporate Responsibility" tab.

ITEM 11. *Executive Compensation.*

Information on executive compensation is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2021, under the captions "Human Resources Committee Report," "Compensation Discussion and Analysis," "Other Executive Compensation Matters" and "Named Executive Officer Compensation."

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Security ownership of certain beneficial owners and of management is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2021, under the heading "Beneficial Ownership of Common Stock." Information concerning our equity compensation plans is provided in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", of this Annual Report on Form 10-K.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information on certain relationships and related transactions as well as director independence is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2021, under the heading "Corporate Governance and Other Board Matters," "Proposal One – Election of Directors," and "Director Compensation."

ITEM 14. *Principal Accountant Fees and Services.*

Information on our principal accountant's fees and services is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2021, under the heading "Proposal Three – Ratification of Appointment of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules.*

- (a) 1. and 2. *Financial statements and financial statement schedules.*

The financial statements and financial statement schedule listed in the Index to Financial Statements in Item 8 are filed as part of this Form 10-K.

3. *Exhibits*

Exhibit Number	Description	Page Number or Incorporation by Reference to
<i>Articles of Incorporation and Bylaws</i>		
3.1	Restated Articles of Incorporation of Atmos Energy Corporation - Texas (As Amended Effective February 3, 2010)	Exhibit 3.1 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.2	Restated Articles of Incorporation of Atmos Energy Corporation - Virginia (As Amended Effective February 3, 2010)	Exhibit 3.2 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.3	Amended and Restated Bylaws of Atmos Energy Corporation (as of February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
<i>Instruments Defining Rights of Security Holders, Including Indentures</i>		
4.1(a)	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit 4.1 to Form 10-K for fiscal year ended September 30, 2012 (File No. 1-10042)
4.1(b)	Description of Registrant's Securities	Exhibit 4.1(b) to Form 10-K for fiscal year ended September 30, 2019 (File No. 1-10042)
4.2	Indenture dated as of November 15, 1995 between United Cities Gas Company and Bank of America Illinois, Trustee	Exhibit 4.11(a) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.3	Indenture dated as of July 15, 1998 between Atmos Energy Corporation and U.S. Bank Trust National Association, Trustee	Exhibit 4.8 to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.4	Indenture dated as of May 22, 2001 between Atmos Energy Corporation and SunTrust Bank, Trustee	Exhibit 99.3 to Form 8-K dated May 22, 2001 (File No. 1-10042)
4.5	Indenture dated as of March 26, 2009 between Atmos Energy Corporation and U.S. Bank National Corporation, Trustee	Exhibit 4.1 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.6(a)	Debenture Certificate for the 6 3/4% Debentures due 2028	Exhibit 99.2 to Form 8-K dated July 29, 1998 (File No. 1-10042)
4.6(b)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.6(c)	Global Security for the 5.5% Senior Notes due 2041	Exhibit 4.2 to Form 8-K dated June 13, 2011 (File No. 1-10042)
4.6(d)	Global Security for the 4.15% Senior Notes due 2043	Exhibit 4.2 to Form 8-K dated January 11, 2013 (File No. 1-10042)
4.6(e)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.2 to Form 8-K dated October 17, 2014 (File No. 1-10042)
4.6(f)	Global Security for the 3.000% Senior Notes due 2027	Exhibit 4.2 to Form 8-K dated June 8, 2017 (File No. 1-10042)
4.6(g)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.3 to Form 8-K dated June 8, 2017 (File No. 1-10042)
4.6(h)	Global Security for the 4.300% Senior Notes due 2048	Exhibit 4.2 to Form 8-K dated October 4, 2018 (File No. 1-10042)
4.6(i)	Global Security for the 4.300% Senior Notes due 2048	Exhibit 4.3 to Form 8-K dated October 4, 2018 (File No. 1-10042)
4.6(j)	Global Security for the 4.125% Senior Notes due 2049	Exhibit 4.2 to Form 8-K dated March 4, 2019 (File No. 1-10042)
4.6(k)	Global Security for the 2.625% Senior Notes due 2029	Exhibit 4.2 to Form 8-K dated October 2, 2019 (File No. 1-10042)

4.6(l)	Global Security for the 3.375% Senior Notes due 2049	Exhibit 4.3 to Form 8-K dated October 2, 2019 (File No. 1-10042)
4.6(m)	Global Security for the 1.500% Senior Notes due 2031	Exhibit 4.2 to Form 8-K dated October 1, 2020 (File No. 1-10042)
4.6(n)	Global Security for the 1.500% Senior Notes due 2031	Exhibit 4.3 to Form 8-K dated October 1, 2020 (File No. 1-10042)
<i>Material Contracts</i>		
10.1(a)	Revolving Credit Agreement, dated as of September 25, 2015 among Atmos Energy Corporation, the Lenders from time to time parties thereto, Cr�dit Agricole Corporate and Investment Bank as Administrative Agent, and Mizuho Bank Ltd., as Syndication Agent	Exhibit 10.1 to Form 8-K dated October 1, 2015 (File No. 1-10042)
10.1(b)	First Amendment to Revolving Credit Agreement, dated as of October 5, 2016, by and among Atmos Energy Corporation, the lenders from time to time parties thereto (the "Lenders") and Credit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders	Exhibit 10.1 to Form 8-K dated October 11, 2016 (File No. 1-10042)
10.1(c)	Second Amendment to Revolving Credit Agreement, dated as of September 7, 2017, by and among Atmos Energy Corporation, the lenders from time to time parties thereto (the "Lenders") and Credit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders	Exhibit 10.1(c) to Form 10-K for fiscal year ended September 30, 2018 (File No. 1-10042)
10.2	Term Loan Agreement, dated as of April 9, 2020, among Atmos Energy Corporation, Credit Agricole Corporate and Investment Bank, as the Administrative Agent, Canadian Imperial Bank of Commerce, New York Branch, as Syndication Agent, Credit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, New York Branch, as Joint Lead Arrangers and Joint-Bookrunners, and the lenders named therein	Exhibit 10.1 to Form 8-K dated April 13, 2020 (File No. 1-10042)
10.3	364-Day Revolving Credit Agreement, dated as of April 23, 2020, among Atmos Energy Corporation, Mizuho Bank, Ltd., as the Administrative Agent, the agents, arrangers and bookrunners named therein, and the lenders named therein	Exhibit 10.1 to Form 8-K dated April 24, 2020 (File No. 1-10042)
10.4(a)	Equity Distribution Agreement, dated as of February 12, 2020, among Atmos Energy Corporation and the Managers and Forward Purchasers named in Schedule A thereto	Exhibit 1.1 to Form 8-K dated February 12, 2020 (File No. 1-10042)
10.4(b)	Form of Master Forward Sale Confirmation	Exhibit 1.2 to Form 8-K dated February 12, 2020 (File No. 1-10042)
<i>Executive Compensation Plans and Arrangements</i>		
10.5(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement - Tier I	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.5(b)*	Form of Atmos Energy Corporation Change in Control Severance Agreement - Tier II	Exhibit 10.7(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.6(a)*	Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)

10.6(b)*	Amendment No. 1 to the Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31(a) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.7*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated October 1, 2016)	Exhibit 10.5 to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
10.8(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 7, 2007	Exhibit 10.8(a) to Form 10-K for fiscal year ended September 30, 2008 (File No. 1-10042)
10.8(b)*	Form of Individual Trust Agreement for the Supplemental Executive Benefits Plan	Exhibit 10.3 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.9(a)*	Atmos Energy Corporation Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
10.9(b)*	Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan Trust Agreement, Effective Date December 1, 2000	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.10*	Atmos Energy Corporation Account Balance Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	Exhibit 10.8 to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
10.11(a)*	Mini-Med/Dental Benefit Extension Agreement dated October 1, 1994	Exhibit 10.28(f) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.11(b)*	Amendment No. 1 to Mini-Med/Dental Benefit Extension Agreement dated August 14, 2001	Exhibit 10.28(g) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.11(c)*	Amendment No. 2 to Mini-Med/Dental Benefit Extension Agreement dated December 31, 2002	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2002 (File No. 1-10042)
10.12*	Atmos Energy Corporation Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of January 1, 2012	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2011 (File No. 1-10042)
10.13(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated November 6, 2019)	Exhibit 10.11(a) to Form 10-K for fiscal year ended September 30, 2019 (File No. 1-10042)
10.13(b)*	Form of Award Agreement of Time-Lapse Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.13(c)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.13(d)*	Form of Non-Employee Director Award Agreement of Time-Lapse Restricted Stock Units Under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 10.11(d) to Form 10-K for fiscal year ended September 30, 2019 (File No. 1-10042)
10.13(e)*	Form of Non-Employee Director Award Agreement of Stock Unit Awards Under The Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 10.11(e) to Form 10-K for fiscal year ended September 30, 2019 (File No. 1-10042)
	<i>Other Exhibits, as indicated</i>	
21	Subsidiaries of the registrant	
23.1	Consent of independent registered public accounting firm, Ernst & Young LLP	
24	Power of Attorney	Signature page of Form 10-K for fiscal year ended September 30, 2020

31	Rule 13a-14(a)/15d-14(a) Certifications
32	Section 1350 Certifications**
	<i>Interactive Data File</i>
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

* This exhibit constitutes a "management contract or compensatory plan, contract, or arrangement."

** These certifications pursuant to 18 U.S.C. Section 1350 by the Company's Chief Executive Officer and Chief Financial Officer, furnished as Exhibit 32 to this Annual Report on Form 10-K, will not be deemed to be filed with the Securities and Exchange Commission or incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such certifications by reference.

ITEM 16. *Form 10-K Summary.*

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By:

/s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
*Senior Vice President and
Chief Financial Officer*

Date: November 13, 2020

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints John K. Akers and Christopher T. Forsythe, or either of them acting alone or together, as his true and lawful attorney-in-fact and agent with full power to act alone, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ KIM R. COCKLIN Kim R. Cocklin	Executive Chairman of the Board	November 13, 2020
/s/ JOHN K. AKERS John K. Akers	President, Chief Executive Officer and Director	November 13, 2020
/s/ CHRISTOPHER T. FORSYTHE Christopher T. Forsythe	Senior Vice President and Chief Financial Officer	November 13, 2020
/s/ RICHARD M. THOMAS Richard M. Thomas	Vice President and Controller (Principal Accounting Officer)	November 13, 2020
/s/ ROBERT W. BEST Robert W. Best	Director	November 13, 2020
/s/ KELLY H. COMPTON Kelly H. Compton	Director	November 13, 2020
/s/ SEAN DONOHUE Sean Donohue	Director	November 13, 2020
/s/ RAFAEL G. GARZA Rafael G. Garza	Director	November 13, 2020
/s/ RICHARD K. GORDON Richard K. Gordon	Director	November 13, 2020
/s/ ROBERT C. GRABLE Robert C. Grable	Director	November 13, 2020
/s/ NANCY K. QUINN Nancy K. Quinn	Director	November 13, 2020
/s/ RICHARD A. SAMPSON Richard A. Sampson	Director	November 13, 2020
/s/ STEPHEN R. SPRINGER Stephen R. Springer	Director	November 13, 2020
/s/ DIANA J. WALTERS Diana J. Walters	Director	November 13, 2020
/s/ RICHARD WARE II Richard Ware II	Director	November 13, 2020
/s/ FRANK YOHO Frank Yoho	Director	November 13, 2020

ATMOS ENERGY CORPORATION
Valuation and Qualifying Accounts
Three Years Ended September 30, 2020

	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to cost & expenses	Charged to other accounts		
(In thousands)					
2020					
Allowance for doubtful accounts	\$ 15,899	\$ 23,837	\$ —	\$ 9,787 ⁽¹⁾	\$ 29,949
2019					
Allowance for doubtful accounts	\$ 14,795	\$ 17,633	\$ —	\$ 16,529 ⁽¹⁾	\$ 15,899
2018					
Allowance for doubtful accounts	\$ 10,865	\$ 14,894	\$ —	\$ 10,964 ⁽¹⁾	\$ 14,795

⁽¹⁾ Uncollectible accounts written off.

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

Form 8-K

**Current Report Pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934**

May 7, 2019

Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA

1-10042

75-1743247

(State or Other Jurisdiction
of Incorporation)

(Commission File
Number)

(I.R.S. Employer
Identification No.)

1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS

75240

(Address of Principal Executive Offices)

(Zip Code)

(972) 934-9227

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading	Name of each exchange on which registered
Common stock, No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On Tuesday, May 7, 2019, Atmos Energy Corporation (the “Company”) issued a news release in which it reported the Company’s financial results for the 2019 fiscal year second quarter, which ended March 31, 2019, and that certain of its officers would discuss such financial results in a conference call on Wednesday, May 8, 2019 at 9 a.m. Eastern Time. In the release, the Company also announced that the call would be webcast live and that slides for the webcast would be available on its website for all interested parties.

A copy of the news release is furnished as Exhibit 99.1. The information furnished in this Item 2.02 and in Exhibit 99.1 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	<u>News Release dated May 7, 2019 (furnished under Item 2.02)</u>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: May 7, 2019

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer



News Release

**Analysts and Media Contact:
Jennifer Hills (972) 855-3729**

Atmos Energy Corporation Reports Earnings for Fiscal 2019 Second Quarter; Tightens Fiscal 2019 Guidance

DALLAS (May 7, 2019) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its second quarter ended March 31, 2019.

- Consolidated net income for the three months ended March 31, 2019 was \$214.9 million or \$1.82 per diluted share, compared with consolidated net income of \$179.0 million, or \$1.60 per diluted share for the same period last year. Adjusted net income for the three months ended March 31, 2018 was \$175.2 million, or \$1.57 per diluted share, after excluding the effects of implementing the Tax Cuts and Jobs Act of 2017 (TCJA) from the prior-year quarter.
- Capital expenditures rose 12 percent to \$777.6 million for the six months ended March 31, 2019, with approximately 84 percent of that spending related to system safety and reliability investments.
- Fiscal 2019 earnings guidance was tightened to \$4.25 to \$4.35 per diluted share from \$4.20 to \$4.35 per diluted share. Capital expenditures are expected to remain in the previously announced range of \$1.65 billion to \$1.75 billion in fiscal 2019.
- The company's Board of Directors has declared a quarterly dividend of \$0.525 per common share. The indicated annual dividend for fiscal 2019 is \$2.10, which represents an 8.2% increase over fiscal 2018.

For the six months ended March 31, 2019, consolidated net income was \$372.5 million or \$3.21 per diluted share, compared with consolidated net income of \$493.1 million, or \$4.47 per diluted share for the same period last year. Adjusted net income for the six months ended March 31, 2018, which excludes a one-time income tax benefit related to the TCJA of \$165.7 million, or \$1.50 per diluted share, was \$327.4 million, or \$2.97 per diluted share.

“We remain on track to deliver another solid year”, said Mike Haefner, President and Chief Executive Officer of Atmos Energy Corporation. “With our fiscal 2019 financing plans

complete, better clarity on the regulatory front, and strong execution of our strategy in the first half of the year, we are tightening our guidance range. We remain well positioned to deliver annual earnings per share growth between 6% and 8% for fiscal 2019.”

Results for the Three Months Ended March 31, 2019

Operating income increased \$26.8 million to \$297.7 million for the three months ended March 31, 2019, from \$270.9 million in the prior-year quarter. Increased Contribution Margins driven by positive rate case outcomes, customer growth and strong transportation activity in our distribution segment and higher volumes and margins in our pipeline and storage segment were partially offset by lower consumption in the quarter.

Distribution Contribution Margin increased \$15.3 million to \$487.5 million for the three months ended March 31, 2019, compared with \$472.2 million in the prior-year quarter. Contribution Margin reflects a net \$24.1 million increase in rates across all divisions and a \$3.9 million increase from customer growth, primarily in the Mid-Tex division, partially offset by a net \$8.5 million decrease in consumption, primarily in our Mid-Tex and Mississippi divisions.

Pipeline and storage Contribution Margin increased \$15.2 million to \$135.7 million for the three months ended March 31, 2019, compared with \$120.5 million in the prior-year quarter. This increase is attributable to a \$12.2 million increase in rates, due to the GRIP filings approved in fiscal 2018, and a net increase of \$1.2 million due to wider spreads and positive supply and demand dynamics in the Permian Basin.

Operation and maintenance expense for the three months ended March 31, 2019, was \$149.4 million, compared with \$159.2 million for the prior-year quarter. This \$9.8 million decrease was primarily driven by the absence of costs incurred for the Northwest Dallas outage in the prior-year quarter, partially offset by increased system integrity activities and higher employee costs.

Results for the Six Months Ended March 31, 2019

Operating income increased \$21.1 million to \$534.1 million for the six months ended March 31, 2019, compared to \$513.0 million in the prior-year period, which primarily reflects positive rate outcomes and customer growth in the distribution business and higher volumes and margins in our pipeline and storage segment, partially offset by higher depreciation and property tax expense in the current-year period.

Distribution Contribution Margin increased \$19.3 million to \$888.6 million for the six months ended March 31, 2019, compared with \$869.3 million in the prior-year period. Contribution Margin reflects a net \$16.7 million increase in rates, primarily in the Mississippi, Mid-Tex, and West Texas Divisions. In addition, customer growth increased \$7.7 million, primarily in Mid-Tex and West Texas. These increases were partially offset by a decrease of \$4.1 million in pass-thru taxes.

Pipeline and storage Contribution Margin increased \$24.5 million to \$270.6 million for the six months ended March 31, 2019, compared with \$246.1 million in the prior-year period. This increase is primarily attributable to an \$18.1 million increase in revenue from GRIP filings approved in fiscal 2018. In addition, transportation revenues and volumes increased

Contribution Margin by a net \$4.3 million due to wider spreads and positive supply and demand dynamics impacting the Permian Basin.

Operation and maintenance expense for the six months ended March 31, 2019 was \$288.0 million, which was flat compared to the prior-year period. Current year activity reflects the absence of the aforementioned outage expenses experienced in the prior-year period offset by increased pipeline maintenance expenses and employee costs.

Capital expenditures increased \$83.6 million to \$777.6 million for the six months ended March 31, 2019, compared with \$694.0 million in the prior-year period, due to continued spending for infrastructure replacements and enhancements.

For the six months ended March 31, 2019, the company generated operating cash flow of \$560.8 million, a \$190.5 million decrease compared with the six months ended March 31, 2018. The period-over-period decrease primarily reflects the timing of gas cost recoveries under purchased gas cost mechanisms.

Our equity capitalization ratio at March 31, 2019 was 60.1%, compared with 56.7% at September 30, 2018. The increase primarily reflects the effects of our fiscal 2019 financing activities and no short-term debt at March 31, 2019.

Outlook

The leadership of Atmos Energy remains focused on enhancing system safety and reliability through infrastructure investment while delivering shareholder value and consistent earnings growth. Atmos Energy expects fiscal 2019 earnings to be in the range of \$4.25 to \$4.35 per diluted share. Capital expenditures for fiscal 2019 are expected to range between \$1.65 billion and \$1.75 billion.

Conference Call to be Webcast May 8, 2019

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2019 financial results on Wednesday, May 8, 2019, at 9:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Mike Haefner, President and Chief Executive Officer, and Chris Forsythe, Senior Vice President and Chief Financial Officer, will participate in the conference call. The conference call will be webcast live on the Atmos Energy website at www.atmosenergy.com. A playback of the call will be available on the website later that day.

Forward-Looking Statements

The matters discussed in this news release may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this news release are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this news release or in any of the company's other documents or oral presentations, the words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “objective,” “plan,” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this news release, including the risks and uncertainties

relating to regulatory trends and decisions, the company's ability to continue to access the credit and capital markets and the other factors discussed in the company's reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and in subsequent filings with the Securities and Exchange Commission.

Although the company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses Contribution Margin, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes Contribution Margin is a more useful and relevant measure to analyze its financial performance than operating revenues. The term Contribution Margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance, and is not necessarily comparable to similarly titled measures reported by other companies.

In addition, the enactment of the TCJA required the company to remeasure its deferred tax assets and liabilities at its new federal statutory income tax rate as of December 31, 2017, which resulted in the recognition of a non-cash income tax benefit during the six months ended March 31, 2018. Due to the non-recurring nature of this benefit, the company believes that net income and diluted earnings per share before the one-time, non-cash income tax benefit, provides a more useful and relevant measure to analyze its financial performance than net income and diluted earnings per share in order to allow investors to better analyze the company's core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the discussion and analysis of the company's financial performance will reference adjusted net income and adjusted diluted earnings per share, which is calculated as follows:

	Three Months Ended March 31		
	2019	2018	Change
(In thousands, except per share data)			
Net income	\$ 214,888	\$ 178,992	\$ 35,896
TCJA non-cash income tax benefit	—	(3,791)	3,791
Adjusted net income	<u>\$ 214,888</u>	<u>\$ 175,201</u>	<u>\$ 39,687</u>
Diluted net income per share	\$ 1.82	\$ 1.60	\$ 0.22
Diluted EPS from TCJA non-cash income tax benefit	—	(0.03)	0.03
Adjusted diluted net income per share	<u>\$ 1.82</u>	<u>\$ 1.57</u>	<u>\$ 0.25</u>

	Six Months Ended March 31		
	2019	2018	Change
(In thousands, except per share data)			
Net income	\$ 372,534	\$ 493,124	\$ (120,590)
TCJA non-cash income tax benefit	—	(165,675)	165,675
Adjusted net income	<u>\$ 372,534</u>	<u>\$ 327,449</u>	<u>\$ 45,085</u>
Diluted net income per share	\$ 3.21	\$ 4.47	\$ (1.26)
Diluted EPS from TCJA non-cash income tax benefit	—	(1.50)	1.50
Adjusted diluted net income per share	<u>\$ 3.21</u>	<u>\$ 2.97</u>	<u>\$ 0.24</u>

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, serving over three million natural gas distribution customers in over 1,400 communities in eight states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. For more information, visit www.atmosenergy.com.

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

<u>Statements of Income</u> (000s except per share)	Three Months Ended March 31	
	2019	2018
Operating revenues		
Distribution segment	\$ 1,057,889	\$ 1,199,291
Pipeline and storage segment	135,650	120,955
Intersegment eliminations	(98,894)	(100,837)
	<u>1,094,645</u>	<u>1,219,409</u>
Purchased gas cost		
Distribution segment	570,348	727,053
Pipeline and storage segment	(90)	433
Intersegment eliminations	(98,582)	(100,526)
	<u>471,676</u>	<u>626,960</u>
Contribution Margin	<u>622,969</u>	<u>592,449</u>
Operation and maintenance expense	149,427	159,159
Depreciation and amortization	96,772	89,381
Taxes, other than income	79,093	73,007
Total operating expenses	<u>325,292</u>	<u>321,547</u>
Operating income	297,677	270,902
Other non-operating income (expense)	4,232	(2,167)
Interest charges	26,949	27,304
Income before income taxes	<u>274,960</u>	<u>241,431</u>
Income tax expense	60,072	62,439
Net income	<u>\$ 214,888</u>	<u>\$ 178,992</u>
Basic net income per share	<u>\$ 1.83</u>	<u>\$ 1.60</u>
Diluted net income per share	<u>\$ 1.82</u>	<u>\$ 1.60</u>
Cash dividends per share	<u>\$ 0.525</u>	<u>\$ 0.485</u>
Basic weighted average shares outstanding	<u>117,581</u>	<u>111,706</u>
Diluted weighted average shares outstanding	<u>117,756</u>	<u>111,706</u>

<u>Summary Net Income by Segment (000s)</u>	Three Months Ended March 31	
	2019	2018
Distribution	\$ 172,193	\$ 145,243
Pipeline and storage	42,695	33,749
Net income	<u>\$ 214,888</u>	<u>\$ 178,992</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Statements of Income</u> (000s except per share)	Six Months Ended March 31	
	2019	2018
Operating revenues		
Distribution segment	\$ 1,896,724	\$ 2,060,083
Pipeline and storage segment	270,120	247,418
Intersegment eliminations	(194,417)	(198,900)
	<u>1,972,427</u>	<u>2,108,601</u>
Purchased gas cost		
Distribution segment	1,008,080	1,190,811
Pipeline and storage segment	(448)	1,345
Intersegment eliminations	(193,791)	(198,279)
	<u>813,841</u>	<u>993,877</u>
Contribution Margin	<u>1,158,586</u>	<u>1,114,724</u>
Operation and maintenance expense	288,027	288,204
Depreciation and amortization	192,837	177,755
Taxes, other than income	143,581	135,780
Total operating expenses	<u>624,445</u>	<u>601,739</u>
Operating income	534,141	512,985
Other non-operating expense	(3,491)	(4,724)
Interest charges	54,798	58,813
Income before income taxes	<u>475,852</u>	<u>449,448</u>
Income tax expense (benefit)	103,318	(43,676)
Net income	<u>\$ 372,534</u>	<u>\$ 493,124</u>
Basic net income per share	<u>\$ 3.22</u>	<u>\$ 4.47</u>
Diluted net income per share	<u>\$ 3.21</u>	<u>\$ 4.47</u>
Cash dividends per share	<u>\$ 1.05</u>	<u>\$ 0.97</u>
Basic weighted average shares outstanding	<u>115,690</u>	<u>110,135</u>
Diluted weighted average shares outstanding	<u>115,794</u>	<u>110,135</u>

<u>Summary Net Income by Segment (000s)</u>	Six Months Ended March 31	
	2019	2018
Distribution	\$ 286,578	\$ 394,342
Pipeline and storage	85,956	98,782
Net income	<u>\$ 372,534</u>	<u>\$ 493,124</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u> (000s)	March 31, 2019	September 30, 2018
Net property, plant and equipment	\$ 10,971,734	\$ 10,371,147
Cash and cash equivalents	108,353	13,771
Accounts receivable, net	419,612	253,295
Gas stored underground	78,148	165,732
Other current assets	65,068	46,055
Total current assets	671,181	478,853
Goodwill	730,419	730,419
Deferred charges and other assets	301,616	294,018
	<u>\$ 12,674,950</u>	<u>\$ 11,874,437</u>
Shareholders' equity	\$ 5,508,101	\$ 4,769,951
Long-term debt	3,528,713	2,493,665
Total capitalization	9,036,814	7,263,616
Accounts payable and accrued liabilities	244,042	217,283
Other current liabilities	495,097	547,068
Short-term debt	—	575,780
Current maturities of long-term debt	125,000	575,000
Total current liabilities	864,139	1,915,131
Deferred income taxes	1,251,836	1,154,067
Regulatory excess deferred taxes	712,681	739,670
Deferred credits and other liabilities	809,480	801,953
	<u>\$ 12,674,950</u>	<u>\$ 11,874,437</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Statements of Cash Flows</u> (000s)	Six Months Ended March 31	
	2019	2018
Cash flows from operating activities		
Net income	\$ 372,534	\$ 493,124
Depreciation and amortization	192,837	177,755
Deferred income taxes	96,885	116,023
One-time income tax benefit	—	(165,675)
Other	5,334	12,252
Changes in assets and liabilities	(106,761)	117,888
Net cash provided by operating activities	560,829	751,367
Cash flows from investing activities		
Capital expenditures	(777,586)	(693,978)
Proceeds from the sale of discontinued operations	4,000	3,000
Debt and equity securities activities, net	777	(1,175)
Other, net	4,388	4,009
Net cash used in investing activities	(768,421)	(688,144)
Cash flows from financing activities		
Net decrease in short-term debt	(575,780)	(318,143)
Proceeds from issuance of long-term debt, net of premium/discount	1,045,221	—
Net proceeds from equity offering	494,085	395,092
Issuance of common stock through stock purchase and employee retirement plans	10,344	11,902
Settlement of interest rate swaps	(90,141)	—
Repayment of long-term debt	(450,000)	—
Cash dividends paid	(120,328)	(105,891)
Debt issuance costs	(11,227)	—
Other	—	(1,518)
Net cash provided by (used in) financing activities	302,174	(18,558)
Net increase in cash and cash equivalents	94,582	44,665
Cash and cash equivalents at beginning of period	13,771	26,409
Cash and cash equivalents at end of period	\$ 108,353	\$ 71,074

<u>Statistics</u>	Three Months Ended March 31		Six Months Ended March 31	
	2019	2018	2019	2018
Consolidated distribution throughput (MMcf as metered)	185,432	179,978	328,178	304,335
Consolidated pipeline and storage transportation volumes (MMcf)	165,369	148,980	335,896	304,085
Distribution meters in service	3,279,005	3,245,012	3,279,005	3,245,012
Distribution average cost of gas	\$ 4.10	\$ 5.42	\$ 4.18	\$ 5.40

###

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

Form 8-K

**Current Report Pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934**

August 1, 2019

Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA

1-10042

75-1743247

(State or Other Jurisdiction
of Incorporation)

(Commission File
Number)

(I.R.S. Employer
Identification No.)

1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS

75240

(Address of Principal Executive Offices)

(Zip Code)

(972) 934-9227

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Atmos Energy Corporation today announced that its Board of Directors has appointed J. Kevin Akers, its current Executive Vice President, to become President and CEO and a member of the Board effective October 1, 2019. Michael E. Haefner has announced his intention to step down from the positions of President and Chief Executive Officer effective September 30, 2019 due to health considerations.

Mr. Haefner, 59, will remain with the Company through his retirement on January 1, 2020. He will also step down from the Board effective January 1, 2020.

Mr. Akers, 56, joined the Company nearly 29 years ago and has served in multiple leadership roles, including President of the Company's Mississippi Division from 2002 through 2007 and President of the Company's Kentucky/Mid States Division from 2007 until his promotion to Senior Vice President, Safety and Enterprise Services and member of the company's Management Committee effective January 1, 2017. He was promoted to Executive Vice President in November 2018. Mr. Akers holds a bachelor's degree in petroleum engineering from the University of Alabama.

Although Atmos Energy is not a party to any employment agreement with Mr. Akers, beginning October 1, 2019, in connection with his promotion, he will receive an increase in base salary from \$475,000 to \$850,000. His target annual bonus will increase to 100% of base salary, and his long-term incentive award target will increase to 250% of his base salary.

Kim R. Cocklin, 68, will continue as Executive Chairman of the Board. Mr. Cocklin's annual base salary will be increased from \$700,000 to \$850,000.

Item 7.01 Regulation FD Disclosure.

On August 7, 2019, the Company issued a press release announcing certain of the matters disclosed above under Item 5.02. A copy of the press release is furnished as Exhibit 99.1.

Also on August 7, 2019, Michael E. Haefner, President and CEO of Atmos Energy Corporation, sent a letter to his colleagues regarding the Company's management transition. A copy of the letter is furnished as Exhibit 99.2.

The information furnished in this Item 7.01 (including Exhibits 99.1 and 99.2) shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release issued by the Company on August 7, 2019
99.2	Letter dated August 7, 2019 from Michael E. Haefner to Employees of the Company

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: August 7, 2019

By: /s/ KAREN E. HARTSFIELD
Karen E. Hartsfield
Senior Vice President, General Counsel
and Corporate Secretary



News Release

**Analysts and Media Contact:
Jennifer Hills (972) 855-3729**

Atmos Energy Announces that Kevin Akers Succeeds Mike Haefner as CEO

Kim Cocklin remains Executive Chairman

DALLAS (August 7, 2019) - Atmos Energy Corporation (NYSE: ATO) today announced that its Board of Directors has appointed Kevin Akers, 56, currently Executive Vice President, to become President and Chief Executive Officer of Atmos Energy and a member of the Board effective October 1, 2019. Haefner has announced his intention to step down from his positions as President and Chief Executive Officer effective September 30, 2019 to focus on a recent health issue. He will retire January 1, 2020 from the Company and the Board. Kim R. Cocklin, formerly CEO of Atmos Energy, will continue as Executive Chairman of the Board.

The Board has long planned for this succession. Akers, formerly President of both the company's Kentucky/Mid-States and Mississippi Divisions, was promoted to Senior Vice President of Safety and Enterprise Services and member of Management Committee effective January 1, 2017. In this role, Akers assumed responsibility for Pipeline Safety, Customer Service, Supply Chain Management, Facilities and Business Process & Change Management. When next promoted to Executive Vice President in November 2018, Akers assumed additional responsibilities over the company's pipeline and storage operations.

"Kevin is a gifted leader with the majority of his nearly 29 years at Atmos Energy in senior leadership roles. He and I have worked side-by-side, and he has the leadership ability and deep industry experience to continue our safety-driven investment strategy," said Haefner. "A recent health issue is requiring me to pull back on the day-to-day responsibilities of my current commitments, and I am fortunate to be able to pass the torch to such a strong leader. I plan to remain until January 1 and be available to Kevin and the senior leadership team so the transition is seamless."

Cocklin added: "The Board of Directors and all Atmos Energy's employees are indebted to Mike for his years of leadership. He has built a strong management team, and the Board has every confidence that the Company will continue to thrive under Kevin's leadership. In addition to our gratitude, we offer our full support and friendship to Mike as he focuses on his health."

"We have a great Company, and I look forward to continuing to work with Kim, Mike, and our Board of Directors. All of us, our leadership team and our 4,700 dedicated employees, will continue working together as we execute our proven strategy with focused discipline and rigor," said Akers.

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at <http://www.atmosenergy.com>, [Facebook](#), [Twitter](#), [Instagram](#) and [YouTube](#)

###

DATE: August 7, 2019
TO: All Employees
FROM : Mike Haefner, President and CEO
SUBJECT: Promotion of Kevin Akers to President and CEO

I am writing to let you know that I have been facing a recent health issue that to this point has eluded a definitive diagnosis. I am very optimistic this will resolve itself favorably in the long run; however, it is requiring an increasing amount of my time, which necessarily means that I must pull back from devoting my full time and attention to the business of the Company. After conversations with my doctors, family, senior leaders, and the Board about how to prioritize what is best for me, my family, and the Company, I have notified the Board that I will step down as President and CEO effective September 30 and retire on January 1, 2020 so that I can focus on my health.

It has been the highest privilege of my career to serve our 4,700 employees, our customers, and shareholders. I can step down with confidence because the Board was ready to execute its long-maintained succession plan and has appointed Kevin Akers to succeed me as President and CEO and board member effective October 1.

Kevin is a gifted leader with the majority of his nearly 29 years at Atmos Energy in senior leadership roles. For the last few years, we have been working side-by-side to execute our safety-driven investment strategy. With his proven leadership and laser focus on safety, Kevin will be an excellent CEO.

Our Vision to be the safest provider of natural gas services, to be recognized for exceptional customer service, for being a great employer, and for achieving superior financial results reflects our true character. And that true character has remained unwavering as the torch seamlessly passed from Charlie Vaughan to Bob Best to Kim Cocklin to me. It will remain unwavering as the torch passes to Kevin.

Kim will continue as Executive Chairman, and I plan to stay until January 1 so that the transition is seamless. I hope you'll invite me back for your special moments, and I'll keep the team informed about my progress.

Thank you for all that you do every day for Atmos Energy. It has been my privilege to be part of such an amazing team.

Mike

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

Form 8-K

**Current Report Pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934**

August 7, 2019

Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Texas and Virginia	1-10042	75-1743247
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1800 Three Lincoln Centre 5430 LBJ Freeway Dallas Texas	75240
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(Address of Principal Executive Offices)	(Zip Code)

(972) 934-9227

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On Wednesday, August 7, 2019, Atmos Energy Corporation (the “Company”) issued a news release in which it reported the Company’s financial results for the 2019 fiscal year third quarter, which ended June 30, 2019, and that certain of its officers would discuss such financial results in a conference call on Thursday, August 8, 2019 at 9 a.m. Eastern Time. In the release, the Company also announced that the call would be webcast live and that slides for the webcast would be available on its website for all interested parties.

A copy of the news release is furnished as Exhibit 99.1. The information furnished in this Item 2.02 and in Exhibit 99.1 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release dated August 7, 2019 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: August 7, 2019

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer



News Release

**Analysts and Media Contact:
Jennifer Hills (972) 855-3729**

Atmos Energy Corporation Reports Earnings for Fiscal 2019 Third Quarter; Reaffirms Fiscal 2019 Earnings Guidance

DALLAS (August 7, 2019) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its third quarter ended June 30, 2019.

- Consolidated net income for the three months ended June 30, 2019 was \$80.5 million or \$0.68 per diluted share, compared with consolidated net income of \$71.2 million, or \$0.64 per diluted share for the same period last year.
- Capital expenditures rose 10 percent to \$1,199.2 million for the nine months ended June 30, 2019, with approximately 87 percent of that spending related to system safety and reliability investments.
- Fiscal 2019 earnings expected to be at the higher end of the tightened range of \$4.25 to \$4.35 per diluted share. Capital expenditures are expected to remain in the previously announced range of \$1.65 billion to \$1.75 billion in fiscal 2019.
- The company's Board of Directors has declared a quarterly dividend of \$0.525 per common share. The indicated annual dividend for fiscal 2019 is \$2.10, which represents an 8.2% increase over fiscal 2018.

For the nine months ended June 30, 2019, consolidated net income was \$453.0 million or \$3.88 per diluted share, compared with consolidated net income of \$564.3 million, or \$5.09 per diluted share for the same period last year. Adjusted net income for the nine months ended June 30, 2018, which excludes a one-time income tax benefit related to the TCJA of \$165.5 million, or \$1.49 per diluted share, was \$398.8 million, or \$3.60 per diluted share.

“We remain focused on deploying new technologies and building scale in our operations as we increase our capital investment to enhance the safety and reliability of our system,” said Mike Haefner, chief executive officer of Atmos Energy Corporation. “With most of our significant rate activities for the fiscal year concluded and strong visibility into the remainder of the year, we maintain our outlook for fiscal 2019 earnings to be in the range of \$4.25 to \$4.35 per diluted share,” Haefner concluded.

Results for the Three Months Ended June 30, 2019

Operating income declined by \$2.1 million to \$122.2 million for the three months ended June 30, 2019 compared to the prior-year quarter due to higher operating expenses. Increased Contribution Margins driven by positive rate case outcomes, customer growth in our distribution segment and higher margins in our pipeline and storage segment were offset by lower consumption, higher operation and maintenance and depreciation expenses in the current-year quarter.

Distribution Contribution Margin increased \$0.8 million to \$305.4 million for the three months ended June 30, 2019, compared with \$304.6 million in the prior-year quarter. Contribution Margin reflects a net \$7.1 million increase in rates, primarily in our Mid-Tex and West Texas divisions and a \$2.9 million increase from customer growth, primarily in our Mid-Tex division. These increases were partially offset by a net \$3.8 million decrease in consumption.

Pipeline and storage Contribution Margin increased \$22.2 million to \$149.3 million for the three months ended June 30, 2019, compared with \$127.1 million in the prior-year quarter. This increase is attributable to a net \$16.5 million increase in rates, due to the GRIP filings approved in fiscal 2018 and 2019, and a net increase of \$4.5 million due to wider spreads and positive supply and demand dynamics in the Permian Basin.

Operation and maintenance expense for the three months ended June 30, 2019, was \$164.5 million, compared with \$143.7 million for the prior-year quarter. This \$20.8 million increase was primarily driven by increased pipeline maintenance and related activities and higher employee and training costs in the current-year quarter.

Results for the Nine Months Ended June 30, 2019

Operating income increased \$19.0 million to \$656.3 million for the nine months ended June 30, 2019, compared to \$637.3 million in the prior-year period, which primarily reflects positive rate outcomes, customer growth in the distribution business and higher volumes and margins in our pipeline and storage segment, partially offset by higher operation and maintenance, depreciation and property tax expenses in the current-year period.

Distribution Contribution Margin increased \$20.2 million to \$1,194.1 million for the nine months ended June 30, 2019, compared with \$1,173.9 million in the prior-year period. Contribution Margin reflects a net \$23.8 million increase in rates, primarily in the Mid-Tex, Mississippi, West Texas and Louisiana divisions. In addition, customer growth increased \$10.6 million, primarily in our Mid-Tex division. These increases were partially offset by decreases of \$8.7 million in pass-thru taxes and consumption of \$4.7 million, primarily in our Mid-Tex division.

Pipeline and storage Contribution Margin increased \$46.8 million to \$419.9 million for the nine months ended June 30, 2019, compared with \$373.1 million in the prior-year period. This increase is primarily attributable to a net \$33.3 million increase in revenue from GRIP filings approved in fiscal 2018 and 2019. In addition, transportation revenues and volumes increased Contribution Margin by a net \$9.4 million due to wider spreads and positive supply and demand dynamics impacting the Permian Basin.

Operation and maintenance expense for the nine months ended June 30, 2019 was \$452.6 million, compared with \$432.0 million for the prior-year period. This \$20.6 million increase primarily reflects increased pipeline maintenance and related activities, higher employee and training costs, and software license fees in the current-year period, partially offset by the absence of costs incurred for the Northwest Dallas outage in the prior-year period.

Capital expenditures increased \$110.7 million to \$1,199.2 million for the nine months ended June 30, 2019, compared with \$1,088.5 million in the prior-year period, due to continued spending for infrastructure replacements and enhancements.

For the nine months ended June 30, 2019, the company generated operating cash flow of \$808.9 million, a \$226.4 million decrease compared with the nine months ended June 30, 2018. The period-over-period decrease is primarily attributable to working capital changes, particularly in our distribution segment resulting from the timing of payments for natural gas purchases and deferred gas cost recoveries.

Our equity capitalization ratio at June 30, 2019 was 60.2%, compared with 56.7% at September 30, 2018. The increase primarily reflects the effects of our fiscal 2019 financing activities and lower short-term debt at June 30, 2019.

Outlook

The leadership of Atmos Energy remains focused on enhancing system safety and reliability through infrastructure investment while delivering shareholder value and consistent earnings growth. Atmos Energy expects fiscal 2019 earnings to be at the higher end of the range of \$4.25 to \$4.35 per diluted share. Capital expenditures for fiscal 2019 are expected to range between \$1.65 billion and \$1.75 billion.

Conference Call to be Webcast August 8, 2019

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2019 financial results on Thursday, August 8, 2019, at 10:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Mike Haefner, President and Chief Executive Officer and Chris Forsythe, Senior Vice President and Chief Financial Officer will participate in the conference call. The conference call will be webcast live on the Atmos Energy website at www.atmosenergy.com. A playback of the call will be available on the website later that day.

Forward-Looking Statements

The matters discussed in this news release may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this news release are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this news release or in any of the company's other documents or oral presentations, the words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “objective,” “plan,” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this news release, including the risks and uncertainties

relating to regulatory trends and decisions, the company's ability to continue to access the credit and capital markets and the other factors discussed in the company's reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and in subsequent filings with the Securities and Exchange Commission.

Although the company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses Contribution Margin, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes Contribution Margin is a more useful and relevant measure to analyze its financial performance than operating revenues. The term Contribution Margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance, and is not necessarily comparable to similarly titled measures reported by other companies.

In addition, the enactment of the TCJA required the company to remeasure its deferred tax assets and liabilities at its new federal statutory income tax rate as of December 31, 2017, which resulted in the recognition of a non-cash income tax benefit during the nine months ended June 30, 2018. Due to the non-recurring nature of this benefit, the company believes that net income and diluted earnings per share before the one-time, non-cash income tax benefit, provides a more useful and relevant measure to analyze its financial performance than net income and diluted earnings per share in order to allow investors to better analyze the company's core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the discussion and analysis of the company's financial performance will reference adjusted net income and adjusted diluted earnings per share,

which is calculated as follows:

	Nine Months Ended June 30		
	2019	2018	Change
(In thousands, except per share data)			
Net income	\$ 453,000	\$ 564,317	\$ (111,317)
TCJA non-cash income tax benefit	—	(165,522)	165,522
Adjusted net income	<u>\$ 453,000</u>	<u>\$ 398,795</u>	<u>\$ 54,205</u>
Diluted net income per share	\$ 3.88	\$ 5.09	\$ (1.21)
Diluted EPS from TCJA non-cash income tax benefit	—	(1.49)	1.49
Adjusted diluted net income per share	<u>\$ 3.88</u>	<u>\$ 3.60</u>	<u>\$ 0.28</u>

About Atmos Energy

Atmos Energy Corporation is the nation’s largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at <http://www.atmosenergy.com>, [Facebook](#), [Twitter](#), [Instagram](#) and [YouTube](#).

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

<u>Statements of Income</u> (000s except per share)	Three Months Ended June 30	
	2019	2018
Operating revenues		
Distribution segment	\$ 444,944	\$ 535,488
Pipeline and storage segment	149,198	127,633
Intersegment eliminations	(108,404)	(100,876)
	<u>485,738</u>	<u>562,245</u>
Purchased gas cost		
Distribution segment	139,518	230,887
Pipeline and storage segment	(96)	561
Intersegment eliminations	(108,096)	(100,562)
	<u>31,326</u>	<u>130,886</u>
Contribution Margin	454,412	431,359
Operation and maintenance expense	164,545	143,748
Depreciation and amortization	97,700	90,671
Taxes, other than income	69,965	72,620
Total operating expenses	<u>332,210</u>	<u>307,039</u>
Operating income	122,202	124,320
Other non-operating income (expense)	1,645	(3,330)
Interest charges	19,592	23,349
Income before income taxes	<u>104,255</u>	<u>97,641</u>
Income tax expense	23,789	26,448
Net income	<u>\$ 80,466</u>	<u>\$ 71,193</u>
Basic net income per share	<u>\$ 0.68</u>	<u>\$ 0.64</u>
Diluted net income per share	<u>\$ 0.68</u>	<u>\$ 0.64</u>
Cash dividends per share	<u>\$ 0.525</u>	<u>\$ 0.485</u>
Basic weighted average shares outstanding	<u>118,075</u>	<u>111,851</u>
Diluted weighted average shares outstanding	<u>118,430</u>	<u>111,851</u>

<u>Summary Net Income by Segment (000s)</u>	Three Months Ended June 30	
	2019	2018
Distribution	\$ 32,398	\$ 35,344
Pipeline and storage	48,068	35,849
Net income	<u>\$ 80,466</u>	<u>\$ 71,193</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Statements of Income</u> (000s except per share)	Nine Months Ended June 30	
	2019	2018
Operating revenues		
Distribution segment	\$ 2,341,668	\$ 2,595,571
Pipeline and storage segment	419,318	375,051
Intersegment eliminations	(302,821)	(299,776)
	<u>2,458,165</u>	<u>2,670,846</u>
Purchased gas cost		
Distribution segment	1,147,598	1,421,698
Pipeline and storage segment	(544)	1,906
Intersegment eliminations	(301,887)	(298,841)
	<u>845,167</u>	<u>1,124,763</u>
Contribution Margin	<u>1,612,998</u>	<u>1,546,083</u>
Operation and maintenance expense	452,572	431,952
Depreciation and amortization	290,537	268,426
Taxes, other than income	213,546	208,400
Total operating expenses	<u>956,655</u>	<u>908,778</u>
Operating income	656,343	637,305
Other non-operating expense	(1,846)	(8,054)
Interest charges	74,390	82,162
Income before income taxes	<u>580,107</u>	<u>547,089</u>
Income tax expense (benefit)	127,107	(17,228)
Net income	<u>\$ 453,000</u>	<u>\$ 564,317</u>
Basic net income per share	<u>\$ 3.89</u>	<u>\$ 5.09</u>
Diluted net income per share	<u>\$ 3.88</u>	<u>\$ 5.09</u>
Cash dividends per share	<u>\$ 1.575</u>	<u>\$ 1.455</u>
Basic weighted average shares outstanding	<u>116,485</u>	<u>110,707</u>
Diluted weighted average shares outstanding	<u>116,673</u>	<u>110,707</u>

<u>Summary Net Income by Segment (000s)</u>	Nine Months Ended June 30	
	2019	2018
Distribution	\$ 318,976	\$ 429,686
Pipeline and storage	134,024	134,631
Net income	<u>\$ 453,000</u>	<u>\$ 564,317</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u> (000s)	June 30, 2019	September 30, 2018
Net property, plant and equipment	\$ 11,340,596	\$ 10,371,147
Cash and cash equivalents	46,163	13,771
Accounts receivable, net	285,433	253,295
Gas stored underground	106,014	165,732
Other current assets	65,924	46,055
Total current assets	503,534	478,853
Goodwill	730,419	730,419
Deferred charges and other assets	306,549	294,018
	<u>\$ 12,881,098</u>	<u>\$ 11,874,437</u>
Shareholders' equity	\$ 5,641,996	\$ 4,769,951
Long-term debt	3,529,135	2,493,665
Total capitalization	9,171,131	7,263,616
Accounts payable and accrued liabilities	206,500	217,283
Other current liabilities	494,932	547,068
Short-term debt	74,942	575,780
Current maturities of long-term debt	125,000	575,000
Total current liabilities	901,374	1,915,131
Deferred income taxes	1,280,307	1,154,067
Regulatory excess deferred taxes	709,974	739,670
Deferred credits and other liabilities	818,312	801,953
	<u>\$ 12,881,098</u>	<u>\$ 11,874,437</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Statements of Cash Flows</u> (000s)	Nine Months Ended June 30	
	2019	2018
Cash flows from operating activities		
Net income	\$ 453,000	\$ 564,317
Depreciation and amortization	290,537	268,426
Deferred income taxes	120,220	139,852
One-time income tax benefit	—	(165,522)
Other	9,649	18,007
Changes in assets and liabilities	(64,478)	210,216
Net cash provided by operating activities	808,928	1,035,296
Cash flows from investing activities		
Capital expenditures	(1,199,199)	(1,088,472)
Proceeds from the sale of discontinued operations	4,000	3,000
Debt and equity securities activities, net	(4,041)	(7,857)
Other, net	3,839	6,105
Net cash used in investing activities	(1,195,401)	(1,087,224)
Cash flows from financing activities		
Net decrease in short-term debt	(500,838)	(202,968)
Proceeds from issuance of long-term debt, net of premium/discount	1,045,221	—
Net proceeds from equity offering	593,731	395,092
Issuance of common stock through stock purchase and employee retirement plans	14,128	15,850
Settlement of interest rate swaps	(90,141)	—
Repayment of long-term debt	(450,000)	—
Cash dividends paid	(181,982)	(160,007)
Debt issuance costs	(11,254)	—
Other	—	(1,518)
Net cash provided by financing activities	418,865	46,449
Net increase (decrease) in cash and cash equivalents	32,392	(5,479)
Cash and cash equivalents at beginning of period	13,771	26,409
Cash and cash equivalents at end of period	\$ 46,163	\$ 20,930

<u>Statistics</u>	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
Consolidated distribution throughput (MMcf as metered)	76,192	82,448	404,370	386,783
Consolidated pipeline and storage transportation volumes (MMcf)	181,292	180,371	517,188	484,456
Distribution meters in service	3,284,722	3,249,780	3,284,722	3,249,780
Distribution average cost of gas	\$ 3.35	\$ 4.68	\$ 4.06	\$ 5.27

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

September 25, 2019
Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)

1-10042
(Commission
File Number)

75-1743247
(I.R.S. Employer
Identification No.)

**1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS**
(Address of Principal Executive Offices)

75240
(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On September 25, 2019 Atmos Energy Corporation (“Atmos Energy”) entered into an underwriting agreement (the “Underwriting Agreement”) with Credit Agricole Securities (USA) Inc., J.P. Morgan Securities LLC, TD Securities (USA) LLC and Wells Fargo Securities, LLC, as representatives of the several underwriters named in Schedule I thereto, with respect to the offering and sale in an underwritten public offering (the “Offering”) by Atmos Energy of \$300 million aggregate principal amount of its 2.625% Senior Notes due 2029 (the “2029 Notes”), with a yield to maturity of 2.632% and an effective yield to maturity of 2.707%, after giving effect to related fees and original issuance discount; and \$500 million aggregate principal amount of its 3.375% Senior Notes due 2049, with a yield to maturity of 3.379% and an effective yield to maturity of 3.426%, after giving effect to related fees and original issue discount. The Offering has been registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to a registration statement on Form S-3 (Registration No. 333-228342) of Atmos Energy (the “Registration Statement”) and the prospectus supplement dated September 25, 2019, which was filed with the Securities and Exchange Commission pursuant to Rule 424(b) of the Securities Act on September 27, 2019. Legal opinions related to the Registration Statement are also filed herewith as Exhibits 5.1 and 5.2.

Atmos Energy expects to receive net proceeds, after the underwriting discount and estimated offering expenses, of approximately \$792 million. The Offering is expected to close on or about October 2, 2019, subject to customary closing conditions.

The Notes will be issued pursuant to an indenture dated March 26, 2009 (the “Indenture”) between Atmos Energy and U.S. Bank National Association, as trustee (the “Trustee”), to be modified by an Officers’ Certificate setting forth the terms of the Notes (the “Officers’ Certificate”), to be dated October 2, 2019 and delivered to the Trustee pursuant to Section 301 of the Indenture. The Notes will be represented by a global security, a form of which is filed as an exhibit hereto. The form of Officers’ Certificate and the Underwriting Agreement are each also filed as an exhibit hereto.

Item 9.01. Financial Statements and Exhibits.(d) *Exhibits*

<u>Exhibit Number</u>	<u>Description</u>
1.1	Underwriting Agreement dated as of September 25, 2019
4.1	Form of Officers' Certificate, to be dated October 2, 2019
4.2	Form of Global Security for 2.625% Senior Notes due 2029
4.3	Form of Global Security for 3.375% Senior Notes due 2049
5.1	Opinion of Gibson, Dunn & Crutcher LLP
5.2	Opinion of Hunton Andrews Kurth LLP
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.2	Consent of Hunton Andrews Kurth LLP (included in Exhibit 5.2)
104	Cover Page Interactive Data File. The cover page XBRL tags are embedded within the inline XBRL document (contained in Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: October 2, 2019

By: /s/ DANIEL M. MEZIERE
Daniel M. Meziere
Vice President and Treasurer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

October 2, 2019
Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)

1-10042
(Commission
File Number)

75-1743247
(I.R.S. Employer
Identification No.)

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(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On October 2, 2019, Atmos Energy Corporation (“Atmos Energy”) completed a public offering of \$800,000,000 aggregate principal amount of its senior notes, consisting of \$300,000,000 aggregate principal amount of 2.625% Senior Notes due 2029 (the “2029 Notes”) and \$500,000,000 aggregate principal amount of 3.375% Senior Notes due 2049 (the “2049 Notes” and, together with the 2029 Notes, the “Notes”). The offering has been registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to a registration statement on Form S-3 (Registration No. 333-228342) of Atmos Energy and the Prospectus Supplement dated September 25, 2019, which was filed with the Securities and Exchange Commission pursuant to Rule 424(b) of the Securities Act on September 27, 2019. Atmos Energy received net proceeds from the offering, after the underwriting discount and estimated offering expenses payable by it, of approximately \$792 million.

The Notes were issued pursuant to an indenture dated as of March 26, 2009 (the “Base Indenture”) between Atmos Energy and U.S. Bank National Association, as trustee (the “Trustee”), and an officers’ certificate delivered to the Trustee pursuant to Section 301 of the Base Indenture (the “Officers’ Certificate,” and the Base Indenture, as modified by the Officers’ Certificate, is referred to herein as the “Indenture”). Each series of Notes is represented by a global security executed by Atmos Energy on October 2, 2019 (each, a “Global Security”) and are unsecured senior obligations that rank equally in right of payment with all of Atmos Energy’s other existing and future unsubordinated debt. The 2029 Notes bear interest at an annual rate of 2.625%, payable by Atmos Energy on March 15 and September 15 of each year, beginning on March 15, 2020, and mature on September 15, 2029. The 2049 Notes bear interest at an annual rate of 3.375%, payable by Atmos Energy on March 15 and September 15 of each year, beginning on March 15, 2020, and mature on September 15, 2049.

Atmos Energy may redeem the Notes of each series at its option at any time, in whole or in part, at a redemption price calculated in accordance with the Indenture. The Indenture includes covenants that limit the ability of Atmos Energy and its restricted subsidiaries (as defined in the Indenture) to, among other things, (i) grant specified liens, (ii) engage in specified sale and leaseback transactions, (iii) consolidate or merge with or into other companies or (iv) sell all or substantially all of Atmos Energy’s assets. The restrictive covenants are subject to a number of exceptions and qualifications set forth in the Indenture. The Indenture provides for events of default, including (i) interest payment defaults, (ii) breaches of covenants, (iii) certain payment defaults at final maturity or acceleration of other indebtedness and (iv) the occurrence of events of bankruptcy, insolvency or reorganization. If any event of default occurs and is continuing, subject to certain exceptions, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately, together with any accrued and unpaid interest.

The above descriptions are qualified in their entirety by reference to the text of the Base Indenture, the Officers’ Certificate and the Global Securities. The Base Indenture has been previously filed, the Officers’ Certificate is filed as Exhibit 4.1, and the Global Securities for the 2029 Notes and the 2049 Notes are filed as Exhibits 4.2 and 4.3, respectively, to this Current Report on Form 8-K, and are each incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.(d) *Exhibits*

<u>Exhibit Number</u>	<u>Description</u>
4.1	Officers' Certificate dated October 2, 2019
4.2	Global Security for the 2.625% Senior Notes due 2029
4.3	Global Security for the 3.375% Senior Notes due 2049
104	Cover Page Interactive Data File. The cover page XBRL tags are embedded within the inline XBRL document (contained in Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: October 2, 2019

By: /s/ DANIEL M. MEZIERE
Daniel M. Meziere
Vice President and Treasurer

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

Form 8-K

**Current Report Pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934**

November 6, 2019
Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Texas and Virginia	1-10042	75-1743247
-----	-----	-----
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1800 Three Lincoln Centre 5430 LBJ Freeway Dallas Texas	75240
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

(972) 934-9227

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

On Wednesday, November 6, 2019, Atmos Energy Corporation (the “Company”) issued a news release in which it reported the Company’s financial results for the fourth quarter and full 2019 fiscal year, which ended September 30, 2019, and that certain of its officers would discuss such financial results in a conference call on Thursday, November 7, 2019 at 10 a.m. Eastern Time. In the release, the Company also announced that the call would be webcast live and that slides for the webcast would be available on its website for all interested parties.

A copy of the news release is furnished as Exhibit 99.1. The information furnished in this Item 2.02 and in Exhibit 99.1 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release dated November 6, 2019 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: November 6, 2019

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer



News Release

**Analysts and Media Contact:
Jennifer Hills (972) 855-3729**

Atmos Energy Corporation Reports Earnings for Fiscal 2019; Initiates Fiscal 2020 through Fiscal 2024 Guidance; Raises Dividend 9.5 Percent

DALLAS (November 6, 2019) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fourth quarter ended September 30, 2019.

- Fiscal 2019 consolidated net income was \$511.4 million or \$4.35 per diluted share, compared with consolidated net income of \$603.1 million, or \$5.43 per diluted share for the same period last year. Adjusted net income for the year ended September 30, 2018, was \$444.3 million, or \$4.00 per diluted share, after excluding the effects of implementing the Tax Cuts and Jobs Act of 2017 (TCJA) from the prior year.
- Capital expenditures rose 15 percent to \$1.7 billion for the year ended September 30, 2019, with approximately 87 percent of that spending related to system safety and reliability investments.
- Atmos Energy expects fiscal 2020 earnings to be in the range of \$4.58 to \$4.73 per diluted share. Capital expenditures are expected to be in the range of \$1.85 billion to \$1.95 billion in fiscal 2020.
- The company's Board of Directors has declared a quarterly dividend of \$0.575 per common share. The indicated annual dividend for fiscal 2020 is \$2.30, which represents a 9.5% increase over fiscal 2019.

Fiscal 2019 fourth quarter net income was \$58.4 million or \$0.49 per diluted share, compared with adjusted net income of \$45.5 million, or \$0.41 per diluted share for the same period last year, after excluding the effects of the TCJA in the prior-year quarter.

“Our investment strategy continues to improve the safety and reliability of our system, provide value to our customers and drive our financial performance,” said Kevin Akers, president and chief executive officer of Atmos Energy Corporation. “As we continue to modernize our natural gas distribution, transmission and storage systems, we remain well positioned to continue delivering annual earnings per share growth in the six to eight percent range,” Akers concluded.

Results for the Fiscal Year Ended September 30, 2019

Operating income increased \$18.2 million to \$746.1 million for the year ended September 30, 2019, compared to \$727.9 million in the prior year, which primarily reflects positive rate outcomes, customer growth in the distribution business and higher volumes and margins in our pipeline and storage segment, partially offset by higher operation and maintenance, depreciation and property tax expenses in the current year.

Distribution Contribution Margin increased \$33.7 million to \$1,476.9 million for the year ended September 30, 2019, compared with \$1,443.2 million in the prior year. Contribution Margin reflects a net \$33.0 million increase in rates, primarily in the Mid-Tex, Mississippi, West Texas and Louisiana divisions. In addition, customer growth increased \$12.8 million, primarily in our Mid-Tex division. These increases were partially offset by decreases of \$9.6 million in pass-thru taxes and consumption of \$2.3 million, primarily in our Mid-Tex division.

Pipeline and storage Contribution Margin increased \$61.7 million to \$567.4 million for the year ended September 30, 2019, compared with \$505.7 million in the prior year. This increase is primarily attributable to a net \$46.5 million increase in revenue from GRIP filings approved in fiscal 2018 and 2019. In addition, transportation revenues increased Contribution Margin by a net \$12.2 million due to wider spreads and positive supply and demand dynamics impacting the Permian Basin.

Operation and maintenance expense for the year ended September 30, 2019 was \$630.3 million, compared with \$594.8 million for the prior year. The \$35.5 million increase primarily reflects increased pipeline maintenance and related spending as well as employee, training and software license expenses in the current year, partially offset by the absence of expenses incurred for the Northwest Dallas outage in the prior year.

Capital expenditures increased \$225.9 million to \$1,693.5 million for the year ended September 30, 2019, compared with \$1,467.6 million in the prior year, due to continued spending for infrastructure replacements and enhancements.

For the year ended September 30, 2019, the company generated operating cash flow of \$968.8 million, a \$155.9 million decrease compared with the year ended September 30, 2018. The year-over-year decrease is primarily attributable to working capital changes, particularly in our distribution segment resulting from the timing of payments for natural gas purchases and deferred gas cost recoveries.

Our equity capitalization ratio at September 30, 2019 was 59.0%, compared with 56.7% at September 30, 2018. The increase primarily reflects the effects of our fiscal 2019 financing activities and lower short-term debt at September 30, 2019.

Results for the Three Months Ended September 30, 2019

Operating income decreased \$0.9 million to \$89.7 million for the three months ended September 30, 2019 compared to the prior-year quarter primarily due to higher operating expenses. Increased Contribution Margins in both our distribution and pipeline and storage segments were more than offset by higher operation and maintenance and depreciation expenses in the current-year quarter.

Distribution Contribution Margin increased \$13.5 million to \$282.8 million for the three months ended September 30, 2019, compared with \$269.3 million in the prior-year quarter. Contribution Margin reflects a net \$9.3 million increase in rates, primarily in our Mid-Tex, Louisiana and West Texas divisions, a \$2.4 million increase in consumption and a \$2.2 million increase from customer growth, primarily in our Mid-Tex division.

Pipeline and storage Contribution Margin increased \$14.9 million to \$147.5 million for the three months ended September 30, 2019, compared with \$132.6 million in the prior-year quarter. This increase is attributable to a net \$13.1 million increase in rates, due to the GRIP filings approved in fiscal 2018 and 2019, and a net increase of \$2.0 million due to wider spreads and positive supply and demand dynamics in the Permian Basin.

Operation and maintenance expense for the three months ended September 30, 2019, was \$177.7 million, compared with \$162.8 million for the prior-year quarter. This \$14.9 million increase was primarily driven by increased pipeline maintenance and related activities and higher employee and training costs in the current-year quarter.

Outlook

The leadership of Atmos Energy remains focused on enhancing system safety and reliability through infrastructure investment while delivering shareholder value and consistent earnings growth. Atmos Energy expects fiscal 2020 earnings to be in the range of \$4.58 to \$4.73 per diluted share. Capital expenditures for fiscal 2020 are expected to range between \$1.85 billion and \$1.95 billion.

Conference Call to be Webcast November 7, 2019

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2019 financial results on Thursday, November 7, 2019, at 10:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, President and Chief Executive Officer and Chris Forsythe, Senior Vice President and Chief Financial Officer will participate in the conference call. The conference call will be webcast live on the Atmos Energy website at www.atmosenergy.com. A playback of the call will be available on the website later that day.

Forward-Looking Statements

The matters discussed in this news release may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this news release are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this news release or in any of the company's

other documents or oral presentations, the words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “objective,” “plan,” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this news release, including the risks and uncertainties relating to regulatory trends and decisions, the company's ability to continue to access the credit and capital markets and the other factors discussed in the company's reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and in subsequent filings with the Securities and Exchange Commission.

Although the company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses Contribution Margin, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes Contribution Margin is a more useful and relevant measure to analyze its financial performance than operating revenues. The term Contribution Margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance, and is not necessarily comparable to similarly titled measures reported by other companies.

In addition, the enactment of the TCJA required the company to remeasure its deferred tax assets and liabilities at its new federal statutory income tax rate as of December 22, 2017, which resulted in the recognition of a non-cash income tax benefit during the year ended September 30, 2018. Due to the non-recurring nature of this benefit, the company believes that net income and diluted earnings per share before the one-time, non-cash income tax benefit, provides a more useful and relevant measure to analyze its financial performance than net income and diluted earnings per share in order to allow investors to better analyze the company's core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the discussion and analysis of the company's financial performance will reference adjusted net income and adjusted diluted earnings per share, which is calculated as follows:

	Three Months Ended September 30		
	2019	2018	Change
	(In thousands, except per share data)		
Net income	\$ 58,406	\$ 38,747	\$ 19,659
TCJA non-cash income tax expense	—	6,740	(6,740)
Adjusted net income	<u>\$ 58,406</u>	<u>\$ 45,487</u>	<u>\$ 12,919</u>
Diluted net income per share	\$ 0.49	\$ 0.35	\$ 0.14
Diluted EPS from TCJA non-cash income tax expense	—	0.06	(0.06)
Adjusted diluted net income per share	<u>\$ 0.49</u>	<u>\$ 0.41</u>	<u>\$ 0.08</u>

	Year Ended September 30		
	2019	2018	Change
	(In thousands, except per share data)		
Net income	\$ 511,406	\$ 603,064	\$ (91,658)
TCJA non-cash income tax benefit	—	(158,782)	158,782
Adjusted net income	<u>\$ 511,406</u>	<u>\$ 444,282</u>	<u>\$ 67,124</u>
Diluted net income per share	\$ 4.35	\$ 5.43	\$ (1.08)
Diluted EPS from TCJA non-cash income tax benefit	—	(1.43)	1.43
Adjusted diluted net income per share	<u>\$ 4.35</u>	<u>\$ 4.00</u>	<u>\$ 0.35</u>

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at <http://www.atmosenergy.com>, [Facebook](#), [Twitter](#), [Instagram](#) and [YouTube](#).

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Year Ended September 30	
	2019	2018
Operating revenues		
Distribution segment	\$ 2,745,461	\$ 3,003,047
Pipeline and storage segment	567,024	507,713
Intersegment eliminations	(410,637)	(395,214)
	<u>2,901,848</u>	<u>3,115,546</u>
Purchased gas cost		
Distribution segment	1,268,591	1,559,836
Pipeline and storage segment	(360)	1,978
Intersegment eliminations	(409,394)	(393,966)
	<u>858,837</u>	<u>1,167,848</u>
Contribution Margin	<u>2,043,011</u>	<u>1,947,698</u>
Operation and maintenance expense	630,308	594,795
Depreciation and amortization	391,456	361,083
Taxes, other than income	275,189	263,886
Total operating expenses	<u>1,296,953</u>	<u>1,219,764</u>
Operating income	746,058	727,934
Other non-operating income (expense)	7,404	(10,144)
Interest charges	103,153	106,646
Income before income taxes	<u>650,309</u>	<u>611,144</u>
Income tax expense	138,903	8,080
Net income	<u>\$ 511,406</u>	<u>\$ 603,064</u>
Basic net income per share	<u>\$ 4.36</u>	<u>\$ 5.43</u>
Diluted net income per share	<u>\$ 4.35</u>	<u>\$ 5.43</u>
Cash dividends per share	<u>\$ 2.10</u>	<u>\$ 1.94</u>
Basic weighted average shares outstanding	<u>117,200</u>	<u>111,012</u>
Diluted weighted average shares outstanding	<u>117,461</u>	<u>111,012</u>

Summary Net Income by Segment (000s)	Year Ended September 30	
	2019	2018
Distribution	\$ 328,814	\$ 442,966
Pipeline and storage	182,592	160,098
Net income	<u>\$ 511,406</u>	<u>\$ 603,064</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Statements of Income</u> (000s except per share)	Three Months Ended September 30	
	2019	2018
Operating revenues		
Distribution segment	\$ 403,793	\$ 407,476
Pipeline and storage segment	147,706	132,662
Intersegment eliminations	(107,816)	(95,438)
	<u>443,683</u>	<u>444,700</u>
Purchased gas cost		
Distribution segment	120,993	138,138
Pipeline and storage segment	184	72
Intersegment eliminations	(107,507)	(95,125)
	<u>13,670</u>	<u>43,085</u>
Contribution Margin	<u>430,013</u>	<u>401,615</u>
Operation and maintenance expense	177,736	162,843
Depreciation and amortization	100,919	92,657
Taxes, other than income	61,643	55,486
Total operating expenses	<u>340,298</u>	<u>310,986</u>
Operating income	89,715	90,629
Other non-operating income (expense)	9,250	(2,090)
Interest charges	28,763	24,484
Income before income taxes	<u>70,202</u>	<u>64,055</u>
Income tax expense	11,796	25,308
Net income	<u>\$ 58,406</u>	<u>\$ 38,747</u>
Basic net income per share	<u>\$ 0.49</u>	<u>\$ 0.35</u>
Diluted net income per share	<u>\$ 0.49</u>	<u>\$ 0.35</u>
Cash dividends per share	<u>\$ 0.525</u>	<u>\$ 0.485</u>
Basic weighted average shares outstanding	<u>119,345</u>	<u>111,926</u>
Diluted weighted average shares outstanding	<u>119,824</u>	<u>111,926</u>

<u>Summary Net Income by Segment (000s)</u>	Three Months Ended September 30	
	2019	2018
Distribution	\$ 9,838	\$ 13,280
Pipeline and storage	48,568	25,467
Net income	<u>\$ 58,406</u>	<u>\$ 38,747</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u> (000s)	September 30, 2019	September 30, 2018
Net property, plant and equipment	\$ 11,787,669	\$ 10,371,147
Cash and cash equivalents	24,550	13,771
Accounts receivable, net	230,571	253,295
Gas stored underground	130,138	165,732
Other current assets	72,772	46,055
Total current assets	458,031	478,853
Goodwill	730,706	730,419
Deferred charges and other assets	391,213	294,018
	<u>\$ 13,367,619</u>	<u>\$ 11,874,437</u>
Shareholders' equity	\$ 5,750,223	\$ 4,769,951
Long-term debt	3,529,452	2,493,665
Total capitalization	9,279,675	7,263,616
Accounts payable and accrued liabilities	265,024	217,283
Other current liabilities	474,697	547,068
Short-term debt	464,915	575,780
Current maturities of long-term debt	—	575,000
Total current liabilities	1,204,636	1,915,131
Deferred income taxes	1,300,015	1,154,067
Regulatory excess deferred taxes	705,101	739,670
Deferred credits and other liabilities	878,192	801,953
	<u>\$ 13,367,619</u>	<u>\$ 11,874,437</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Year Ended September 30	
	2019	2018
Cash flows from operating activities		
Net income	\$ 511,406	\$ 603,064
Depreciation and amortization	391,456	361,083
Deferred income taxes	132,004	158,271
One-time income tax benefit	—	(158,782)
Other	10,589	26,165
Changes in assets and liabilities	(76,686)	134,861
Net cash provided by operating activities	968,769	1,124,662
Cash flows from investing activities		
Capital expenditures	(1,693,477)	(1,467,591)
Proceeds from the sale of discontinued operations	4,000	3,000
Debt and equity securities activities, net	(2,784)	(8,325)
Use tax refund	—	790
Other, net	8,601	8,560
Net cash used in investing activities	(1,683,660)	(1,463,566)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(110,865)	128,035
Proceeds from issuance of long-term debt, net of premium/discount	1,045,221	—
Net proceeds from equity offering	694,103	395,092
Issuance of common stock through stock purchase and employee retirement plans	19,323	19,563
Settlement of interest rate swaps	(90,141)	—
Repayment of long-term debt	(575,000)	—
Cash dividends paid	(245,717)	(214,906)
Debt issuance costs	(11,254)	—
Other	—	(1,518)
Net cash provided by financing activities	725,670	326,266
Net increase (decrease) in cash and cash equivalents	10,779	(12,638)
Cash and cash equivalents at beginning of period	13,771	26,409
Cash and cash equivalents at end of period	\$ 24,550	\$ 13,771

Statistics	Three Months Ended September 30		Year Ended September 30	
	2019	2018	2019	2018
Consolidated distribution throughput (MMcf as metered)	66,184	64,600	470,554	451,383
Consolidated pipeline and storage transportation volumes (MMcf)	204,810	179,444	721,998	663,900
Distribution meters in service	3,291,835	3,256,336	3,291,835	3,256,336
Distribution average cost of gas	\$ 3.68	\$ 4.44	\$ 4.02	\$ 5.19

###

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

Form 8-K

**Current Report Pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934**

February 4, 2020

Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Texas and Virginia	1-10042	75-1743247
-----	-----	-----
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1800 Three Lincoln Centre 5430 LBJ Freeway Dallas Texas	75240
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

(972) 934-9227

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

On Tuesday, February 4, 2020, Atmos Energy Corporation (the “Company”) issued a news release in which it reported the Company’s financial results for the 2020 fiscal year first quarter, which ended December 31, 2019, and that certain of its officers would discuss such financial results in a conference call on Wednesday, February 5, 2020 at 9 a.m. Eastern Time. In the release, the Company also announced that the call would be webcast live and that slides for the webcast would be available on its website for all interested parties.

A copy of the news release is furnished as Exhibit 99.1. The information furnished in this Item 2.02 and in Exhibit 99.1 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release dated February 4, 2020 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: February 4, 2020

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer



News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2020 First Quarter; Reaffirms Fiscal 2020 Guidance

DALLAS (February 4, 2020) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its first quarter ended December 31, 2019.

First Quarter Highlights

- Earnings per diluted share of \$1.47
- Consolidated net income of \$178.7 million
- Capital expenditures were \$529.2 million, an increase of 27 percent
- Approximately 86 percent of capital spending related to system safety and reliability investments

Outlook

- Earnings per share is expected to be in the range of \$4.58 to \$4.73 per diluted share for fiscal 2020.
- Capital expenditures is expected to be in the range of \$1.85 billion to \$1.95 billion in fiscal 2020.
- The company's Board of Directors has declared a quarterly dividend of \$0.575 per common share. The indicated annual dividend for fiscal 2020 is \$2.30, which represents a 9.5% increase over fiscal 2019.

“Our first quarter results reflect the continued dedication of our employees to execute our strategy of investing in safety and reliability,” said Kevin Akers, President and Chief Executive Officer of Atmos Energy Corporation. “We remain on track to deliver annual earnings per share growth between 6% and 8% for fiscal 2020.”

Results for the Three Months Ended December 31, 2019

Consolidated operating income increased \$16.3 million to \$252.8 million for the three months ended December 31, 2019, compared to \$236.5 million in the prior year, which primarily reflects positive rate outcomes and customer growth in our distribution business, partially offset by higher operation and maintenance, depreciation and property tax expenses.

Distribution operating income increased \$10.9 million to \$180.3 million for the three months ended December 31, 2019, compared with \$169.4 million in the prior year. The increase reflects a net \$27.0 million increase in rates, primarily in our Mid-Tex, Mississippi,

Louisiana and West Texas divisions. In addition, customer growth increased \$4.0 million, primarily in our Mid-Tex division. These increases were partially offset by a decrease in consumption of \$1.4 million, primarily in our Mid-Tex division, an \$8.6 million increase in operation and maintenance expense due primarily to pipeline and maintenance activities and higher employee costs, as well as a \$9.2 million increase in depreciation and property tax expenses associated with increased capital investments.

Pipeline and storage operating income increased \$5.5 million to \$72.5 million for the three months ended December 31, 2019, compared with \$67.0 million in the prior year. This increase is primarily attributable to a \$13.7 million increase in revenue from our GRIP filing approved in fiscal 2019, partially offset by a \$5.1 million increase in operation and maintenance expense primarily due to well integrity costs and a \$2.6 million increase in depreciation expense due to increased capital investments.

Capital expenditures increased \$112.8 million to \$529.2 million for the three months ended December 31, 2019, compared with \$416.4 million in the prior year, due to continued spending for infrastructure replacements and enhancements.

For the three months ended December 31, 2019, the company generated operating cash flow of \$172.4 million, a \$7.8 million increase compared with the three months ended December 31, 2018. The year-over-year increase is primarily attributable to working capital changes, particularly in our distribution segment resulting from the timing of payments for natural gas purchases and deferred gas cost recoveries.

Our equity capitalization ratio at December 31, 2019 was 58.6%, compared with 59.0% at September 30, 2019. The decrease primarily reflects the effects of long-term debt issuances in October 2019.

Conference Call to be Webcast February 5, 2020

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2020 first quarter financial results on Wednesday, February 5, 2020, at 9:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, President and Chief Executive Officer and Chris Forsythe, Senior Vice President and Chief Financial Officer, will participate in the conference call. The conference call will be webcast live on the Atmos Energy website at www.atmosenergy.com. A playback of the call will be available on the website later that day.

Forward-Looking Statements

The matters discussed in this news release may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this news release are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this news release or in any of the company's other documents or oral presentations, the words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “objective,” “plan,” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this news release, including the risks and uncertainties relating to regulatory trends and decisions, the company's ability to continue to access the credit and capital markets and the other factors discussed in the company's reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019 and in subsequent filings with the Securities and Exchange Commission.

Although the company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at <http://www.atmosenergy.com>, [Facebook](#), [Twitter](#), [Instagram](#) and [YouTube](#).

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

<u>Statements of Income</u> (000s except per share)	Three Months Ended December 31	
	2019	2018
Operating revenues		
Distribution segment	\$ 828,504	\$ 838,835
Pipeline and storage segment	148,176	134,470
Intersegment eliminations	(101,117)	(95,523)
	<u>875,563</u>	<u>877,782</u>
Purchased gas cost		
Distribution segment	397,558	437,732
Pipeline and storage segment	99	(358)
Intersegment eliminations	(100,789)	(95,209)
	<u>296,868</u>	<u>342,165</u>
Operation and maintenance expense	152,245	138,600
Depreciation and amortization	105,062	96,065
Taxes, other than income	68,607	64,488
Operating income	<u>252,781</u>	<u>236,464</u>
Other non-operating income (expense)	4,887	(7,723)
Interest charges	27,229	27,849
Income before income taxes	<u>230,439</u>	<u>200,892</u>
Income tax expense	51,766	43,246
Net income	<u>\$ 178,673</u>	<u>\$ 157,646</u>
Basic net income per share	<u>\$ 1.47</u>	<u>\$ 1.38</u>
Diluted net income per share	<u>\$ 1.47</u>	<u>\$ 1.38</u>
Cash dividends per share	<u>\$ 0.575</u>	<u>\$ 0.525</u>
Basic weighted average shares outstanding	<u>121,113</u>	<u>113,800</u>
Diluted weighted average shares outstanding	<u>121,359</u>	<u>113,832</u>

<u>Summary Net Income by Segment (000s)</u>	Three Months Ended December 31	
	2019	2018
Distribution	\$ 129,757	\$ 114,385
Pipeline and storage	48,916	43,261
Net income	<u>\$ 178,673</u>	<u>\$ 157,646</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u> (000s)	December 31, 2019	September 30, 2019
Net property, plant and equipment	\$ 12,250,423	\$ 11,787,669
Cash and cash equivalents	189,272	24,550
Accounts receivable, net	435,616	230,571
Gas stored underground	115,259	130,138
Other current assets	71,982	72,772
Total current assets	812,129	458,031
Goodwill	730,706	730,706
Deferred charges and other assets	594,867	391,213
	<u>\$ 14,388,125</u>	<u>\$ 13,367,619</u>
Shareholders' equity	\$ 6,127,775	\$ 5,750,223
Long-term debt	4,324,285	3,529,452
Total capitalization	10,452,060	9,279,675
Accounts payable and accrued liabilities	308,113	265,024
Other current liabilities	537,009	479,501
Short-term debt	—	464,915
Current maturities of long-term debt	50	—
Total current liabilities	845,172	1,209,440
Deferred income taxes	1,352,333	1,300,015
Regulatory excess deferred taxes	699,375	705,101
Deferred credits and other liabilities	1,039,185	873,388
	<u>\$ 14,388,125</u>	<u>\$ 13,367,619</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Statements of Cash Flows</u> (000s)	Three Months Ended December 31	
	2019	2018
Cash flows from operating activities		
Net income	\$ 178,673	\$ 157,646
Depreciation and amortization	105,062	96,065
Deferred income taxes	46,726	40,339
Other	(616)	6,231
Changes in assets and liabilities	(157,400)	(135,597)
Net cash provided by operating activities	172,445	164,684
Cash flows from investing activities		
Capital expenditures	(529,186)	(416,404)
Debt and equity securities activities, net	(1,602)	(963)
Other, net	2,553	2,074
Net cash used in investing activities	(528,235)	(415,293)
Cash flows from financing activities		
Net decrease in short-term debt	(464,915)	(575,780)
Proceeds from issuance of long-term debt, net of premium/discount	799,450	596,994
Net proceeds from equity offering	259,005	494,734
Issuance of common stock through stock purchase and employee retirement plans	4,267	4,241
Cash dividends paid	(69,557)	(58,722)
Debt issuance costs	(7,738)	(6,432)
Net cash provided by financing activities	520,512	455,035
Net increase in cash and cash equivalents	164,722	204,426
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	\$ 189,272	\$ 218,197

<u>Statistics</u>	Three Months Ended December 31	
	2019	2018
Consolidated distribution throughput (MMcf as metered)	139,558	142,746
Consolidated pipeline and storage transportation volumes (MMcf)	156,529	170,527
Distribution meters in service	3,307,663	3,272,020
Distribution average cost of gas	\$ 4.01	\$ 4.30

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**February 5, 2020
Date of Report (Date of earliest event reported)**

ATMOS ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)

1-10042
(Commission
File Number)

75-1743247
(I.R.S. Employer
Identification No.)

**1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS**
(Address of Principal Executive Offices)

75240
(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.07. Submission of Matters to a Vote of Security Holders.

At the company's 2020 annual meeting of shareholders on February 5, 2020, of the 122,259,296 total shares of common stock outstanding and entitled to vote, a total of 109,697,593 shares were represented, constituting a 89.72% quorum. The final results for each of the matters submitted to a vote of our shareholders at the annual meeting are as follows:

Proposal No. 1 : All of the board's nominees for director were elected by our shareholders to serve until the company's 2021 annual meeting of shareholders or until their respective successors are elected and qualified, with the vote totals as set forth in the table below:

<u>Nominee</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
J. Kevin Akers	95,755,320	1,568,898	135,015	12,238,360
Robert W. Best	93,462,096	3,864,049	133,088	12,238,360
Kim R. Cocklin	94,525,262	2,808,436	125,535	12,238,360
Kelly H. Compton	97,117,319	204,402	137,512	12,238,360
Sean Donohue	96,797,403	522,217	139,613	12,238,360
Rafael G. Garza	96,747,571	562,541	149,121	12,238,360
Richard K. Gordon	92,360,823	4,958,787	139,623	12,238,360
Robert C. Grable	95,397,761	1,912,999	148,473	12,238,360
Nancy K. Quinn	92,589,846	4,744,191	125,196	12,238,360
Richard A. Sampson	97,057,824	261,384	140,025	12,238,360
Stephen R. Springer	93,465,198	3,847,607	146,428	12,238,360
Diana J. Walters	90,224,069	7,100,947	134,217	12,238,360
Richard Ware II	93,648,376	3,672,020	138,837	12,238,360

Proposal No. 2 : The appointment of Ernst & Young LLP as the company's independent registered public accounting firm for fiscal 2020 was ratified by our shareholders, with the vote totals as set forth in the table below:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
104,893,510	4,654,201	149,882	—

Proposal No. 3: Our shareholders approved, on an advisory (non-binding) basis, the compensation of our named executive officers for fiscal 2019, with the vote totals as set forth in the table below:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
92,917,306	3,919,349	622,578	12,238,360

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: February 10, 2020

By: /s/ KAREN E. HARTSFIELD

Karen E. Hartsfield

Senior Vice President, General Counsel and Corporate Secretary

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**February 12, 2020
Date of Report (Date of earliest event reported)**

ATMOS ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)

1-10042
(Commission
File Number)

75-1743247
(I.R.S. Employer
Identification No.)

**1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS**
(Address of Principal Executive Offices)

75240
(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On February 12, 2020, Atmos Energy Corporation (“Atmos Energy”) entered into an equity distribution agreement (the “Equity Distribution Agreement”) with the Managers (the “Managers”) and Forward Purchasers (the “Forward Purchasers”) named in Schedule A thereto and with respect to the offering and sale from time to time through the Managers, as Atmos Energy’s sales agents, of shares of Atmos Energy’s common stock, no par value, having an aggregate offering price of up to \$1,000,000,000 (including shares of common stock that may be sold pursuant to the forward sale agreements described below, the “Shares”). Sales of the Shares, if any, will be made by means of ordinary brokers’ transactions through the facilities of the New York Stock Exchange at market prices, in block transactions or as otherwise agreed between Atmos Energy and the Managers. Under the terms of the Agreement, Atmos Energy may also sell Shares from time to time to a Manager as principal for its own account at a price to be agreed upon at the time of sale. The Agreement provides that each Manager, when it is acting as Atmos Energy’s sales agent, will be entitled to a commission of 1.00% of the gross offering proceeds of the Shares sold through such Manager. Atmos Energy has no obligation to offer or sell any Shares under the Agreement, and may at any time suspend offers and sales under the Agreement.

The Equity Distribution Agreement provides that, in addition to the issuance and sale of shares by Atmos Energy to or through the Managers, Atmos Energy may enter into forward sale agreements under the master forward sale confirmations (the “Master Forward Sale Confirmations”) dated February 12, 2020 between Atmos Energy and each Forward Purchaser and the related supplemental confirmations to be entered into between Atmos Energy and the relevant Forward Purchaser. In connection with each such forward sale agreement, the relevant Forward Purchaser will, at Atmos Energy’s request, borrow from third parties and, through the relevant Manager, sell a number of Shares equal to the number of Shares underlying the particular forward sale agreement to hedge the forward sale agreement (each such Manager, when acting as agent for a Forward Purchaser, a “Forward Seller”).

Atmos Energy will not initially receive any proceeds from the sale of borrowed shares of Atmos Energy’s common stock by a Forward Seller. Atmos Energy expects to receive proceeds from the sale of Shares by a Forward Seller upon future physical settlement of the relevant forward sale agreement with the relevant Forward Purchaser on dates specified by Atmos Energy on or prior to the maturity date of the relevant forward sale agreement. If Atmos Energy elects to cash settle or net share settle a forward sale agreement, Atmos Energy may not (in the case of cash settlement) or will not (in the case of net share settlement) receive any proceeds, and Atmos Energy may owe cash (in the case of cash settlement) or shares of common stock (in the case of net share settlement) to the relevant Forward Purchaser. In connection with each forward sale agreement, the relevant Forward Seller will receive, in the form of a reduced initial forward sale price payable by the relevant Forward Purchaser under its forward sale agreement, a commission of 1.00% of the volume weighted average of the sales prices of all borrowed shares of common stock sold during the applicable period by it as a Forward Seller.

In the ordinary course of business, certain of the Managers or their respective affiliates have provided and may in the future provide commercial, financial advisory or investment banking services for Atmos Energy and its subsidiaries for which they have received or will receive customary compensation. For example, affiliates of certain of the Managers are lenders under Atmos Energy’s revolving credit facilities and dealers under Atmos Energy’s commercial paper program. To the extent Atmos Energy uses the proceeds from the offering to repay any indebtedness under its revolving credit facilities or commercial paper program, such affiliates of certain Managers will receive a portion of the proceeds from the offering.

The Shares will be issued pursuant to Atmos Energy’s automatic shelf registration statement on Form S-3 filed with the Securities and Exchange Commission on February 11, 2020 (Registration No. 333-236369).

The summary of the Equity Distribution Agreement and the Master Forward Sale Confirmations in this report does not purport to be complete and is qualified by reference to the full text of the Equity Distribution Agreement and the form of Master Forward Sale Confirmation, which are filed as Exhibits 1.1 and 1.2, respectively, to this Current Report on Form 8-K, and are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

<u>Exhibit Number</u>	<u>Description</u>
1.1	Equity Distribution Agreement, dated as of February 12, 2020, among Atmos Energy Corporation and the Managers and Forward Purchasers named in Schedule A thereto.
1.2	Form of Master Forward Sale Confirmation.
5.1	Opinion of Gibson, Dunn & Crutcher LLP.
5.2	Opinion of Hunton Andrews Kurth LLP.
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1).
23.2	Consent of Hunton Andrews Kurth LLP (included in Exhibit 5.2).
104	Cover Page Interactive Data File—the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: February 12, 2020

By: /s/ DANIEL M. MEZIERE

Daniel M. Meziere
Vice President and Treasurer

ATMOS ENERGY CORPORATION

\$1,000,000,000
Common Stock
(no par value per share)

EQUITY DISTRIBUTION AGREEMENT

February 12, 2020

Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

and the Managers and Forward Purchasers listed in Schedule A hereto.

Ladies and Gentlemen:

Atmos Energy Corporation, a Texas and Virginia corporation (the “*Company*”), confirms its agreement (this “*Agreement*”) with Morgan Stanley & Co. LLC, BofA Securities, Inc., BNP Paribas Securities Corp., CIBC World Markets Corp., Credit Agricole Securities (USA) Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Mizuho Securities USA LLC, MUFG Securities Americas Inc., SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC and Wells Fargo Securities, LLC (each, a “*Manager*” and collectively, the “*Managers*”), and Morgan Stanley & Co. LLC, BNP Paribas, Canadian Imperial Bank of Commerce, Credit Agricole Corporate and Investment Bank c/o Credit Agricole Securities (USA) Inc., as Agent, Goldman Sachs & Co. LLC, JPMorgan Chase Bank, National Association, Bank of America N.A., Mizuho Securities USA LLC, MUFG Securities EMEA plc, The Toronto-Dominion Bank and Wells Fargo Bank, National Association (in such capacity, each, a “*Forward Purchaser*” and collectively, the “*Forward Purchasers*”) as follows:

SECTION 1. Description of Securities. The Company proposes to issue and sell (i) through or to the Managers, as sales agents and/or principals, or (ii) in connection with one or more Confirmations (as hereinafter defined) entered into with the Forward Purchasers, in each case, shares of the Company’s common stock, no par value per share (the “*Common Stock*”), having an aggregate offering price of up to \$1,000,000,000 (the “*Shares*”), from time to time during the term of this Agreement and on the terms set forth in Section 3 of this Agreement. For purposes of selling the Shares through the Managers, the Company hereby appoints the Managers as exclusive agents of the Company for the purpose of soliciting purchases of the Shares from the Company pursuant to this Agreement and each Manager agrees to use its reasonable efforts to solicit purchases of the Shares on the terms and subject to the conditions stated herein. The Company hereby reserves the right to issue and sell shares of Common Stock other than through or to the Managers during the term of this Agreement on terms that it deems appropriate.

The Company may enter into one or more forward stock purchase transactions with the Forward Purchasers, as set forth in a master confirmation, each Forward Purchaser as set forth in the applicable Confirmations (as hereinafter defined). Subject to the terms and conditions herein and therein, under each Confirmation, the Company will deliver to the applicable Forward Purchaser, or an affiliate thereof, up to the number of Shares as may be sold in accordance with this Agreement in connection with such Confirmation. In connection therewith, the Company and the Forward Purchasers understand that the applicable Forward Purchaser, through the relevant Manager, acting as a forward seller, will effect sales of Shares on the terms set forth in Section 3 of this Agreement. “*Confirmation*” means, for each Forward Sale (as hereinafter defined) of the Shares, the contract evidencing such Forward Sale between the Company and the relevant Forward Purchaser, which shall be comprised of the Master Confirmation for Forward Sale, dated as of the date hereof, by and between the Company and the Forward Purchaser, including all provisions incorporated by reference therein (each, a “*Master Forward Confirmation*”), and the related “*Supplemental Confirmation*” (as defined in such Master Forward Confirmation).

SECTION 2. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Managers and the Forward Purchasers that:

(a) An automatic registration statement on Form S-3ASR (File No. 333-236369) (the “*registration statement*”) has heretofore become, and is, effective under the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively called the “*Act*”); the registration statement and the Prospectus Supplement (as defined below) set forth the terms of an offering, sale and plan of distribution of shares of the Common Stock and/or other securities of the Company and contains or incorporates therein by reference additional information concerning the Company and its business; no stop order of the Securities and Exchange Commission (the “*Commission*”) preventing or suspending the use of any Basic Prospectus (as defined below), the Prospectus Supplement, the Prospectus (as defined below) or any Issuer Free Writing Prospectus (as defined below), or the effectiveness of the Registration Statement (as defined below), has been issued, and no proceeding for that purpose has been initiated or threatened by the Commission. Except where the context otherwise requires, “*Registration Statement*,” as used herein, means the registration statement, as amended at the time of such registration statement’s effectiveness for purposes of Section 11 of the Act (the “*Effective Time*”), as such section applies to each Manager, including (i) all documents filed as a part thereof or incorporated or deemed to be incorporated by reference therein, (ii) any information contained or incorporated by reference in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, to the extent such information is deemed, pursuant to Rule 430B or Rule 430C under the Act, to be part of the registration statement at the Effective Time, and (iii) any registration statement filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act. Except where the context otherwise requires, “*Basic Prospectus*,” as used herein, means the base prospectus filed as part of each Registration Statement, together with any amendments or supplements thereto as of the date of this Agreement. Except where the context otherwise requires, “*Prospectus Supplement*,” as used herein, means the final prospectus supplement, relating to the Shares, filed by the Company with the Commission pursuant to Rule 424(b) under the Act on or before the second business

day after the date hereof (or such earlier time as may be required under the Act), in the form furnished by the Company to each Manager in connection with the offering of the Shares. Except where the context otherwise requires, “*Prospectus*,” as used herein, means the Prospectus Supplement together with the Basic Prospectus attached to or used with the Prospectus Supplement. “*Permitted Free Writing Prospectuses*,” as used herein, means the documents listed on Annex A attached hereto. Any reference herein to the registration statement, the Registration Statement, any Basic Prospectus, the Prospectus Supplement, the Prospectus or any Permitted Free Writing Prospectus shall be deemed to refer to and include the documents, if any, incorporated by reference, or deemed to be incorporated by reference, therein (the “*Incorporated Documents*”), including, unless the context otherwise requires, the documents, if any, filed as exhibits to such Incorporated Documents. Any reference herein to the terms “*amend*,” “*amendment*” or “*supplement*” with respect to the Registration Statement, any Basic Prospectus, the Prospectus Supplement, the Prospectus or any Permitted Free Writing Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the “*Exchange Act*”) on or after the initial effective date of the Registration Statement, or the date of such Basic Prospectus, the Prospectus Supplement, the Prospectus or such Permitted Free Writing Prospectus, as the case may be, and deemed to be incorporated therein by reference.

(b) (i) At the respective times the Registration Statement and each amendment thereto became effective, at each deemed effective date with respect to the Managers pursuant to Rule 430B(f)(2) under the Act, as of the time of each sale of Shares pursuant to this Agreement, each Master Forward Confirmation and any Supplemental Confirmation (each, a “*Time of Sale*”) and Settlement Date (as defined below), if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, the Registration Statement complied and will comply in all material respects with the requirements of the Act and the rules and regulations under the Act; (ii) the Basic Prospectus complied or will comply, at the time it was or will be filed with the Commission, complies as of the date hereof (if filed with the Commission on or prior to the date hereof) and will comply, as of each Time of Sale, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects with the rules and regulations under the Act; (iii) each of the Prospectus Supplement and the Prospectus will comply, as of the date that it is filed with the Commission, the date of the Prospectus Supplement, as of each Time of Sale and Settlement Date, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects with the rules and regulations under the Act; (iv) the Incorporated Documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder, and any further Incorporated Documents so filed and

incorporated by reference, when they are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and (iv) each Permitted Free Writing Prospectus complied in all material respects with the Act and has been filed or will be filed in accordance with the Act (to the extent required thereby).

(c) (i) at the Effective Time with respect to the Registration Statement and each amendment thereto, the Registration Statement did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) as of each Time of Sale, the Prospectus (as amended and supplemented at such Time of Sale) and any Permitted Free Writing Prospectus, considered together (collectively, the “*General Disclosure Package*”), did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) as of its date and at any Settlement Date, the Prospectus did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statement or omission made in reliance upon and in conformity with information furnished in writing to the Company by the Managers expressly for use in the Prospectus or in the General Disclosure Package, which information is specified in Section 6(b).

(d) Each Permitted Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Shares or until any earlier date that the Company notified or notifies the Managers, did not, does not and will not include any material information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus; any electronic roadshow relating to the offering of the Shares, when considered together with the General Disclosure Package, as of the Time of Sale, did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) Other than the Basic Prospectus, the Prospectus and any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Act or Rule 134 under the Act, the Company (including its agents and representatives, other than the Managers) has not prepared, made, used, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any “written communication” (as defined in Rule 405 under the Act) that constitutes an offer to sell or solicitation of an offer to buy any Shares required to be filed with the Commission without the Managers’ consent (each such communication by the Company or its agents and representatives being referred to herein as a “*Issuer Free Writing Prospectus*”), other than any Permitted Free Writing Prospectus.

(f) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c)) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Company was not an “ineligible issuer” as defined in Rule 405 of the Act; and (B) at the time of filing of the Registration Statement, at the earliest time thereafter that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares and at the date hereof, the Company was not and is not an “ineligible issuer” as defined in Rule 405 under the Act.

(g) To the extent that the Registration Statement is not available for the sales of the Shares as contemplated by this Agreement, each Master Forward Confirmation and any Supplemental Confirmation or the Company is not a “well known seasoned issuer” as defined in Rule 405 or otherwise is unable to make the representations set forth in Section 2(f) at any time when such representations are required, the Company shall file a new registration statement with respect to any additional shares of Common Stock necessary to complete such sales of the Shares and shall cause such registration statement to become effective as promptly as practicable. After the effectiveness of any such registration statement, all references to “Registration Statement” included in this Agreement shall be deemed to include such new registration statement, including all documents incorporated by reference therein pursuant to Item 12 of Form S-3, and all references to “Basic Prospectus” included in this Agreement shall be deemed to include the final form of prospectus, including all documents incorporated therein by reference, included in any such registration statement at the time such registration statement became effective.

(h) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement, each Master Forward Confirmation and any Supplemental Confirmation; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a “*Material Adverse Effect*”).

(i) Each “significant subsidiary” (as such term is defined in Rule 405 of the Act) of the Company (each a “Subsidiary” collectively, the “Subsidiaries”), if any, (a) has been duly organized and is validly existing as an entity in good standing under the laws of the jurisdiction of its formation, (b) has corporate or limited liability company power and authority, as applicable, to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and (c) is duly qualified as a foreign entity to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except in the cases of clauses (b) and (c) where the failure to have such power and authority or to so qualify or to be in good standing would not result in a Material Adverse Effect. The only Subsidiaries of the Company are the subsidiaries listed on Schedule I, and the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed on Schedule II.

(j) The Company has an authorized, issued and outstanding capitalization as set forth in the Registration Statement (except for subsequent issuances, if any, pursuant to reservations, agreements, acquisitions or employee benefit plans each referred to in the Registration Statement, pursuant to the exercise of options or vesting of share unit awards issued under employee benefit plans referred to in the Registration Statement, or pursuant to any forward sale confirmations entered into under the Company’s Equity Distribution Agreement dated as of November 18, 2018); and all of the issued shares of capital stock, including the Common Stock, of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company; the Company’s Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange (the “NYSE”), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock from the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.

(k) All of the issued and outstanding capital stock or limited liability company membership interests, as the case may be, of each Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity except for such liens, encumbrances, equities or claims as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; none of the outstanding shares of capital stock or limited liability company membership interests, as the case may be, of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(l) The Shares (including the Settlement Shares (as defined in the applicable Master Forward Confirmation)) have been duly authorized by the Company and reserved for issuance by the Company, and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and non-assessable and will conform in all material respects to the descriptions thereof in the Registration Statement, any Basic Prospectus, the Prospectus or any Permitted Free Writing Prospectus; and the issuance of the Shares (including the Settlement Shares) will not be subject to preemptive or similar rights.

(m) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, each Master Forward Confirmation and any Supplemental Confirmation. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(n) Neither the Company nor any of its subsidiaries is in violation of its charter, bylaws or other organizational documents or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "*Agreements and Instruments*") except for such defaults that would not result in a Material Adverse Effect; and (i) the execution, delivery and performance of this Agreement, each Master Forward Confirmation and any Supplemental Confirmation and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the consummation of the transactions contemplated in each Master Forward Confirmation and any Supplemental Confirmation, the Registration Statement and the Prospectus (including the issuance and sale of the Shares and the use of the proceeds from the sale of the Shares (including the Settlement Shares) as described in the Registration Statement and the Prospectus under the caption "Use of Proceeds") and (ii) compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate or other action on the part of the Company and any of the subsidiaries and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the *Agreements and Instruments* (except for such conflicts, breaches or defaults or liens, charges, encumbrances or a Repayment Event that would not result in a Material Adverse Effect), nor will such action result in any violation of (y) the provisions of the charter, bylaws or other organizational documents of the Company or any subsidiary or (z) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations except, with respect to (z), as would not result in a Material Adverse Effect. As used herein, a "*Repayment Event*" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right, whether with or without giving of notice or passage of time or both, to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(o) No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(p) There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending against, or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries, which is required to be disclosed in the Basic Prospectus or Prospectus (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to affect the properties, assets or operations of the Company and its subsidiaries, except what does not result in a Material Adverse Effect, or the consummation of the transactions contemplated in this Agreement, each Master Forward Confirmation and any Supplemental Confirmation or the performance by the Company and its subsidiaries of its obligations hereunder or thereby.

(q) The Company and each of its Subsidiaries own or possess or have the right to use, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "*Intellectual Property*") necessary to carry on the business now operated by them the absence of which would have a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement, conflict, invalidity or inadequacy would result in a Material Adverse Effect.

(r) The Company has not entered into any other sales agency or distribution agreements or similar arrangements with any agent or other representative in respect of the Shares or any at the market offerings of Common Stock in accordance with Rule 415(a)(4) of the Act that remain in force.

(s) There have been issued and, at each Time of Sale, Settlement Date and Representation Date (as defined below), as the case may be, there shall be in full force and effect orders or authorizations of the regulatory authorities of the states of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Shares (including the Settlement Shares) on terms herein set forth or contemplated, and no other filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations under this Agreement, each Master Forward Confirmation and any Supplemental Confirmation,

the issuance and sale of the Shares (including the Settlement Shares) and the consummation of the transactions contemplated by the Agreement, each Master Forward Confirmation and any Supplemental Confirmation, except for the registration of the Shares under the Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required by the Financial Industry Regulatory Authority, Inc. and under applicable state securities laws in connection with the purchase and distribution of the Shares by the Managers.

(t) The Company and its subsidiaries possess such permits, licenses, approvals, consents, and other authorizations (collectively, “*Governmental Licenses*”) issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to do so would not have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, would result in a Material Adverse Effect.

(u) There are no persons or entities with registration rights or other similar rights to have any securities registered under the Registration Statement who have not properly waived such rights in connection with the securities registered pursuant to the Registration Statement and in connection with this offering of Shares.

(v) The Company and its subsidiaries have good title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Registration Statement or the Prospectus or (b) would not singly or in the aggregate have a Material Adverse Effect. All of the leases and subleases of the Company and its subsidiaries under which the Company or any of its subsidiaries holds properties described in the Registration Statement and the Prospectus are in full force and effect, except as would not result in a Material Adverse Effect.

(w) The Company has not sold or issued any securities that would be integrated with the offering of the Shares contemplated by this Agreement, each Master Forward Confirmation and any Supplemental Confirmation pursuant to the Act or the interpretations thereof by the Commission.

(x) The financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement and incorporated by reference in the Prospectus with respect to the Company, when considered in relation to the financial statements taken as a whole, present fairly, in all material respects in accordance with GAAP, the financial information set forth therein. The selected financial data and the summary financial information included or incorporated by reference in the Registration Statement and the Prospectus present fairly, in all material respects, the information shown therein and have been compiled on a basis consistent with that of the audited financial statements of the Company.

(y) Ernst & Young LLP, who have audited financial statements and supporting schedules of the Company and its consolidated subsidiaries incorporated by reference in the Registration Statement and the Prospectus, whose report is incorporated by reference in the Registration Statement and the Prospectus, who have audited the Company's internal control over financial reporting and who have delivered the initial letter referred to in Section 5(g) hereof, are independent registered public accountants as required by the Act.

(z) The interactive data in the eXtensible Business Reporting Language incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(aa) The Company and each of its subsidiaries are not, and as of each Time of Sale and Settlement Date, if any, and upon the application of the proceeds therefrom as described under "Use of Proceeds" in the Registration Statement and the Prospectus, and upon consummation of the transactions contemplated by any Confirmation, none of them will be, (i) an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "*Investment Company Act*") and the rules and regulations of the Commission thereunder or (ii) a "business development company" (as defined in Section 2(a)(48) of the Investment Company Act).

(bb) (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended ("*ERISA*")) for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414(b) or (c) of the Internal Revenue Code of 1986, as amended (the "*Code*")) would have any liability (each a "*Plan*") has been maintained in compliance in all respects with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code except where failure to do so would not have a Material Adverse Effect; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (within the meaning of Section

4043(c) of ERISA) has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (b) no accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (c) the fair market value of the assets under each Plan exceeds the actuarial present value of the benefits accrued under such Plan (determined based on those assumptions used to fund such Plan) except where failure to do so would not have a Material Adverse Effect, and (d) neither the Company nor any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) in respect of a Plan (including a “multiemployer plan” within the meaning of Section 4001(c)(3) of ERISA) that would result in a Material Adverse Effect; and (iii) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service as to its qualified status and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification that would result in a Material Adverse Effect.

(cc) The Company is in compliance, in all material respects, with the provisions of the Sarbanes-Oxley Act of 2002 to the extent currently applicable.

(dd) The Company and each of its subsidiaries have filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and have paid all taxes due thereon, except such as are being contested in good faith by appropriate proceedings or where the failure to do so would not have a Material Adverse Effect, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries that has had, and the Company does not have any knowledge of any tax deficiency that would have, a Material Adverse Effect.

(ee) The Company and its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(ff) Except as would not result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, permit, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, “*Hazardous Materials*”) or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, “*Environmental*”).

Laws”); (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements; (C) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries; and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws, except as disclosed in the Prospectus.

(gg) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company’s principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company’s internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting. Since the date of the latest audited financial statements included or incorporated by reference in the most recent Preliminary Prospectus, there has been no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act and such disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company and its subsidiaries that is required to be disclosed in the reports the Company files, furnishes, submits or otherwise provides to the Commission under the Exchange Act is made known to the Company’s principal executive officer and principal financial officer by others within those entities in such a manner as to allow timely decisions regarding the required disclosure; such disclosure controls and procedures are effective.

(hh) Any certificate signed by any officer of the Company and delivered to the Managers and the Forward Purchasers or counsel for the Managers and the Forward Purchasers in connection with the offering and sale of the Shares shall be deemed a representation and warranty by the Company, as to matters covered thereby on the date of such certificate, to each Manager and Forward Purchaser.

(ii) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful

payment to any foreign or domestic government official or employee, including of any government-owned or controlled entity or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(jj) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the “*Anti-Money Laundering Laws*”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(kk) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently subject to any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), (collectively, “*Sanctions*”); and the Company will not directly or indirectly use the proceeds of the sale of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is subject to Sanctions, or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. Neither the Company nor any of its subsidiaries have any operations or transact any business outside of the United States. All of the proceeds from the offering will be used in the United States.

(ll) The Common Stock is an “actively-traded security” excepted from the requirements of Rule 101 of Regulation M under the Exchange Act by subsection (c)(1) of such rule.

(mm) Except pursuant to this Agreement, each Master Forward Confirmation and any Supplemental Confirmation, neither the Company nor any of its subsidiaries has incurred any liability for any finder’s or broker’s fee or agent’s commission in connection with the execution and delivery of this Agreement, each Master Forward Confirmation and any Supplemental Confirmation or the consummation of the transactions contemplated hereby and thereby.

(nn) Neither the Company nor any of its subsidiaries nor, to the best of the Company's knowledge, any of their respective directors, officers, affiliates or controlling persons has taken, directly or indirectly, any action designed, or which has constituted or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(oo) Each Master Forward Confirmation has been duly authorized, executed and delivered by the Company and constitutes, and any Supplemental Confirmation will be duly authorized, executed and delivered by the Company and will constitute, a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). The description of the Master Forward Confirmations set forth in the Prospectus and the General Disclosure Package is correct in all material respects.

(pp) Assuming that the Managers comply with Rule 173 of the Securities Act in connection with the sales of Shares in an amount not less than the Number of Shares (as defined in the Master Forward Confirmations), (i) the issuance and sale by the Company of the Settlement Shares to the Forward Purchasers or their affiliates in settlement of each Master Forward Confirmation and any Supplemental Confirmation in accordance with the terms thereof and the delivery by the Forward Purchasers or their affiliates of the Settlement Shares, during the term of and at settlement of the applicable Master Forward Confirmation and any such Supplemental Confirmation to close out open borrowings of Common Stock created in the course of the hedging activities created by the Forward Purchasers or their affiliates relating to its exposure under the applicable Master Forward Confirmation and such Supplemental Confirmation will not require registration under the Securities Act, (ii) the Company will not have an obligation to file a prospectus supplement pursuant to Rule 424(b) of the Securities Act regulations in connection with any Settlement Shares delivered to the Forward Purchaser or its affiliate by the Company upon such settlement, and (iii) no prospectus supplement will be required to be filed under Rule 424(b) of the Securities Act in connection with any Settlement Shares delivered by the Forward Purchasers or their affiliates to close out open borrowings created in the course of the hedging activities created by the Forward Purchasers or their affiliates relating to their exposure under the applicable Master Forward Confirmation and such Supplemental Confirmation.

(qq) Except as disclosed in the General Disclosure Package, (x)(i) to the Company's knowledge, there has been no security breach or other compromise of or relating to any information technology and computer systems, networks, hardware, software, data, or equipment owned by the Company or its subsidiaries or of any data of the Company's or its subsidiaries' respective customers, employees, suppliers, vendors that they maintain or that, to their best knowledge after due inquiry, any third party maintains on their behalf (collectively, "IT Systems and Data") that had, or would reasonably be expected to have had, individually or in the aggregate, a Material Adverse Effect, and (ii) the Company and its subsidiaries have not been notified of, and have no knowledge of any event or condition that would reasonably be expected to result in, any security breach or other compromise to their IT Systems and Data that had, or would reasonably be expected to have had, a Material Adverse Effect; (y) the Company and its subsidiaries are presently in compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the protection of IT Systems and Data from a security breach or unauthorized use, access, misappropriation, modification or other compromise, except as would not, in the case of this clause (y), individually or in the aggregate, have a Material Adverse Effect; and (z) the Company and its subsidiaries have implemented backup and disaster recovery technology consistent with industry standards and practices.

SECTION 3. Sale and Delivery of Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company and each of the Managers agree that (x) the Company may from time to time seek to sell Shares through the Managers, acting as sales agents, or directly to the Managers acting as principals (any such agented or principal sale, a "Direct Sale") or (y) the Company may, in consultation with the Forward Purchasers and the Managers, instruct the Forward Purchasers or their affiliates acting as forward sellers (any such sale, a "Forward Sale") to borrow, offer and sell Shares through the Managers (acting as agents or principals of the Forward Purchasers), as follows:

(a) The Company may submit to a Manager its orders (including any price, time or size limits or other customary parameters or conditions) to sell Shares on any Trading Day (as defined below) in a form and manner as mutually agreed to by the Company and such Manager; *provided, however*, that the Company will only submit its orders to one of the Managers on a single Trading Day. Such instruction shall also specify whether such Shares (i) will be sold through the Manager, acting as sales agent or principal in a Direct Sale, or (ii) borrowed by a Forward Purchaser or its affiliates and sold through the relevant Manager, as forward seller in connection with a Forward Sale. As used herein, "Trading Day" shall mean any trading day on the NYSE.

(b) Subject to the terms and conditions hereof, each Manager shall use its reasonable efforts to execute any Company order submitted to it hereunder to sell Shares and with respect to which such Manager has agreed to act as sales agent or principal, if a Direct Sale, and/or as forward seller, if a Forward Sale. The Company acknowledges and agrees that (A) there can be no assurance that any Manager will be successful in selling the Shares, (B) a Manager will incur no liability or obligation to

the Company or any other person or entity if it does not sell Shares for any reason other than a failure by such Manager to use commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell such Shares as required under this Agreement, and (C) Managers shall be under no obligation to purchase Shares on a principal basis pursuant to this Agreement, except as otherwise specifically agreed by the Managers and the Company.

(c) The Company shall not authorize the issuance and sale of, and the Managers shall not sell as sales agents, any Share at a price lower than the minimum price therefor designated from time to time by the Company and notified to the Managers in writing, which price shall be at least that which has been duly authorized by the Company. In addition, the Company or any Manager may, upon notice to the other party hereto by telephone (confirmed promptly by email or facsimile), suspend an offering of the Shares with respect to which such Manager is acting as sales agent; *provided, however*, that such suspension or termination shall not affect or impair the parties' respective obligations with respect to the Shares sold, or with respect to Shares that the Company or the Forward Purchaser has agreed to sell hereunder prior to the giving of such notice. No sale of Shares under this Agreement, each Master Forward Confirmation or any Supplemental Confirmation shall occur after February 11, 2023, unless the Company provides to the Managers written evidence satisfactory to them that it has authorized sales to be made after that date.

(d) Each of the Managers hereby covenants and agrees to sell the Shares on behalf of the Company only as permitted by the Act and the applicable securities laws and regulations of any jurisdiction.

(e) Notwithstanding anything herein to the contrary, in the event that either (i) a Forward Purchaser is, in its good faith and commercially reasonable judgment, unable, after using commercially reasonable efforts, to borrow and deliver for sale the full number of Shares to be borrowed and sold by such Forward Purchaser under this Agreement or (ii) in the good faith and commercially reasonable judgment of any Forward Purchaser, such Forward Purchaser would incur a stock loan cost that is greater than the Maximum Stock Loan Rate (as defined in the relevant Supplemental Confirmation) to do so, then the relevant Manager shall be required to sell on behalf of such Forward Purchaser only the aggregate number of Shares that such Forward Purchaser is able to borrow in connection with establishing a commercially reasonable hedge position at a cost of no more than the Maximum Stock Loan Rate.

(f) The compensation to the Managers for sales of the Shares with respect to which each Manager acts as sales agent hereunder shall be equal to 1.00% of the gross offering proceeds of the Shares sold by such Manager pursuant to this Agreement and (ii) the compensation payable to the Manager for sales of Shares with respect to which the Managers acts as forward sellers shall be reflected in a reduction of 1.00% in the Initial Forward Price (as such term is defined in each Master Forward Confirmation). The remaining proceeds shall constitute the net proceeds to the Company or the Forward Purchasers, as applicable, for such sales (the "Net

Proceeds”). The Company may sell Shares to the Managers as principals at a price agreed upon at the relevant Time of Sale, and compensation or commission due and payable to any Manager hereunder with respect to any sale of Shares during a calendar month shall be paid by the Company to such Manager in arrears on the first Trading Day of following calendar month, by wire or internal bank transfer of same day funds to an account designated by such Manager.

(g) Settlement for sales of the Shares pursuant to this Agreement will occur on the second Trading Day (or such earlier day as is industry practice for regular-way trading or is otherwise permitted by Rule 15(c)6-1 under the Exchange Act, as amended at the time of such settlement) following the date on which such sales are made. On each settlement date for any Direct Sale (each such day, a “*Direct Settlement Date*”), the Shares sold through or to a Manager for settlement on such date shall be issued and delivered by the Company to such Manager against payment of the gross proceeds from the sale of such Shares. Settlement for all such Shares shall be effected by free delivery of the Shares by the Company or its transfer agent to such Manager’s or its designee’s account (provided the Manager shall have given the Company written notice of such designee prior to the Direct Settlement Date) at The Depository Trust Company through its Deposit and Withdrawal at Custodian System or by such other means of delivery as may be mutually agreed upon by the parties hereto which in all cases shall be freely tradable, transferable, registered shares in good deliverable form, in return for payments in same day funds delivered to the account designated by the Company. If the Company or its transfer agent (if applicable) shall default on its obligation to deliver the Shares on any Direct Settlement Date, the Company shall (A) hold such Manager harmless against any loss, claim, damage, or expense (including reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company and (B) pay such Manager any commission, discount or other compensation to which it would otherwise be entitled absent such default.

(h) On each date of settlement for any Forward Sale (each such day, a “*Forward Settlement Date*,” and together with a Direct Settlement Date, a “*Settlement Date*”), the Shares shall be delivered by the Forward Purchaser or its affiliates to the Manager in book-entry form to the Manager’s account at The Depository Trust Company against payment by the Manager of the Net Proceeds from the sale of such Shares in same day funds delivered to an account designated by the Forward Purchaser.

(i) The Manager participating in any Direct or Forward Sale shall provide written confirmation (which may be by facsimile or email) to the Company following the close of trading on the NYSE each day in which the Shares are sold under this Agreement setting forth (A) the amount of the Shares sold on such day and the gross offering proceeds received from such sale, (B) the commission payable by the Company to such Manager with respect to such sales, and (C) the aggregate Net Proceeds to the Company or the Forward Purchaser, as applicable.

(j) At each Time of Sale, Settlement Date and Representation Date (as defined below), the Company shall be deemed to have affirmed each representation and warranty contained in this Agreement as if such representation and warranty were made as of such date but modified to incorporate the disclosures contained in the Registration Statement and the Prospectus, in each case as amended or supplemented as of such date. Any obligation of a Manager to use its reasonable efforts to sell the Shares on behalf of the Company as sales agent shall be subject to the continuing accuracy of the representations and warranties of the Company herein (as modified in the manner described above), to the performance by the Company of its obligations hereunder and to the continuing satisfaction of the additional conditions specified in Section 5 of this Agreement.

(k) If any party has reason to believe that the exemptive provisions set forth in Rule 101(c)(1) of Regulation M under the Exchange Act are not satisfied with respect to the Shares, it shall promptly notify the other party and sales of the Shares under this Agreement shall be suspended until that or other exemptive provisions have been satisfied in the judgment of each party.

SECTION 4. Covenants of the Company. The Company agrees with each of the Managers and the Forward Purchasers:

(a) To make no amendment or any supplement to the Registration Statement, any Basic Prospectus or the Prospectus after the date of this Agreement and during the period in which a prospectus relating to the Shares is required to be delivered under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule), prior to having furnished the Managers with a copy of the proposed form thereof and given the Managers a reasonable opportunity to review the same (other than any report filed under the Exchange Act or any prospectus supplement relating to the offering of securities other than Common Stock); to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus Supplement and for so long as the delivery of a prospectus relating to the Shares is required to be delivered under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule); and during such same period to advise the Managers, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Basic Prospectus, the Prospectus or any Permitted Free Writing Prospectus has been filed or electronically transmitted for filing, of the issuance of any stop order by the Commission, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement, the Basic Prospectus, the Prospectus or any Permitted Free Writing Prospectus or for additional information; and, in the event of the issuance of any such stop order or of any order preventing or suspending the use of any prospectus relating to the Shares or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal.

(b) To furnish the Managers with copies of the Registration Statement (excluding exhibits) and copies of the Prospectus (or the Prospectus as amended or supplemented) in such quantities as the Managers may from time to time reasonably request; and if, after the date of this Agreement and during the period in which a prospectus relating to the Shares is required to be delivered under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule), either (i) any event shall have occurred as a result of which the Prospectus would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (ii) for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference into the Prospectus in order to comply with the Act or the Exchange Act, to notify the Managers promptly to suspend solicitation of purchases of the Shares and forthwith upon receipt of such notice, each Manager shall suspend its solicitation of purchases of the Shares and shall cease using the Prospectus (provided that the Company's furnishing to the Managers of its schedule of ordinary course blackout periods shall constitute "notice" for purposes of this subclause 4(b)(ii) with respect to filings that trigger such ordinary course blackout periods); and if the Company shall decide to amend or supplement the Registration Statement or the Prospectus, it will promptly advise the Managers by telephone (with confirmation in writing) and will promptly prepare and file with the Commission an amendment or supplement to the Registration Statement or the Prospectus which will correct such statement or omission or effect such compliance, will advise the Managers when the Managers are free to resume such solicitation and will prepare and furnish to the Managers as many copies as the Managers may reasonably request of such amendment or supplement; and in case the Managers are required to deliver under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule), a prospectus relating to the Shares after the nine-month period referred to in Section 10(a)(3) of the Act, or after the time a post-effective amendment to the Registration Statement is required pursuant to Item 512(a) of Regulation S-K under the Act, upon the request of the Managers, and at its own expense, to prepare and deliver to the Managers as many copies as the Managers may request of an amended Registration Statement or amended or supplemented prospectus complying with Item 512(a) of Regulation S-K or Section 10(a)(3) of the Act, as the case may be. The requirements to furnish documents to the Managers in this subsection may be met by filing such documents with the Commission, unless otherwise required by law.

(c) Promptly from time to time to take such action as the Managers or Forward Purchasers may reasonably request in order to qualify the Shares for offering and sale under the securities laws of such states as the Managers or Forward Purchasers may request and to continue such qualifications in effect so long as necessary under such laws for the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation to do business, or to file a general consent to service of process in any jurisdiction.

(d) To make generally available to its security holders as soon as practicable, but in any event no later than eighteen months after the effective date of the Registration Statement (as such date is defined in Rule 158(c) under the Act), an earnings statement of the Company and its consolidated subsidiaries complying with Rule 158 under the Act and covering a period of at least twelve consecutive months beginning after such effective date.

(e) To pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder, including the cost of all qualifications of the Shares under state securities laws (including reasonable fees and disbursements of counsel to the Managers and the Forward Purchasers in connection with such qualifications and with legal investment surveys), any costs relating to the listing of the Shares on the NYSE and the cost of printing this Agreement and the reasonable documented out-of-pocket expenses of the Managers and the Forward Purchasers, including the reasonable fees, disbursements and expenses of counsel for the Managers and the Forward Purchasers in connection with this Agreement and the Registration Statement and ongoing services in connection with the transactions contemplated hereunder (it being understood that, except as provided in this subsection (e), the Managers and the Forward Purchasers will pay all of their own costs and expenses, including the cost of printing any Agreement among Managers, if applicable).

(f) To use its commercially reasonable efforts to cause the Shares to be listed for trading on the NYSE and to maintain such listing.

(g) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented (other than a prospectus supplement relating solely to the offering of securities other than the Shares), (ii) there is filed with the Commission any document incorporated by reference into the Prospectus (other than a Current Report on Form 8-K, unless any of the Managers or Forward Purchasers shall otherwise reasonably request), (iii) the Shares are delivered to the Managers as principals on a Settlement Date, or (iv) such other date as the Managers reasonably request (the date hereof, such recommencement date and each such date referred to in (i), (ii), (iii) and (iv) above, a "*Representation Date*"), to furnish or cause to be furnished to the Managers and the Forward Purchasers forthwith a certificate dated and delivered the date of effectiveness of such amendment, the date of filing with the Commission of such supplement or other document, or the relevant Settlement Date, as the case may be, in form reasonably satisfactory to the Managers, to the effect that the statements contained in the certificate referred to in Section 5(h) of this Agreement which were last furnished to the Managers and the Forward Purchasers are true and correct at the time of such amendment, supplement, filing, or delivery, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in said Section 5(h), modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate.

(h) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each Representation Date, the Company shall cause to be furnished to the Managers and the Forward Purchasers or counsel to the Managers and the Forward Purchasers a written opinion and negative assurance letter of the General Counsel of the Company, or other internal counsel of the Company satisfactory to the Managers and the Forward Purchasers, in their reasonable judgment (collectively, "*Company Counsel*"), dated as of such Representation Date, in form and substance satisfactory to the Managers and the Forward Purchasers in their reasonable judgment, to the effect set forth in Exhibit A hereto and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided, however*, that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers and the Forward Purchasers with a letter (a "*Reliance Letter*") to the effect that the Managers and the Forward Purchasers may rely on a prior opinion delivered under this Section 4(h) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(i) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each Representation Date, Gibson, Dunn & Crutcher LLP, counsel to the Company, shall deliver a written opinion and negative assurance letter, dated as of such Representation Date, in form and substance reasonably satisfactory to the Managers and the Forward Purchasers and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided, however*, that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers and the Forward Purchasers with a Reliance Letter to the effect that the Managers and the Forward Purchasers may rely on a prior opinion delivered under this Section 4(i) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(j) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each Representation Date, Hunton Andrews Kurth LLP, as Virginia counsel for the Company, shall deliver a written opinion, dated as of such Representation Date, in form and substance reasonably satisfactory to the Managers and the Forward Purchasers, to the effect set forth in Exhibit B hereto and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided, however*, that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the

Managers and the Forward Purchasers with a Reliance Letter to the effect that the Managers and the Forward Purchasers may rely on a prior opinion delivered under this Section 4(j) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(k) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each date where (i) the Company shall file an annual report on Form 10-K or (ii) the Shares are delivered to the Managers as principals on a Settlement Date, Shearman & Sterling LLP, counsel to the Managers and the Forward Purchasers, shall deliver a written opinion and 10b-5 side letter, dated as of such Representation Date, in form and substance reasonably satisfactory to the Managers and the Forward Purchasers and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided, however*, that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers and the Forward Purchasers with a Reliance Letter to the effect that the Managers and the Forward Purchasers may rely on a prior opinion delivered under this Section 4(k) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(l) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, if the Company has filed a current report on Form 8-K containing amended financial information with the Commission during the suspension period, and each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented to include additional amended financial information, (ii) the Shares are delivered to the Managers as principals on a Settlement Date, (iii) the Company shall file an annual report on Form 10-K or quarterly report on Form 10-Q, (iv) there is filed with the Commission any document (other than an annual report on Form 10-K or quarterly report on Form 10-Q) incorporated by reference into the Prospectus which contains additional or amended financial information, or (v) on such other dates as may be reasonably requested by the Managers and the Forward Purchasers, to cause Ernst & Young LLP, or other independent accountants satisfactory to the Managers (the “*Accountants*”), forthwith to furnish the Managers and the Forward Purchasers a letter, dated the date of effectiveness of such amendment, the date of filing of such supplement or other document with the Commission, or the Settlement Date, as the case may be, in form and substance satisfactory to the Managers and the Forward Purchasers, (i) confirming that they are an independent registered public accounting firm within the meaning of the Act, the Exchange Act and the Public Company Accounting Oversight Board, (ii) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants’ “comfort letters” to underwriters in connection with registered public offerings (the first such letter, the “*Initial Comfort Letter*”) and (iii) updating the Initial Comfort Letter with any information that would have been included in the Initial Comfort Letter had it been given on such date and modified as necessary to relate to the Registration Statement and the Prospectus, as amended and supplemented to the date of such letter.

(m) The obligations of any party contained in Sections 4(g), 4(h), 4(i), 4(j), 4(k), and 4(l) may be satisfied by delivery of an alternative date, which certificates, opinions, and letters may be dated as of such alternative date; provided that such alternative date is mutually agreed upon by the Company and the Managers and the Forward Purchasers, if applicable.

(n) The obligation to deliver or cause to be delivered the documents referred to in Sections 4(g), 4(h), 4(i), 4(j), 4(k), and 4(l) shall be waived for any Representation Date occurring at a time at which no instruction by the Company to any Manager to sell Shares under this Agreement is in effect, which waiver shall continue until the earlier to occur of the date the Company delivers an instruction to any Manager to sell Shares pursuant to Section 3(a) hereof (which for such calendar quarter shall be considered a Representation Date) and the next occurring Representation Date for which no such waiver is made; *provided, however*, that the Company may elect, in its sole discretion, to deliver or cause to be delivered the documents referred to in Sections 4(g), 4(h), 4(i), 4(j), 4(k), and 4(l) and thereby satisfy its obligations hereunder, notwithstanding the fact that no instruction by the Company to the Managers to sell Shares under this Agreement is in effect. Notwithstanding the foregoing, if the Company subsequently decides to sell Shares following a Representation Date when the Company relied on such waiver and did not deliver or cause to be delivered the documents referred to in Sections 4(g), 4(h), 4(i), 4(j), 4(k), and 4(l), then before the Company delivers an instruction pursuant to Section 3(a) or any Manager sells any Shares, the Company shall deliver or cause to be delivered documents of the same tenor as those referred to in Sections 5(c), 5(d), 5(e), 5(f), 5(g), and 5(h) of this Agreement.

(o) To make available its appropriate officers and to cause such officers to participate in a call with the Managers, the Forward Purchasers and their counsel on a quarterly basis, or otherwise as the Manager selling the Shares at such time may reasonably request; such call shall be for the purpose of updating the Managers' due diligence review of the Company in connection with the transactions contemplated hereby. The obligations set forth in the preceding sentence of this Section 4(o) shall be waived for any quarterly call that would otherwise occur but at which time a waiver as described in Section 4(n) hereof is in effect; *provided, however*, that the Company may elect, in its sole discretion, to conduct a quarterly call as set forth in the first sentence of this Section 4(o) and thereby satisfy its obligations hereunder, notwithstanding the fact that a waiver as described in Section 4(n) hereof is in effect. Notwithstanding the foregoing, if during the period that the provisions of this Section 4(o) are waived or calls are to be postponed by operation of the next sentence, a Representation Date has occurred or a quarterly call set forth in the first sentence of this Section 4(o) would have occurred, it shall be a precondition to recommencing sales of Shares hereunder that the Company shall first

make available its appropriate officers and to cause such officers to participate in a call with the Managers and the Forward Purchasers upon such Managers' request in the manner set forth in the first sentence of this Section 4(o). Additionally, if any call required by the first sentence of this Section 4(o) would otherwise be required by this Section 4(o) to be conducted during a period when the Company, in its sole discretion, determines that it is unable to sell Shares to the public because of the operation of a Company black-out period or because it may be in possession of material, non-public information that it is unwilling to disclose at the time, such call(s) shall be postponed until such time as the Company provides notice to the Managers and the Forward Purchasers that it has determined, in its sole discretion, that such black-out or postponement period has ended or has otherwise been terminated. Any suspension of the provisions of this Section 4(o) shall not affect the Company's obligations provided for elsewhere in this Agreement.

(p) To reserve and keep available at all times, free of preemptive rights, Shares for the purpose of enabling the Company to satisfy its obligations hereunder.

(q) That it consents to each Manager and each Forward Purchaser trading in the Common Stock for the Manager's or Forward Purchaser's own account and for the accounts of its clients at the same time as sales of the Shares occur pursuant to this Agreement.

(r) If, to the knowledge of the Company, any condition set forth in Section 5(a) or 5(i) of this Agreement shall not have been satisfied on the applicable Settlement Date, to offer to any person who has agreed to purchase the Shares from the Company as the result of an offer to purchase solicited by the Managers the right to refuse to purchase and pay for such Shares.

(s) That each acceptance by the Company of an offer to purchase the Shares hereunder shall be deemed to be an affirmation to the Managers that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such acceptance as though made at and as of such date, and an undertaking that such representations and warranties will be true and correct as of the Settlement Date for the Shares relating to such acceptance as though made at and as of such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Shares).

(t) To comply with the requirements of Rule 433 under the Act applicable to any "issuer free writing prospectus," as defined in such rule, including timely filing with the Commission where required, legending and record keeping.

SECTION 5. Conditions of Managers' Obligations. The obligations of each of the Managers and the Forward Purchasers hereunder with respect to any order submitted to a Manager by the Company to sell Shares or any agreement by a Manager to purchase Shares as principal are subject to the condition that (i) the representations and warranties on the part of the Company on the date hereof, and as of any Time of Sale and Settlement Date are true and correct, (ii) the performance by the Company of its obligations hereunder and (iii) the following additional conditions precedent.

(a) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; the Prospectus, any amendment or supplement thereto and each Permitted Free Writing Prospectus shall have been timely filed with the Commission under the Act (in the case of a Permitted Free Writing Prospectus, to the extent required by Rule 433 under the Act); and all requests for additional information on the part of the Commission shall have been complied with or otherwise satisfied.

(b) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have occurred any material adverse change, or any development involving a prospective material adverse change, in or affecting particularly the business or assets of the Company and its subsidiaries considered as a whole, or any material adverse change in the financial position or results of operations of the Company and its subsidiaries considered as a whole, otherwise than as set forth or contemplated in the Registration Statement and the Prospectus, which in any such case makes it impracticable or inadvisable in the reasonable judgment of the Managers to proceed with the public offering, sale, delivery or purchase of the Shares on the terms and in the manner contemplated by this Agreement.

(c) The Company shall furnish to the Managers and the Forward Purchasers, at every date specified in Section 4(h) of this Agreement, opinions of Company Counsel, addressed to the Managers and the Forward Purchasers, required to be delivered pursuant to Section 4(h).

(d) The Managers and the Forward Purchasers shall have received, at every date specified in Section 4(i) of this Agreement, the favorable opinions of Gibson, Dunn & Crutcher LLP, counsel to the Company, required to be delivered pursuant to Section 4(i).

(e) The Managers and the Forward Purchasers shall have received, at every date specified in Section 4(j) of this Agreement, the favorable opinions of Hunton Andrews Kurth LLP, as Virginia counsel for the Company, required to be delivered pursuant to Section 4(j).

(f) The Managers and the Forward Purchasers shall have received, at every date specified in Section 4(k) of this Agreement, the favorable opinions of Shearman & Sterling LLP, counsel to the Managers and the Forward Purchasers, required to be delivered pursuant to Section 4(k).

(g) At the dates specified in Section 4(l) of this Agreement, the Managers and the Forward Purchasers shall have received from the Accountants the comfort letters required to be delivered pursuant to Section 4(l).

(h) The Company will deliver to the Managers and the Forward Purchasers a certificate, dated as of and delivered on each Representation Date, to the effect that (i) the representations and warranties of the Company contained in this Agreement are true and correct on and as of such Representation Date as though made at and as of such Representation Date; (ii) the Company has duly performed, in all material respects, all obligations required to be performed by it pursuant to the terms of this Agreement at or prior to such Representation Date; (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been initiated or, to the knowledge of the Company, threatened by the Commission, the Prospectus Supplement and each Permitted Free Writing Prospectus have been timely filed with the Commission under the Act (in the case of a Permitted Free Writing Prospectus, to the extent required by Rule 433 under the Act), and all requests for additional information on the part of the Commission have been complied with or otherwise satisfied; and (iv) there has been no material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

(i) All filings with the Commission required by Rule 424 under the Act to have been filed by each Time of Sale or related Settlement Date shall have been made within the applicable time period prescribed for such filing by Rule 424 (without reliance on Rule 424(b)(8)).

(j) The Shares shall have been approved for listing on the NYSE, subject only to notice of issuance at or prior to the Settlement Date.

(k) The Common Stock shall be an "actively-traded security" excepted from the requirements of Rule 101 of Regulation M under the Exchange Act by subsection (c)(1) of such rule.

SECTION 6. Indemnification and Contribution.

(a) *Indemnification of the Managers.* The Company agrees to indemnify and hold harmless each Manager, each Forward Purchaser, their respective affiliates, directors, officers and employees and each person, if any, who controls such Manager or Forward Purchaser within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained

in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, (ii) or any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Permitted Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act, any road show as defined in Rule 433(h) under the Act (a "road show") or any General Disclosure Package (including any General Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Manager or Forward Purchaser furnished to the Company in writing by such Manager or Forward Purchaser expressly for use therein, it being understood and agreed that the only such information furnished by any Manager or Forward Purchaser consists of the information described as such in subsection (b) below.

(b) *Indemnification of the Company.* Each Manager and each Forward Purchaser agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers, its affiliates, its employees and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Manager or Forward Purchaser furnished to the Company in writing by such Manager or Forward Purchaser expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Permitted Free Writing Prospectus, any road show or any General Disclosure Package (including any General Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Manager or Forward Purchaser consists of the following information in the Prospectus: the 2nd paragraph under the heading "Conflicts of Interest" in the section "Plan of Distribution (Conflicts of Interest)."

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it

from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person in such proceeding and shall pay the reasonable fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person or other Indemnified Parties; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel and except as described in the preceding sentence) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Manager, Forward Purchaser, their respective affiliates, directors and officers and any control persons of such Manager or such Forward Purchaser shall be designated in writing by such Manager or such Forward Purchaser and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Managers and the Forward Purchasers on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Managers and the Forward Purchasers on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Managers and the Forward Purchasers on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Shares (which shall be deemed to include the proceeds that would be received by the Company upon physical settlement of the Confirmation assuming that the aggregate amount payable by the Forward Purchaser under the Confirmation is equal to the aggregate amount of the net proceeds realized upon the sale of the Shares) bear to the total commissions received by the Managers and the Forward Purchasers, in each case as determined by this Agreement. The relative fault of the Company, on the one hand, and the Managers and the Forward Purchasers on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Managers and the Forward Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability.* The Company, the Managers and the Forward Purchasers agree that it would not be just and equitable if contribution pursuant to paragraph (d) above were determined by pro rata allocation (even if the Managers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of paragraphs (d) and (e), in no event shall a Manager or Forward Purchaser be required to contribute any amount in excess of (i) the amount by which the total commissions received by such Manager or Forward Purchaser in connection with the sale of Shares on behalf of the Company and (ii) the total compensation received by the Manager in connection with the sale of Shares on behalf of the Forward Purchaser pursuant to this Agreement exceeds the amount of any damages that such Manager or Forward Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Managers' obligations and Forward Purchasers' obligations to contribute pursuant to paragraphs (d) and (e) are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies*. The remedies provided for in paragraphs (a) through (e) of this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

SECTION 7. Representations and Agreements to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company and the Managers, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Managers or any controlling person of the Managers, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

SECTION 8. Termination.

(a) The Company shall have the right, by giving written notice as hereinafter specified, to terminate the provisions of this Agreement relating to offers and sales of Shares in its sole discretion at any time. Any such termination shall be without liability of any party to any other party except that (i) if the Shares have been sold through the Managers for the Company, then Sections 3(a) and 4(f) of this Agreement shall remain in full force and effect with respect to and to the extent of such Shares sold, (ii) with respect to any pending Direct Sale or Forward Sale to or through the Managers, the obligations of the Company, including in respect of compensation of the Managers, shall remain in full force and effect notwithstanding the termination, and (iii) Sections 4(e), 6 and 7 of this Agreement shall remain in full force and effect notwithstanding such termination.

(b) Each Manager and each Forward Purchaser shall have the right, by giving written notice as hereinafter specified, to terminate the provisions of this Agreement relating to the offers and sales of Shares by such Manager in its sole discretion at any time. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(e), Section 6 and Section 7 of this Agreement shall remain in full force and effect notwithstanding such termination.

(c) This Agreement shall remain in full force and effect unless terminated pursuant to Sections 8(a) or (b) above or otherwise by mutual agreement of the parties; *provided* that any such termination by mutual agreement shall in all cases be deemed to provide that Section 4(e), Section 6 and Section 7 shall remain in full force and effect.

(d) Any termination of this Agreement shall be effective on the date specified in such notice of termination; *provided* that such termination shall not be effective until the receipt of such notice by the Managers and the Forward Purchasers or the Company, as the case may be. If such termination shall occur prior to the Settlement Date for any sale of the Shares, such sale shall settle in accordance with the provisions of Section 3(a) of this Agreement.

SECTION 9. Notices. Except as otherwise herein provided, all statements, requests, notices and agreements under this Agreement shall be in writing and delivered by hand, overnight courier, mail, telex or facsimile and, if to the Managers, shall be sufficient in all respects if delivered or sent to Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department, BofA Securities, Inc., One Bryant Park, New York, New York 10036, Attention: Christine Roemer, email: Christine.roemer@baml.com, BNP Paribas Securities Corp., 787 Seventh Avenue, New York, NY 10019, Attention: Equity Linked Origination Desk, email: Nyk_elo@us.bnpparibas.com, CIBC World Markets Corp., 300 Madison Avenue, 5th Floor, New York, NY 10017, Attention: Mark Siconolfi, email: mark.siconolfi@cibc.com, john.grause@cibc.com, Credit Agricole Securities (USA) Inc., 1301 Avenue of the Americas, New York, New York 10019, Attention: Equity Capital Markets, Facsimile No. (212) 261-2516, Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282, Attention: Registration Department, J.P. Morgan Securities LLC, 383 Madison Avenue, 6th Floor, New York, New York 10179, Attention: Stephanie Little, Mizuho Securities USA LLC, 1271 Avenue of the Americas, New York, NY 10020, Attention: Equity Capital Markets, email: US-ECM@us.mizuho-sc.com, MUFG Securities Americas Inc., 1221 Avenue of the Americas, 6th Floor, New York, New York 10020, Attention: Capital Markets Group, Facsimile No. (646) 434-3455, SunTrust Robinson Humphrey, Inc., 3333 Peachtree Road NE, 11th Floor, Atlanta, Georgia 30326, Attention: Equity Capital Markets, Email: dl.atm.offering@suntrust.com., TD Securities (USA) LLC, Attn: ECM; 31 W 52nd St; 19th Floor; New York, NY 10019; USTMG@tdsecurities.com, Wells Fargo Securities, LLC, 500 West 33rd Street, New York, New York 10001, Attention: Equity Syndicate Department (fax no: (212) 214-5918); if to the Forward Purchasers, shall be sufficient in all respects if delivered or sent to Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Usman Khan, Bank of America N.A. c/o BofA Securities, Inc., One Bryant Park, New York, New York 10036, Attention: Christine Roemer, email: Christine.roemer@baml.com, BNP Paribas, 787 Seventh Avenue, New York, New York 10019, Attention: Damir Tanovic, email: dl.nyk_elo@us.bnpparibas.com, Canadian Imperial Bank of Commerce, 300 Madison Avenue, 5th Floor, New York, NY 10017, Attention: Mark Siconolfi, email: mark.siconolfi@cibc.com, Credit Agricole Corporate and Investment Bank c/o Credit Agricole Securities (USA) Inc., as Agent, 12 place des Etats-Unis CS 70052, 92547 Montrouge Cedex, France, Service Trading/Produits Dérivés, Attention: Mimoun Nadir, Telephone No. 00.33.1.41.89.95.84, Facsimile No. 00.33.1.41.89.93.12, e-mail: eqd-corporates-emea@ca-cib.com, with a copy sent to Credit Agricole Corporate and Investment Bank, 1301 Avenue Of the Americas, 18th Floor, New York, NY 10019, Attention: Jonathan Fecowicz, Telephone No. (212) 261-3546, e-mail: jonathan.fecowicz@ca-cib.com, Jean.bel@ca-cib.com, Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282, Attention: Registration Department, JPMorgan Chase Bank, National Association, New York Branch, 383 Madison Avenue, New York, NY 10179 Attention: EDG Marketing Support, email: edg_notices@jpmorgan.com and edg_ny_corporate_sales_support@jpmorgan.com, Facsimile no. (866) 886-4506, Mizuho Securities USA LLC, 1271 Avenue of the Americas, New York, NY 10020, Attention: Equity Capital Markets, email: US-ECM@us.mizuho-sc.com, MUFG Securities EMEA plc, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AJ, United Kingdom, Attention: Michael Gordon, Kathleen Considine, Philip Shinn, email:

docsconfirms@int.sc.mufg.jp, ESG-ETG-Americas@mufgsecurities.com, The Toronto-Dominion Bank, 31 West 52nd Street, 24th Floor, New York, NY 10019, Attention: Global Equity Derivatives, Telephone: (212) 827-7306, E-mail: TDUSA-GEDUSInvestorSolutionsSales@tdsecurities.com and bradford.limpert@tdsecurities.com, Wells Fargo Bank, National Association c/o Wells Fargo Securities, LLC, 500 West 33rd Street, New York, New York 10001, Attention: Equity Syndicate Department (fax no: (212) 214-5918), and, if to the Company, it shall be sufficient in all respects if delivered or sent to the address of the Company set forth in the Registration Statement, Attention: General Counsel, Facsimile No. (972) 855-3080. Each party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

SECTION 10. Parties at Interest. The Agreement herein set forth has been made solely for the benefit of the Managers, the Forward Purchasers and the Company and to the extent provided in Section 6 of this Agreement the controlling persons, directors and officers referred to in such section, and their respective successors, assigns, heirs, personal representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from the Managers) shall acquire or have any right under or by virtue of this Agreement.

SECTION 11. No Fiduciary Relationship. The Company hereby acknowledges that each Manager is acting solely as sales agent and/or principal in connection with the purchase and sale of the Company's securities. The Company acknowledges and agrees that each Manager and each Forward Purchaser is acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of any Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, the Company or any other person. Additionally, each Manager and Forward Purchaser is not advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Manager has advised or is advising the Company on other matters). Each Manager and each Forward Purchaser advises that such Manager, Forward Purchaser and their respective affiliates are engaged in a broad range of securities and financial services and that it or its affiliates may enter into contractual relationships with purchasers or potential purchasers of the Company's securities and that some of these services or relationships may involve interests that differ from those of the Company and need not be disclosed to the Company, unless otherwise required by law. The Company has consulted with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and each Manager and each Forward Purchaser shall have no responsibility or liability to the Company or any other person with respect thereto. Any review by each of the Managers and Forward Purchasers of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of such Manager or such Forward Purchaser and shall not be on behalf of the Company. The Company waives, to the fullest extent permitted by law, any claims it may have against any of the Managers and Forward Purchasers for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that each of the Managers and Forward Purchasers shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

SECTION 12. Entire Agreement. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Managers with respect to the subject matter hereof.

SECTION 13. Law; Construction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 14. Headings. The Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

SECTION 15. Waiver of Jury Trial. The Company and the Managers hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 16. Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

SECTION 17. Successors and Assigns. This Agreement shall be binding upon, and inure solely to the benefit of, the Managers, the Forward Purchasers, the Company and, to the extent provided in Sections 6 and 7 hereof, the officers and directors of the Company and each person who controls the Company, the Managers or the Forward Purchasers, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from the Managers shall be deemed a successor or assign by reason merely of such purchase.

SECTION 18. Recognition of the U.S. Special Resolution Regimes.

(i) In the event that any Manager that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Manager of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(ii) In the event that any Manager that is a Covered Entity or a BHC Act Affiliate of such Manager becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Manager are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

As used in this Section 18:

“BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

“Covered Entity” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

[SIGNATURE PAGES FOLLOW]

If the foregoing correctly sets forth the understanding among the Company, the Managers and the Forward Purchasers, please so indicate in the space provided below for that purpose, whereupon this Agreement and your acceptance shall constitute a binding agreement between the Company and the Managers. Alternatively, the execution of this Agreement by the Company and its acceptance by or on behalf of the Managers may be evidenced by an exchange of facsimile or other electronic transmission or other written communications.

Very truly yours,

ATMOS ENERGY CORPORATION

By: /s/ Daniel M. Meziere

Name: Daniel M. Meziere

Title: Vice President and Treasurer

Signature Page to Equity Distribution Agreement

ACCEPTED as of the date
first above written

MORGAN STANLEY & CO. LLC
as Manager

By: /s/ Amna Malik

Name: Amna Malik

Title: Executive Director

Signature Page to Equity Distribution Agreement

BOFA SECURITIES, INC.
as Manager

By: /s/ Michael Dunne

Name: Michael Dunne
Title: Managing Director

Signature Page to Equity Distribution Agreement

BNP PARIBAS SECURITIES CORP.
as Manager

By: /s/ Frederick J. Fiddle

Name: Frederick J. Fiddle

Title: Managing Director

Signature Page to Equity Distribution Agreement

CIBC WORLD MARKETS CORP.
as Manager

By /s/ Mark Siconolti

Name: Mark Siconolti

Title: Managing Director

Signature Page to Equity Distribution Agreement

CREDIT AGRICOLE SECURITIES (USA) INC.

as Manager

By: /s/ Krystian Mialkowski

Name: Krystian Mialkowski

Title: Managing Director

Head of Convertible & Equity-linked Securities, Americas

Signature Page to Equity Distribution Agreement

GOLDMAN SACHS & CO. LLC
as Manager

By: /s/ Charles Park

Name: Charles Park

Title: Managing Director

Signature Page to Equity Distribution Agreement

J.P. MORGAN SECURITIES LLC
as Manager

By: /s/ Stephanie Little

Name: Stephanie Little
Title: Executive Director

Signature Page to Equity Distribution Agreement

MIZUHO SECURITIES USA LLC
as Manager

By: /s/ Stephen FX Roney

Name: Stephen FX Roney

Title: Managing Director

Signature Page to Equity Distribution Agreement

MUFG SECURITIES AMERICAS INC.
as Manager

By: /s/ Jason Demark

Name: Jason Demark

Title: Director

Signature Page to Equity Distribution Agreement

SUNTRUST ROBINSON HUMPHREY, INC.
as Manager

By: /s/ Keith Carpenter
Name: Keith Carpenter
Title: Director

Signature Page to Equity Distribution Agreement

TD SECURITIES (USA) LLC
as Manager

By: /s/ Bradford R. Limpert

Name: Bradford R. Limpert

Title: Managing Director

Signature Page to Equity Distribution Agreement

WELLS FARGO SECURITIES, LLC
as Manager

By: /s/ Michael Tiedemann

Name: Michael Tiedemann

Title: Managing Director

Signature Page to Equity Distribution Agreement

MORGAN STANLEY & CO. LLC
as Forward Purchaser

By: /s/ Amna Malik

Name: Amna Malik
Title: Executive Director

Signature Page to Equity Distribution Agreement

BNP PARIBAS
as Forward Purchaser

By: /s/ Frederick J. Fiddle

Name: Frederick J. Fiddle
Title: Managing Director

By: /s/ Stephan B. Nawrocki

Name: Stephan B. Nawrocki
Title: Managing Director

Signature Page to Equity Distribution Agreement

CANADIAN IMPERIAL BANK OF COMMERCE

as Forward Purchaser

By: /s/ Brian G. Smith

Name: Brian G. Smith

Title: Authorized Signatory

Signature Page to Equity Distribution Agreement

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK c/o Credit Agricole Securities (USA) Inc., as Agent
as Forward Purchaser

By: /s/ Krystian Mialkowski

Name: Krystian Mialkowski

Title: Managing Director

Head of Convertible & Equity-linked Securities, America

Signature Page to Equity Distribution Agreement

GOLDMAN SACHS & CO. LLC
as Forward Purchaser

By: /s/ Charles Park

Name: Charles Park

Title: Managing Director

Signature Page to Equity Distribution Agreement

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
as Forward Purchaser

By: /s/ Stephanie Little
Name: Stephanie Little
Title: Executive Director

Signature Page to Equity Distribution Agreement

MIZUHO SECURITIES USA LLC
as Forward Purchaser

By: /s/ Stephen FX Roney

Name: Stephen FX Roney

Title: Managing Director

Signature Page to Equity Distribution Agreement

MUFG SECURITIES EMEA PLC
as Forward Purchaser

By: /s/ Geoffroy Charles
Name: Geoffroy Charles
Title: Authorized Signatory

Signature Page to Equity Distribution Agreement

THE TORONTO-DOMINION BANK
as Forward Purchaser

By: /s/ Vanessa Simonetti

Name: Vanessa Simonetti

Title: Managing Director

Signature Page to Equity Distribution Agreement

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Forward Purchaser

By: /s/ Thomas Yates

Name: Thomas Yates

Title: Managing Director

Signature Page to Equity Distribution Agreement

Managers

Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

BofA Securities, Inc.
One Bryant Park
New York, NY 10036

BNP Paribas Securities Corp.
787 Seventh Avenue
New York, NY 10019

CIBC World Markets Corp.
300 Madison Avenue, 5th Floor
New York, NY 10017

Credit Agricole Securities (USA) Inc.
1301 Avenue of the Americas
New York, NY 10019

Goldman Sachs & Co. LLC
200 West Street
New York, NY 10282

J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY, 10179

Mizuho Securities USA LLC
1271 Avenue of the Americas
New York, NY 10020

MUFG Securities Americas Inc.
1221 Avenue of the Americas, 6th Floor
New York, NY 10020

SunTrust Robinson Humphrey, Inc.
3333 Peachtree Road NE, 11th Floor
Atlanta, GA 30326

TD Securities (USA) LLC
31 W 52nd St; 19th Floor
New York, NY 10019

Wells Fargo Securities, LLC
500 West 33rd Street, 14th Floor
New York, New York 10001

Forward Purchasers

Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

Bank of America N.A.
One Bryant Park
New York, NY 10036

BNP Paribas
787 Seventh Avenue
New York, NY 10019

Canadian Imperial Bank of Commerce
300 Madison Avenue, 5th Floor
New York, NY 10017

Credit Agricole Corporate and
Investment Bank c/o Credit Agricole
Securities (USA) Inc., as Agent
12, place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Goldman Sachs & Co. LLC
200 West Street
New York, NY 10282

JPMorgan Chase Bank, National
Association, New York Branch
383 Madison Avenue
New York, NY 10179

Mizuho Securities USA LLC
1271 Avenue of the Americas
New York, NY 10020

MUFG Securities EMEA plc
Ropemaker Place, 25 Ropemaker Street
London EC2Y 9AJ, United Kingdom

The Toronto-Dominion Bank
31 West 52nd Street, 2nd Floor
New York, NY 10019

Wells Fargo Bank, National Association
c/o Wells Fargo Securities, LLC
500 West 33rd Street, 14th Floor
New York, New York 10001

SIGNIFICANT SUBSIDIARIES

None.

LIST OF ALL SUBSIDIARIES

Atmos Energy Holdings, Inc.
Atmos Energy Louisiana Industrial Gas, LLC
Atmos Energy Services, LLC
Atmos Exploration and Production, Inc.
Atmos Gathering Company, LLC
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Blue Flame Insurance Services, Ltd.
Egasco, LLC
Fort Necessity Gas Storage, LLC
Phoenix Gas Gathering Company
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.

FORM OF OPINIONS AND LETTER OF GENERAL COUNSEL OF THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 4(H)

1. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia.
2. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.
3. The information in the Registration Statement under Item 15, to the extent that it constitutes matters of law, summaries of legal matters or legal conclusions, has been reviewed by me and is correct in all material respects.
4. The authorized, issued and outstanding capitalization of the Company is as set forth in the Prospectus (except for subsequent issuances, if any, pursuant to reservations, agreements, acquisitions or employee benefit plans referred to in the Prospectus, pursuant to the exercise of options or vesting of share unit awards issued under employee benefit plans referred to in the Prospectus or pursuant to any forward sale confirmations entered into under the Company's Equity Distribution Agreement dated as of November 18, 2018); the shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company; the Company's Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange (the "NYSE"), and the Company has taken no action designed to, or likely to have the effect of, terminating such registration or listing, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.
5. The Equity Distribution Agreement has been duly authorized, executed and delivered by the Company.
6. Each Master Forward Confirmation has been duly authorized, executed, and delivered by the Company.
7. The Shares have been duly authorized and, when issued and delivered and paid for as provided in the Equity Distribution Agreement and, if applicable, a Confirmation, will be duly and validly issued and will be fully paid and nonassessable. The issuance of the Shares is not subject to any preemptive or similar rights.

8. The documents incorporated by reference in the Registration Statement and the Prospectus (other than financial statements and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations under the Exchange Act.

9. To the best of my knowledge, there is no pending or threatened action, suit, proceeding, inquiry or investigation, to which the Company or any subsidiary is a party, or to which the property of the Company or any subsidiary is subject, before or brought by any court or governmental agency or body, domestic or foreign, which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to have a Material Adverse Effect on the properties or assets thereof or the consummation of the transactions contemplated in the Equity Distribution Agreement or the performance by the Company of its obligations thereunder, or which is required to be described in the Prospectus that is not described as required.

10. The information in (a) the Prospectus under “Business – Other Regulation” and “Description of Common Stock,” (b) the Annual Report on Form 10-K for the fiscal year ended September 30, 2019 (the “10-K”) under “Item 1. – Business – Ratemaking Activity,” under “Item 1. – Business – Other Regulation” or under “Item 3. – Legal Proceedings” and (c) “Note 11. – Commitments and Contingencies” to the Company’s consolidated financial statements included in the 10-K, to the extent that it constitutes matters of law, summaries of legal matters, the Company’s articles of incorporation and bylaws or legal proceedings, or legal conclusions, has been reviewed by me and is correct in all material respects.

11. All descriptions in the Registration Statement and the Prospectus of contracts and other documents to which the Company or its subsidiaries are a party are accurate in all material respects; to the best of my knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or the Prospectus or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

12. To the best of my knowledge, (i) neither the Company nor any subsidiary is in violation of its charter, bylaws or other organizational document and (ii) no default by the Company or any subsidiary exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement or the Prospectus, except with respect to (ii) above, for such defaults that would not result in a Material Adverse Effect.

13. There have been issued and, as of the date hereof, are in full force and effect orders or authorizations of the regulatory authorities of the States of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Shares by the Company on the terms set forth or contemplated in the Equity Distribution Agreement; and no other filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign (other than under the Act and the Exchange Act, which have been obtained, or as may be required under the securities or blue sky laws of the various states, as to which I express no opinion), is necessary or required in connection with the due authorization, execution and delivery of the Equity Distribution Agreement, each Master Forward Confirmation or any Supplemental Confirmation, or for the offering, issuance, sale or delivery of the Shares by the Company pursuant to the Equity Distribution Agreement, each Master Forward Confirmation or any Supplemental Confirmation.

14. The execution, delivery and performance of the Equity Distribution Agreement and each Master Forward Confirmation and any Supplemental Confirmation by the Company, the consummation of the transactions contemplated in the Equity Distribution Agreement, each Master Forward Confirmation and any Supplemental Confirmation and the Registration Statement and the Prospectus (including the issuance and sale of the Shares and the use of the proceeds from the sale of the Shares as described in the Prospectus under the caption "Use of Proceeds"), and compliance by the Company with its obligations under the Equity Distribution Agreement, each Master Forward Confirmation and any Supplemental Confirmation do not and will not, whether with or without the giving of notice or lapse of time or both, violate or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to me, to which the Company or any subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (except for such violations, breaches or defaults or liens, charges or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the articles of incorporation or bylaws of the Company or the charter, bylaws or other organizational documents of any subsidiary, or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to me, of any government, government instrumentality or court, domestic or foreign, binding on the Company or any subsidiary or any of their respective properties, assets or operations. I express no opinion in this paragraph regarding federal or state securities laws.

Except for the financial statements and related notes and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief, no facts have come to my attention that led me to believe: (a) that the Registration Statement, at the time it became effective (which shall have the meaning set forth in Rule 158(c) of the Act) or the Prospectus, as of its date, were not appropriately responsive in all material respects to the requirements of the Act;

or (b)(i) that the Registration Statement, at the time it became effective, contained a untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) that the Prospectus, as of its date or the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

FORM OF OPINION OF VIRGINIA COUNSEL TO THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 4(J)

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.
2. The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Basic Prospectus and the Prospectus and to enter into and perform its obligations under the Equity Distribution Agreement (including, without limitation, issuing the Shares).
3. The Equity Distribution Agreement has been duly authorized, executed and delivered by the Company.
4. Each Master Forward Confirmation has been duly authorized, executed and delivered by the Company.
5. The execution and delivery of the Equity Distribution Agreement do not, and the consummation of the transactions contemplated by the Equity Distribution Agreement will not, violate the Articles of Incorporation, the Bylaws or any law or regulation of the Commonwealth of Virginia or any order, judgment or decree of any court, regulatory body, administrative agency or governmental body of the Commonwealth of Virginia applicable to the Company.
6. The execution and delivery of each Master Forward Confirmation do not, and the consummation of the transactions contemplated by each Master Forward Confirmation will not, violate the Articles of Incorporation, the Bylaws or any law or regulation of the Commonwealth of Virginia or any order, judgment or decree of any court, regulatory body, administrative agency or governmental body of the Commonwealth of Virginia applicable to the Company.
7. Assuming that all offers and sales of the Shares will (a) comply with the “Minimum Price,” “Offering Size Limit” and, if applicable, “ATM Pricing Formula” and (b) be completed on or prior to the “Offering Deadline,” each as set forth in the Authorizing Resolutions, when issued and delivered in accordance with the terms and conditions set forth in the Equity Distribution Agreement and/or a Confirmation, the Shares will have been duly authorized, validly issued, fully paid and nonassessable.

PERMITTED FREE WRITING PROSPECTUSES

None.

To: Atmos Energy Corporation
From: [Dealer]
Re: Issuer Share Forward Sale Transactions
Date: February 12, 2020

Dear Sir(s):

The purpose of this communication (this “**Master Confirmation**”) is to set forth the terms and conditions of the transactions to be entered into from time to time between [Dealer] (“**Dealer**”) and Atmos Energy Corporation (“**Counterparty**”) in accordance with the terms of the Equity Distribution Agreement, dated as of February 12, 2020 (the “**Equity Distribution Agreement**”), among Morgan Stanley & Co. LLC, BofA Securities, Inc., BB&T Capital Markets, BNP Paribas Securities Corp., CIBC World Markets Corp., Credit Agricole Securities (USA) Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Mizuho Securities USA LLC, MUFG Securities Americas Inc., SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC, Wells Fargo Securities, LLC, Bank of America, N.A., BNP Paribas, Canadian Imperial Bank of Commerce, Cr dit Agricole Corporate and Investment Bank c/o Credit Agricole Securities (USA) Inc., as Agent, JPMorgan Chase Bank, National Association, MUFG Securities EMEA plc, The Toronto-Dominion Bank, Wells Fargo Bank, National Association and Counterparty (as amended, modified, supplemented or restated from time to time) on the Trade Dates specified herein (collectively, the “**Transactions**” and each, a “**Transaction**”). This communication constitutes a “Confirmation” as referred to in the Agreement specified below. Each Transaction will be evidenced by a supplemental confirmation (each, a “**Supplemental Confirmation**”), and each such Supplemental Confirmation, together with this Master Confirmation, a “**Confirmation**” for purposes of the Agreement specified below) substantially in the form of Exhibit A hereto. Each Confirmation will be a confirmation for purposes of Rule 10b-10 promulgated under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).

1. Each Confirmation incorporates the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”). For purposes of the Equity Definitions, each Transaction will be deemed to be a Share Forward Transaction.

Each Confirmation shall supplement, form a part of and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement (the “**ISDA Form**”), as published by ISDA, as if Dealer and Counterparty had executed the ISDA Form on the date hereof (but without any Schedule except for the election of New York law (without regard to New York’s choice of laws doctrine other than Title 14 of Article 5 of the New York General Obligations Law (the “**General Obligations Law**”)) as the governing law and US Dollars (“**USD**”) as the Termination Currency).

All provisions contained in the Agreement are incorporated into and shall govern each Confirmation except as expressly modified below. Each Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the relevant Transaction and replaces any previous agreement between the parties with respect to the subject matter hereof.

The Transactions hereunder shall be the sole Transactions under the Agreement. If there exists any ISDA Master Agreement between Dealer or any of its Affiliates and Counterparty or any confirmation or other agreement between Dealer or any of its Affiliates and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between Dealer or any of its Affiliates and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which Dealer or such other Affiliates and Counterparty are parties, the Transactions hereunder shall not be considered transactions under, or otherwise governed by, such existing or deemed ISDA Master Agreement. In the event of any inconsistency among the Agreement, this Master Confirmation, any Supplemental Confirmation and the Equity Definitions, the following will prevail in the order of precedence indicated: (i) such Supplemental Confirmation; (ii) this Master Confirmation; (iii) the Equity Definitions; and (iv) the Agreement.

2. The terms of the particular Transactions to which this Master Confirmation relates are as follows:

General Terms:

Trade Date:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be, subject to the provisions opposite the caption "Early Valuation" below, the last Trading Day of the Forward Hedge Selling Period for such Transaction.
Effective Date:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be the date that is one Settlement Cycle following the Trade Date for such Transaction, or such later date on which the conditions set forth in Section 3 of this Master Confirmation shall have been satisfied or waived by Dealer.
Buyer:	Dealer
Seller:	Counterparty
Trading Day:	Any Scheduled Trading Day for the Exchange other than a day on which the Exchange is scheduled to close prior to its Scheduled Closing Time.
Forward Hedge Selling Period:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be the period of one Trading Day designated in the Supplemental Confirmation for the Dealer to establish its commercially reasonable hedge position; provided that, if prior to the scheduled end of any Forward Hedge Selling Period (x) any event occurs that would permit the Dealer to designate an Early Valuation Date under and pursuant to the provisions opposite the caption Early Valuation below or (y) a Bankruptcy Termination Event occurs, then the Forward Hedge Selling Period shall immediately terminate at the first such occurrence.
Maturity Date:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be the date that follows the Trade Date for such Transaction by a number of months as set forth in such Supplemental Confirmation (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
Shares:	The shares of common stock, no par value per Share, of Counterparty (Ticker: "ATO").
Number of Shares:	For each Transaction, initially, as specified in the Supplemental Confirmation for such Transaction, to be the number of Shares equal to the Actual Sold Forward Amount for the Forward Hedge Selling Period for such Transaction, as reduced on each Relevant Settlement Date (as defined under "Settlement Terms" below) by the number of Settlement Shares to which the related Valuation Date relates.
Actual Sold Forward Amount:	For each Transaction and the related Forward Hedge Selling Period, the number of Forward Hedge Shares instructed to be sold by the Dealer pursuant to the Equity Distribution Agreement, subject to reduction to the extent the Dealer, in its commercially reasonable judgment, determines that it is unable through commercially reasonable efforts to establish a commercially reasonable hedge position in such number of Shares in accordance with such instructions in light of market liquidity conditions or as a result of the factors described in the final paragraph of Section 3 of this Master Confirmation.
Forward Hedge Share:	For each Transaction, any Share borrowed by the Dealer and sold pursuant to the Equity Distribution Agreement by the Dealer or its affiliate during the Forward Hedge Selling Period in connection with such Transaction in order to establish its commercially reasonable hedge position.

Settlement Currency:	USD
Exchange:	The New York Stock Exchange
Related Exchange:	All Exchanges
Prepayment:	Not Applicable
Variable Obligation:	Not Applicable
Forward Price:	<p>For each Transaction, on the Effective Date for such Transaction, the Initial Forward Price for such Transaction, and on any day thereafter, the product of the Forward Price for such Transaction on the immediately preceding calendar day and</p> $1 + \text{the Daily Rate} * (1/365);$ <p><i>provided</i> that the Forward Price for such Transaction on each Forward Price Reduction Date for such Transaction shall be the Forward Price for such Transaction otherwise in effect on such date <i>minus</i> the Forward Price Reduction Amount for such Forward Price Reduction Date.</p>
Initial Forward Price:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be the product of (i) an amount equal to 1 <i>minus</i> the Forward Hedge Selling Commission Rate applicable to such Transaction; and (ii) the Volume-Weighted Hedge Price, subject to adjustment in accordance with the last paragraph of Section 3 hereof.
Forward Hedge Selling Commission Rate:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be an annual rate mutually agreed between the Dealer and the Counterparty but not in excess of one percent (1%).
Volume-Weighted Hedge Price:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be the volume-weighted average of the Sales Prices per Share of the Forward Hedge Shares sold in the Forward Hedge Selling Period for such Transaction, as determined by the Calculation Agent.
Sales Price:	For each Transaction and any related Forward Hedge Share, the actual sale execution price of such Forward Hedge Share sold by Dealer or its affiliate on the Exchange under the Equity Distribution Agreement (assuming the Dealer sold such Forward Hedge Share in a commercially reasonable manner that reflects prevailing market price), in the case of an ordinary brokers' transaction, or as otherwise agreed by the parties in the case of another method of sale, which in any event shall reflect prevailing market price.
Daily Rate:	For any day, the Overnight Bank Funding Rate <i>minus</i> the Spread.
Spread:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction.
Overnight Bank Funding Rate:	For any day, the rate set forth for such day opposite the caption "Overnight Bank Funding Rate" as displayed on the page "OBFR01 <Index> <GO>" on the BLOOMBERG Professional Service, or any successor page; <i>provided</i> that if no such rate appears for such day on such page, Overnight Bank Funding Rate for such day shall be such rate for the immediately preceding day for which such a rate appears.
Forward Price Reduction Dates:	For each Transaction, as specified in Schedule I to the Supplemental Confirmation for such Transaction, to be each date set forth under the heading "Forward Price Reduction Date" in the Supplemental Confirmation for such Transaction.

Forward Price Reduction Amount: For each Forward Price Reduction Date, the Forward Price Reduction Amount set forth opposite such date on Schedule I to the Supplemental Confirmation for such Transaction.

Valuation:

Valuation Date: For any Settlement (as defined below) with respect to any Transaction, if Physical Settlement is applicable, as designated in the relevant Settlement Notice (as defined below); or if Cash Settlement or Net Share Settlement is applicable, the last Unwind Date for such Settlement. Section 6.6 of the Equity Definitions shall not apply to any Valuation Date.

Unwind Dates: For any Cash Settlement or Net Share Settlement with respect to any Settlement of any Transaction, each day on which Dealer (or its agent or affiliate) purchases Shares in the market in connection with unwinding its commercially reasonable hedge position in a commercially reasonable manner in connection with such Settlement, starting on the First Unwind Date for such Settlement.

First Unwind Date: For any Cash Settlement or Net Share Settlement with respect to any Settlement of any Transaction, as designated in the relevant Settlement Notice.

Unwind Period: For any Cash Settlement or Net Share Settlement with respect to any Settlement of any Transaction, the period starting on and including the First Unwind Date for such Settlement and ending on and including the Valuation Date for such Settlement.

Market Disruption Event: The definition of “Market Disruption Event” in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words “at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be” and inserting the words “at any time on any Exchange Business Day during the Unwind Period” after the word “material,” in the third line thereof.

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term “Scheduled Closing Time” in the fourth line thereof.

Settlement Terms:

Settlement: With respect to any Transaction, any Physical Settlement, Cash Settlement or Net Share Settlement of all or any portion of such Transaction.

Settlement Notice: For any Transaction, subject to “Early Valuation” below, Counterparty may elect to effect a Settlement of all or any portion of such Transaction by designating one or more Scheduled Trading Days following the Effective Date for such Transaction and on or prior to the Maturity Date for such Transaction to be Valuation Dates (or, with respect to Cash Settlements or Net Share Settlements of such Transaction, First Unwind Dates, each of which First Unwind Dates shall occur no later than the sixtieth (60th) Scheduled Trading Day immediately preceding the Maturity Date for such Transaction) in a written notice to Dealer (a “**Settlement Notice**”) delivered no later than the applicable Settlement Method Election Date for such Transaction, which notice shall also specify (i) the number of Shares (the “**Settlement Shares**”) for such Settlement (not to exceed the number of Undesignated Shares for such Transaction as of the date of such

Settlement Notice) and (ii) the Settlement Method applicable to such Settlement, *provided that* (A) Counterparty may not designate a First Unwind Date for a Cash Settlement or a Net Share Settlement of any Transaction if, as of the date of such Settlement Notice, any Shares have been designated as Settlement Shares for a Cash Settlement or a Net Share Settlement of such Transaction for which the related Relevant Settlement Date has not occurred; and (B) if the number of Undesignated Shares as of the Maturity Date for such Transaction is not zero, then the Maturity Date for such Transaction shall be a Valuation Date for a Physical Settlement of such Transaction and the number of Settlement Shares for such Settlement shall be the number of Undesignated Shares for such Transaction as of the Maturity Date for such Transaction (*provided that* if such Maturity Date occurs during the period from the time any Settlement Notice is given for a Cash Settlement or Net Share Settlement of such Transaction until the related Relevant Settlement Date, inclusive, then the provisions set forth below opposite “Early Valuation” shall apply to such Transaction as if the Maturity Date for such Transaction were the Early Valuation Date for such Transaction).

Undesignated Shares:

For any Transaction, as of any date, the Number of Shares for such Transaction *minus* the number of Shares designated as Settlement Shares for Settlements of such Transaction for which the related Relevant Settlement Date has not occurred.

Settlement Method Election:

For any Transaction, applicable; *provided that*:

- (i) Net Share Settlement shall be deemed to be included as an additional settlement method under Section 7.1 of the Equity Definitions;
- (ii) Counterparty may elect Cash Settlement or Net Share Settlement for any Settlement of any Transaction only if Counterparty represents and warrants to Dealer in the Settlement Notice containing such election that, as of the date of such Settlement Notice, (A) Counterparty is not aware of any material nonpublic information concerning itself or the Shares, (B) Counterparty is electing the settlement method and designating the First Unwind Date specified in such Settlement Notice in good faith and not as part of a plan or scheme to evade compliance with Rule 10b-5 (“**Rule 10b-5**”) under the Exchange Act or any other provision of the federal securities laws, (C) Counterparty is not “insolvent” (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “Bankruptcy Code”)), (D) Counterparty would be able to purchase a number of Shares equal to the greater of (x) the number of Settlement Shares designated in such Settlement Notice and (y) a number of Shares with a value as of the date of such Settlement Notice equal to the product of (I) such number of Settlement Shares and (II) the applicable Forward Price on the date of such Settlement Notice in compliance with the laws of Counterparty’s jurisdiction of organization and (E) such election, and settlement in accordance therewith, does not and will not violate or conflict with any law or regulation applicable to Counterparty, or any order or judgment of any court or other agency of government applicable to it or any of its assets, and any governmental consents that are required to have been obtained by Counterparty with respect to such election or settlement have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

- (iii) Notwithstanding any election to the contrary in any Settlement Notice, this Settlement shall be applicable for any Settlement of any Transaction:
- (A) to all of the Settlement Shares designated in such Settlement Notice if, at any time from the date such Settlement Notice is received by Dealer until the related First Unwind Date, inclusive, (I) the trading price per Share on the Exchange (as determined by Dealer in a commercially reasonable manner) is below the Threshold Price or (II) Dealer determines, in its good faith and commercially reasonable judgment, that it would, after using commercially reasonable efforts, be unable to purchase a number of Shares in the market sufficient to unwind a commercially reasonable hedge position in respect of the portion of the Transaction represented by such Settlement Shares and satisfy its delivery obligation hereunder, if any, by the Maturity Date (x) in a manner that (A) would, if Dealer were Counterparty or an affiliated purchaser of Counterparty, be subject to the safe harbor provided by Rule 10b-18(b) under the Exchange Act and (B) based on advice of counsel, would not raise material risks under applicable securities laws, other than as a result of activities by Dealer unrelated to any Transaction or (y) due to the lack of sufficient liquidity in the Shares (each, a “**Trading Condition**”); or
- (B) to all or a portion of the Settlement Shares designated in such Settlement Notice if, on any day during the relevant Unwind Period, (I) the trading price per Share on the Exchange (as determined by Dealer in a commercially reasonable manner) is below the Threshold Price or (II) Dealer determines, in its good faith and commercially reasonable judgment or based on advice of counsel, as applicable, that a Trading Condition has occurred with respect to such Transaction, in which case the provisions set forth below in the fourth paragraph opposite “Early Valuation” shall apply as if such day were the Early Valuation Date for such Transaction and (x) for purposes of clause (i) of such paragraph, such day shall be the last Unwind Date of such Unwind Period and the “Unwound Shares” shall be calculated to, and including, such day and (y) for purposes of clause (ii) of such paragraph, the “Remaining Shares” shall be equal to the number of Settlement Shares designated in such Settlement Notice *minus* the Unwound Shares determined in accordance with clause (x) of this sentence.

Threshold Price:

For each Transaction, as specified in the Supplemental Confirmation for such Transaction, to be 50% of the Initial Forward Price for such Transaction.

Electing Party:

Counterparty

Settlement Method Election Date:	With respect to any Settlement of any Transaction, (x) the second (2 nd) Scheduled Trading Day immediately preceding the Valuation Date for such Transaction, in the case of Physical Settlement, or (y) the second (2 nd) Scheduled Trading Day immediately preceding the First Unwind Date for such Transaction, in the case of Cash Settlement or Net Share Settlement.
Default Settlement Method:	Physical Settlement
Physical Settlement:	Notwithstanding Section 9.2(a)(i) of the Equity Definitions, on the Settlement Date for any Settlement of any Transaction to which Physical Settlement is applicable, Dealer shall pay to Counterparty an amount equal to the Forward Price for such Transaction on the relevant Valuation Date <i>multiplied by</i> the number of Settlement Shares for such Settlement, and Counterparty shall deliver to Dealer such Settlement Shares. If, on any Physical Settlement Date, the Shares to be delivered by Counterparty to Dealer hereunder are not so delivered (the “Deferred Shares”), and a Forward Price Reduction Date occurs during the period from, and including, such Physical Settlement Date to, but excluding, the date such Shares are actually delivered to Dealer, then the portion of the amount payable by Dealer to Counterparty in respect of the Deferred Shares shall be reduced by an amount equal to the Forward Price Reduction Amount for such Forward Price Reduction Date, <i>multiplied by</i> the number of Deferred Shares.
Physical Settlement Date:	For any Settlement of any Transaction to which Physical Settlement is applicable, the Valuation Date for such Settlement.
Net Share Settlement:	On the Net Share Settlement Date for any Settlement of any Transaction to which Net Share Settlement is applicable, if the Net Share Settlement Amount for such Settlement is greater than zero, Counterparty shall deliver a number of Shares equal to such Net Share Settlement Amount (rounded down to the nearest integer) to Dealer, and if such Net Share Settlement Amount is less than zero, Dealer shall deliver a number of Shares equal to the absolute value of such Net Share Settlement Amount (rounded down to the nearest integer) to Counterparty, in either case, in accordance with Section 9.4 of the Equity Definitions, with such Net Share Settlement Date deemed to be a “Settlement Date” for purposes of such Section 9.4, and, in either case, plus cash in lieu of any fractional Shares included in such Net Share Settlement Amount but not delivered due to rounding required hereby, valued at the relevant Settlement Price.
Net Share Settlement Date:	For any Settlement of any Transaction to which Net Share Settlement is applicable, the date that follows the Valuation Date for such Settlement by one Settlement Cycle.
Net Share Settlement Amount:	For any Settlement of any Transaction to which Net Share Settlement is applicable, an amount equal to the Forward Cash Settlement Amount for such Settlement <i>divided by</i> the Settlement Price for such Settlement.
Forward Cash Settlement Amount:	Notwithstanding Section 8.5(c) of the Equity Definitions, the Forward Cash Settlement Amount for any Cash Settlement or Net Share Settlement of any Transaction shall be equal to (i) the number of Settlement Shares for such Settlement <i>multiplied by</i> (ii) an amount equal to (A) the Settlement Price for such Settlement <i>minus</i> (B) the Relevant Forward Price for such Settlement.
Relevant Forward Price:	For any Cash Settlement or Net Share Settlement of any Transaction, the weighted average of the Forward Prices for such Transaction on each Unwind Date relating to such Settlement (weighted based on the number of Shares purchased by Dealer or its agent or affiliate on each such Unwind Date in connection with

unwinding its commercially reasonable hedge position in connection with such Settlement, as determined by the Calculation Agent in a commercially reasonable manner) minus a commercially reasonable commission related to Dealer's purchase of Shares in connection with the unwind of its commercially reasonable hedge position.

Settlement Price:

For any Cash Settlement or Net Share Settlement of any Transaction, the weighted average price of the purchases of Shares made by Dealer (or its agent or affiliate) in a commercially reasonable manner at prevailing market prices during the Unwind Period for such Settlement in connection with unwinding its commercially reasonable hedge position relating to such Settlement (weighted based on the number of Shares purchased by Dealer or its agent or affiliate on each Unwind Date in connection with unwinding its commercially reasonable hedge position in connection with such Settlement, as determined by the Calculation Agent).

Unwind Activities:

The times and prices at which Dealer (or its agent or affiliate) purchases any Shares during any Unwind Period in connection with unwinding its commercially reasonable hedge position in respect of each Transaction shall be determined by Dealer in a commercially reasonable manner. Without limiting the generality of the foregoing, in the event that Dealer concludes in its good faith and reasonable discretion based on advice of counsel, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer) (a "**Regulatory Disruption**"), for it to refrain from purchasing Shares in connection with unwinding its commercially reasonable hedge position in respect of such Transaction on any Scheduled Trading Day that would have been an Unwind Date but for the occurrence of a Regulatory Disruption, Dealer may (but shall not be required to) notify Counterparty in writing that a Regulatory Disruption has occurred on such Scheduled Trading Day with respect to such Transaction, in which case Dealer shall, to the extent practicable in its good faith discretion, specify the nature of such Regulatory Disruption, and, for the avoidance of doubt, such Scheduled Trading Day shall not be an Unwind Date for such Transaction and such Regulatory Disruption shall be deemed to be a Market Disruption Event; provided that Dealer may exercise its right to suspend under this sentence only in good faith in relation to events or circumstances that are not the result of actions of it or any of its Affiliates that are taken with the intent to avoid its obligations under the Transactions.

Relevant Settlement Date:

For any Settlement of any Transaction, the Physical Settlement Date, Cash Settlement Payment Date or Net Share Settlement Date for such Settlement, as the case may be.

Other Applicable Provisions:

To the extent Dealer is obligated to deliver Shares under any Transaction, the provisions of Sections 9.2 (last sentence only), 9.8, 9.9, 9.10, 9.11 and 9.12 of the Equity Definitions will be applicable as if "Physical Settlement" applied to such Transaction; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Shares.

Share Adjustments:

Potential Adjustment Events: An Extraordinary Dividend shall not constitute a Potential Adjustment Event. For the avoidance of doubt, a cash dividend on the Shares that differs from expected dividends as of the first Trading Day of the Forward Hedge Selling Period for such Transaction shall not be a Potential Adjustment Event under Section 11.2(e)(vii) of the Equity Definitions with respect to such Transaction.

Extraordinary Dividend: For any Transaction, any dividend or distribution on the Shares with an ex-dividend date occurring on any day following the first Trading Day of the Forward Hedge Selling Period for such Transaction (other than (i) any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or (ii) a regular, quarterly cash dividend in an amount equal to or less than the Regular Dividend Amount for such calendar quarter for such Transaction that has an ex-dividend date no earlier than the Forward Price Reduction Date occurring in the relevant quarter for such Transaction).

Regular Dividend Amount: For each Transaction and each calendar quarter, the amount set forth under the heading “Regular Dividend Amount” in the Supplemental Confirmation for such Transaction and such calendar quarter, as specified in Schedule I to the Supplemental Confirmation for such Transaction.

Method of Adjustment: Calculation Agent Adjustment.

Extraordinary Events:

Extraordinary Events: The consequences that would otherwise apply under Article 12 of the Equity Definitions to any applicable Extraordinary Event (excluding any Failure to Deliver, Increased Cost of Hedging, Increased Cost of Stock Borrow or any Extraordinary Event that also constitutes a Bankruptcy Termination Event, but including, for the avoidance of doubt, any other applicable Additional Disruption Event) shall not apply.

Tender Offer: Applicable; provided that Section 12.1(d) of the Equity Definitions shall be amended by replacing the reference therein to “10%” with a reference to “20%”.

Delisting: In addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Additional Disruption Events:

Change in Law: Applicable; *provided* that (A) any determination as to whether (i) the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law) or (ii) the promulgation of or any change in or public announcement of the formal or informal interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), in each case, constitutes a “Change in Law” shall be made without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty

provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, (B) Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by adding the words “(including, for the avoidance of doubt and without limitation, adoption or promulgation of new regulations authorized or mandated by existing statute)” after the word “regulation” in the second line thereof and (ii) by replacing the words “the interpretation” with the words “or public announcement of any formal or informal interpretation” in the third line thereof and (C) the words “, unless the illegality is due to an act or omission of the party seeking to elect termination of the Transaction with the intent to avoid its obligations under the terms of the Transaction” are added immediately following the word “Transaction” in the fifth line thereof; and *provided further* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by adding the phrase “and/or Hedge Position” after the word “Shares” in clause thereof and (iii) by immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.

Failure to Deliver:	Applicable with respect to a Transaction if Dealer is required to deliver Shares under such Transaction; otherwise, Not Applicable.
Hedging Disruption:	Applicable; provided that Section 12.9(a)(v) of the Equity Definitions is hereby modified by inserting at the end of such Section: “provided, however, that any such inability that occurs solely due to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be a Hedging Disruption.”
Increased Cost of Hedging:	Applicable; <i>provided</i> that Section 12.9(b)(vi) of the Equity Definitions shall be amended by (i) adding the word “or” before clause (B) of the second sentence thereof, (ii) deleting clause (C) of the second sentence thereof and (iii) deleting the third and fourth sentences thereof.
Increased Cost of Stock Borrow:	Applicable; <i>provided</i> that Section 12.9(b)(v) of the Equity Definitions shall be amended by (i) adding “or” before clause (B) of the second sentence thereof, (ii) deleting clause (C) of the second sentence thereof and (iii) deleting the third, fourth and fifth sentences thereof. For the avoidance of doubt, upon the announcement of any event that, if consummated, would result in a Merger Event or Tender Offer, the term “rate to borrow Shares” as used in Section 12.9(a)(viii) of the Equity Definitions shall include any commercially reasonable cost borne or amount payable by the Hedging Party in respect of maintaining, adjusting or reestablishing its commercially reasonable hedge position with respect to the relevant Transaction, including, but not limited to, any assessment or other amount payable by the Hedging Party to a lender of Shares in respect of any merger or tender offer premium, as applicable.
Initial Stock Loan Rate:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction.
Loss of Stock Borrow:	Applicable; <i>provided</i> that Section 12.9(b)(iv) of the Equity Definitions shall be amended by (i) deleting clause (A) of the first sentence thereof in its entirety and (ii) deleting the words “neither the Non-Hedging Party nor the Lending Party lends Shares in the amount of the Hedging Shares or” in the second sentence thereof.
Maximum Stock Loan Rate:	For each Transaction, as specified in the Supplemental Confirmation for such Transaction.
Hedging Party:	For all applicable Additional Disruption Events, Dealer

Determining Party:

For all applicable Extraordinary Events, Dealer

Early Valuation:

Early Valuation:

For any Transaction, notwithstanding anything to the contrary herein, in the Agreement, in any Supplemental Confirmation or in the Equity Definitions, at any time (x) following the occurrence of (1) a Hedging Event with respect to such Transaction, (2) the declaration by Issuer of an Extraordinary Dividend, or (3) an ISDA Event with respect to such Transaction or (y) if an Excess Section 13 Ownership Position, an Excess NYSE Ownership Position or an Excess Regulatory Ownership Position exists, Dealer (or, in the case of such an ISDA Event that is an Event of Default or Termination Event, the party entitled to designate an Early Termination Date in respect of such event pursuant to Section 6 of the Agreement) shall have the right to designate any Scheduled Trading Day to be the "Early Valuation Date" for such Transaction, in which case the provisions set forth in this "Early Valuation" section shall apply to such Transaction, in the case of an Event of Default or Termination Event, in lieu of Section 6 of the Agreement. For the avoidance of doubt, any amount calculated pursuant to this "Early Valuation" section as a result of an Extraordinary Dividend shall not be adjusted by the value associated with such Extraordinary Dividend.

If an Early Valuation Date for a Transaction occurs on a date that is not during an Unwind Period for such Transaction, then such Early Valuation Date shall be a Valuation Date for a Physical Settlement of such Transaction, and the number of Settlement Shares for such Settlement shall be the Number of Shares on such Early Valuation Date; *provided* that Dealer may in its sole discretion permit Counterparty to elect Cash Settlement or Net Share Settlement in respect of such Transaction. Notwithstanding anything to the contrary in this Master Confirmation, any Supplemental Confirmation, the Agreement or the Equity Definitions, if Dealer designates an Early Valuation Date with respect to a Transaction following the occurrence of an ISDA Event and such Early Valuation Date is to occur before the date that is one Settlement Cycle after the Forward Hedge Selling Period for such Transaction, then, for purposes of such Early Valuation Date, (i) a Supplemental Confirmation relating to such Transaction shall, notwithstanding the provisions under Section 3 below, be deemed to be effective; and (ii) the Forward Price shall be deemed to be the Initial Forward Price.

If an Early Valuation Date for a Transaction occurs during an Unwind Period for such Transaction, then (i) (A) the last Unwind Date of such Unwind Period shall be deemed to be such Early Valuation Date, (B) a Settlement shall occur in respect of such Unwind Period, and the Settlement Method elected by Counterparty in respect of such Settlement shall apply, and (C) the number of Settlement Shares for such Settlement shall be the number of Unwound Shares for such Unwind Period on such Early Valuation Date, and (ii) (A) such Early Valuation Date shall be a Valuation Date for an additional Physical Settlement of such Transaction (*provided* that Dealer may in its sole discretion elect that the Settlement Method elected by Counterparty for the Settlement described in clause (i) of this sentence shall apply) and (B) the number of Settlement Shares for such additional Settlement shall be the number of Remaining Shares on such Early Valuation Date.

Notwithstanding the foregoing, in the case of a Nationalization or Merger Event, if at the time of the related Relevant Settlement Date the Shares have changed into cash or any other property or the right to receive cash or any other property, the Calculation Agent shall adjust the nature of the Shares as it determines appropriate in a commercially reasonable manner to account for such change such that the nature of the Shares is consistent with what shareholders receive in such event.

ISDA Event:

(i) Any Event of Default or Termination Event, other than an Event of Default or Termination Event that also constitutes a Bankruptcy Termination Event, that gives rise to the right of either party to designate an Early Termination Date pursuant to Section 6 of the Agreement or (ii) the announcement of any event or transaction on or after the first Trading Day of the Forward Hedge Selling Period for such Transaction that, if consummated, would result in a Merger Event, Tender Offer, Nationalization, Delisting or Change in Law, in each case, as reasonably determined by the Calculation Agent.

Amendment to Merger Event:

Section 12.1(b) of the Equity Definitions is hereby amended by deleting the remainder of such Section beginning with the words “in each case if the Merger Date is on or before” in the fourth to last line thereof.

Hedging Event:

In respect of any Transaction, the occurrence of any of the following events on or following the first Trading Day of the Forward Hedge Selling Period: (i) (x) a Loss of Stock Borrow in connection with which Counterparty does not refer the Hedging Party to a satisfactory Lending Party within the required time period as provided in Section 12.9(b)(iv) of the Equity Definitions or (y) a Hedging Disruption, (ii) (A) an Increased Cost of Stock Borrow or (B) an Increased Cost of Hedging in connection with which, in the case of sub-clause (A) or (B), Counterparty does not elect, and so notify the Hedging Party of its election, in each case, within the required time period to either amend such Transaction pursuant to Section 12.9(b)(v)(A) or Section 12.9(b)(vi)(A) of the Equity Definitions, as applicable, or pay an amount determined by the Calculation Agent that corresponds to the relevant Price Adjustment pursuant to Section 12.9(b)(v)(B) or Section 12.9(b)(vi)(B) of the Equity Definitions, as applicable, or (iii) the occurrence of a Market Disruption Event during an Unwind Period for such Transaction and the continuance of such Market Disruption Event for at least eight Scheduled Trading Days. In respect of any Transaction, if a Hedging Event occurs with respect to such Transaction on or after the first Trading Day of the Forward Hedge Selling Period for such Transaction and prior to the Trade Date for such Transaction, the Calculation Agent may reduce the Initial Forward Price to account for such Hedging Event and any commercially reasonable costs or expenses incurred by Dealer in relation to its commercially reasonable hedge position as a result of such Hedging Event.

Remaining Shares:

For any Transaction, on any day, the Number of Shares for such Transaction as of such day (or, if such day occurs during an Unwind Period for such Transaction, the Number of Shares for such Transaction as of such day *minus* the Unwound Shares for such Transaction for such Unwind Period on such day).

Unwound Shares:

For any Transaction, for any Unwind Period in respect of such Transaction on any day, the aggregate number of Shares with respect to which Dealer has unwound its commercially reasonable hedge position in a commercially reasonable manner in respect of such Transaction in connection with the related Settlement as of such day.

Acknowledgements:

Non-Reliance: Applicable

Agreements and Acknowledgements Regarding Hedging Activities: Applicable

Additional Acknowledgements: Applicable

Transfer: Notwithstanding anything to the contrary in the Agreement, Dealer may assign, transfer and set over all rights, title and interest, powers, privileges and remedies of Dealer under any Transaction, in whole or in part, to an affiliate of Dealer [whose obligation is guaranteed by [Dealer's ultimate parent]] without the consent of Counterparty; *provided* that (1)(a) Counterparty will not be required to pay to such assignee or transferee an amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) of the Agreement greater than the amount in respect of which Counterparty would have been required to pay Dealer in the absence of such assignment or transfer; (b) Counterparty will not receive a payment from which an amount has been withheld or deducted on account of a Tax under Section 2(d)(i) of the Agreement in excess of that which Dealer would have been required to so withhold or deduct in the absence of such assignment or transfer; (c) no Event of Default, Potential Event of Default or Termination Event will occur as a result of such assignment or transfer, and (d) the senior unsecured debt rating (the "Credit Rating") of such affiliate (or any guarantor of its obligations under the Transaction) is equal to or greater than the Credit Rating of Dealer or its Credit Support Provider as specified by Standard and Poor's Rating Services or Moody's Investor Service, Inc., at the time of such assignment or transfer. In connection with any assignment or transfer pursuant to the immediately preceding sentence, the assignee or transferee shall deliver to Counterparty a properly executed IRS Form W-9 or applicable Form W-8 (together with all necessary attachments) establishing an exemption from backup withholding under the Internal Revenue Code of 1986, as amended (the "Code"). For the avoidance of doubt, any such guarantee shall not be a Credit Support Document hereunder, and any such guarantor shall not be a Credit Support Provider hereunder.

Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer's obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty solely to the extent of any such performance.

Calculation Agent: Dealer. Whenever the Calculation Agent is required to act or to exercise judgment in any way with respect to any Transaction hereunder, it will do so in good faith and in a commercially reasonable manner.

Following the occurrence and during the continuation of an Event of Default pursuant to Section 5(a)(vii) of the Agreement with respect to which Dealer is the sole Defaulting Party, Counterparty shall have the right to select a leading dealer in the market for U.S. corporate equity derivatives reasonably acceptable to Dealer, to replace Dealer as Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent.

Following any determination or calculation by the Calculation Agent hereunder, upon a written request by Counterparty, the Calculation Agent will, within a commercially reasonable period of time following such request, provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that Dealer shall not be required to disclose any proprietary or confidential models of Dealer or any information that is proprietary or subject to contractual, legal or regulatory obligations to not disclose such information.

Counterparty Payment Instructions:

To be provided by Counterparty

Dealer Payment Instructions:

To be provided separately by Dealer

Counterparty's Contact Details for Purpose of Giving Notice:

To be provided by Counterparty

Dealer's Contact Details for Purpose of Giving Notice:

[]

[]

[]

Attention: []

3. Effectiveness.

The effectiveness of each Supplemental Confirmation and the related Transaction on the Effective Date for such Supplemental Confirmation shall be subject to satisfaction (or waiver by Dealer) of the following conditions:

(a) the representations and warranties of Counterparty contained in the Equity Distribution Agreement, and any certificate delivered pursuant thereto by Counterparty shall be true and correct on such Effective Date as if made as of such Effective Date;

(b) Counterparty shall have performed all of the obligations required to be performed by it under the Equity Distribution Agreement on or prior to such Effective Date;

(c) all of the conditions set forth in Section 5 of the Equity Distribution Agreement shall have been satisfied;

(d) such Supplemental Confirmation shall be dated during the period commencing on the date of the Equity Distribution Agreement and expiring on the earlier to occur of (i) the date on which on which the gross sale price of Shares sold pursuant to the Equity Distribution Agreement and any similar agreement or agreements with one or more other dealers and dated the date thereof is equal to or exceeds USD1,000,000,000 and (ii) the date on which the Equity Distribution Agreement is terminated;

(e) all of the representations and warranties of Counterparty hereunder and under the Agreement shall be true and correct on such Effective Date as if made as of such Effective Date;

(f) Counterparty shall have performed all of the obligations required to be performed by it hereunder and under the Agreement on or prior to such Effective Date, including without limitation its obligations under Sections 5 and 6 hereof; and

(g) Counterparty shall have delivered to Dealer an opinion of counsel in form and substance reasonably satisfactory to Dealer with respect to the matters set forth in Section 3(a) of the Agreement (subject to customary exceptions, limitations, qualifications and assumptions reasonably acceptable to Dealer) and that the maximum number of Shares initially issuable under such Transaction have been duly authorized and, upon issuance pursuant to the terms of such Transaction, will be validly issued, fully paid and nonassessable.

Notwithstanding the foregoing or any other provision of this Master Confirmation or any Supplemental Confirmation, if in respect of any Transaction (x) on or prior to 9:00 a.m., New York City time, on any Forward Hedge Settlement Date, in connection with establishing its commercially reasonable hedge position in respect of such Transaction Dealer, in its good faith and commercially reasonable judgment, is unable, after using commercially reasonable efforts, to borrow and deliver for sale the full number of Shares to be borrowed and sold pursuant to the Equity Distribution Agreement on such Forward Hedge Settlement Date or (y) in Dealer's good faith and commercially reasonable judgment, it would incur a stock loan cost of more than a rate equal to the Maximum Stock Loan Rate for such Transaction with respect to all or any portion of such full number of Shares, the effectiveness of the related Supplemental Confirmation and such Transaction shall be limited to the number of Shares Dealer is so able to borrow in connection with establishing its commercially reasonable hedge position of such Transaction at a cost of not more than a rate equal to the Maximum Stock Loan Rate for such Transaction, which, for the avoidance of doubt, may be zero. "**Forward Hedge Settlement Date**" will mean a Trading Day that is one Settlement Cycle immediately following the Trading Day on which the sale of any Forward Hedge Shares occurs pursuant to the Equity Distribution Agreement.

4. Additional Mutual Representations and Warranties. In addition to the representations and warranties in the Agreement, each party represents and warrants to the other party that it is an "eligible contract participant", as defined in the U.S. Commodity Exchange Act (as amended), and an "accredited investor" as defined in Section 2(a)(15)(ii) of the Securities Act of 1933 (as amended) (the "**Securities Act**"), and is entering into each Transaction hereunder as principal and not for the benefit of any third party.

5. Additional Representations, Warranties and Agreements of Counterparty. Counterparty represents and warrants to Dealer that the representations and warranties of Counterparty which are set forth in Section 2 of the Equity Distribution Agreement are true and correct as of the date hereof, except to the extent such representations and warranties expressly relate to any earlier date, in which case they shall have been true and correct as of such earlier date in all material respects and will be deemed to have represented and warranted to Dealer that such representations and warranties are true and correct as of the date of each Supplemental Confirmation, each Trade Date for any Transaction and each Forward Hedge Settlement Date for any Transaction. Such representations and warranties hereby are deemed to be repeated to Dealer on the date hereof and on each such other date as if set forth herein. In addition to the representations and warranties in Section 1 of the Equity Distribution Agreement, the Agreement and those contained elsewhere herein, Counterparty represents and warrants to Dealer, and agrees with Dealer, that:

(a) without limiting the generality of Section 13.1 of the Equity Definitions, it acknowledges that Dealer is not making any representations or warranties with respect to the treatment of any Transaction, including without limitation ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity*, ASC 815-40, *Derivatives and Hedging — Contracts in Entity's Own Equity* (or any successor issue statements) or under the Financial Accounting Standards Board's Liabilities & Equity Project;

(b) it shall not take any action to reduce or decrease the number of authorized and unissued Shares below the sum of (i) the aggregate Number of Shares across all Transactions hereunder *plus* (ii) the total number of Shares issuable upon settlement (whether by physical settlement, net share settlement or otherwise) of any other transaction or agreement to which it is a party;

(c) it will not repurchase any Shares if, immediately following such repurchase, the aggregate Number of Shares across all Transactions hereunder would be equal to or greater than 4.9% of the number of then-outstanding Shares and it will notify Dealer promptly upon the announcement or consummation of any repurchase of Shares in an amount that, taken together with the amount of all repurchases since the date of the last such notice (or, if no such notice has been given, since the Trade Date), exceeds 0.5% of the number of then-outstanding Shares; it is not entering into this Master Confirmation or any Supplemental Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares), or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) for the purpose of inducing the purchase or sale of the Shares (or any security convertible into or exchangeable for Shares) by others;

(d) neither it nor any of its officers or directors is aware of any material non-public information regarding itself or the Shares; it is entering into this Master Confirmation and each Supplemental Confirmation and will provide any Settlement Notice in good faith and not as part of a plan or scheme to evade compliance with Rule 10b-5 or any other provision of

the federal securities laws; it has not entered into or altered any hedging transaction relating to the Shares corresponding to or offsetting any Transaction; and it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation and each Supplemental Confirmation under Rule 10b5-1 under the Exchange Act (“**Rule 10b5-1**”);

(e) as of the date hereof and the Trade Date for each Transaction no state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares in connection with any Transaction; *provided* that Counterparty makes no such representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer;

(f) as of the date hereof, the Trade Date for each Transaction and the date of any payment or delivery by Counterparty or Dealer under any Transaction, it is not and will not be “insolvent” (as such term is defined under Section 101(32) of the Bankruptcy Code);

(g) it is not as of the date hereof, and on the Trade Date for each Transaction and after giving effect to the transactions contemplated hereby and by each Supplemental Confirmation will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended;

(h) as of the date hereof and the Trade Date for each Transaction it: (i) is an “institutional account” as defined in FINRA Rule 4512(c); and (ii) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities, and will exercise independent judgment in evaluating any recommendations of Dealer or its associated persons; and

(i) IT UNDERSTANDS AS OF THE DATE HEREOF AND AS OF THE TRADE DATE FOR EACH TRANSACTION THAT EACH TRANSACTION IS SUBJECT TO COMPLEX RISKS WHICH MAY ARISE WITHOUT WARNING AND MAY AT TIMES BE VOLATILE AND THAT LOSSES MAY OCCUR QUICKLY AND IN UNANTICIPATED MAGNITUDE AND IS WILLING TO ACCEPT SUCH TERMS AND CONDITIONS AND ASSUME (FINANCIALLY AND OTHERWISE) SUCH RISKS.

6. Additional Covenants of Counterparty.

(a) Counterparty acknowledges and agrees that any Shares delivered by Counterparty to Dealer on any Physical Settlement Date or Net Share Settlement Date for any Transaction will be (i) newly issued, (ii) approved for listing or quotation on the Exchange, subject to official notice of issuance, and (iii) registered under the Exchange Act, and, when delivered by Dealer (or an affiliate of Dealer) to securities lenders from whom Dealer (or an affiliate of Dealer) borrowed Shares in connection with hedging its exposure to such Transaction, will be freely saleable without further registration or other restrictions under the Securities Act in the hands of those securities lenders, irrespective of whether any such stock loan is effected by Dealer or an affiliate of Dealer. Accordingly, Counterparty agrees that any Shares so delivered will not bear a restrictive legend and will be deposited in, and the delivery thereof shall be effected through the facilities of, the Clearance System. In addition, Counterparty represents and agrees that any such Shares shall be, upon such delivery, duly and validly authorized, issued and outstanding, fully paid and nonassessable, free of any lien, charge, claim or other encumbrance.

(b) Counterparty agrees that Counterparty shall not enter into or alter any hedging transaction relating to the Shares corresponding to or offsetting any Transaction. Without limiting the generality of the provisions set forth opposite the caption “Unwind Activities” in Section 2 of this Master Confirmation, Counterparty acknowledges that it has no right to, and agrees that it will not seek to, control or influence Dealer’s decision to make any “purchases or sales” (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) under or in connection with any Transaction, including, without limitation, Dealer’s decision to enter into any hedging transactions.

(c) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation or any Supplemental Confirmation must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification or waiver shall be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.

(d) Counterparty shall promptly provide notice thereof to Dealer (i) upon the occurrence of any event that would constitute a Potential Event of Default, an Event of Default or a Termination Event in respect of which Counterparty is a Defaulting Party or an Affected Party, as the case may be, and (ii) upon announcement of any event that, if consummated, would constitute an Extraordinary Event or Potential Adjustment Event.

(e) Neither Counterparty nor any of its “affiliated purchasers” (as defined by Rule 10b-18 under the Exchange Act (“**Rule 10b-18**”)) shall take any action that would reasonably be expected to cause any purchases of Shares by Dealer or any of its Affiliates in connection with any Cash Settlement or Net Share Settlement of any Transaction not to meet the requirements of the safe harbor provided by Rule 10b-18 if such purchases were made by Counterparty. Without limiting the generality of the foregoing, during any Unwind Period for any Transaction, except with the prior written consent of Dealer, Counterparty will not, and will cause its affiliated purchasers (as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or announce or commence any tender offer relating to, any Shares (or equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for the Shares. However, the foregoing shall not (a) limit Counterparty’s ability, pursuant to any issuer “plan” (as defined in Rule 10b-18), to re-acquire Shares from employees in connection with such plan or program, (b) limit Counterparty’s ability to withhold Shares to cover tax liabilities associated with such a plan, (c) prohibit any purchases effected by or for an issuer “plan” by an “agent independent of the issuer” (each as defined in Rule 10b-18), (d) otherwise restrict Counterparty’s or any of its affiliates’ ability to repurchase Shares under privately negotiated, off-exchange transactions with any of its employees, officers, directors, affiliates or any third party will not result in market transactions or (e) limit Counterparty’s ability to grant stock and options to “affiliated purchasers” (as defined in Rule 10b-18) or the ability of such affiliated purchasers to acquire such stock or options in connection with any issuer “plan” (as defined in Rule 10b-18) for directors, officers and employees or any agreements with respect to any such plan for directors, officers or employees of any entities that are acquisition targets of Counterparty, and in connection with any such purchase under (a) through (e) above, Counterparty will be deemed to represent to Dealer that such purchase does not constitute a “Rule 10b-18 purchase” (as defined in Rule 10b-18).

(f) Counterparty will not be subject to any “restricted period” (as such term is defined in Regulation M promulgated under the Exchange Act (“**Regulation M**”)) in respect of Shares or any security with respect to which the Shares are a “reference security” (as such term is defined in Regulation M) during any Unwind Period for any Transaction.

(g) During any Unwind Period, Counterparty shall: (i) prior to the opening of trading in the Shares on any day on which Counterparty makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction, to the extent permitted by applicable law, notify Dealer of such public announcement; (ii) promptly notify Dealer following any such announcement that such announcement has been made; (iii) promptly (but in any event prior to the next opening of the regular trading session on the Exchange) provide Dealer with written notice specifying (A) Counterparty’s average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the announcement date for the Merger Transaction that were not effected through Dealer or its affiliates and (B) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding such announcement date. Such written notice shall be deemed to be a certification by Counterparty to Dealer that such information is true and correct. In addition, Counterparty shall promptly notify Dealer of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Counterparty acknowledges that any such notice may result in a Regulatory Disruption, a Trading Condition or, if such notice relates to an event that is also an ISDA Event, an Early Valuation, or may affect the length of any ongoing Unwind Period; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 6(c) above. “Merger Transaction” means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act. For the avoidance of doubt, a Merger Transaction or the announcement thereof shall not give either party the right to designate an Early Valuation Date for any Transaction and/or to accelerate or preclude an election by Counterparty of Physical Settlement for any Settlement of any Transaction, unless such Merger Transaction or the announcement thereof is also an ISDA Event.

7. Termination on Bankruptcy. The parties hereto agree that, notwithstanding anything to the contrary in the Agreement or the Equity Definitions, each Transaction constitutes a contract to issue a security of Counterparty as contemplated by Section 365(c)(2) of the Bankruptcy Code and that a Transaction and the obligations and rights of Counterparty and Dealer (except for any liability as a result of breach of any of the representations or warranties provided by Counterparty

in Section 4 or Section 5 above) shall immediately terminate, without the necessity of any notice, payment (whether directly, by action or otherwise) or other action by Counterparty or Dealer, if, on or prior to the final Physical Settlement Date, Cash Settlement Payment Date or Net Share Settlement Date, as the case may be, for such Transaction an Insolvency Filing occurs or any other proceeding commences with respect to Counterparty under the Bankruptcy Code (a “**Bankruptcy Termination Event**”).

8. Additional Provisions.

(a) Dealer acknowledges and agrees that Counterparty’s obligations under the Transactions are not secured by any collateral and that neither this Master Confirmation nor any Supplemental Confirmation is intended to convey to Dealer rights with respect to the transactions contemplated hereby and by any Supplemental Confirmation that are senior to the claims of common stockholders in any U.S. bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to this Master Confirmation, any Supplemental Confirmation or the Agreement; *provided further* that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transaction other than the Transactions.

(b) *[Reserved]*

(c) The parties hereto intend for:

(i) each Transaction to be a “securities contract” as defined in Section 741(7) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(27), 362(o), 546(e), 546(j), 555 and 561 of the Bankruptcy Code;

(ii) the rights given to Dealer pursuant to “Early Valuation” in Section 2 above to constitute “contractual rights” to cause the liquidation of a “securities contract” and to set off mutual debts and claims in connection with a “securities contract”, as such terms are used in Sections 555 and 362(b)(6) of the Bankruptcy Code;

(iii) any cash, securities or other property provided as performance assurance, credit support or collateral with respect to the Transactions to constitute “margin payments” and “transfers” under a “securities contract” as defined in the Bankruptcy Code;

(iv) all payments for, under or in connection with the Transactions, all payments for Shares and the transfer of Shares to constitute “settlement payments” and “transfers” under a “securities contract” as defined in the Bankruptcy Code; and

(v) any or all obligations that either party has with respect to this Master Confirmation, any Supplemental Confirmation or the Agreement to constitute property held by or due from such party to margin, guaranty or settle obligations of the other party with respect to the transactions under the Agreement (including the Transactions) or any other agreement between such parties.

(d) Notwithstanding any other provision of the Agreement, this Master Confirmation or any Supplemental Confirmation, in no event will Counterparty be required to deliver in the aggregate in respect of all Settlement Dates, Net Share Settlement Dates or other dates on which Shares are delivered in respect of any amount owed under any Transaction a number of Shares greater than 1.25 times the Number of Shares for such Transaction as of the Trade Date for such Transaction (the “**Capped Number**”). The Capped Number shall be subject to adjustment only on account of (x) Potential Adjustment Events of the type specified in (1) Sections 11.2(e)(i) through (vi) of the Equity Definitions or (2) Section 11.2 (e)(vii) of the Equity Definitions so long as, in the case of this sub-clause (2), such event is within Issuer’s control, (y) Merger Events requiring corporate action of Issuer (or any surviving entity of the Issuer hereunder in connection with any such Merger Event) and (z) announcements with respect to a Merger Event that are not outside Issuer’s control. Counterparty represents and warrants to Dealer (which representation and warranty shall be deemed to be repeated for all Transactions on each day that any Transaction is outstanding) that the aggregate Capped Number across all Transactions hereunder is equal to or less than the number of authorized but unissued Shares that are not reserved for future issuance in connection with transactions in the Shares (other than the Transactions) on the date of the determination of such aggregated Capped Number. In the event Counterparty shall not have delivered the full number of Shares otherwise deliverable under any Transaction as a result of this Section 8(d) (the resulting deficit for such Transaction, the “**Deficit Shares**”), Counterparty shall be continually obligated to deliver Shares, from time to time until the full number of Deficit Shares have been delivered pursuant to this paragraph, on a pro rata basis across all Transactions hereunder, when, and to the extent that, (A) Shares are repurchased, acquired or otherwise received by Counterparty or any of its subsidiaries after the date hereof (whether or not in exchange for cash, fair value or any other consideration), (B) authorized and unissued Shares reserved for issuance in respect of other transactions prior to such

date which prior to the relevant date become no longer so reserved and (C) Counterparty additionally authorizes any unissued Shares that are not reserved for transactions other than the Transactions (such events as set forth in clauses (A), (B) and (C) above, collectively, the “Share Issuance Events”). Counterparty shall promptly notify Dealer of the occurrence of any of the Share Issuance Events (including the number of Shares subject to clause (A), (B) or (C) and the corresponding number of Shares to be delivered for each Transaction) and, as promptly as reasonably practicable, deliver such Shares thereafter. Counterparty shall not, until Counterparty’s obligations under the Transactions have been satisfied in full, use any Shares that become available for potential delivery to Dealer as a result of any Share Issuance Event for the settlement or satisfaction of any transaction or obligation other than the Transactions or reserve any such Shares for future issuance for any purpose other than to satisfy Counterparty’s obligations to Dealer under the Transactions.

(e) The parties intend for this Master Confirmation and each Supplemental Confirmation to constitute a “Contract” as described in the letter dated October 6, 2003 submitted on behalf of Goldman, Sachs & Co. to Paula Dubberly of the staff of the Securities and Exchange Commission (the “Staff”) to which the Staff responded in an interpretive letter dated October 9, 2003.

(f) The parties intend for each Transaction (taking into account purchases of Shares in connection with any Cash Settlement or Net Share Settlement of any Transaction) to comply with the requirements of Rule 10b5-1(c)(1)(i)(A) under the Exchange Act and for this Master Confirmation and each Supplemental Confirmation to constitute a binding contract or instruction satisfying the requirements of 10b5-1(c) and to be interpreted to comply with the requirements of Rule 10b5-1(c).

(g) Notwithstanding any provisions of the Agreement, all communications relating to the Transactions or the Agreement shall be transmitted exclusively through Dealer at the notice address specified under “Dealer’s Contact Details for Purpose of Giving Notice” in Section 2 of this Master Confirmation.

(h) Counterparty acknowledges that:

(i) during the term of the Transactions, Dealer and its affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its commercially reasonable hedge position with respect to the Transactions;

(ii) Dealer and its affiliates may also be active in the market for the Shares and derivatives linked to the Shares other than in connection with commercially reasonable hedging activities in relation to the Transactions, including acting as agent or as principal and for its own account or on behalf of customers;

(iii) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate in its commercially reasonable discretion to hedge its price and market risk with respect to the Forward Price and the Settlement Price for each Transaction; *provided*, that if the provisions of this Transaction require adjustment to reflect the economic effect on an adjustment event on Dealer’s hedge, such adjustment shall be made as if and to the extent Dealer had a commercially reasonable hedge;

(iv) any market activities of Dealer and its affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Forward Price and the Settlement Price for each Transaction, each in a manner that may be adverse to Counterparty; and

(v) each Transaction is a derivatives transaction; Dealer may purchase or sell shares for its own account at an average price that may be greater than, or less than, the price received by Counterparty under the terms of the relevant Transaction.

(i) Counterparty and Dealer agree and acknowledge that (A) the Transactions contemplated by this Master Confirmation will be entered into in reliance on the fact that this Master Confirmation and each Supplemental Confirmation hereto form a single agreement between Counterparty and Dealer, and Dealer would not otherwise enter into such Transactions; (B) this Master Confirmation, together with each Supplemental Confirmation hereto, is a “qualified financial contract,” as such term is defined in Section 5-701(b)(2) of the General Obligations Law; (C) each Supplemental Confirmation hereto, regardless of whether transmitted electronically or otherwise, constitutes a “confirmation in writing sufficient to indicate that a contract has been made between the parties” hereto, as set forth in Section 5-701(b)(3)(b) of the General Obligations Law; and (D) this Master Confirmation and each Supplemental Confirmation hereto constitute a prior “written contract,” as set forth in Section 5-701(b)(1)(b) of the General Obligations Law, and each party hereto intends and agrees to be bound by this Master Confirmation and such Supplemental Confirmation.

(j) Counterparty and Dealer agree that, upon the execution and delivery of any Supplemental Confirmation relating to a Transaction by Counterparty, each of the representations, warranties, covenants, agreements and other provisions of this Master Confirmation and the Supplemental Confirmation for such Transaction (including, without limitation, Dealer's right to designate an Early Valuation Date in respect of such Transaction pursuant to the provisions opposite the caption "Early Valuation" in Section 2 and the termination of such Transaction following a Bankruptcy Termination Event as described in Section 7) shall govern, and be applicable to, such Transaction as of the first Trading Day of the Forward Hedge Selling Period for such Transaction as if the Trade Date for such Transaction were such first Trading Day.

9. **Indemnification.** Counterparty agrees to indemnify and hold harmless Dealer, its affiliates and their respective directors, officers, employees, and controlling persons (Dealer and each such person being an "**Indemnified Party**") from and against any and all losses, claims, damages and liabilities (or actions in respect thereof), joint or several, incurred by or asserted against such Indemnified Party for the violation of federal or state securities law and which arise out of, are in connection with, or relate to, any breach of any covenant or representation made by the Counterparty in this Master Confirmation and any Supplemental Confirmation or the performance by Counterparty of its obligations under the Transactions. In addition, Counterparty will reimburse any Indemnified Party for all reasonable expenses (including reasonable counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense or settlement of any pending or threatened claim or any action, suit or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto and whether or not such claim, action, suit or proceeding is initiated or brought by or on behalf of Counterparty. Counterparty will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability or expense is found in a nonappealable judgment by a court of competent jurisdiction to have resulted from Dealer's willful misconduct, gross negligence or bad faith in performing the services that are subject of the Transactions. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold harmless any Indemnified Party, then Counterparty shall contribute, to the maximum extent permitted by law, to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability. Counterparty also agrees that no Indemnified Party shall have any liability to Counterparty or any person asserting claims on behalf of or in right of Counterparty in connection with or as a result of any matter referred to in this Master Confirmation and any Supplemental Confirmation except to the extent that any losses, claims, damages, liabilities or expenses incurred by Counterparty result from the material breach of any covenant or representation made by Dealer in this Master Confirmation or any Supplemental Confirmation or the Agreement or any willful misconduct, fraud or bad faith of the Indemnified Party. The provisions of this Section 9 shall survive the completion of the Transactions contemplated by this Master Confirmation and any Supplemental Confirmation and any assignment and/or delegation of the Transactions made pursuant to the Agreement, this Master Confirmation or any Supplemental Confirmation shall inure to the benefit of any permitted assignee of Dealer. For the avoidance of doubt, any payments due as a result of this provision may not be used to set off any obligation of Dealer upon settlement of the Transactions.

10. **Beneficial Ownership.** Notwithstanding anything to the contrary in the Agreement, this Master Confirmation or any Supplemental Confirmation, in no event shall Dealer be entitled to receive, or be deemed to receive, or have the "right to acquire" (within the meaning of NYSE Rule 312.04(g)) Shares to the extent that, upon such receipt of such Shares, (i) the "beneficial ownership" (within the meaning of Section 13 of the Exchange Act and the rules promulgated thereunder) of Shares by Dealer, any of its affiliates' business units subject to aggregation with Dealer for purposes of the "beneficial ownership" test under Section 13 of the Exchange Act and all persons who may form a "group" (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer with respect to "beneficial ownership" of any Shares (collectively, "**Dealer Group**") would be equal to or greater than the lesser of (x) 4.9% of the outstanding Shares (such condition, an "**Excess Section 13 Ownership Position**"), and (y) 4.9% of the outstanding Shares as of the Trade Date for any Transaction (such number of Shares, the "**Threshold Number of Shares**" and such condition, the "**Excess NYSE Ownership Position**") or (ii) Dealer, Dealer Group or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a "**Dealer Person**") under Section 203 of the Delaware General Corporation Law or any state or federal bank holding company or banking laws, or any federal, state or local laws, regulations or regulatory orders applicable to ownership of Shares ("**Applicable Laws**"), would own, beneficially own, constructively own, control, hold the power to vote or otherwise meet a relevant definition of ownership in excess of a number of Shares equal to (x) the lesser of (A) the maximum number of Shares that would be permitted under Applicable Laws and (B) the number of Shares that would give rise to reporting or registration obligations or other requirements (including obtaining prior approval by a state or federal regulator) of a Dealer Person under Applicable Laws and with respect to which such requirements have not been met or the relevant approval has not been received or that would give rise to any consequences under the constitutive documents of Counterparty or any contract or agreement to which Counterparty is a party, in each case *minus* (y) 1% of the number of Shares outstanding on the date of determination (such condition described in clause (ii), an "**Excess Regulatory Ownership Position**"). If any delivery owed to Dealer under any Transaction is not made, in whole or in part, as a result of this provision, (i) Counterparty's obligation to make such delivery shall not be extinguished and Counterparty shall make such delivery as

promptly as practicable after, but in no event later than one Exchange Business Day after, Dealer gives notice to Counterparty that such delivery would not result in Dealer Group directly or indirectly so beneficially owning in excess of the lesser of (A) 4.9% of the outstanding Shares and (B) the Threshold Number of Shares or (y) the occurrence of an Excess Regulatory Ownership Position and (ii) if such delivery relates to a Physical Settlement of any Transaction, notwithstanding anything to the contrary herein, Dealer shall not be obligated to satisfy the portion of its payment obligation with respect to such Transaction corresponding to any Shares required to be so delivered until the date Counterparty makes such delivery.

11. Non-Confidentiality. The parties hereby agree that (i) effective from the date of commencement of discussions concerning the Transactions, Counterparty and each of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transactions and all materials of any kind, including opinions or other tax analyses, provided by Dealer and its affiliates to Counterparty relating to such tax treatment and tax structure; *provided* that the foregoing does not constitute an authorization to disclose the identity of Dealer or its affiliates, agents or advisers, or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information, and (ii) Dealer does not assert any claim of proprietary ownership in respect of any description contained herein or therein relating to the use of any entities, plans or arrangements to give rise to a particular United States federal income tax treatment for Counterparty.

12. Restricted Shares. If Counterparty is unable to comply with the covenant of Counterparty contained in Section 6(a)(iii) above because of a change in law or a change in the policy of the Securities and Exchange Commission or its staff, or Dealer otherwise determines in its reasonable opinion based on advice of counsel that any Shares to be delivered to Dealer by Counterparty under any Transaction may not be freely returned by Dealer to securities lenders as described in the covenant of Counterparty contained in Section 6(a)(iii) above, then delivery of any such Settlement Shares (the “**Unregistered Settlement Shares**”) shall be effected pursuant to Annex A hereto, unless waived by Dealer.

13. Use of Shares. Dealer acknowledges and agrees that, except in the case of a Private Placement Settlement (as defined in Annex A hereto), Dealer shall use any Shares delivered by Counterparty to Dealer or an affiliate on any Settlement Date to return to securities lenders to close out borrowings created by Dealer in connection with its hedging activities related to exposure under the Transactions or otherwise in compliance with applicable law.

14. Rule 10b-18. In connection with bids and purchases of Shares in connection with any Net Share Settlement or Cash Settlement of any Transaction, Dealer shall use commercially reasonable efforts to conduct its activities, or cause its affiliates to conduct their activities, in a manner consistent with the requirements of paragraphs (b)(2), (b)(3) and (b)(4) of the safe harbor provided by Rule 10b-18 under the Exchange Act, as if such provisions were applicable to such purchases and taking into account any applicable Securities and Exchange Commission no-action letters as appropriate, and subject to any delays between the execution and reporting of a trade of the Shares on the Exchange and other circumstances beyond Dealer’s control; *provided further* that, without limiting the generality of this Section 14, Dealer shall not be responsible for any failure to comply with Rule 10b-18(b)(3) to the extent any transaction that was executed (or deemed to be executed) by or on behalf of Counterparty or an “affiliated purchaser” (as defined under Rule 10b-18) pursuant to a separate agreement is not deemed to be an “independent bid” or an “independent transaction” for purposes of Rule 10b-18(b)(3).

15. Governing Law. Notwithstanding anything to the contrary in the Agreement, the Agreement, this Master Confirmation, any Supplemental Confirmation and all matters arising in connection with the Agreement this Master Confirmation and any Supplemental Confirmation shall be governed by, and construed and enforced in accordance with, the laws of the State of New York (without reference to its choice of laws doctrine other than Title 14 of Article 5 of the New York General Obligations Law).

16. Set-Off.

(a) The parties agree that upon the occurrence of an Event of Default or Termination Event with respect to a party who is the Defaulting Party or the Affected Party (“X”), the other party (“Y”) will have the right (but not be obliged) without prior notice to X or any other person to set-off or apply any obligation of X owed to Y (whether or not matured or contingent and whether or not arising under the Agreement, and regardless of the currency, place of payment or booking office of the obligation) against any obligation of Y owed to X (whether or not matured or contingent and whether or not arising under the Agreement, and regardless of the currency, place of payment or booking office of the obligation). Y will give notice to the other party of any set-off effected under this Section 16.

Amounts (or the relevant portion of such amounts) subject to set-off may be converted by Y into the Termination Currency at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency. If any obligation is unascertained, Y may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained. Nothing in this Section 16 shall be effective to create a charge or other security interest. This Section 16 shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(b) Notwithstanding anything to the contrary in the foregoing, Dealer agrees not to set off or net amounts due from Counterparty with respect to any Transaction against amounts due from Dealer to Counterparty with respect to contracts or instruments that are not Equity Contracts. “**Equity Contract**” means any transaction or instrument that does not convey to Dealer rights, or the ability to assert claims, that are senior to the rights and claims of common stockholders in the event of Counterparty’s bankruptcy and would be classified as equity according to generally accepted accounting principles in the United States.

17. Staggered Settlement. Notwithstanding anything to the contrary herein, Dealer may, by prior notice to Counterparty, satisfy its obligation to deliver any Shares or other securities on any date due (an “**Original Delivery Date**”) by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.

18. Waiver of Trial by Jury. EACH OF COUNTERPARTY AND DEALER HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF DEALER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

19. Jurisdiction. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS. NOTHING IN THIS PROVISION SHALL PROHIBIT A PARTY FROM BRINGING AN ACTION TO ENFORCE A MONEY JUDGMENT IN ANY OTHER JURISDICTION.

20. Counterparts. This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.

21. Delivery of Cash. For the avoidance of doubt, nothing in this Master Confirmation or any Supplemental Confirmation shall be interpreted as requiring Counterparty to deliver cash or other assets in respect of the settlement of the Transactions, except in circumstances where the required cash or other asset settlement thereof is permitted for classification of the contract as equity by ASC 815-40, *Derivatives and Hedging — Contracts in Entity’s Own Equity*, as in effect on the date hereof.

22. Adjustments. For the avoidance of doubt, whenever the Calculation Agent, the Hedging Party or the Determining Party is called upon to make an adjustment pursuant to the terms of this Master Confirmation, any Supplemental Confirmation or the Equity Definitions to take into account the effect of an event, the Calculation Agent, the Hedging Party or the Determining Party, as applicable, shall make such adjustment by reference to the effect of such event on the Hedging Party, assuming that the Hedging Party maintains a commercially reasonable hedge position at the time of the event.

23. Other Forward Transactions. Counterparty agrees that (x) it shall not enter into, or permit to exist, any Transaction hereunder if Counterparty is party to any other issuer forward sale or similar transaction (including, without limitation, any “Transaction” under (as and defined under) any substantially identical master forward confirmation) with any financial institution other than Dealer (an “**Other Forward Transaction**”) and (y) Counterparty shall not enter into, or

permit to exist, any Other Forward Transaction at any time at which Counterparty is party to a Transaction hereunder, in each case unless the Forward Hedge Selling Period under any Transaction hereunder occurs during any part of the corresponding period under such Other Forward Transaction and no Unwind Date under any Transaction hereunder occurs on a corresponding date under such Other Forward Transaction. For the avoidance of doubt, the foregoing prohibitions shall not apply during any time at which this Master Confirmation remains in effect but no Transaction evidenced by a Supplemental Confirmation hereunder shall exist.

24. Review of Confirmation. Counterparty hereby agrees (a) to check this Master Confirmation carefully and promptly upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing (in the exact form provided by Dealer) correctly sets forth the terms of the agreement between Dealer and Counterparty hereunder, by manually signing this Master Confirmation or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to us.

25. Other Provisions. **[Insert if relevant for Dealer]**

Yours faithfully,

[DEALER]

By: _____
Name: _____
Title: _____

Agreed and accepted by:

ATMOS ENERGY CORPORATION

By: _____
Name: _____
Title: _____

Signature Page to the Master Confirmation

PRIVATE PLACEMENT PROCEDURES

If Counterparty delivers Unregistered Settlement Shares pursuant to Section 12 above (a “**Private Placement Settlement**”), then:

(a) all Unregistered Settlement Shares shall be delivered to Dealer (or any affiliate of Dealer designated by Dealer) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof;

(b) as of or prior to the date of delivery, Dealer and any potential purchaser of any such shares from Dealer (or any affiliate of Dealer designated by Dealer) identified by Dealer shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities of similar size (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them); *provided* that prior to receiving or being granted access to any such information, Dealer, such affiliate of Dealer or such potential purchaser, as the case may be, may be required by Counterparty to enter into a customary nondisclosure agreement with Counterparty in respect of any such due diligence investigation;

(c) as of the date of delivery, Counterparty shall enter into an agreement (a “**Private Placement Agreement**”) with Dealer (or any affiliate of Dealer designated by Dealer) in connection with the private placement of such shares by Counterparty to Dealer (or any such affiliate) and the private resale of such shares by Dealer (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities of similar size, in form and substance commercially reasonably satisfactory to Dealer, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, Dealer and its affiliates and obligations to use best efforts to obtain customary opinions, accountants’ comfort letters and lawyers’ negative assurance letters, and shall provide for the payment by Counterparty of all commercially reasonable fees and expenses in connection with such resale, including all commercially reasonable fees and expenses of counsel for Dealer, and shall contain representations, warranties, covenants and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales; and

(d) in connection with the private placement of such shares by Counterparty to Dealer (or any such affiliate) and the private resale of such shares by Dealer (or any such affiliate), Counterparty shall, if so requested by Dealer, prepare, in cooperation with Dealer, a private placement memorandum in form and substance reasonably satisfactory to Dealer.

In the case of a Private Placement Settlement, Dealer shall, in its good faith discretion, adjust the amount of Unregistered Settlement Shares to be delivered to Dealer hereunder in a commercially reasonable manner to reflect the fact that such Unregistered Settlement Shares may not be freely returned to securities lenders by Dealer and may only be saleable by Dealer at a discount to reflect the lack of liquidity in Unregistered Settlement Shares.

If Counterparty delivers any Unregistered Settlement Shares in respect of a Transaction, Counterparty agrees that (i) such Shares may be transferred by and among Dealer and its affiliates and (ii) after the minimum “holding period” within the meaning of Rule 144(d) under the Securities Act has elapsed after the applicable Settlement Date, Counterparty shall promptly remove, or cause the transfer agent for the Shares to remove, any legends referring to any transfer restrictions from such Shares upon delivery by Dealer (or such affiliate of Dealer) to Counterparty or such transfer agent of seller’s and broker’s representation letters customarily delivered by Dealer or its affiliates in connection with resales of restricted securities pursuant to Rule 144 under the Securities Act, each without any further requirement for the delivery of any certificate, consent, agreement, opinion of counsel, notice or any other document, any transfer tax stamps or payment of any other amount or any other action by Dealer (or such affiliate of Dealer).

SCHEDULE A

SUPPLEMENTAL
CONFIRMATION

To: Atmos Energy Corporation

A/C: []

From: []

Re: Issuer Share Forward Sale Transaction

Ref. No: []

Date: [], 20[]

Dear Sir(s):

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between [Dealer] (“**Dealer**”) and Atmos Energy Corporation (“**Counterparty**”) (together, the “**Contracting Parties**”) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between Dealer and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation dated as of February 12, 2020 (the “**Master Confirmation**”) between the Contracting Parties, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.
2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

Trade Date: [], 20[]

Effective Date: [], 20[]

Maturity Date: [], 20[] *[at least [one (1) month] after the Trade Date]*

Forward Hedge Selling Period: [] *[1 Trading Day]*

Number of Shares: []

Initial Forward Price: USD []

Forward Hedge Selling Commission Rate: []% *[not more than [] %]*

Spread: []%

Volume-Weighted Hedge Price: USD []

Threshold Price: USD []

Initial Stock Loan Rate: [] basis points per annum

Maximum Stock Loan Rate: [] basis points per annum

Schedule A-1

Yours faithfully,

[DEALER]

By: _____
Name:
Title:

Agreed and accepted by:

ATMOS ENERGY CORPORATION

By: _____
Name:
Title:

Signature Page to the Supplemental Confirmation

FORWARD PRICE REDUCTION AMOUNTS

<u>Forward Price Reduction Date:</u>	<u>Forward Price Reduction Amount:</u>
[], 20[]	USD []
[], 20[]	USD []
[], 20[]	USD []
[], 20[]	USD []

REGULAR DIVIDEND AMOUNTS

For any calendar quarter ending on or prior to [December 31, 20[]]:	USD[]
For any calendar quarter ending after [December 31, 20[]]:	USD[]

[Letterhead of Gibson, Dunn & Crutcher, LLP]

February 12, 2020

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240

Re: *Atmos Energy Corporation*
Registration Statement on Form S-3 (File No. 333-236369)

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-3, File No. 333-236369, (the "Registration Statement"), of Atmos Energy Corporation, a corporation incorporated under the laws of Texas and Virginia (the "Company"), filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), in connection with the offering by the Company of shares of the Company's common stock, no par value per share (the "Common Stock"), having an aggregate offering price to the public of up to \$1,000,000,000 (the "Shares"). The Shares will be issued pursuant to (i) that certain Equity Distribution Agreement dated as of February 12, 2020 (the "Equity Distribution Agreement") among the Company and the Managers and Forward Purchasers (the "Forward Purchasers") named in Schedule A thereto and (ii) the Master Confirmations for Forward Sale, each dated February 12, 2020, between the Company and each of the Forward Purchasers (each, a "Master Forward Confirmation," and collectively, the "Master Forward Confirmations"), and any related Supplemental Confirmations (as defined in the applicable Master Forward Confirmation).

In arriving at the opinion expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of specimen Common Stock certificates and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render the opinions set forth below. In our examination, we have assumed without independent investigation the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that the Shares, when issued against payment therefor in accordance with the Equity Distribution Agreement, will be validly issued, fully paid and non-assessable.

The opinions expressed above are subject to the following additional exceptions, qualifications, limitations and assumptions:

A. The effectiveness of the Registration Statement under the Securities Act will not have been terminated or rescinded.

B. We render no opinion herein as to matters involving any laws other than the Texas For-Profit Corporation Law. This opinion is limited to the effect of the current state of the Texas For-Profit Corporation Law and the facts as they currently exist. We express no opinion regarding any federal or state laws or regulations related to the regulation of utilities. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

C. We note that the Company is incorporated in the State of Texas and in the Commonwealth of Virginia and that you are receiving an opinion of Virginia counsel as to matters relating to Virginia law.

D. All offers and sales of the Shares will (i) comply with the minimum offering price limitation, pricing formula, and offering size limit set forth in the authorization of the offering and sale of the Shares by the Company's Board of Directors and (ii) be completed on or prior to February 11, 2023, unless an extension to such date is authorized by the Company.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption "Legal Matters" in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP



HUNTON ANDREWS KURTH LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

FILE NO: 051645.0000001

February 12, 2020

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240

Atmos Energy Corporation
Public Offering of Shares of Common Stock

Ladies and Gentlemen:

We have acted as special Virginia counsel to Atmos Energy Corporation, a Texas and Virginia corporation (the “Company”), in connection with the Company’s offering and sale of shares of the Company’s common stock, no par value per share (the “Common Stock”), having an aggregate offering price to the public of up to \$1,000,000,000 (the “Shares”).

The Shares are being offered and sold (a) as described in the prospectus, dated February 11, 2020 (the “Base Prospectus”), contained in the Registration Statement on Form S-3 (Registration No. 333-236369) (the “Registration Statement”) filed by the Company on February 11, 2020 with the Securities and Exchange Commission (the “Commission”) pursuant to the Securities Act of 1933, as amended (the “Act”), the Registration Statement, and the prospectus supplement thereto, dated February 12, 2020 (the “Prospectus Supplement,” and, together with the Base Prospectus, the “Prospectus”) and (b) pursuant to (i) that certain Equity Distribution Agreement, dated February 12, 2020 (the “Equity Distribution Agreement”), among the Company and the Managers and Forward Purchasers named in Schedule A thereto and (ii) the Master Confirmations for Forward Sale, each dated February 12, 2020, between the Company and each of Morgan Stanley & Co. LLC, BNP Paribas, Canadian Imperial Bank of Commerce, Credit Agricole Corporate and Investment Bank c/o Credit Agricole Securities (USA) Inc., as Agent, Goldman Sachs & Co. LLC, JPMorgan Chase Bank, National Association, Bank of America N.A., Mizuho Securities USA LLC, MUFG Securities EMEA plc, The Toronto-Dominion Bank and Wells Fargo Bank, National Association (each, a “Master Forward Confirmation,” and collectively, the “Master Forward Confirmations”), and any related Supplemental Confirmations (as defined in the applicable Master Forward Confirmation).

This opinion letter is being furnished in accordance with the requirements of Item 16 of Form S-3 and Item 601(b)(5)(i) of Regulation S-K promulgated under the Act.

ATLANTA AUSTIN BANGKOK BEIJING BOSTON BRUSSELS CHARLOTTE DALLAS DUBAI HOUSTON LONDON LOS ANGELES
MIAMI NEW YORK NORFOLK RICHMOND SAN FRANCISCO THE WOODLANDS TYSONS WASHINGTON, DC
www.HuntonAK.com



Atmos Energy Corporation
February 12, 2020
Page 2

In connection with this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records of the Company, certificates of corporate officers of the Company and public officials and such other documents as we have deemed necessary for the purposes of rendering this opinion letter, including, among other things, (i) the Virginia Restated Articles of Incorporation and the Amended and Restated Bylaws of the Company, each as amended through the date hereof, (ii) a certificate issued by the State Corporation Commission of the Commonwealth of Virginia on the date hereof, to the effect that the Company is existing under the laws of the Commonwealth of Virginia and in good standing, (iii) resolutions of the Board of Directors of the Company adopted at a meeting held on November 5, 2019 (the "Resolutions"), (iv) the Registration Statement, (v) the Prospectus, (vi) an executed copy of the Equity Distribution Agreement, (vii) each Master Forward Confirmation and (viii) a specimen stock certificate representing the Common Stock.

For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted to us as certified, photostatic or electronic copies and the authenticity of the originals thereof, (iii) the accuracy, completeness and authenticity of all corporate records and other information made available to us by the Company, (iv) the legal capacity of natural persons, (v) the genuineness of all signatures not witnessed by us and (vi) the due authorization, execution and delivery of all documents by all parties and the validity, binding effect and enforceability thereof on such parties (other than the authorization, execution and delivery of documents by the Company).

As to factual matters, we have relied upon, and assumed the accuracy of, representations included in the documents submitted to us, upon certificates and other comparable documents of officers and representatives of the Company, upon statements made to us in discussions with management and upon certificates of public officials. Except as otherwise expressly indicated, we have not undertaken any independent investigation of factual matters.

We do not purport to express an opinion on any laws other than those of the Commonwealth of Virginia. We express no opinion as to the effect of the laws of the State of Texas on the issuance, payment and nonassessability of the Shares.



Atmos Energy Corporation
February 12, 2020
Page 3

The opinions set forth herein are subject to the following assumptions, qualifications and limitations being true and correct at or prior to the time of the delivery of the applicable Security:

(a) the Registration Statement, and any amendments thereto (including post-effective amendments), filed under the Act and the effectiveness thereof will not have been terminated or rescinded and will comply with all applicable laws; and

(b) all offers and sales of the Shares will (i) comply with the “Minimum Price,” “Offering Size Limit” and, if applicable, “ATM Pricing Formula”, as set forth in the Resolutions and (ii) be completed on or prior to February 11, 2023, unless an extension to such date is authorized by the Company.

Based upon the foregoing and such other information and documents as we have considered necessary for the purposes hereof, and subject to the assumptions, qualifications and limitations stated herein, we are of the opinion that (subject to compliance with the pertinent provisions of the Act, and to compliance with such securities or “blue sky” laws of any jurisdiction as may be applicable):

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.
2. The Shares have been duly authorized by the Company and, when issued against payment therefor in accordance with the Equity Distribution Agreement, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion letter with the Commission as Exhibit 5.2 to the Registration Statement and to the reference to our firm under the heading “Legal Matters” in the Base Prospectus, which is part of the Registration Statement, and the Prospectus Supplement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

This opinion letter is rendered as of the date hereof, and we disclaim any obligation to advise you of facts, circumstances, events or developments that hereafter may be brought to our attention and that may alter, affect or modify the opinions expressed herein. Our opinions are expressly limited to the matters set forth above and we render no opinions, whether by implication or otherwise, as to any other matters relating to the Company or the Shares.

Very truly yours,

/s/ Hunton Andrews Kurth LLP

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**March 19, 2020
Date of Report (Date of earliest event reported)**

ATMOS ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

**TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)**

**1-10042
(Commission
File Number)**

**75-1743247
(I.R.S. Employer
Identification No.)**

**1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS
(Address of Principal Executive Offices)**

**75240
(Zip Code)**

**(972) 934-9227
(Registrant's Telephone Number, Including Area Code)**

**Not Applicable
(Former Name or Former Address, if Changed Since Last Report)**

**Title of each class
Common stock No Par Value**

**Trading
Symbol
ATO**

**Name of each exchange
on which registered
New York Stock Exchange**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensation and Arrangements of Certain Officers.

- (d) On March 19, 2020, Franklin H. Yoho was elected to the Board of Directors of the Company, effective May 1, 2020, with his term expiring at the 2021 annual meeting of shareholders on February 3, 2021. Mr. Yoho was appointed to serve on the Audit Committee and Corporate Responsibility, Sustainability, & Safety Committee of the Board of Directors, effective May 1, 2020. Mr. Yoho will participate in all applicable compensation and benefit plans offered by the Company to our directors. In connection with his election, on May 1, 2020, Mr. Yoho will receive 1,000 share units which will vest and be distributed to him upon his separation from service from the Board of Directors.

A copy of a news release issued on March 25, 2020, announcing Mr. Yoho's election to the Board of Directors is filed herewith as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

- (d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release issued by Atmos Energy Corporation dated March 25, 2020

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: March 25, 2020

By: /s/ KAREN E. HARTSFIELD

Karen E. Hartsfield

Senior Vice President, General Counsel and Corporate Secretary



News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Names Franklin H. Yoho to Board of Directors

DALLAS (March 25, 2020)-Atmos Energy Corporation (NYSE: ATO) announced today that Franklin H. Yoho has been elected to its board of directors. His election, effective May 1, 2020, will increase the size of the board to 14 directors.

Yoho was formerly Executive Vice President and President of the natural gas business for Duke Energy where he oversaw the company's natural gas operations for the five-state regulated natural gas utility and was a member of Duke Energy's Senior Management Committee.

Yoho has over 35 years' experience in the natural gas industry, including senior leadership roles at Duke Energy, Piedmont Natural Gas, and Public Service Company of North Carolina. He previously served on the boards of the American Gas Association and the Southern Gas Association, the advisory board for the Energy Production and Infrastructure Center (EPIC) at UNC Charlotte, and the board of trustees for the Institute of Gas Technology.

"Frank is an excellent addition to our Board. He has over 35 years of experience in the natural gas industry and served in important leadership roles for several well-respected regulated utilities. He will add significant value and important thought diversity to our Board," said Kim R. Cocklin, executive chairman of the Atmos Energy board.

Yoho received his Master of Business Administration from Ohio State University and a bachelor's degree in economics from Washington and Jefferson College.

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at <http://www.atmosenergy.com>, [Facebook](#), [Twitter](#), [Instagram](#) and [YouTube](#).

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**April 9, 2020
Date of Report (Date of earliest event reported)**

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)

1-10042
(Commission
File Number)

75-1743247
(I.R.S. Employer
Identification No.)

**1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS**
(Address of Principal Executive Offices)

75240
(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On April 9, 2020, Atmos Energy Corporation (the “Company”) entered into a Term Loan Agreement (the “Term Loan Agreement”) with Crédit Agricole Corporate and Investment Bank (“Crédit Agricole”), as the Administrative Agent, Canadian Imperial Bank of Commerce, New York Branch (“CIBC”), as Syndication Agent, Crédit Agricole and CIBC as Joint Lead Arrangers and Joint-Bookrunners, and the lenders named therein, providing the Company with a \$200 million senior unsecured term loan facility (the “Term Loan Facility”). Proceeds of the Term Loan Facility will be used by the Company to repay \$200 million of outstanding commercial paper outstanding as of March 31, 2020.

The Term Loan Facility will bear interest at a rate dependent on the Company’s credit ratings and based, at the Company’s election, on a base rate or on LIBOR for the applicable interest period. In the case of borrowings based on the base rate, an applicable margin ranging from 0.125% to 0.750% will apply to the Term Loan Facility, based on the Company’s then-current credit ratings. The base rate is defined as the highest of (i) the per annum rate of interest established by Crédit Agricole as its prime lending rate at the time of such borrowing, (ii) the Federal Funds Rate, as in effect at the time of borrowing, plus one-half of one percent (0.50%) per annum, or (iii) the one-month LIBOR plus one percent (1.00%). In the case of borrowings based on LIBOR, an applicable margin ranging from 1.125% to 1.750% will apply to the Term Loan Facility, based on the Company’s then-current credit ratings. The effective total interest rate may be modified in the event of a change in the Company’s credit ratings. Based upon the current LIBOR for a twelve-month period and the Company’s current credit ratings, the effective total interest rate for the Term Loan Facility is currently 2.29% per annum.

The Term Loan Facility will mature on April 9, 2022, at which time all outstanding amounts under the Term Loan Facility will be due and payable. On and after April 9, 2021, the Company may prepay all or any portion of the Term Loan Facility at any time. The Term Loan Facility contains usual and customary covenants for transactions of this type, including covenants limiting liens, substantial asset sales and mergers. In addition, the Term Loan Facility provides that during the term of the facility, the Company’s debt to capitalization ratio as of the last day of each of its fiscal quarters shall be less than or equal to 0.70 to 1.00, excluding from the calculation of debt (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with generally accepted accounting principles; and (ii) an amount of hybrid securities, as defined in the Credit Facility (generally, deferrable interest subordinated debt with a maturity of at least 20 years), not to exceed a total of 15% of total capitalization.

In the event of a default by the Company under the Term Loan Facility, including cross-defaults relating to specified other indebtedness of the Company, Crédit Agricole may, upon the consent of lenders holding a certain minimum of loans, and shall, upon the request and direction of such lenders, declare the amounts under the Term Loan Facility outstanding, including all accrued interest and unpaid fees, payable immediately, and enforce any and all rights and interests created and existing under the Term Loan Facility documents, including, without limitation, all rights of set-off and all other rights available under the law. For certain events of default relating to insolvency, bankruptcy or receivership, the amounts outstanding under the Term Loan Facility automatically become payable immediately.

With respect to the other parties to the Term Loan Facility, the Company also has or may have had customary banking relationships based on the provision of a variety of financial services, including cash management, investment banking, and equipment financing and leasing services, none of which are material individually or in the aggregate with respect to any individual party. The summary of the Term Loan Facility in this report does not purport to be completed and is qualified by reference to the full text of the Term Loan Agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K, and is incorporated herein by reference.

Item 2.02. Results of Operations and Financial Condition.

The information furnished in Item 7.01 below is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information described in Item 1.01 above is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure

The Company continues to monitor the rapidly evolving circumstances surrounding the current COVID-19 pandemic. The Company currently remains well-positioned to continue modernizing its natural gas delivery network and business processes over the long-term.

Results and capital spending for the quarter and year to date periods ending March 31, 2020 are expected to be in line with expectations. As of March 31, 2020, the Company had approximately \$2.0 billion of liquidity available, including \$1.3 billion available under its \$1.5 billion commercial paper program. This program is supported by a five-year unsecured \$1.5 billion credit facility that expires on September 25, 2023. The use of proceeds from the Term Loan Facility to repay \$200 million of outstanding commercial paper outstanding as of March 31, 2020 will increase the Company’s total liquidity to \$2.2 billion.

As a provider of essential services, the Company continues to perform third party damage prevention activities, safety and compliance work, as well as service and construction activities. The Company continues to make compliance filings in accordance with established procedural timelines and regulatory mechanisms. An update will be provided during its quarterly earnings call scheduled for May 7, 2020.

The information furnished in this Item 7.01 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Forward-Looking Statements

Certain statements made in this Current Report on Form 8-K constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that may predict, forecast, indicate or imply future results, performance or achievements instead of historical facts and may be identified generally by the use of forward-looking terminology and words such as “expects,” “anticipates,” “estimates,” “believes,” “predicts,” “intends,” “plans,” “potentially,” “may,” “continue,” “should,” “will” and words of similar meaning. The Company cautions investors that any such forward-looking statements are only estimates based on current information and involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements. The Company cannot give assurances that any such statements will prove to be correct. Factors that could cause actual results to differ materially from those estimated by the Company include the risks, uncertainties and assumptions described from time to time in the Company’s public releases and reports filed with the Securities and Exchange Commission, including, but not limited to, the Company’s most recent Annual Report on Form 10-K. The Company also cautions investors that the forward-looking information described herein represents the Company’s outlook only as of this date, and the Company undertakes no obligation to update or revise any forward-looking statements to reflect events or developments after the date of this report. Given these uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

<u>Exhibit Number</u>	<u>Description</u>
10.1	<u>Term Loan Agreement, dated as of April 9, 2020, among Atmos Energy Corporation, Crédit Agricole Corporate and Investment Bank, as the Administrative Agent, Canadian Imperial Bank of Commerce, New York Branch, as Syndication Agent, Crédit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, New York Branch, as Joint Lead Arrangers and Joint-Bookrunners, and the lenders named therein.</u>
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: April 13, 2020

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe

Senior Vice President and Chief Financial Officer

Exhibit 10.1

Execution Version

TERM LOAN AGREEMENT

dated as of April 9, 2020

among

ATMOS ENERGY CORPORATION,
as Borrower,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK
as Administrative Agent,

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH,
as Syndication Agent,

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK,
and
CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH,

As Joint Lead Arrangers

and

Joint-Bookrunners

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; CONSTRUCTION	1
Section 1.1. Definitions	1
Section 1.2. Classifications of Loans and Borrowings	19
Section 1.3. Accounting Terms and Determination	19
Section 1.4. Terms Generally	19
ARTICLE II AMOUNT AND TERMS OF THE COMMITMENTS	19
Section 2.1. General Description of Facility	20
Section 2.2. Loans	20
Section 2.3. Procedure for Borrowings	20
Section 2.4. Funding of Borrowings	20
Section 2.5. Interest Elections	21
Section 2.6. Optional Reduction and Termination of Commitments	22
Section 2.7. Repayment of Loans	22
Section 2.8. Evidence of Indebtedness	22
Section 2.9. Prepayments	22
Section 2.10. Interest on Loans	23
Section 2.11. Fees	23
Section 2.12. Computation of Interest and Fees	23
Section 2.13. Inability to Determine Interest Rates	24
Section 2.14. Illegality	25
Section 2.15. Increased Costs	25
Section 2.16. Funding Indemnity	26
Section 2.17. Taxes	27
Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs	28
Section 2.19. Mitigation of Obligations	29
Section 2.20. Replacement of Lenders	30
Section 2.21. Increase of Commitments; Additional Lenders	30
Section 2.22. Defaulting Lenders	30
ARTICLE III CONDITIONS PRECEDENT TO LOANS	31
Section 3.1. Conditions To Effectiveness	31
Section 3.3. Delivery of Documents	33
ARTICLE IV REPRESENTATIONS AND WARRANTIES	33
Section 4.1. Organization and Good Standing	33
Section 4.2. Due Authorization	33
Section 4.3. No Conflicts	33
Section 4.4. Consents	34
Section 4.5. Enforceable Obligations	34
Section 4.6. Financial Condition	34
Section 4.7. Intentionally Omitted	34
Section 4.8. No Default	34
Section 4.9. Intentionally Omitted	34
Section 4.10. Taxes	34
Section 4.11. Compliance with Law	35
Section 4.12. Material Agreements	35
Section 4.13. ERISA	35
Section 4.14. Use of Proceeds	36

	<u>Page</u>
Section 4.15. Government Regulation	36
Section 4.16. Disclosure	36
Section 4.17. OFAC; Anti-Corruption Laws; Anti-Money Laundering Laws	37
Section 4.18. Insurance.	37
Section 4.19. Franchises, Licenses, Etc.	37
Section 4.20. Secured Indebtedness	38
Section 4.21. Subsidiaries	38
ARTICLE V AFFIRMATIVE COVENANTS	38
Section 5.1. Information Covenants	38
Section 5.2. Debt to Capitalization Ratio	40
Section 5.3. Preservation of Existence, Franchises and Assets.	40
Section 5.4. Books and Records	40
Section 5.5. Compliance with Law	40
Section 5.6. Payment of Taxes and Other Claims	40
Section 5.7. Insurance	41
Section 5.8. Use of Proceeds	41
Section 5.9. Audits/Inspections	41
ARTICLE VI NEGATIVE COVENANTS	41
Section 6.1. Nature of Business	41
Section 6.2. Consolidation and Merger	41
Section 6.3. Sale or Lease of Assets	41
Section 6.4. Arm’s-Length Transactions	42
Section 6.5. Fiscal Year; Organizational Documents	42
Section 6.6. Liens	42
ARTICLE VII EVENTS OF DEFAULT	43
Section 7.1. Events of Default	43
Section 7.2. Acceleration; Remedies	45
Section 7.3. Allocation of Payments After Event of Default	46
ARTICLE VIII THE ADMINISTRATIVE AGENT	47
Section 8.1. Appointment of Administrative Agent	47
Section 8.2. Nature of Duties of Administrative Agent	47
Section 8.3. Lack of Reliance on the Administrative Agent	48
Section 8.4. Certain Rights of the Administrative Agent	48
Section 8.5. Reliance by Administrative Agent	48
Section 8.6. The Administrative Agent in its Individual Capacity	48
Section 8.7. Successor Administrative Agent	48
Section 8.8. Co-Documentation Agents; Syndication Agent	49
ARTICLE IX MISCELLANEOUS	49
Section 9.1. Notices	49
Section 9.2. Waiver; Amendments	52
Section 9.3. Expenses; Indemnification	53
Section 9.4. Successors and Assigns	54
Section 9.5. Governing Law; Jurisdiction; Consent to Service of Process	58
Section 9.6. WAIVER OF JURY TRIAL	59
Section 9.7. Right of Setoff	59
Section 9.8. Counterparts; Integration	59
Section 9.9. Survival	59
Section 9.10. Severability	60

	<u>Page</u>
Section 9.11. Confidentiality	60
Section 9.12. Interest Rate Limitation	60
Section 9.13. Waiver of Effect of Corporate Seal	61
Section 9.14. Patriot Act	61
Section 9.15. No Fiduciary Duty	61

Schedules

- Schedule I - Applicable Margins
- Schedule II - Commitment Amounts
- Schedule 4.20 - Secured Indebtedness
- Schedule 4.21 - Subsidiaries

Exhibits

- Exhibit A - Form of Assignment and Acceptance
- Exhibit 2.3 - Form of Notice of Borrowing
- Exhibit 2.5 - Form of Notice of Conversion/Continuation
- Exhibit 3.1(b)(iii) - Form of Secretary's Certificate
- Exhibit 3.1(b)(vi) - Form of Officer's Certificate
- Exhibit 5.1(c) - Form of Compliance Certificate

TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT (this "Agreement") is made and entered into as of April 9, 2020, by and among ATMOS ENERGY CORPORATION, a Texas and Virginia corporation (the "Borrower"), the several banks and other financial institutions and lenders from time to time party hereto (the "Lenders"), and CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, in its capacity as administrative agent for the Lenders (the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in favor of the Borrower a \$200,000,000 term loan facility;

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders, to the extent of their respective Commitments as defined herein, are willing severally to establish the requested term loan facility in favor of the Borrower.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Borrower, the Lenders and the Administrative Agent agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.1. Definitions. In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted LIBO Rate" shall mean, with respect to each Interest Period for a Eurodollar Borrowing, the rate per annum obtained by dividing (i) LIBOR for such Interest Period by (ii) a percentage equal to 1.00 *minus* the Eurodollar Reserve Percentage.

"Administrative Questionnaire" shall mean, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

"Affiliate" shall mean, as to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such other Person or (b) to direct or cause direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Aggregate Commitment Amount" shall mean the aggregate principal amount of the Aggregate Commitments from time to time. On the Closing Date, the Aggregate Commitment Amount equals \$200,000,000.

“Aggregate Commitments” shall mean, collectively, all Commitments of all Lenders at any time outstanding.

“Anti-Terrorism and Anti-Corruption Laws” shall mean any applicable laws, rules, or regulations relating to economic or trade sanctions, terrorism, bribery, corruption or money laundering, including without limitation any regulations or sanctions programs administered by OFAC, the United Nations, the United Kingdom, the European Union or any other applicable authority.

“Applicable Lending Office” shall mean, for each Lender and for each Type of Loan, the “Lending Office” of such Lender (or an Affiliate of such Lender) designated for such Type of Loan in the Administrative Questionnaire submitted by such Lender or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

“Applicable Margin” shall mean, as of any date, the percentage per annum determined by reference to the applicable Rating Category from time to time in effect as set forth on Schedule I; provided, that a change in the Applicable Margin resulting from a change in the Rating Category shall be effective on the day on which any rating agency changes its rating and shall continue until the day prior to the day that a further change becomes effective. Notwithstanding the foregoing, the Applicable Margin from the Closing Date until the first change in the applicable Rating Category after the Closing Date shall be at Level II as set forth on Schedule I.

“Approved Fund” shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignment and Acceptance” shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.4(b)) and accepted by the Administrative Agent, in the form of Exhibit A attached hereto or any other form approved by the Administrative Agent.

“Bail-In Action” shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Bankruptcy Code” shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

“Base Rate” shall mean the highest of (i) the per annum rate which the Administrative Agent announces from time to time to be its prime lending rate, as in effect from time to time, (ii) the Federal Funds Rate, as in effect from time to time, (any changes in such rate

to be effective as of the date of any change in such rate) plus one-half of one percent (0.50%) and (iii) the one-month Adjusted LIBO Rate, which rate shall be determined on a daily basis (any changes in such rate to be effective as of the date of any change in such rate) plus 100 basis points per annum, which rate shall be determined on a daily basis. The Administrative Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers. If the Base Rate is being used as an alternate rate of interest pursuant to Section 2.13 (for the avoidance of doubt, only until any amendment has become effective pursuant to Section 2.13(b)), then for purposes of clause (c) above the Adjusted LIBO Rate on any day shall be deemed to be zero. The Administrative Agent may make commercial loans or other loans at rates of interest at, above or below the Administrative Agent's prime lending rate. Each change in the Administrative Agent's prime lending rate shall be effective from and including the date such change is publicly announced as being effective.

"Benchmark Replacement" means the sum of: (a) the alternate benchmark rate (which may be a SOFR-Based Rate) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement; provided further to the extent any such Benchmark Replacement shall not be administratively feasible as determined by the Administrative Agent in its reasonable discretion, such Benchmark Replacement shall be applied in a manner otherwise reasonably determined by the Administrative Agent.

"Benchmark Replacement Adjustment" means the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time (for the avoidance of doubt, such Benchmark Replacement Adjustment shall not be in the form of a reduction to the Applicable Margin).

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Base Rate", the definition of "Interest Period", timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to LIBOR:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event”, the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the LIBO Screen Rate permanently or indefinitely ceases to provide the LIBO Screen Rate; or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event”, the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to LIBOR:

(a) a public statement or publication of information by or on behalf of the administrator of the LIBO Screen Rate announcing that such administrator has ceased or will cease to provide the LIBO Screen Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Screen Rate, a resolution authority with jurisdiction over the administrator for the LIBO Screen Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Screen Rate, in each case which states that the administrator of the LIBO Screen Rate has ceased or will cease to provide the LIBO Screen Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate; and/or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate announcing that the LIBO Screen Rate is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-In Election, the date specified by the Administrative Agent (or, in the event such Early Opt-in Election has occurred as a result of a determination or election by the Borrower, the Administrative Agent and the Borrower) or the Required Lenders, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced with a Benchmark Replacement, the period (a) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder in accordance with Section 2.13(b) and (b) ending at the time that a Benchmark Replacement has replaced the LIBOR for all purposes hereunder pursuant to Section 2.13(b).

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrowing” shall mean a borrowing consisting of Loans of the same Type, made, converted or continued on the same date and in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“Business Day” shall mean (i) any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close and (ii) if such day relates to a Borrowing of, a payment or prepayment of principal or interest on, a conversion of or into, or an Interest Period for, a Eurodollar Loan or a notice with respect to any of the foregoing, any day on which dealings in Dollars are carried on in the London interbank market.

“Capital Stock” shall mean (a) in the case of a corporation, all classes of capital stock of such corporation, (b) in the case of a partnership, partnership interests (whether general or limited), (c) in the case of a limited liability company, membership interests and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“Change in Law” shall mean (i) the adoption of any applicable law, rule or regulation after the date of this Agreement, (ii) any change in any applicable law, rule or regulation, or any change in the interpretation, implementation or application thereof, by any Governmental Authority after the date of this Agreement, or (iii) compliance by any Lender (or its Applicable Lending Office) (or, for purposes of Section 2.15(b), by the Parent Company of such Lender, if applicable) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided, however, that for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” shall mean either of the following events:

(a) any “person” or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) has become, directly or indirectly, the “beneficial owner” (as defined in Rules 13d-3 (other than subsection (d) thereof) and 13d-5 under the Exchange Act), by way of merger, consolidation or otherwise of 40% or more of the voting power of the Borrower on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of the Borrower convertible into or exercisable for voting stock of the Borrower (whether or not such securities are then currently convertible or exercisable); or

(b) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors of the Borrower

together with any new members of such board of directors whose elections by such board of directors or whose nomination for election by the stockholders of the Borrower was approved by a vote of a majority of the members of such board of directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the directors of the Borrower then in office.

“Charges” shall have the meaning set forth in Section 9.12.

“Closing Date” shall mean the date on which the conditions precedent set forth in Section 3.1 and Section 3.2 have been satisfied or waived in accordance with Section 9.2.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder.

“Commitment” shall mean, with respect to each Lender, the obligation of such Lender to make Loans to the Borrower on the Closing Date in the principal amount not exceeding the amount set forth with respect to such Lender on Schedule II.

“Compliance Certificate” shall mean a certificate from a Financial Officer of the Borrower in the form of, and containing the certifications set forth in, the certificate attached hereto as Exhibit 5.1(c).

“Compounded SOFR” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Administrative Agent in accordance with:

- (a) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; or
- (b) if, and to the extent that, the Administrative Agent determines that Compounded SOFR cannot be determined in accordance with clause (a) above, then the rate, or methodology for this rate, and conventions for this rate that the Administrative Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided that if the Administrative Agent decides that any such rate, methodology or convention determined in accordance with clause (a) or (b) is not administratively feasible for the Administrative Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of “Benchmark Replacement”.

“Consolidated Capitalization” shall mean, without duplication, the sum of (a) all of the shareholders’ equity or net worth of the Borrower and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP plus (b) the aggregate principal amount of Preferred Securities plus (c) the aggregate Minority Interests in Subsidiaries plus (d) Consolidated Funded Debt.

“Consolidated Funded Debt” shall mean, without duplication, the sum of (a) all indebtedness of the Borrower and its Subsidiaries for borrowed money, (b) all purchase money indebtedness of the Borrower and its Subsidiaries (other than trade accounts payable), (c) the principal portion of all obligations of the Borrower and its Subsidiaries under capital leases, (d) all commercial letters of credit and all performance and standby letters of credit issued or bankers’ acceptances created for the account of the Borrower or one of its Subsidiaries, including, without duplication, all unreimbursed draws thereunder, (e) all Guaranty Obligations of the Borrower and its Subsidiaries with respect to funded indebtedness of another Person of the types listed in clauses (a) through (d), (f) all indebtedness of another entity secured by a Lien on any property of the Borrower or any of its Subsidiaries whether or not such indebtedness has been assumed by the Borrower or any of its Subsidiaries, (g) all indebtedness of any partnership or unincorporated joint venture to the extent the Borrower or one of its Subsidiaries is legally obligated with respect thereto, net of any assets of such partnership or joint venture and in the case of the Capital Stock of such partnership or joint venture being held by a Subsidiary, limited to the net worth of such Subsidiary, (h) all obligations of the Borrower and its Subsidiaries to advance or provide funds or other support for the payment or purchase of funded indebtedness (including, without limitation, maintenance agreements, comfort letters or similar agreements or arrangements) (other than as may be given in respect of Atmos Energy Marketing, LLC (“AEM”)) and (i) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of the Borrower or one of its Material Subsidiaries where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP; provided, however, that (x) neither the indebtedness of AEM incurred in connection with the purchase of gas by AEM for resale to the Borrower nor the guaranty by the Borrower or one of its Subsidiaries of such indebtedness shall be included in this definition if such indebtedness has been outstanding for less than two months from the date of its incurrence by AEM and (y) for the purposes of calculating the Debt to Capitalization Ratio, Consolidated Funded Debt will exclude (to the extent otherwise included in Consolidated Funded Debt) (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with GAAP and (ii) an amount of Hybrid Securities not to exceed a total of 15% of Consolidated Capitalization.

“Consolidated Net Property” shall mean the Fixed Assets less, without duplication, the amount of accumulated depreciation and amortization attributable thereto.

“Consolidated Net Worth” shall mean, as of any date, (i) the total assets of the Borrower and its Subsidiaries that would be reflected on the Borrower’s consolidated balance sheet as of such date prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries, minus (ii) the total liabilities of the Borrower and its Subsidiaries that would be reflected on the Borrower’s consolidated balance sheet as of such date prepared in accordance with GAAP.

“Contractual Obligation” of any Person shall mean any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property in which it has an interest is bound.

“Corresponding Tenor” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to LIBOR.

“Credit Documents” shall mean, collectively, this Agreement, any promissory notes issued pursuant to this Agreement, the Fee Letter, all Notices of Borrowing, all Notices of Conversion/Continuation, all Compliance Certificates and any and all other instruments, agreements, documents and writings executed in connection with any of the foregoing.

“Credit Exposure” shall mean, with respect to any Lender at any time, the outstanding principal amount of such Lender’s Loans.

“Debt to Capitalization Ratio” shall mean the ratio of (a) Consolidated Funded Debt to (b) Consolidated Capitalization.

“Default” shall mean any act, condition or event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Defaulting Lender” shall mean, at any time, subject to Section 2.22, any Lender that, as determined by the Administrative Agent acting in good faith, (a) has failed to fund any portion of its Commitments required to be funded by it within two Business Days after the date required to be funded by it, unless the subject of a good faith dispute as specified to the Administrative Agent, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it under the Credit Documents within three Business Days after the date when due, unless the subject of a good faith dispute as specified to the Administrative Agent, (c) has notified the Borrower or the Administrative Agent that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations under the Credit Documents unless such notification or public statement relates to such Lender’s obligation to fund any portion of its Commitments hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding cannot be satisfied, (d) has failed, within three Business Days after request by the Administrative Agent, to confirm to the Administrative Agent that it will comply with its funding obligations; provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (d) upon receipt of such confirmation by the Administrative Agent, or (e) as to which a Lender Insolvency Event has occurred and is continuing.

“Default Interest” shall have the meaning set forth in Section 2.10(b).

“Dollar(s)” and the sign “\$” shall mean lawful money of the United States of America.

“Early Opt-In Election” means the occurrence of:

(a) (i) a determination by the Administrative Agent, (ii) a notification by the Borrower to the Administrative Agent that the Borrower has determined, or (iii) a notification by the Required Lenders to the Administrative Agent (with a copy to Borrower) that the Required Lenders have determined, in each case that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.13(b), are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace LIBOR, and

(b) (i) the election by the Administrative Agent or the Borrower or (ii) the election by the Required Lenders to declare that an Early Opt-In Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders, by the Borrower to the Administrative Agent or by the Required Lenders of written notice of such election to the Administrative Agent.

“EEA Financial Institution” shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” shall mean any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Environmental Laws” shall mean any current or future legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety, and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater) and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USC 9601 *et seq.*, Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendment of 1984, 42 USC 6901 *et seq.*, Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC 1251 *et seq.*, Clean Air Act of 1966, as amended, 42 USC 7401 *et seq.*, Toxic Substances Control Act of 1976, 15 USC 2601 *et seq.*, Hazardous Materials Transportation Act, 49 USC App. 1801 *et seq.*, Occupational Safety and Health Act of 1970, as amended, 29 USC 651 *et seq.*, Oil Pollution Act of 1990, 33 USC 2701 *et seq.*, Emergency Planning and Community Right-to-Know Act of 1986, 42 USC 11001 *et seq.*, National Environmental Policy Act of 1969, 42 USC 4321 *et seq.*, Safe Drinking Water Act of 1974, as amended, 42 USC 300(f) *et seq.*, any analogous implementing or successor law, and any amendment, rule, regulation, order, or directive issued thereunder.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

“ERISA Affiliate” shall mean an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower or any of its Subsidiaries and which is treated as a single employer under Sections 414(b), (c), (m), or (o) of the Code.

“EU Bail-In Legislation Schedule” shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurodollar” when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

“Eurodollar Reserve Percentage” shall mean the aggregate of the maximum reserve percentages (including, without limitation, any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upwards to the next 1/100th of 1%) in effect on any day with respect to the Adjusted LIBO Rate pursuant to regulations issued by the Board of Governors of the Federal Reserve System (or any Governmental Authority succeeding to any of its principal functions) with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities” under Regulation D). Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Event of Default” shall have the meaning provided in Section 7.1.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Excluded Taxes” shall mean with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Lender is located and (c) in the case of a Foreign Lender, any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, (ii) is imposed on amounts payable to such Foreign Lender at any time that such Foreign Lender designates a new lending office, other than taxes that have accrued prior to the designation of such lending office that are otherwise not Excluded Taxes, and (iii) is attributable to such Foreign Lender’s failure to comply with Section 2.17(e).

“FATCA” means Sections 1471 through 1474 of the Code and any current or future regulations or official interpretations thereof.

“Federal Funds Rate” shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or if such rate is not so published for any Business Day, the Federal Funds Rate for such day shall be the average (rounded upwards, if necessary, to the next 1/100th of 1%) of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent.

“Fee Letter” shall mean that certain fee letter, dated as of the date hereof, executed by the Administrative Agent and accepted by the Borrower.

“Financial Officer” shall mean any one of the chief financial officer, the controller or the treasurer of the Borrower.

“Fixed Assets” shall mean the assets of the Borrower and its Subsidiaries constituting “net property, plant and equipment” on the consolidated balance sheet of the Borrower and its Subsidiaries.

“Foreign Lender” shall mean any Lender that is not a United States person under Section 7701(a)(3) of the Code.

“GAAP” shall mean generally accepted accounting principles in the United States applied on a consistent basis and subject to Section 1.3.

“Governmental Authority” shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

“Guaranty Obligations” shall mean, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing any indebtedness for borrowed money of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such indebtedness or other obligation or any property constituting security therefor, (b) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such indebtedness or (c) to otherwise assure or hold harmless the owner of such indebtedness or obligation against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount of the indebtedness in respect of which such Guaranty Obligation is made.

“Hazardous Materials” shall mean all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedging Obligations” shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Hedging Transactions, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Transactions and (iii) any and all renewals, extensions and modifications of any Hedging Transactions and any and all substitutions for any Hedging Transactions.

“Hedging Transaction” shall mean any transaction (including an agreement with respect thereto) now existing or hereafter entered into by such Person that is a rate swap, basis swap, forward rate transaction, commodity swap, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collateral transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

“Hybrid Securities” shall mean any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years, which provides for the optional or

mandatory deferral of interest or distributions, issued by the Borrower, or any business trusts, limited liability companies, limited partnerships or similar entities (i) substantially all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more wholly owned subsidiaries) at all times by the Borrower or any of its subsidiaries, (ii) that have been formed for the purpose of issuing trust preferred securities or deferrable interest subordinated debt, and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a subsidiary of the Borrower, and (B) payments made from time to time on the subordinated debt.

“Indemnified Taxes” shall mean Taxes other than Excluded Taxes.

“Interest Period” shall mean with respect to any Eurodollar Borrowing, a period of one, two, three or six months, or solely with respect to the initial Interest Period on the Closing Date, twelve months; provided, that:

(i) the initial Interest Period for such Borrowing shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of another Type), and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such Business Day falls in another calendar month, in which case such Interest Period would end on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month;

(iv) no Interest Period may extend beyond the Maturity Date.

“Joint Lead Arrangers” shall mean, collectively, Cr dit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, New York Branch.

“Lender Insolvency Event” shall mean that (i) a Lender or its Parent Company is, or has been, adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of its creditors, (ii) a Lender or its Parent Company is the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or a receiver, trustee, conservator, custodian or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such capacity, has been appointed for such Lender or its Parent Company, or such Lender or its Parent Company has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment, (iii) a Lender or its Parent Company has become the subject of a Bail-In Action; provided that, for the avoidance of doubt, a Lender Insolvency Event shall not be deemed to have occurred solely by virtue of the ownership or acquisition of any equity interest in or control of a Lender or a Parent Company thereof by a Governmental Authority or an instrumentality thereof so long as such ownership or acquisition does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

“Lenders” shall have the meaning assigned to such term in the opening paragraph of this Agreement.

“LIBOR” shall mean, for any Interest Period with respect to a Eurodollar Loan, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London, England time), two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided that in no event shall such LIBOR be less than zero.

“Lien” shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind.

“Listed Country” has the meaning set forth in Section 4.17(b).

“Loan” shall mean each term loan made by a Lender to the Borrower on the Closing Date under its Commitment, pursuant to Section 2.1.

“Material Adverse Effect” shall mean a material adverse effect on (a) the business, assets, liabilities, results of operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under this Agreement or any of the other Credit Documents or (c) the validity or enforceability of this Agreement, any of the other Credit Documents, or the rights and remedies of the Lenders hereunder or thereunder.

“Material Subsidiary” shall mean, at any date, a Subsidiary of the Borrower whose aggregate assets properly included under the category “property, plant and equipment” on the balance sheet of such Subsidiary, less the amount of depreciation and amortization attributable thereto, constitutes at least 10% of Consolidated Net Property as of such date; provided that if at any time the Borrower has Subsidiaries that are not Material Subsidiaries whose total aggregate assets under the category “property, plant and equipment” on the balance sheet of such Subsidiaries, less the amount of depreciation and amortization attributable thereto, constitute more than 20% of Consolidated Net Property as of such date the Borrower shall designate one or more of such Subsidiaries as Material Subsidiaries for the purposes of this Agreement in order that all Subsidiaries of the Borrower, other than Material Subsidiaries, own not more than 20% of Consolidated Net Property.

“Maturity Date” shall mean the earlier of (i) April 9, 2022 and (ii) the date on which all amounts outstanding under this Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

“Maximum Rate” shall have the meaning set forth in Section 9.12.

“Minority Interests” shall mean interests owned by Persons (other than the Borrower or a Subsidiary of the Borrower) in a Subsidiary of the Borrower in which less than 100% of all classes of the voting securities are owned by the Borrower or its Subsidiaries.

“Moody’s” shall mean Moody’s Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

“Multiemployer Plan” shall mean a Plan covered by Title IV of ERISA which is a multiemployer plan as defined in Section 3(37) or 4001(a)(3) of ERISA.

“Multiple Employer Plan” shall mean a Plan covered by Title IV of ERISA, other than a Multiemployer Plan, which the Borrower or any ERISA Affiliate and at least one employer other than the Borrower or any ERISA Affiliate are contributing sponsors.

“1998 Indenture” shall mean, collectively, that certain Indenture, dated as of July 15, 1998, granted by the Borrower to US Bank Trust National Association, as Trustee, and all Supplemental Indentures thereto.

“Non-Defaulting Lender” shall mean, at any time, a Lender that is not a Defaulting Lender.

“Non-Recourse Indebtedness” shall mean, at any time, indebtedness incurred after the date hereof by the Borrower or a Material Subsidiary in connection with the acquisition of property or assets by the Borrower or such Material Subsidiary or the financing of the construction of or improvements on property, whenever acquired, that, under the terms of such indebtedness and pursuant to applicable law, the recourse at such time and thereafter of the lenders with respect to such indebtedness is limited to the property or assets so acquired, or such construction or improvements, and any accession or additions thereto and proceeds thereof, including indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to such indebtedness or the related property or assets if such guarantee or similar undertaking has been satisfied and is no longer in effect at such time. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the Borrower, any Material Subsidiary, any guarantor or any other Person for (a) environmental representations, warranties or indemnities, or (b) indemnities for and liabilities arising from (i) fraud, (ii) misrepresentation, (iii) misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received from secured assets to be paid to the lender, (iv) waste, (v) materialmen’s and mechanics’ liens or (vi) similar matters.

“Notice of Borrowing” shall have the meaning set forth in Section 2.3.

“Notice of Conversion/Continuation” shall mean the notice given by the Borrower to the Administrative Agent in respect of the conversion or continuation of an outstanding Borrowing as provided in Section 2.5(b).

“NYFRB” means the Federal Reserve Bank of New York.

“Obligations” shall mean all amounts owing by the Borrower to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or any other Credit Document, including without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), all reimbursement obligations, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all reasonable fees and expenses of counsel to the Administrative Agent and any Lender incurred

pursuant to this Agreement or any other Credit Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, and all Hedging Obligations owed to the Administrative Agent, any Lender or any of their Affiliates incurred in order to limit interest rate or fee fluctuation with respect to the Loans, and all obligations and liabilities incurred in connection with collecting and enforcing the foregoing, together with all renewals, extensions, modifications or refinancings thereof.

“OFAC” shall mean the Office of Foreign Assets Control of the U.S. Department of Treasury.

“Other Taxes” shall mean any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Credit Document.

“Parent Company” shall mean, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

“Participant” shall have the meaning set forth in Section 9.4(d).

“Payment Office” shall mean the office of the Administrative Agent located at 1301 Avenue of the Americas, New York, NY 10019, or such other location as to which the Administrative Agent shall have given written notice to the Borrower and the other Lenders.

“PBGC” shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

“Permitted Lien” shall mean, with respect to any asset, the Liens permitted to exist on such asset under Section 6.6.

“Person” shall mean any individual, partnership, joint venture, firm, corporation, association, trust, limited liability company or other enterprise (whether or not incorporated), or any government or political subdivision or any agency, department or instrumentality thereof.

“Physical Trade Contract” shall mean any agreement that is for the purchase, sale, transfer or exchange of natural gas or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and any master agreement relating to or governing any or all of the foregoing, in each case entered into in the ordinary course of business.

“Physical Trade Obligations” shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Physical Trade Contracts, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Physical Trade Contracts and (iii) any and all renewals, extensions and modifications of any Physical Trade Contracts and any and all substitutions for any Physical Trade Contracts.

“Plan” shall mean any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an “employer” within the meaning of Section 3(5) of ERISA.

“Preferred Securities” shall mean, at any date, any equity interests in the Borrower, in a Special Purpose Financing Subsidiary of the Borrower or in any other Subsidiary of the Borrower (such as those known as “TECONS”, “MIPS” or “RHINOS”): (a) that are not (i) required to be redeemed or redeemable at the option of the holder thereof prior to the fifth anniversary of the Commitment Termination Date (as defined in the Principal Revolving Credit Agreement) or (ii) convertible into or exchangeable for (unless solely at the option of the Borrower or such Subsidiary of the Borrower) equity interests referred to in clause (i) above or indebtedness having a scheduled maturity, or requiring any repayments or prepayments of principal or any sinking fund or similar payments in respect of principal or providing for any such repayment, prepayment, sinking fund or other payment at the option of the holder thereof prior to the fifth anniversary of the Commitment Termination Date (as defined in the Principal Revolving Credit Agreement) and (b) as to which, at such date, the Borrower or such Subsidiary of the Borrower has the right to defer the payment of all dividends and other distributions in respect thereof for the period of at least 19 consecutive quarters beginning at such date.

“Principal Revolving Credit Agreement” shall mean that certain Revolving Credit Agreement dated as of September 25, 2015 among the Borrower, Crédit Agricole Corporate and Investment Bank, as administrative agent, and the lenders from time to time parties thereto, as amended, restated, supplemented, refinanced, replaced, or otherwise modified from time to time.

“Pro Rata Share” shall mean with respect to any Commitment of any Lender at any time, a percentage, the numerator of which shall be such Lender’s Commitment (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, such Lender’s Credit Exposure), and the denominator of which shall be the sum of such Commitments of all Lenders (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Credit Exposure of all Lenders).

“Rating Category” shall mean the applicable credit ratings categories given to the Borrower by Moody’s and S&P as set forth on Schedule I.

“Register” shall have the meaning set forth in Section 9.4(c).

“Regulation D, T, U, or X” shall mean Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System (or any successor body) as from time to time in effect, any amendment thereto and any successor to all or a portion thereof.

“Related Parties” shall mean, with respect to any specified Person, such Person’s Affiliates and the respective directors, partners, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Release” shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

“Relevant Governmental Body” means the Board and/or the NYFRB, or a committee officially endorsed or convened by the Board and/or the NYFRB or, in each case, any successor thereto.

“Reportable Event” shall mean a “reportable event” as defined in Section 4043 of ERISA with respect to which the notice requirements to the PBGC have not been waived.

“Required Lenders” shall mean, at any time, Lenders holding more than 50% of the aggregate outstanding Commitments of the Lenders at such time or if the Lenders have no Commitments outstanding, then Lenders holding more than 50% of the Credit Exposure of the Lenders; provided however, that to the extent that any Lender is a Defaulting Lender, such Defaulting Lender and all of its Commitments and Credit Exposure shall be excluded for purposes of determining Required Lenders.

“Requirement of Law” for any Person shall mean the articles or certificate of incorporation, bylaws, partnership certificate and agreement, or limited liability company certificate of organization and agreement, as the case may be, and other organizational and governing documents of such Person, and any law, treaty, rule or regulation, or determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor or assignee of the business of such division in the business of rating securities.

“Sanctions Lists” shall have the meaning assigned to such term in Section 4.14.

“SEC” shall mean the Securities and Exchange Commission or any successor agency.

“Single Employer Plan” shall mean any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the NYFRB, as the administrator of the benchmark (or a successor administrator), on the website of the NYFRB at <http://www.newyorkfed.org>, or any successor source.

“SOFR-Based Rate” means SOFR, Compounded SOFR or Term SOFR.

“Special Purpose Financing Subsidiary” shall mean a Subsidiary of the Borrower that has no direct or indirect interest in the business of the Borrower and its other Subsidiaries and was formed solely for the purpose of issuing Preferred Securities.

“Subsidiary” shall mean, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not, at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (b) any partnership, association, joint venture, limited liability company or other entity in which such Person directly or indirectly through Subsidiaries has more than 50% voting equity interest at any time.

“Syndication Agent” shall mean Canadian Imperial Bank of Commerce, New York Branch.

“Taxes” shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Termination Event” shall mean (a) with respect to any Single Employer Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA), (b) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan, (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA, (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA, (e) any event or condition which might reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (f) the complete or partial withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan.

“Total Assets” shall mean all assets of the Borrower and its Subsidiaries as shown on its most recent quarterly consolidated balance sheet, as determined in accordance with GAAP.

“2001 Indenture” shall mean, collectively, that certain Indenture, dated as of May 22, 2001, granted by the Borrower to SunTrust Bank, Atlanta, as Trustee, and all Supplemental Indentures thereto.

“2007 Indenture” shall mean, collectively, that certain Indenture, dated as of June 14, 2007, granted by the Borrower to U.S. Bank National Association, as Trustee, and all Supplemental Indentures, if any, thereto.

“2009 Indenture” shall mean, collectively, that certain Indenture, dated as of March 26, 2009, granted by the Borrower to U.S. Bank National Association, as Trustee, and all Supplemental Indentures, if any, thereto.

“Type”, when used in reference to a Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Base Rate.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment; provided that, if the Unadjusted Benchmark Replacement as so determined would be less than zero, the Unadjusted Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2. Classifications of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Type (e.g. a “Eurodollar Loan”, or “Base Rate Loan”). Borrowings also may be classified and referred to by Type (e.g. “Eurodollar Borrowing”).

Section 1.3. Accounting Terms and Determination. Unless otherwise defined or specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP as in effect from time to time, applied on a basis consistent with the most recent audited consolidated financial statements of the Borrower delivered pursuant to Section 5.1(a); provided, that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend the covenant in Section 5.2 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Section 5.2 for such purpose), then the Borrower’s compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standards Codification Section 825-10 (or any other Financial Accounting Standard having a similar result or effect) to value any Consolidated Funded Indebtedness or other liabilities of the Borrower or any Subsidiary of the Borrower at “fair value”, as defined therein.

Section 1.4. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the word “to” means “to but excluding”. Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as it was originally executed or as it may from time to time be amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person’s successors and permitted assigns, (iii) the words “hereof”, “herein” and “hereunder” and words of similar import shall be construed to refer to this Agreement as a whole and not to any particular provision hereof, (iv) all references to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles, Sections, Exhibits and Schedules to this Agreement and (v) all references to a specific time shall be construed to refer to the time in the city and state of the Administrative Agent’s principal office, unless otherwise indicated.

ARTICLE II

AMOUNT AND TERMS OF THE COMMITMENTS

Section 2.1. Reserved.

Section 2.2. Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make a term loan in Dollars, ratably in proportion to its Pro Rata Share, to the Borrower, on the Closing Date in an aggregate principal amount outstanding equal to such Lender's Commitment. The Borrower may not reborrow any Loans that are repaid.

Section 2.3. Procedure for Borrowings. The Borrower shall give the Administrative Agent written notice of the Borrowing substantially in the form of Exhibit 2.3 (the "Notice of Borrowing") on the Closing Date. The Notice of Borrowing shall be irrevocable and shall specify: (i) the aggregate principal amount of such Borrowing, (ii) the Type of such Loan comprising such Borrowing and (iii) in the case of a Eurodollar Borrowing, the duration of the initial Interest Period applicable thereto (subject to the provisions of the definition of Interest Period). Each Borrowing shall consist entirely of Base Rate Loans or Eurodollar Loans, as the Borrower may request. The aggregate principal amount of each Eurodollar Borrowing shall be not less than \$5,000,000 or a larger multiple of \$1,000,000, and the aggregate principal amount of each Base Rate Borrowing shall not be less than \$1,000,000 or a larger multiple of \$100,000; provided, that Base Rate Loans made pursuant to Section 2.4 may be made in lesser amounts as provided therein. At no time shall the total number of Eurodollar Borrowings outstanding exceed six. Promptly following the receipt of the Notice of Borrowing in accordance herewith, the Administrative Agent shall advise each Lender of the details thereof and the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.4. Funding of Borrowings.

(a) Each Lender will make available the Loan to be made by it hereunder on the Closing Date by wire transfer in immediately available funds by 12:00 noon (New York time) to the Administrative Agent at the Payment Office. The Administrative Agent will make the Loans available to the Borrower by promptly crediting the amounts that it receives, in like funds by the close of business on such proposed date, to an account maintained by the Borrower with the Administrative Agent or at the Borrower's option, by effecting a wire transfer of such amounts to an account designated by the Borrower to the Administrative Agent.

(b) Unless the Administrative Agent shall have been notified by any Lender prior to 5:00 p.m. (New York time) one (1) Business Day prior to the Closing Date that such Lender will not make available to the Administrative Agent such Lender's Loan, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date, and the Administrative Agent, in reliance on such assumption, may make available to the Borrower on such date a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender on the Closing Date, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest at the Federal Funds Rate until the second Business Day after such demand and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent together with interest at the rate specified for the Loans. Nothing in this subsection shall be deemed to relieve any Lender from its obligation to fund its Pro Rata Share of the Borrowing on the Closing Date hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

(c) All Borrowings shall be funded by the Lenders severally on the basis of their respective Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in its obligations hereunder, and each Lender shall be obligated to make its Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

Section 2.5. Interest Elections.

(a) The Borrowing on the Closing Date initially shall be of the Type specified in the Notice of Borrowing, and in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Borrower may elect to convert such Borrowing into a different Type or to continue such Borrowing, and in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.5. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section 2.5, the Borrower shall give the Administrative Agent prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing substantially in the form of Exhibit 2.5 attached hereto (a “Notice of Conversion/Continuation”) that is to be converted or continued, as the case may be, (x) prior to 11:00 a.m. (New York time) one (1) Business Day prior to the requested date of a conversion into a Base Rate Borrowing and (y) prior to 11:00 a.m. (New York time) three (3) Business Days prior to a continuation of or conversion into a Eurodollar Borrowing. Each such Notice of Conversion/Continuation shall be irrevocable and shall specify (i) the Borrowing to which such Notice of Conversion/Continuation applies and if different options are being elected with respect to different portions thereof, the portions thereof that are to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) shall be specified for each resulting Borrowing); (ii) the effective date of the election made pursuant to such Notice of Conversion/Continuation, which shall be a Business Day, (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and (iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of “Interest Period”. If any such Notice of Conversion/Continuation requests a Eurodollar Borrowing but does not specify an Interest Period, the Borrower shall be deemed to have selected an Interest Period of one month. The principal amount of any resulting Borrowing shall satisfy the minimum borrowing amount for Eurodollar Borrowings and Base Rate Borrowings set forth in Section 2.3.

(c) If, on the expiration of any Interest Period in respect of any Eurodollar Borrowing, the Borrower shall have failed to deliver a Notice of Conversion/Continuation, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Borrowing to a Base Rate Borrowing. No Borrowing may be converted into, or continued as, a Eurodollar Borrowing if a Default or an Event of Default exists, unless the Administrative Agent and each of the Lenders shall have otherwise consented in writing. No conversion of any Eurodollar Loans shall be permitted except on the last day of the Interest Period in respect thereof.

(d) Upon receipt of any Notice of Conversion/Continuation, the Administrative Agent shall promptly notify each Lender of the details thereof.

Section 2.6. Termination of Commitments. All Commitments shall terminate on the Closing Date upon funding of the Loans.

Section 2.7. Repayment of Loans. The outstanding principal amount of all Loans shall be due and payable in full (together with accrued and unpaid interest thereon) on the Maturity Date.

Section 2.8. Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice appropriate records evidencing the indebtedness of the Borrower to such Lender resulting from the Loan made by such Lender, including the amounts of principal and interest payable thereon and paid to such Lender from time to time under this Agreement. The Administrative Agent shall maintain appropriate records in which shall be recorded (i) the Commitment of each Lender, (ii) the amount of the Loan made hereunder by each Lender, the Type thereof and the Interest Period applicable thereto, (iii) the date of each continuation thereof pursuant to Section 2.5, (iv) the date of each conversion of all or a portion thereof to another Type pursuant to Section 2.5, (v) the date and amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder in respect of such Loans and (vi) both the date and amount of any sum received by the Administrative Agent hereunder from the Borrower in respect of the Loans and each Lender's Pro Rata Share thereof. The entries made in such records shall be *prima facie* evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, that the failure or delay of any Lender or the Administrative Agent in maintaining or making entries into any such record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans (both principal and unpaid accrued interest) of such Lender in accordance with the terms of this Agreement.

(b) This Agreement evidences the obligation of the Borrower to repay the Loans and is being executed as a "noteless" credit agreement. However, at the request of any Lender at any time, the Borrower agrees that it will prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment permitted hereunder) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.9. Prepayments.

At any time after the first anniversary of the Closing Date, the Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, without premium or penalty, by giving irrevocable written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent no later than (i) in the case of prepayment of any Eurodollar Borrowing, 11:00 a.m. (New York time) not less than three (3) Business Days prior to any such prepayment, and (ii) in the case of any prepayment of any Base Rate Borrowing, not less than one Business Day prior to the date of such prepayment. Each such notice shall be irrevocable and shall specify the proposed date of such prepayment and the principal amount of each Borrowing or portion thereof to be prepaid. Upon receipt of any such notice, the Administrative Agent shall promptly notify each affected Lender of the contents thereof and of such Lender's Pro Rata Share of any such prepayment. If such notice is given, the aggregate amount specified in such notice shall be due and payable on the date designated in such notice,

together with accrued interest to such date on the amount so prepaid in accordance with Section 2.10(c); provided, that if a Eurodollar Borrowing is prepaid on a date other than the last day of an Interest Period applicable thereto, the Borrower shall also pay all amounts required pursuant to Section 2.16. Each partial prepayment of any Loan shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type pursuant to Section 2.3. Each prepayment of a Borrowing shall be applied ratably to the Loans comprising such Borrowing. Notwithstanding anything set forth herein to the contrary, the outstanding principal amount of all Loans shall remain outstanding for a period of at least one (1) year from the Borrowing of such Loans.

Section 2.10. Interest on Loans.

(a) The Borrower shall pay interest on each Base Rate Loan at the Base Rate in effect from time to time and on each Eurodollar Loan at the Adjusted LIBO Rate for the applicable Interest Period in effect for such Loan, *plus*, in each case, the Applicable Margin in effect from time to time.

(b) Upon the occurrence, and during the continuation, of an Event of Default under Section 7.1(a) or, at the option of the Required Lenders, any other Event of Default, the Borrower shall pay interest (“Default Interest”) with respect to all Eurodollar Loans at the rate otherwise applicable for the then-current Interest Period *plus* an additional 2% per annum until the last day of such Interest Period, and thereafter, and with respect to all Base Rate Loans and all other Obligations hereunder (other than Loans), at an all-in rate in effect for Base Rate Loans, *plus* an additional 2% per annum.

(c) Interest on the principal amount of all Loans shall accrue from and including the date such Loans are made to but excluding the date of any repayment thereof. Interest on all outstanding Base Rate Loans shall be payable quarterly in arrears on the last day of each March, June, September and December and on the Maturity Date. Interest on all outstanding Eurodollar Loans shall be payable on the last day of each Interest Period applicable thereto, and, in the case of any Eurodollar Loans having an Interest Period in excess of three months, on each day which occurs every three months after the initial date of such Interest Period, and on the Maturity Date. Interest on any Loan which is converted into a Loan of another Type or which is repaid or prepaid shall be payable on the date of such conversion or on the date of any such repayment or prepayment (on the amount repaid or prepaid) thereof. All Default Interest shall be payable on demand.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder and shall promptly notify the Borrower and the Lenders of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

Section 2.11. Fees. The Borrower shall pay to the Administrative Agent for its own account fees in the amounts and at the times set forth in the Fee Letter.

Section 2.12. Computation of Interest and Fees. Interest hereunder based on the Administrative Agent’s prime lending rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day) Each determination by the Administrative Agent of an interest amount or fee hereunder shall be made in good faith and, except for manifest error, shall be final, conclusive and binding for all purposes.

Section 2.13. Inability to Determine Interest Rates. (a) If prior to the commencement of any Interest Period for any Eurodollar Borrowing,

(i) the Administrative Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant interbank market, adequate means do not exist for ascertaining LIBOR for such Interest Period, or

(ii) the Administrative Agent shall have received notice from the Required Lenders that the Adjusted LIBO Rate does not adequately and fairly reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Loans for such Interest Period,

the Administrative Agent shall give written notice (or telephonic notice, promptly confirmed in writing) to the Borrower and to the Lenders as soon as practicable thereafter. Until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) the obligations of the Lenders to make Eurodollar Loans or to continue or convert outstanding Loans as or into Eurodollar Loans shall be suspended and (ii) all such affected Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto unless the Borrower prepays such Loans in accordance with this Agreement. Unless the Borrower notifies the Administrative Agent at least one Business Day before the date of any Eurodollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, then such Borrowing shall be made as a Base Rate Borrowing.

(b)

(i) Notwithstanding anything to the contrary herein, upon the occurrence of a Benchmark Transition Event or an Early Opt-In Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace LIBOR with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. (New York City time) on the fifth Business Day after the Administrative Agent has posted such proposed amendment to all Lenders, so long as the Administrative Agent has not received, by such time, written notice of objection to such proposed amendment from Lenders comprising the Required Lenders; provided that, with respect to any proposed amendment containing any SOFR-Based Rate, the Lenders shall be entitled to object only to the Benchmark Replacement Adjustment contained therein. Any such amendment with respect to an Early Opt-In Election will become effective on the date that Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders consent to such amendment. No replacement of LIBOR with a Benchmark Replacement will occur prior to the applicable Benchmark Transition Start Date.

(ii) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and,

notwithstanding anything to the contrary herein or in any Note, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(iii) The Administrative Agent will promptly notify the Borrower and the Lenders of (A) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, (B) the implementation of any Benchmark Replacement, (C) the effectiveness of any Benchmark Replacement Conforming Changes and (D) the commencement or conclusion of any Benchmark Unavailability Period.

(iv) Upon receipt by the Borrower of notice of the commencement of a Benchmark Unavailability Period, the provisions of clauses (i) and (ii) of the final paragraph Section 2.13(a) shall apply as to all Eurodollar Loans, mutatis mutandis.

(v) Any determination, decision or election that may be made by the Administrative Agent, the Borrower or Lenders pursuant to this Section 2.13(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.13(b).

Section 2.14. Illegality. If any Change in Law shall make it unlawful or impossible for any Lender to make, maintain or fund any Eurodollar Loan and such Lender shall so notify the Administrative Agent, the Administrative Agent shall promptly give notice thereof to the Borrower and the other Lenders, whereupon until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Eurodollar Loans, or to continue or convert outstanding Loans as or into Eurodollar Loans, shall be suspended. In the case of the making of a Eurodollar Borrowing, such Lender's Loan shall be made as a Base Rate Loan as part of the same Borrowing for the same Interest Period and if the affected Eurodollar Loan is then outstanding, such Loan shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurodollar Loan if such Lender may lawfully continue to maintain such Loan to such date or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain such Eurodollar Loan to such date. Notwithstanding the foregoing, the affected Lender shall, prior to giving such notice to the Administrative Agent, designate a different Applicable Lending Office if such designation would avoid the need for giving such notice and if such designation would not otherwise be disadvantageous to such Lender in the good faith exercise of its discretion.

Section 2.15. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement that is not otherwise included in the determination of the Adjusted LIBO Rate hereunder against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the eurodollar interbank market any other condition affecting this Agreement or any Eurodollar Loans made by such Lender;

and the result of either of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining a Eurodollar Loan or to reduce the amount received or receivable by such Lender hereunder (whether of principal, interest or any other amount), then the Borrower shall promptly pay, upon written notice from and demand by such Lender on the Borrower (with a copy of such notice and demand to the Administrative Agent), to the Administrative Agent for the account of such Lender, within five Business Days after the date of such notice and demand, additional amount or amounts sufficient to compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that on or after the date of this Agreement any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital (or on the capital of the Parent Company of such Lender) as a consequence of its obligations hereunder to a level below that which such Lender or the Parent Company of such Lender could have achieved but for such Change in Law (taking into consideration such Lender's policies or the policies of the Parent Company of such Lender with respect to capital adequacy or liquidity) then, from time to time, within five (5) Business Days after receipt by the Borrower of written demand by such Lender (with a copy thereof to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender or the Parent Company of such Lender for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or the Parent Company of such Lender, as the case may be, specified in paragraph (a) or (b) of this Section 2.15 shall be delivered to the Borrower (with a copy to the Administrative Agent) and shall be conclusive, absent manifest error. The Borrower shall pay any such Lender such amount or amounts within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.15 shall not constitute a waiver of such Lender's right to demand such compensation.

Section 2.16. Funding Indemnity. In the event of (a) the payment of any principal of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion or continuation of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure by the Borrower to borrow, prepay, convert or continue any Eurodollar Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such event, the Borrower shall compensate each Lender, within five (5) Business Days after written demand from such Lender, for any loss, reasonable cost or expense directly attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense shall be deemed to include an amount determined by such Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Eurodollar Loan if such event had not occurred at the Adjusted LIBO Rate applicable to such Eurodollar Loan for the period from the date of such event to the last day of the then current Interest Period therefor (or in the case of a

failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan) over (B) the amount of interest that would accrue on the principal amount of such Eurodollar Loan for the same period if the Adjusted LIBO Rate were set on the date such Eurodollar Loan was prepaid or converted or the date on which the Borrower failed to borrow, convert or continue such Eurodollar Loan. A certificate as to any additional amount payable under this Section 2.16 submitted to the Borrower by any Lender (with a copy to the Administrative Agent) shall be conclusive, absent manifest error.

Section 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided, that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) the Administrative Agent or any Lender (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within five (5) Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 2.17) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the Code or any treaty to which the United States is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. Without limiting the generality of the foregoing, each Foreign Lender agrees that it will deliver to the Administrative Agent and the Borrower (or in the case of a Participant, to the Lender from which the related participation shall have been purchased), as appropriate, two (2) duly completed copies of (i) Internal Revenue Service Form W-8 ECI, or any successor form thereto, certifying that the

payments received from the Borrower hereunder are effectively connected with such Foreign Lender's conduct of a trade or business in the United States; or (ii) Internal Revenue Service Form W-8 BEN, or any successor form thereto, certifying that such Foreign Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest; or (iii) Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate (A) establishing that the payment to the Foreign Lender qualifies as "portfolio interest" exempt from U.S. withholding tax under Code section 871(h) or 881(c), and (B) stating that (1) the Foreign Lender is not a bank for purposes of Code section 881(c)(3)(A), or the obligation of the Borrower hereunder is not, with respect to such Foreign Lender, a loan agreement entered into in the ordinary course of its trade or business, within the meaning of that section; (2) the Foreign Lender is not a 10% shareholder of the Borrower within the meaning of Code section 871(h)(3) or 881(c)(3)(B); and (3) the Foreign Lender is not a controlled foreign corporation that is related to the Borrower within the meaning of Code section 881(c)(3)(C); or (iv) such other Internal Revenue Service forms as may be applicable to the Foreign Lender, including Forms W-8 IMY or W-8 EXP. Each such Foreign Lender shall deliver to the Borrower and the Administrative Agent such forms on or before the date that it becomes a party to this Agreement (or in the case of a Participant, on or before the date such Participant purchases the related participation). In addition, each such Foreign Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Foreign Lender. Each such Foreign Lender shall promptly notify the Borrower and the Administrative Agent at any time that it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the Internal Revenue Service for such purpose).

(f) If a payment made to a Lender under this Agreement would be subject to U.S. federal withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or Administrative Agent as may be necessary for the Borrower or Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees, or amounts payable under Sections 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon (New York time) on the date when due, in immediately available funds, free and clear of any defenses, rights of set-off, counterclaim, or withholding or deduction of taxes. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at the Payment Office, except that payments pursuant to Sections 2.15, 2.16 and 2.17 and 9.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be made payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans that would result in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided, that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount or amounts due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 2.19. Mitigation of Obligations. If any Lender requests compensation under Section 2.15, Section 2.16, or Section 2.17, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable

under Section 2.15 or Section 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with such designation or assignment.

Section 2.20. Replacement of Lenders. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority of the account of any Lender pursuant to Section 2.17, or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions set forth in Section 9.4(b)) all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender); provided, that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal amount of all Loans owed to it, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (in the case of such outstanding principal and accrued interest) and from the Borrower (in the case of all other amounts) and (iii) in the case of a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.21. Reserved.

Section 2.22. Defaulting Lenders.

(a) Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable Requirement of Law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and in Section 9.2.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any then final and

non-appealable judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any the final and non-appealable judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 3.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments without giving effect to Section 2.18. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.22(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III

CONDITIONS PRECEDENT TO LOANS

Section 3.1. Conditions To Effectiveness. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.2).

(a) The Administrative Agent and the Joint Lead Arrangers shall have received all fees and other amounts due and payable on or prior to the Closing Date, including reimbursement or payment of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel to the Administrative Agent) required to be reimbursed or paid by the Borrower hereunder, under any other Credit Document and under any agreement with the Administrative Agent or the Joint Lead Arrangers.

(b) The Administrative Agent (or its counsel) shall have received the following:

(i) a counterpart of this Agreement signed by or on behalf of each party hereto or written evidence satisfactory to the Administrative Agent (which may include telecopy or .pdf transmission of an executed signature page of this Agreement) that such party has signed a counterpart of this Agreement;

(ii) reserved;

(iii) a certificate of the Secretary or Assistant Secretary of the Borrower in the form of Exhibit 3.1(b)(iii), attaching and certifying copies of its bylaws and of the resolutions of its boards of directors, authorizing the execution, delivery and performance of the Credit Documents and certifying the name, title and true signature of each officer of the Borrower executing the Credit Documents;

(iv) certified copies of the articles or certificate of incorporation of the Borrower, together with certificates of good standing or existence, as may be available from the Secretary of State of the jurisdictions of organization of the Borrower and each other jurisdiction in which the failure to so qualify and be in good standing would have or would reasonably be expected to have a Material Adverse Effect;

(v) a favorable written opinion of inside or outside counsel to the Borrower, addressed to the Administrative Agent and each of the Lenders, and covering such matters relating to the Borrower, the Credit Documents and the transactions contemplated therein as the Administrative Agent or the Required Lenders shall reasonably request;

(vi) a certificate in the form of Exhibit 3.1(b)(vi), dated the Closing Date and signed by a Financial Officer, certifying that (A) no Default or Event of Default exists, (B) all representations and warranties of the Borrower set forth in the Credit Documents are true and correct in all material respects, (C) since September 30, 2019, there shall have been no material adverse change in the business, condition (financial or otherwise), operations, liabilities (contingent or otherwise), properties or prospects of the Borrower and its subsidiaries taken as a whole, (D) there are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower, any of its Subsidiaries or any of its properties which would have or be reasonably expected to have a Material Adverse Effect and (E) except as would not result or be reasonably expected to result in a Material Adverse Effect: (a) each of the properties of the Borrower and its Subsidiaries and all operations at such properties are in compliance in all material respects with all applicable Environmental Laws, (b) there is no violation of any Environmental Law with respect to the properties or the businesses operated by the Borrower or its Subsidiaries, and (c) there are no conditions relating to the businesses or properties that would reasonably be expected to give rise to a material liability under any applicable Environmental Laws;

(vii) a duly executed Notice of Borrowing;

(viii) certified copies of all consents, approvals, authorizations, registrations and filings and orders required or advisable to be made or obtained under any Requirement of Law, or by any Contractual Obligation of Borrower, in connection with the execution, delivery, performance, validity and enforceability of the Credit Documents

or any of the transactions contemplated thereby, and such consents, approvals, authorizations, registrations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired, and no investigation or inquiry by any governmental authority regarding the Commitments or any transaction being financed with the proceeds thereof shall be ongoing;

(ix) copies of (A) the internally prepared quarterly financial statements of the Borrower and its Subsidiaries on a consolidated basis for the fiscal quarter ending on December 31, 2019 and (B) the audited consolidated financial statements for the Borrower and its Subsidiaries for the fiscal year ending September 30, 2019; and

(x) such other documents, certificates or information as the Joint Lead Arrangers may reasonably request, all in form and substance reasonably satisfactory to the Joint Lead Arrangers.

(c) To the extent requested by the Administrative Agent in writing not less than five (5) Business Days prior to the Closing Date, the Administrative Agent shall have received, not later than two (2) calendar days prior to the Closing Date, all documentation and other information with respect to the Borrower that the Administrative Agent reasonably believes is required by regulatory authorities under applicable “know-your-customer” and anti-money laundering rules and regulations, including without limitation the Patriot Act (as defined below).

All of the Credit Documents, certificates, legal opinions and other documents and papers referred to in this Article III, unless otherwise specified, shall be delivered to the Administrative Agent for the account of each of the Lenders and, except for any promissory notes, in sufficient counterparts or copies for each of the Lenders and shall be in form and substance reasonably satisfactory to the Administrative Agent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and each Lender as follows:

Section 4.1. Organization and Good Standing. The Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdictions of its incorporation, (b) is duly qualified and in good standing as a foreign corporation authorized to do business in every jurisdiction where the failure to so qualify would have or would reasonably be expected to have a Material Adverse Effect and (c) has the requisite corporate power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.2. Due Authorization. The Borrower (a) has the requisite corporate power and authority to execute, deliver and perform this Agreement and the other Credit Documents and to incur the obligations herein and therein provided for and (b) has been authorized by all necessary corporate action, to execute, deliver and perform this Agreement and the other Credit Documents.

Section 4.3. No Conflicts. Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of

and compliance with the terms and provisions thereof by the Borrower will (a) violate or conflict with, in any material respect, any provision of its articles of incorporation or bylaws, (b) violate, contravene or conflict with, in any material respect, any law, regulation (including without limitation, Regulation U, Regulation X or any regulation promulgated by the Federal Energy Regulatory Commission), order, writ, judgment, injunction, decree or permit applicable to it, (c) except as would not reasonably be expected to result in a Material Adverse Effect, violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it or its properties may be bound, or (d) in any material respect, result in or require the creation of any Lien upon or with respect to its properties, other than a Permitted Lien.

Section 4.4. Consents. No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance of this Agreement or any of the other Credit Documents, except any such consent, approval, authorization, order, filing, registration or qualification as would not reasonably be expected to have a Material Adverse Effect.

Section 4.5. Enforceable Obligations. This Agreement and the other Credit Documents have been duly executed and delivered and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as may be limited by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally or by general equitable principles.

Section 4.6. Financial Condition.

(a) The consolidated financial statements delivered to the Lenders pursuant to Section 3.1(b)(ix) and pursuant to Section 5.1(a) and (b): (i) have been prepared in accordance with GAAP (subject to the provisions of Section 1.3) and (ii) present fairly in all material respects the financial condition, results of operations, and cash flows of the Borrower and its Subsidiaries as of such date and for such periods.

(b) Since September 30, 2019, there has been no sale, transfer or other disposition by the Borrower of any material part of the business or property of the Borrower, and no purchase or other acquisition by the Borrower of any business or property (including any Capital Stock of any other Person) material in relation to the financial condition of the Borrower, in each case which is not (i) reflected in the most recent financial statements delivered to the Lenders pursuant to Section 3.1(b)(ix) and pursuant to Section 5.1 or in the notes thereto or (ii) otherwise permitted by the terms of this Agreement and communicated to the Administrative Agent.

Section 4.7. Intentionally Omitted.

Section 4.8. No Default. No Default or Event of Default presently exists and is continuing.

Section 4.9. Intentionally Omitted.

Section 4.10. Taxes. The Borrower and its Subsidiaries have filed, or caused to be filed, all material tax returns (federal, state, local and foreign) required to be filed and paid

all amounts of taxes shown thereon to be due (including interest and penalties) and has paid all other material taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes which are not yet delinquent or that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP.

Section 4.11. Compliance with Law. The Borrower and each of its Subsidiaries is in compliance with all laws, rules, regulations, orders and decrees applicable to it or to its properties, except where the failure to be in compliance would not have or would not reasonably be expected to have a Material Adverse Effect.

Section 4.12. Material Agreements. Neither the Borrower nor any of its Subsidiaries is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default has had or would be reasonably expected to have a Material Adverse Effect.

Section 4.13. ERISA. Except as would not result or be reasonably expected to result in a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no Termination Event has occurred, and, to the best knowledge of the Borrower, no event or condition has occurred or exists as a result of which any Termination Event is reasonably expected to occur, with respect to any Plan; (ii) no “accumulated funding deficiency,” as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in material compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no Lien in favor of the PBGC or a Plan has arisen or is reasonably expected to arise on account of any Plan.

(b) No liability has been or is reasonably expected by the Borrower to be incurred under Sections 4062, 4063 or 4064 of ERISA with respect to any Single Employer Plan by the Borrower or any of its Subsidiaries which has or would reasonably be expected to have a Material Adverse Effect.

(c) The actuarial present value of all “benefit liabilities” under each Single Employer Plan (determined within the meaning of Section 401(a)(2) of the Code, utilizing the actuarial assumptions used to fund such Plans), whether or not vested, did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such accrued liabilities, except as disclosed in the Borrower’s financial statements.

(d) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Borrower, is reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Borrower, reasonably expected to be in reorganization, insolvent, or terminated.

(e) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or is reasonably likely to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 407, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(f) The present value (determined using actuarial and other assumptions which are reasonable with respect to the benefits provided and the employees participating) of the liability of the Borrower and each ERISA Affiliate for post-retirement welfare benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA), net of all assets under all such Plans allocable to such benefits, are reflected on the financial statements referenced in Section 5.1 in accordance with FASB 106.

(g) Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

Section 4.14. Use of Proceeds. The proceeds of the Loans hereunder will be used solely for the purposes specified in Section 5.8. None of such proceeds will be used for the acquisition of another Person unless the board of directors (or other comparable governing body) or stockholders, as appropriate, of such Person has approved such acquisition. The proceeds of the Loans hereunder shall not be used, wholly, partially, directly or indirectly to finance any transaction relating to a client, customer, importer, exporter or any other Person who appears on any list of OFAC, the Financial Action Task Force on Money Laundering or on any control list of a similar nature of any governmental authority (collectively, the "Sanctions Lists") or in violation of any Anti-Terrorism and Anti-Corruption Law.

Section 4.15. Government Regulation.

(a) No proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U, or for the purpose of purchasing or carrying or trading in any securities. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loans was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Borrower and its Subsidiaries.

(b) Neither the Borrower nor any of its Subsidiaries is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by an "investment company".

Section 4.16. Disclosure. Neither this Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders

by or on behalf of the Borrower in connection with the transactions contemplated hereby (in each case, as modified or supplemented by other information so furnished) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein, taken as a whole, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time (it being understood that the projected financial information is subject to significant uncertainties and contingencies, many of which are beyond the Borrower's control, and that no assurance can be given that any projections will be realized).

Section 4.17. OFAC; Anti-Corruption Laws; Anti-Money Laundering Laws.

(a) Neither the Borrower nor any of its Subsidiaries or Affiliates, nor to its knowledge any of its or their respective directors, officers, or employees, agents or representatives, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to improperly influence official action or secure an improper advantage for the Borrower or any of its Subsidiaries or Affiliates where such actions would constitute a material breach of Anti-Corruption Laws; and the Borrower and its Subsidiaries and Affiliates have conducted their businesses in material compliance with applicable Anti-Terrorism and Anti-Corruption Laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(b) Neither the Borrower nor any of its Subsidiaries or Affiliates, nor to its knowledge any of its or their respective directors, officers, or employees, agents or representatives, is (i) named on any Sanctions List, (ii)(A) an agency of the government of a country, or (B) an organization controlled by a country, (iii) a Person resident in a country that is subject to a sanctions program identified on any Sanctions List (each a "Listed Country"), or, if a resident in a Listed Country, that residency and the operations of that Person relating to that Listed Country are in compliance with all Anti-Terrorism Laws and Anti-Corruption Laws in all material respects or (iv) directly conducting business or engaged in any transaction with any Persons named on any Sanctions List or resident in a Listed Country.

Section 4.18. Insurance. The Borrower and its Subsidiaries maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate and/or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

Section 4.19. Franchises, Licenses, Etc. The Borrower and its Subsidiaries possess (a) good title to, or the legal right to use, all properties and assets and (b) all franchises, certificates, licenses, permits and other authorizations, in each case as are necessary for the operation of their respective businesses, except to the extent the failure to possess any of the foregoing would not and would not reasonably be expected to have a Material Adverse Effect.

Section 4.20. Secured Indebtedness. All of the secured indebtedness of the Borrower is set forth on Schedule 4.20 or permitted by Section 6.6.

Section 4.21. Subsidiaries. All Subsidiaries of the Borrower and the designation as to which such Subsidiaries are Material Subsidiaries are set forth on Schedule 4.21. Schedule 4.21 may be updated from time to time by the Borrower.

Section 4.22. EEA Financial Institution. Neither the Borrower nor any Subsidiary is an EEA Financial Institution.

ARTICLE V

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains unpaid or outstanding:

Section 5.1. Information Covenants. The Borrower will furnish, or cause to be furnished, to the Administrative Agent (who shall forward copies thereof to each Lender):

(a) **Annual Financial Statements.** As soon as available, and in any event within 120 days after the close of each fiscal year of the Borrower, a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal year, together with retained earnings and a consolidated statement of cash flows for such fiscal year setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing and whose opinion shall be furnished to the Administrative Agent, shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified by a going concern or similar qualification.

(b) **Quarterly Financial Statements.** As soon as available, and in any event within 65 days after the close of each fiscal quarter of the Borrower (other than the fourth fiscal quarter) a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal quarter, together with a related consolidated statement of cash flows for such fiscal quarter in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of a Financial Officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments and absence of notes.

(c) **Officer's Certificate.** At the time of delivery of the financial statements provided for in Sections 5.1(a) and 5.1(b) above, a certificate of a Financial Officer of the Borrower, substantially in the form of Exhibit 5.1(c), (i) demonstrating compliance with Section 5.2 by calculation thereof as of the end of each such fiscal period and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower proposes to take with respect thereto.

(d) Reports. Promptly after the same are available, copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Exchange Act, and not otherwise required to be delivered to the Administrative Agent pursuant hereto.

(e) Notices. Upon the Borrower obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent promptly of (i) the occurrence of a Default or Event of Default, specifying the nature and existence thereof and what action the Borrower proposes to take with respect thereto, (ii) any change in any rating from S&P or Moody's and/or any loss of rating from S&P or Moody's and/or (iii) the occurrence of any of the following with respect to the Borrower or any Subsidiary: (A) the pendency or commencement of any litigation, arbitration or governmental proceeding against the Borrower or such Subsidiary which, if adversely determined, would have or would be reasonably expected to have a Material Adverse Effect or (B) the institution of any proceedings against the Borrower or such Subsidiary with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation or alleged violation of, any federal, state or local law, rule or regulation (including, without limitation, any Environmental Law), the violation of which would have or would be reasonably expected to have a Material Adverse Effect.

(f) ERISA. Upon the Borrower or any ERISA Affiliate obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent and each of the Lenders promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or would be reasonably expected to lead to, a Termination Event; (ii) any communication from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan together with a statement of the amount of liability, if any, incurred or expected to be incurred by the Borrower or any Subsidiary in connection therewith; (iii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Borrower or any ERISA Affiliate, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iv) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrower or any of its Subsidiaries or ERISA Affiliates is required to contribute to each Plan which is subject to Title IV of ERISA pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (v) any change in the funding status of any Plan that would have or would be reasonably expected to have a Material Adverse Effect; together, with a description of any such event or condition or a copy of any such notice and a statement by an officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower with respect thereto. Promptly upon request, the Borrower shall furnish the Administrative Agent with such additional information concerning any Plan as may be reasonably requested by the Administrative Agent or any Lender, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(g) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Borrower as the Administrative Agent or the Required Lenders may reasonably request.

(h) **Delivery of Information.** Documents required to be delivered pursuant to this Section (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address www.atmosenergy.com; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third party website or sponsored by the Administrative Agent); provided that the Borrower shall notify the Administrative Agent (by telecopier or electronic mail) of the posting of any such documents (which notice the Administrative Agent shall promptly forward to the Lenders). Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper or facsimile copies of the officer's certificates required by **Section 5.1(c)** to the Administrative Agent. Except for such officer's certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for maintaining its copies of such documents.

Section 5.2. Debt to Capitalization Ratio. As of the last day of each fiscal quarter of the Borrower, the Debt to Capitalization Ratio shall be less than or equal to 0.70 to 1.0.

Section 5.3. Preservation of Existence, Franchises and Assets. The Borrower will, and will cause its Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority, except where failure to do so would not or would not reasonably be expected to have a Material Adverse Effect. The Borrower will, and will cause its Subsidiaries to, generally maintain its properties, real and personal, in good condition, and the Borrower and its Subsidiaries shall not waste or otherwise permit such properties to deteriorate, reasonable wear and tear excepted, except, in each case, where failure to do so would not or would not reasonably be expected to have a Material Adverse Effect.

Section 5.4. Books and Records. The Borrower will, and will cause its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

Section 5.5. Compliance with Law. The Borrower will, and will cause its Subsidiaries to, comply with, and obtain all permits and licenses required by, all laws (including, without limitation, all Environmental Laws and ERISA laws), rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its property, if the failure to comply would have or would be reasonably expected to have a Material Adverse Effect. The Borrower will, and will cause each of its Subsidiaries and Affiliates to, comply with, and not act in any manner that would result in a violation by any Person (including Lender) of, Anti-Terrorism and Anti-Corruption Laws.

Section 5.6. Payment of Taxes and Other Claims. The Borrower will, and will cause its Subsidiaries to, pay, settle or discharge (a) all material taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent and (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties; provided, however, that the Borrower shall not be required to pay any such tax, assessment, charge, levy, claim or indebtedness which is being contested in good faith by

appropriate action and as to which adequate reserves therefor, if required, have been established in accordance with GAAP, unless the failure to make any such payment (i) would give rise to an immediate right to foreclose or collect on a Lien securing such amounts or (ii) would have or would reasonably be expected to have a Material Adverse Effect.

Section 5.7. Insurance. The Borrower will, and will cause its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance and casualty insurance) with financially sound and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate and/or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

Section 5.8. Use of Proceeds. The proceeds of the Loans may be used solely (a) to fund future acquisitions permitted by Section 4.14 and (b) for working capital, capital expenditures and other lawful corporate purposes of the Borrower.

Section 5.9. Audits/Inspections. Upon reasonable prior notice and during normal business hours and no more frequently than once during any fiscal year upon reasonable advance notice through the Administrative Agent to the Borrower, the Borrower will permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect the Borrower's and its Subsidiaries' property, including their books and records, their accounts receivable and inventory, the Borrower's and its Subsidiaries' facilities and their other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives to discuss all such matters with the officers, employees and representatives of the Borrower and its Subsidiaries; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives) may do any of the foregoing at the expense of the Borrower at any time during normal business hours.

ARTICLE VI

NEGATIVE COVENANTS

The Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains outstanding:

Section 6.1. Nature of Business. The Borrower will not materially alter the character of its business from that conducted as of the Closing Date.

Section 6.2. Consolidation and Merger. The Borrower will not (a) enter into any transaction of merger, or (b) consolidate, liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, so long as no Default or Event of Default shall exist or be caused thereby, a Person may be merged or consolidated with or into the Borrower so long as the Borrower shall be the continuing or surviving corporation.

Section 6.3. Sale or Lease of Assets. Within any period of four consecutive fiscal quarters, the Borrower will not, nor will it permit any Subsidiary to, convey, sell, lease, transfer or otherwise dispose of assets, business or operations with a net book value in excess of 25% of Total Assets as calculated as of the end of the most recent such fiscal quarter.

Section 6.4. Arm's-Length Transactions. The Borrower will not, nor will it permit its Subsidiaries to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length transaction with a Person other than an Affiliate; provided that the foregoing restriction shall not apply to the payment or grant of reasonable compensation, benefits and indemnities to any director, officer, employee or agent of the Borrower or any Subsidiary.

Section 6.5. Fiscal Year; Organizational Documents. The Borrower will not (a) change its fiscal year or (b) in any manner that would reasonably be expected to materially adversely affect the rights of the Lenders, change its organizational documents or its bylaws; it being understood that the Borrower's shareholders may approve an amendment to the Borrower's Articles of Incorporation to permit the issuance of Preferred Securities.

Section 6.6. Liens. The Borrower will not, nor will it permit any of its Material Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or after acquired, except for the following: (a) Liens securing Obligations, (b) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate action and for which adequate reserves, if required, determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (c) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carrier's, landlords' and other nonconsensual statutory Liens which are not yet due and payable, which have been in existence less than 90 days or which are being contested in good faith by appropriate action and for which adequate reserves, if required, determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (d) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs, (e) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (f) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (g) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (h) judgment Liens that would not constitute an Event of Default or securing appeal or other surety bonds related to such judgments, (i) Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (j) any Lien on any assets securing indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring, developing, operating, constructing, altering, repairing or improving all or part of such assets; provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof, completion of construction, improvement or repair, or commencement of commercial operation of such assets, (k) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or one of its Subsidiaries and not created in contemplation of such event, (l) any Lien existing on any asset prior to the acquisition thereof by the Borrower or one of its Subsidiaries and not created in contemplation of such acquisition, (m) any Lien on the assets of the Borrower or any Material Subsidiary pursuant to Section 803 of the 1998 Indenture, Section 803 of the 2001 Indenture, Section 803 of the 2007

Indenture, or Section 803 of the 2009 Indenture if placed on the property of the Borrower or such Material Subsidiary on an equal and ratable basis with Liens securing Obligations and other Liens that may be placed on the properties of the Borrower or such Material Subsidiary in the future, (n) any Lien created in connection with a project financed with, or created to secure, Non-Recourse Indebtedness, (o) Liens on goods (and the proceeds thereof) and documents of title and the property covered thereby securing indebtedness in respect of commercial letters of credit, (p) Liens that have been placed by any developer, landlord or other third party on property over which the Borrower or any Material Subsidiary has easement rights or on any real property leased by the Borrower or any Material Subsidiary and subordination or similar agreements relating thereto, (q) any condemnation or eminent domain proceedings affecting any real property, (r) any provision for the retention of title to an asset by vendor or transferor of such asset which asset is acquired by the Borrower or a Material Subsidiary in a transaction entered into in the ordinary course of business, (s) Liens on the proceeds of assets that were subject to Liens permitted hereunder or on assets acquired with such proceeds as a replacement of such former assets, (t) Liens not otherwise permitted by this Agreement securing indebtedness in the aggregate (at the time such Liens are created) not in excess of ten percent (10%) of Consolidated Net Property, (u) Liens constituted by a right of set off, or rights over a margin call account, or any form of cash collateral, or any similar arrangement, securing Hedging Obligations and/or Physical Trade Obligations, in each case so long as the aggregate principal amount of cash securing such Hedging Obligations and Physical Trade Obligations, do not exceed ten percent (10%) of Consolidated Net Worth, (v) Liens on accounts and related assets arising under an areawide utility contract or similar contract with the federal government related to energy management, conservation, or similar services, securing indebtedness of the Persons to whom Borrower has subcontracted to provide such services to the federal government and (w) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (v) for amounts not exceeding the principal amount of the indebtedness (including undrawn commitments) secured by the Lien so extended, renewed or replaced (except for accrued interest and a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred in connection with such extension, renewal or replacement); provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets).

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1. Events of Default. An Event of Default shall exist upon the occurrence of any of the following specified events (each an “Event of Default”):

(a) Payment. The Borrower shall default in the payment (i) when due of any principal of any of the Loans or (ii) within three Business Days of when due of any interest on the Loans or of any fees owing hereunder or any of the other Credit Documents or (iii) within ten days of when due of any other amounts owing hereunder, under any of the other Credit Documents or in connection herewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by the Borrower herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto (including without limitation the certificate delivered pursuant to Section 3.1(b)(vi)) shall prove untrue in any material respect on the date as of which it was deemed to have been made.

(c) Covenants. The Borrower shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 5.2, 5.3 (as to maintenance of existence of the Borrower only) or 6.1 through 6.6 inclusive; or

(ii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 5.1 and such default shall continue unremedied for a period of five Business Days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i), or (c)(ii) of this Section 7.1) contained in this Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent.

(d) Credit Documents. The Borrower shall default in the due performance or observance of any term, covenant or agreement in any of the other Credit Documents and such default shall continue unremedied for a period of at least 30 days after the earlier of (i) the Borrower becoming aware of such default or notice thereof given by the Administrative Agent or (ii) any Credit Document shall fail to be in full force and effect or the Borrower shall so assert.

(e) Bankruptcy, etc. The occurrence of any of the following with respect to the Borrower or any of its Material Subsidiaries: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Material Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Borrower or any of its Material Subsidiaries or for any substantial part of its property or order the winding up or liquidation of its affairs; or (ii) an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect is commenced against the Borrower or any of its Material Subsidiaries and such petition remains unstayed and in effect for a period of 60 consecutive days; or (iii) the Borrower or any of its Material Subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Borrower or any of its Material Subsidiaries shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by such Person in furtherance of any of the aforesaid purposes.

(f) Defaults under Other Agreements. With respect to any indebtedness of the Borrower in excess of \$100,000,000 (other than indebtedness outstanding under this Agreement or Non-Recourse Indebtedness) (A) the Borrower shall (1) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such indebtedness, or (2) default (after giving effect to any applicable grace period) in the observance or performance of any covenant or agreement relating to such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition

shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder of the holders of such indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required) any such indebtedness to become due prior to its stated maturity; or (B) any such indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, or by a mandatory prepayment upon specified events or conditions, in each case, prior to the stated maturity thereof; or (C) any such indebtedness shall mature and remain unpaid.

(g) Judgments. One or more final judgments, orders, or decrees shall be entered against the Borrower involving a liability of \$100,000,000 or more, in the aggregate (to the extent not paid or covered by insurance provided by a carrier who has acknowledged coverage) and such judgments, orders or decrees shall continue unsatisfied, undischarged and unstayed for a period of 90 days; provided that if such judgment, order or decree provides for periodic payments over time then the Borrower shall have a grace period of 30 days with respect to each such periodic payment.

(h) ERISA. The occurrence of any of the following events or conditions if any of the same would be reasonably expected to result in a liability of an amount greater than or equal to \$20,000,000: (A) any “accumulated funding deficiency,” as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (B) a Termination Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (C) a Termination Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (i) the termination of such Plan for purposes of Title IV of ERISA, or (ii) the Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (D) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which would be reasonably expected to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(i) Change of Control. The occurrence of any Change of Control.

Section 7.2. Acceleration; Remedies. Upon the occurrence and during the continuation of an Event of Default, the Administrative Agent may, with the consent of the Required Lenders, and shall, upon the request and direction of the Required Lenders, by written notice to the Borrower take any of the following actions without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans. Declare the unpaid amount of all Obligations to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(c) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents or otherwise available at law or in equity, including, without limitation, all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 7.1(e) shall occur, then the Commitments shall automatically terminate and all Loans, all accrued interest in respect thereof, all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders and the Administrative Agent hereunder shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders.

Notwithstanding the fact that enforcement powers reside primarily with the Administrative Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

Section 7.3. Allocation of Payments After Event of Default

Notwithstanding any other provisions of this Agreement, but subject in all respects to Section 2.22, after the occurrence of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender on account of amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent or any of the Lenders in connection with enforcing the rights of the Lenders under the Credit Documents, pro rata as set forth below;

SECOND, to payment of any fees owed to the Administrative Agent or any Lender, pro rata as set forth below;

THIRD, to the payment of all accrued interest payable to the Lenders hereunder, pro rata as set forth below;

FOURTH, to the payment of the outstanding principal amount of the Loans, pro rata as set forth below;

FIFTH, to all other obligations which shall have become due and payable under the Credit Documents and not repaid pursuant to clauses "FIRST" through "FOURTH" above; and

SIXTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category and (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans held by such Lender bears to the aggregate then outstanding Loans) of amounts available to be applied.

ARTICLE VIII

THE ADMINISTRATIVE AGENT

Section 8.1. Appointment of Administrative Agent. Each Lender irrevocably appoints Cr dit Agricole Corporate and Investment Bank as the Administrative Agent and authorizes it to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent under this Agreement and the other Credit Documents, together with all such actions and powers that are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder or under the other Credit Documents by or through any one or more sub-agents or attorneys-in-fact appointed by the Administrative Agent. The Administrative Agent and any such sub-agent or attorney-in-fact may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions set forth in this Article shall apply to any such sub-agent or attorney-in-fact and the Related Parties of the Administrative Agent, any such sub-agent and any such attorney-in-fact and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 8.2. Nature of Duties of Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in this Agreement and the other Credit Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except those discretionary rights and powers expressly contemplated by the Credit Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2), and (c) except as expressly set forth in the Credit Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it, its sub-agents or attorneys-in-fact with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2) or in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall not be deemed to have knowledge of any Default or Event of Default unless and until written notice thereof (which notice shall include an express reference to such event being a "Default" or "Event of Default" hereunder) is given to the Administrative Agent by the Borrower or any Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements, or other terms and conditions set forth in any Credit Document, (iv) the validity, enforceability, effectiveness or genuineness of any Credit Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article III or

elsewhere in any Credit Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent. The Administrative Agent may consult with legal counsel (including counsel for the Borrower) concerning all matters pertaining to such duties.

Section 8.3. Lack of Reliance on the Administrative Agent. Each of the Lenders acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Lenders also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, continue to make its own decisions in taking or not taking of any action under or based on this Agreement, any related agreement or any document furnished hereunder or thereunder.

Section 8.4. Certain Rights of the Administrative Agent. If the Administrative Agent shall request instructions from the Required Lenders with respect to any action or actions (including the failure to act) in connection with this Agreement, the Administrative Agent shall be entitled to refrain from such act or taking such act, unless and until it shall have received instructions from such Lenders; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders where required by the terms of this Agreement.

Section 8.5. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed, sent or made by the proper Person. The Administrative Agent may also rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of such counsel, accountants or experts.

Section 8.6. The Administrative Agent in its Individual Capacity. The bank serving as the Administrative Agent shall have the same rights and powers under this Agreement and any other Credit Document in its capacity as a Lender as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent; and the terms "Lenders", "Required Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The bank acting as the Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 8.7. Successor Administrative Agent.

(a) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval by the Borrower provided that no Default or Event of Default shall exist at such time. If no successor Administrative Agent shall have been so appointed, and shall have accepted such

appointment within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or any state thereof or a bank which maintains an office in the United States, having a combined capital and surplus of at least \$500,000,000.

(b) Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Credit Documents. If within 45 days after written notice is given of the retiring Administrative Agent's resignation under this Section 8.7 no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such 45th day (i) the retiring Administrative Agent's resignation shall become effective, (ii) the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under the Credit Documents and (iii) the Required Lenders shall thereafter perform all duties of the retiring Administrative Agent under the Credit Documents until such time as the Required Lenders appoint a successor Administrative Agent as provided above. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall continue in effect for the benefit of such retiring Administrative Agent and its representatives and agents in respect of any actions taken or not taken by any of them while it was serving as the Administrative Agent.

Section 8.8. Syndication Agent. Each of the Lenders and the Borrower hereby acknowledges and agrees that the Syndication Agent shall have no duties or obligations under any Credit Documents to any Lender or the Borrower.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications to any party herein to be effective shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopy or to the extent permitted below, by email as follows:

To the Borrower:

Atmos Energy Corporation
Three Lincoln Centre, Suite 1800
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Chief Financial Officer
Telecopy Number: (972) 855-3793
Email Address:
Chris.Forsythe@atmosenergy.com

With a copy to:

Atmos Energy Corporation
700 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Treasurer
Telecopy Number: (214) 550-9326
Email Address: dan.meziere@atmosenergy.com

and

Atmos Energy Corporation
Three Lincoln Centre, Suite 1800
5430 LBJ Freeway
Dallas, Texas 75240
Attention: General Counsel
Telecopy Number: (972) 855-3080
Email Address:
Karen.Hartsfield@atmosenergy.com

To the Administrative Agent:

For operations topics:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas – Loan Operations
New York, NY 10019
Attention: Shonda Fisher & Jaikissoon Sanichar
Email Address: Shonda.fisher@ca-cib.com
Jaikissoon.sanichar@ca-cib.com

With a copy to:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas – AAMO 20th Floor
New York, NY 10019
Attention: Marisol Ortiz & Dominique Schillio
Email Address: marisol.ortiz@ca-cib.com
Dominique.Schillio@ca-cib.com

and

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309
Attention: Carolyn Z. Alford
Telecopy Number: (404) 572-5100
Email Address: czalford@kslaw.com

For all other topics:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas – AAMO 20th Floor
New York, NY 10019
Attention: Marisol Ortiz & Dominique Schillio
Email Address: marisol.ortiz@ca-cib.com
Dominique.Schillio@ca-cib.com

and

With a copy to:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas – DOD 16th Floor
New York, NY 10019
Attention: Andrew Sidford & Manuel Barroetavena
Email Address: Andrew.Sidford@ca-cib.com
Manuel.Barroetavena@ca-cib.com

and

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309
Attention: Carolyn Z. Alford
Telecopy Number: (404) 572-5100
Email Address: czalford@kslaw.com

To any other Lender:

the address set forth in the Administrative Questionnaire or the Assignment and Acceptance executed by such Lender

Notices and other communications hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All such notices and other communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the mail or if delivered, upon delivery; provided, that notices delivered to the Administrative Agent shall not be effective until actually received by such Person at its address specified in this Section 9.1 during normal business hours for such Person, or if received after normal business hours for such Person, such notice shall be effective on the next Business Day.

(b) Any agreement of the Administrative Agent and the Lenders herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice

and the Administrative Agent and Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and all other Obligations hereunder shall not be affected in any way or to any extent by any failure of the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in any such telephonic or facsimile notice.

(c) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the "Platform"). The Platform is provided "as is" and "as available". The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications of the Platform. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of Borrower's or the Administrative Agent's transmission of Communications through the Platform. "Communications" means, collectively, any notice, demand, communication, information, document or other material that the Borrower provides to the Administrative Agent pursuant to any Credit Document or the transactions contemplated therein which is distributed to the Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through the Platform.

Section 9.2. Waiver; Amendments.

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder or any other Credit Document, and no course of dealing between the Borrower and the Administrative Agent or any Lender, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power hereunder or thereunder. The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Credit Documents are cumulative and are not exclusive of any rights or remedies provided by law. No waiver of any provision of this Agreement or any other Credit Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 9.2, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default or Event of Default at the time.

(b) No amendment or waiver of any provision of this Agreement or the other Credit Documents (excluding the Fee Letter, which may be amended by written agreement executed by each of the parties thereto), nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and

the Required Lenders or the Borrower and the Administrative Agent with the consent of the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that no amendment or waiver shall: (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or interest thereon or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby, (iv) change the definition of "Pro Rata Share" or Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.2 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender; (vi) release any guarantor or limit the liability of any such guarantor under any guaranty agreement, without the written consent of each Lender other than Defaulting Lenders; (vii) release all or substantially all collateral (if any) securing any of the Obligations, without the written consent of each Lender other than Defaulting Lenders; provided further, that no such agreement shall amend, modify or otherwise affect the rights, duties or obligations of the Administrative Agent without the prior written consent of such Person. Notwithstanding anything contained herein to the contrary, this Agreement may be amended and restated without the consent of any Lender (but with the consent of the Borrower and the Administrative Agent) if, upon giving effect to such amendment and restatement, such Lender shall no longer be a party to this Agreement (as so amended and restated), the Commitments of such Lender shall have terminated (but such Lender shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.3), such Lender shall have no other commitment or other obligation hereunder and shall have been paid in full all principal, interest and other amounts owing to it or accrued for its account under this Agreement.

Section 9.3. Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable, out-of-pocket costs and expenses of the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and its Affiliates, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Credit Documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated in this Agreement or any other Credit Document shall be consummated), and (ii) all reasonable out-of-pocket costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel) incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section 9.3, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), the Joint Lead Arrangers, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and

disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Credit Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any liability arising under the Environmental Laws related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnatee is a party thereto, provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or (y) result from a claim brought by the Borrower against an Indemnatee for breach in bad faith of such Indemnatee's obligations hereunder or under any other Credit Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) The Borrower shall pay, and hold the Administrative Agent and each of the Lenders harmless from and against, any and all present and future stamp, documentary, and other similar taxes with respect to this Agreement and any other Credit Documents, any collateral described therein, or any payments due thereunder, and save the Administrative Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

(d) To the extent that the Borrower fails to pay any amount required to be paid to the Administrative Agent under clauses (a), (b) or (c) hereof, each Lender severally agrees to pay to the Administrative Agent such Lender's Pro Rata Share (determined as of the time that the unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided, that the unreimbursed expense or indemnified payment, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(e) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated therein, any Loan or the use of proceeds thereof.

(f) All amounts due under this Section 9.3 shall be payable promptly after written demand therefor.

Section 9.4. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder

without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans and Credit Exposure outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans and Credit Exposure of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance, as of the "Trade Date") shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans, Credit Exposure or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that, the Borrower will be deemed to have provided consent if it fails to approve or disapprove of such assignment within ten (10) Business Days after the date on which it receives notice thereof.

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Assignment and Acceptance. The parties to each assignment shall deliver to the Administrative Agent (A) a duly executed Assignment and Acceptance, (B) a processing and recordation fee of \$3,500, (C) an Administrative Questionnaire unless the assignee is already a Lender and (D) the documents required under Section 2.17(e) if such assignee is a Foreign Lender.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons or Defaulting Lender. No such assignment shall be made to a natural person (or an investment vehicle or trust for the primary benefit of a natural person or relatives of a natural person) or a Defaulting Lender or an Affiliate thereof.

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section 9.4, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section 9.4.

(c) The Administrative Agent shall maintain at one of its offices a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and Credit Exposure owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender (as to its commitment only), at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person (or an investment vehicle or trust for the primary benefit of a natural person or relatives of a natural person), the Borrower, any of the Borrower's Affiliates or Subsidiaries or any Defaulting Lender) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(e) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to the following to the extent affecting such Participant: (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or interest thereon or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.4 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender; (vi) release any guarantor or limit the liability of any such guarantor under any guaranty agreement without the written consent of each Lender except to the extent such release is expressly provided under the terms of this Agreement or such guaranty agreement; or (vii) release all or substantially all collateral (if any) securing any of the Obligations. Subject to paragraph (e) of this Section 9.4, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16, and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 9.4, provided, that such Participant agrees to be subject to the provisions of Sections 2.19 and 2.20 as if it were an assignee hereunder, further, to the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.7 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 and Section 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or any other central bank or a Governmental Authority having jurisdiction over any Lender or its parent; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.5. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement and the other Credit Documents shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof, except for Sections 5-1401 and 5-1402 of the New York General Obligations Law) of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, and of any state court of the State of New York sitting in New York County and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Credit Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding described in paragraph (b) of this Section 9.5 and brought in any court referred to in paragraph (b) of this Section 9.5. Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 9.1, provided that such service of process is delivered only by overnight courier, signature required. Nothing in this Agreement or in any other Credit Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 9.6. WAIVER OF JURY TRIAL. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.7. Right of Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, each Lender shall have the right, at any time or from time to time upon the occurrence and during the continuance of an Event of Default, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, to set off and apply against all deposits (general or special, time or demand, provisional or final) of the Borrower at any time held or other obligations at any time owing by such Lender to or for the credit or the account of the Borrower against any and all Obligations held by such Lender irrespective of whether such Lender shall have made demand hereunder and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Administrative Agent and the Borrower after any such set-off and any application made by such Lender; provided, that the failure to give such notice shall not affect the validity of such set-off and application. Each Lender agrees to apply all amounts collected from any such set-off to the Obligations before applying such amounts to any other indebtedness or other obligations owed by the Borrower and any of its Subsidiaries to such Lender.

Section 9.8. Counterparts; Integration. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, the Fee Letter, the other Credit Documents, and any separate letter agreement(s) relating to any fees payable to the Administrative Agent constitute the entire agreement among the parties hereto and thereto regarding the subject matters hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters. Delivery of an executed counterpart to this Agreement or any other Loan Document by facsimile transmission or by electronic mail in pdf format shall be as effective as delivery of a manually executed counterpart hereof.

Section 9.9. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is

outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17, and 9.3 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof. All representations and warranties made herein, in the certificates, reports, notices, and other documents delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement and the other Credit Documents, and the making of the Loans.

Section 9.10. Severability. Any provision of this Agreement or any other Credit Document held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof or thereof; and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.11. Confidentiality. Each of the Administrative Agent and each Lender agrees to take normal and reasonable precautions to maintain the confidentiality of any Information, except that such Information may be disclosed (i) to any Related Party of the Administrative Agent or any such Lender, including without limitation accountants, legal counsel and other advisors, (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iii) to the extent requested by any regulatory agency or authority or self-regulatory organization, (iv) to the extent that such information becomes publicly available other than as a result of a breach of this Section 9.11, or which becomes available to the Administrative Agent, any Lender or any Related Party of any of the foregoing on a non-confidential basis from a source other than the Borrower, (v) in connection with the exercise of any remedy hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to provisions substantially similar to this Section 9.11, to any actual or prospective assignee or Participant, or to any direct or indirect contractual counterparties (or the professional advisors thereto) to any swap or derivative transaction or any credit insurance provider, in each case, relating to Borrower and its obligations, (vii) on a confidential basis to (a) any rating agency in connection with rating the Borrower, its Subsidiaries or the facilities or (b) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the facilities, or (viii) with the consent of the Borrower. Any Person required to maintain the confidentiality of any information as provided for in this Section 9.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord its own confidential information. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential.

Section 9.12. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which may be treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate of interest (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by a Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum

Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.12 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

Section 9.13. Waiver of Effect of Corporate Seal. The Borrower represents and warrants that it is not required to affix its corporate seal to this Agreement or any other Credit Document pursuant to any requirement of law or regulation, agrees that this Agreement is delivered by Borrower under seal and waives any shortening of the statute of limitations that may result from not affixing the corporate seal to this Agreement or such other Credit Documents.

Section 9.14. Patriot Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide to the extent commercially reasonable, such information and take such other actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

Section 9.15. No Fiduciary Duty. The Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, each Lender and their Affiliates (collectively, solely for purposes of this paragraph, the "Lenders"), may have economic interests that conflict with those of Borrower. Borrower agrees that nothing in the Credit Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between the Lenders and Borrower, its stockholders or its affiliates. The Borrower acknowledges and agrees that (i) the transactions contemplated by the Credit Documents are arm's-length commercial transactions between the Lenders, on the one hand, and Borrower, on the other, (ii) in connection therewith and with the process leading to such transaction each of the Lenders is acting solely as a principal and not the agent or fiduciary of Borrower, its management, stockholders, creditors or any other person, (iii) no Lender has assumed an advisory or fiduciary responsibility in favor of Borrower with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether any Lender or any of its affiliates has advised or is currently advising Borrower on other matters) or any other obligation to Borrower except the obligations expressly set forth in the Credit Documents and (iv) Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate. Borrower further acknowledges and agrees that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. Borrower agrees that it will not claim that any Lender has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to Borrower, in connection with such transaction or the process leading thereto.

Section 9.16. Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

(remainder of page left intentionally blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ATMOS ENERGY CORPORATION, as Borrower

By: /S/ DANIEL M. MEZIERE

Name: Daniel M. Meziere

Title: Vice President and Treasurer

[Signature Page to Term Loan Agreement]

CRÉDIT AGRICOLE CORPORATE AND
INVESTMENT BANK,
as Administrative Agent and as a Lender

By: /S/ JILL WONG

Name: Jill Wong
Title: Director

By: /S/ GORDON YIP

Name: Gordon Yip
Title: Director

CANADIAN IMPERIAL BANK OF COMMERCE, NEW
YORK BRANCH, as a Lender

By: /S/ ANJU ABRAHAM

Name: Anju Abraham
Title: Authorized Signatory

[Signature Page to Term Loan Agreement]

Schedule I

APPLICABLE MARGINS

Level	Rating Category: Moody's/S&P	Applicable Margin for Eurodollar Advances	Applicable Margin for Base Rate Advances
I	Aa3/AA- or higher	1.125%	0.125%
II	A1/A+	1.250%	0.250%
III	A2/A	1.375%	0.375%
IV	A3/A-	1.500%	0.500%
V	Baa1/ BBB+ or lower	1.750%	0.750%

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior, unsecured long-term debt securities of the Borrower without third-party credit enhancement, whether or not any such debt securities are actually outstanding, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect on any date is that in effect at the close of business on such date. If the ratings established or deemed to have been established by Moody's and S&P for the Borrower fall within different Levels, the highest rating (or numerically lower Level) shall apply, unless the ratings differ by more than one Level, in which case, the governing rating shall be the rating next below the highest of the two. If the Borrower is not rated by Moody's or S&P, then the rate shall be established by reference to Level V.

If the rating system of Moody's or S&P shall change, or if any of these rating agencies shall cease to be in the business of rating corporate debt obligations, the Borrower, the Lenders and the Administrative Agent shall negotiate in good faith to amend this Schedule to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin and the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to any such change or cessation. If after a reasonable time (not to exceed 90 days) the parties cannot agree to a mutually acceptable amendment, the Applicable Margin and the Applicable Percentage shall be determined by reference to Level V.

[SCHEDULE I]

Schedule II

COMMITMENT AMOUNTS

<u>Lender</u>	<u>Commitment Amount</u>
Crédit Agricole Corporate and Investment Bank	\$100,000,000.00
Canadian Imperial Bank of Commerce, New York Branch	\$100,000,000.00
TOTAL	\$200,000,000.00

[SCHEDULE II]

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**April 23, 2020
Date of Report (Date of earliest event reported)**

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA
(State or Other Jurisdiction
of Incorporation)

1-10042
(Commission
File Number)

75-1743247
(I.R.S. Employer
Identification No.)

**1800 THREE LINCOLN CENTRE,
5430 LBJ FREEWAY, DALLAS, TEXAS**
(Address of Principal Executive Offices)

75240
(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, No Par Value	ATO	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On April 23, 2020, Atmos Energy Corporation (the “Company”) entered into a 364-Day Revolving Credit Agreement (the “Credit Agreement”) with Mizuho Bank, Ltd. (“Mizuho”), as the Administrative Agent, and the syndication agents, the documentation agents, the lead arrangers and bookrunners named therein, and the lenders named therein, providing the Company with a \$600 million senior unsecured 364-day revolving credit facility (the “Credit Facility”). Proceeds of the Credit Facility will be used by the Company for working capital.

Borrowings under the Credit Facility will bear interest at a rate dependent on the Company’s credit ratings and based, at the Company’s election, on a base rate or on LIBOR for the applicable interest period. In the case of borrowings based on the base rate, an applicable margin ranging from 0.000% to 0.250% will apply, based on the Company’s then-current credit ratings. The base rate is defined as the highest of (i) the per annum rate of interest established by Mizuho as its prime lending rate at the time of such borrowing, (ii) the Federal Funds Rate, as in effect at the time of borrowing, plus one-half of one percent (0.50%) per annum, or (iii) the one-month LIBOR plus one percent (1.00%). In the case of borrowings based on LIBOR, an applicable margin ranging from 1.000% to 1.250% will apply, based on the Company’s then-current credit ratings. The effective total interest rate may be modified in the event of a change in the Company’s credit ratings.

The Company must also pay commitment fees quarterly in arrears on the average daily unused portion of the credit facility at rates ranging from 0.100% to 0.175% per annum, dependent upon the Company’s credit ratings. Based upon the Company’s current credit ratings, the commitment fee would be at the rate of 0.125%.

The Credit Facility will expire on April 22, 2021, at which time all outstanding amounts under the Credit Facility will be due and payable. The Credit Facility contains usual and customary covenants for transactions of this type, including covenants limiting liens, substantial asset sales and mergers. In addition, the Credit Facility provides that during the term of the facility, the Company’s debt to capitalization ratio as of the last day of each of its fiscal quarters shall be less than or equal to 0.70 to 1.00, excluding from the calculation of debt (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with generally accepted accounting principles; and (ii) an amount of hybrid securities, as defined in the Credit Facility (generally, deferrable interest subordinated debt with a maturity of at least 20 years), not to exceed a total of 15% of total capitalization.

In the event of a default by the Company under the Credit Facility, including cross-defaults relating to specified other indebtedness of the Company, Mizuho may, upon the consent of lenders holding a certain minimum of loans, and shall, upon the request and direction of such lenders, declare the amounts under the Credit Facility outstanding, including all accrued interest and unpaid fees, payable immediately, and enforce any and all rights and interests created and existing under the Credit Facility documents, including, without limitation, all rights of set-off and all other rights available under the law. For certain events of default relating to insolvency, bankruptcy or receivership, the amounts outstanding under the Credit Facility automatically become payable immediately.

With respect to the other parties to the Credit Facility, the Company also has or may have had customary banking relationships based on the provision of a variety of financial services, including cash management, investment banking, and equipment financing and leasing services, none of which are material individually or in the aggregate with respect to any individual party. The summary of the Credit Facility in this report does not purport to be completed and is qualified by reference to the full text of the Credit Agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K, and is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information described in Item 1.01 above is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

<u>Exhibit Number</u>	<u>Description</u>
10.1	<u>364-Day Revolving Credit Agreement, dated as of April 23, 2020, among Atmos Energy Corporation, Mizuho Bank, Ltd., as the Administrative Agent, the agents, arrangers and bookrunners named therein, and the lenders named therein.</u>
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: April 24, 2020

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and Chief Financial Officer

364-DAY REVOLVING CREDIT AGREEMENT

dated as of April 23, 2020

among

ATMOS ENERGY CORPORATION,
as Borrower,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

MIZUHO BANK, LTD.,
as Administrative Agent,

COBANK, ACB
and
JPMORGAN CHASE BANK, N.A.,
as Co-Syndication Agents,

BANK OF AMERICA, N.A.,
BNP PARIBAS,
REGIONS BANK,
THE TORONTO-DOMINION BANK, NEW YORK BRANCH
and
U.S. BANK NATIONAL ASSOCIATION,
as Co-Documentation Agents

MIZUHO BANK, LTD., BANK OF AMERICA, N.A., BNP PARIBAS, JPMORGAN CHASE BANK, N.A., REGIONS BANK, THE TORONTO-DOMINION BANK, NEW YORK BRANCH, U.S. BANK NATIONAL ASSOCIATION and COBANK, ACB

As Joint Lead Arrangers

and

Joint-Bookrunners

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; CONSTRUCTION	1
Section 1.1. Definitions	1
Section 1.2. Classifications of Loans and Borrowings	20
Section 1.3. Accounting Terms and Determination	20
Section 1.4. Terms Generally	20
ARTICLE II AMOUNT AND TERMS OF THE COMMITMENTS	21
Section 2.1. General Description of Facility	21
Section 2.2. Loans	21
Section 2.3. Procedure for Borrowings	21
Section 2.4. Funding of Borrowings	22
Section 2.5. Interest Elections	22
Section 2.6. Optional Reduction and Termination of Commitments	23
Section 2.7. Repayment of Loans	23
Section 2.8. Evidence of Indebtedness	23
Section 2.9. Prepayments	24
Section 2.10. Interest on Loans	25
Section 2.11. Fees	25
Section 2.12. Computation of Interest and Fees	26
Section 2.13. Inability to Determine Interest Rates	26
Section 2.14. Illegality	27
Section 2.15. Increased Costs	28
Section 2.16. Funding Indemnity	28
Section 2.17. Taxes	29
Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs	30
Section 2.19. Mitigation of Obligations	32
Section 2.20. Replacement of Lenders	32
Section 2.22. Defaulting Lenders	32
ARTICLE III CONDITIONS PRECEDENT TO LOANS	33
Section 3.1. Conditions To Effectiveness	33
Section 3.2. Each Credit Event	35
Section 3.3. Delivery of Documents	36
ARTICLE IV REPRESENTATIONS AND WARRANTIES	36
Section 4.1. Organization and Good Standing	36
Section 4.2. Due Authorization	36
Section 4.3. No Conflicts	36
Section 4.4. Consents	36
Section 4.5. Enforceable Obligations	37
Section 4.6. Financial Condition	37
Section 4.7. Intentionally Omitted	37
Section 4.8. No Default	37
Section 4.9. Intentionally Omitted	37
Section 4.10. Taxes	37
Section 4.11. Compliance with Law	37
Section 4.12. Material Agreements	37
Section 4.13. ERISA	38
Section 4.14. Use of Proceeds	39

Section 4.15.	Government Regulation	39
Section 4.16.	Disclosure	39
Section 4.17.	OFAC; Anti-Corruption Laws; Anti-Money Laundering Laws	39
Section 4.18.	Insurance	40
Section 4.19.	Franchises, Licenses, Etc	40
Section 4.20.	Secured Indebtedness	40
Section 4.21.	Subsidiaries	40
ARTICLE V AFFIRMATIVE COVENANTS		41
Section 5.1.	Information Covenants	41
Section 5.2.	Debt to Capitalization Ratio	43
Section 5.3.	Preservation of Existence, Franchises and Assets	43
Section 5.4.	Books and Records	43
Section 5.5.	Compliance with Law	43
Section 5.6.	Payment of Taxes and Other Claims	43
Section 5.7.	Insurance	43
Section 5.8.	Use of Proceeds	44
Section 5.9.	Audits/Inspections	44
ARTICLE VI NEGATIVE COVENANTS		44
Section 6.1.	Nature of Business	44
Section 6.2.	Consolidation and Merger	44
Section 6.3.	Sale or Lease of Assets	44
Section 6.4.	Arm's-Length Transactions	44
Section 6.5.	Fiscal Year; Organizational Documents	45
Section 6.6.	Liens	45
ARTICLE VII EVENTS OF DEFAULT		46
Section 7.1.	Events of Default	46
Section 7.2.	Acceleration; Remedies	48
Section 7.3.	Allocation of Payments After Event of Default	49
ARTICLE VIII THE ADMINISTRATIVE AGENT		49
Section 8.1.	Appointment of Administrative Agent	49
Section 8.2.	Nature of Duties of Administrative Agent	50
Section 8.3.	Lack of Reliance on the Administrative Agent	50
Section 8.4.	Certain Rights of the Administrative Agent	51
Section 8.5.	Reliance by Administrative Agent	51
Section 8.6.	The Administrative Agent in its Individual Capacity	51
Section 8.7.	Successor Administrative Agent	51
Section 8.8.	Co-Documentation Agents; Syndication Agent	52
ARTICLE IX MISCELLANEOUS		52
Section 9.1.	Notices	52
Section 9.2.	Waiver; Amendments	55
Section 9.3.	Expenses; Indemnification	56
Section 9.4.	Successors and Assigns	57
Section 9.5.	Governing Law; Jurisdiction; Consent to Service of Process	61
Section 9.6.	WAIVER OF JURY TRIAL	62
Section 9.7.	Right of Setoff	62
Section 9.8.	Counterparts; Integration	62
Section 9.9.	Survival	62
Section 9.10.	Severability	63

Section 9.11.	Confidentiality	63
Section 9.12.	Interest Rate Limitation	63
Section 9.13.	Waiver of Effect of Corporate Seal	64
Section 9.14.	Patriot Act	64
Section 9.15.	No Fiduciary Duty	64

Schedules

- Schedule I - Applicable Margins and Applicable Percentages
- Schedule II - Commitment Amounts
- Schedule 4.20 - Secured Indebtedness
- Schedule 4.21 - Subsidiaries

Exhibits

- Exhibit A - Form of Assignment and Acceptance
- Exhibit 2.3 - Form of Notice of Borrowing
- Exhibit 2.5 - Form of Notice of Conversion/Continuation
- Exhibit 3.1(b)(iii) - Form of Secretary's Certificate
- Exhibit 3.1(b)(vi) - Form of Officer's Certificate
- Exhibit 5.1(c) - Form of Compliance Certificate

364-DAY REVOLVING CREDIT AGREEMENT

THIS 364-DAY REVOLVING CREDIT AGREEMENT (this "Agreement") is made and entered into as of April [], 2020, by and among ATMOS ENERGY CORPORATION, a Texas and Virginia corporation (the "Borrower"), the several banks and other financial institutions and lenders from time to time party hereto (the "Lenders"), and MIZUHO BANK, LTD., in its capacity as administrative agent for the Lenders (the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in favor of the Borrower a \$600,000,000 revolving credit facility;

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders, to the extent of their respective Commitments as defined herein, are willing severally to establish the requested revolving credit facility in favor of the Borrower.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Borrower, the Lenders and the Administrative Agent agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.1. Definitions. In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted LIBO Rate" shall mean, with respect to each Interest Period for a Eurodollar Borrowing, the rate per annum obtained by dividing (i) LIBOR for such Interest Period by (ii) a percentage equal to 1.00 *minus* the Eurodollar Reserve Percentage.

"Administrative Questionnaire" shall mean, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

"Affected Financial Institution" shall mean (a) any EEA Financial Institution or (b) any UK Financial Institution.

"Affiliate" shall mean, as to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such other Person or (b) to direct or cause direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

“Aggregate Commitment Amount” shall mean the aggregate principal amount of the Aggregate Commitments from time to time outstanding. On the Closing Date, the Aggregate Commitment Amount equals \$600,000,000.

“Aggregate Commitments” shall mean, collectively, all Commitments of all Lenders at any time outstanding.

“Anti-Terrorism and Anti-Corruption Laws” shall mean any applicable laws, rules, or regulations relating to economic or trade sanctions, terrorism, bribery, corruption or money laundering, including without limitation any regulations or sanctions programs administered by OFAC, the United Nations, the United Kingdom, the European Union or any other applicable authority.

“Applicable Commitment Fee Percentage” shall mean, as of any date, with respect to the Commitment Fee as of any date, the percentage per annum determined by reference to the applicable Rating Category as set forth on Schedule I; provided, that a change in the Applicable Commitment Fee Percentage resulting from a change in the Rating Category shall be effective on the day on which any rating agency changes its rating and shall continue until the day prior to the day that a further change becomes effective. Notwithstanding the foregoing, the Applicable Commitment Fee Percentage for the Commitment Fee from the Closing Date until the first change in the applicable Rating Category after the Closing Date shall be at Level II as set forth on Schedule I.

“Applicable Lending Office” shall mean, for each Lender and for each Type of Loan, the “Lending Office” of such Lender (or an Affiliate of such Lender) designated for such Type of Loan in the Administrative Questionnaire submitted by such Lender or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

“Applicable Margin” shall mean, as of any date, the percentage per annum determined by reference to the applicable Rating Category from time to time in effect as set forth on Schedule I; provided, that a change in the Applicable Margin resulting from a change in the Rating Category shall be effective on the day on which any rating agency changes its rating and shall continue until the day prior to the day that a further change becomes effective. Notwithstanding the foregoing, the Applicable Margin from the Closing Date until the first change in the applicable Rating Category after the Closing Date shall be at Level II as set forth on Schedule I.

“Approved Fund” shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignment and Acceptance” shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.4(b)) and accepted by the Administrative Agent, in the form of Exhibit A attached hereto or any other form approved by the Administrative Agent.

“Availability Period” shall mean the period from the Closing Date to the Commitment Termination Date.

“Bail-In Action” shall mean the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” shall mean (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Bankruptcy Code” shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

“Base Rate” shall mean the highest of (i) the per annum rate which the Administrative Agent announces from time to time to be its prime lending rate, as in effect from time to time, (ii) the Federal Funds Rate, as in effect from time to time, (any changes in such rate to be effective as of the date of any change in such rate) plus one-half of one percent (0.50%) and (iii) the one-month Adjusted LIBO Rate, which rate shall be determined on a daily basis (any changes in such rate to be effective as of the date of any change in such rate) plus 100 basis points per annum, which rate shall be determined on a daily basis. The Administrative Agent’s prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers. If the Base Rate is being used as an alternate rate of interest pursuant to Section 2.13 (for the avoidance of doubt, only until any amendment has become effective pursuant to Section 2.13(b)), then for purposes of clause (c) above the Adjusted LIBO Rate on any day shall be deemed to be zero. The Administrative Agent may make commercial loans or other loans at rates of interest at, above or below the Administrative Agent’s prime lending rate. Each change in the Administrative Agent’s prime lending rate shall be effective from and including the date such change is publicly announced as being effective.

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may be a SOFR-Based Rate) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement; provided further to the extent any such Benchmark Replacement shall not be administratively feasible as determined by the Administrative Agent in its reasonable discretion, such Benchmark Replacement shall be applied in a manner otherwise reasonably determined by the Administrative Agent.

“Benchmark Replacement Adjustment” means the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value

or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time (for the avoidance of doubt, such Benchmark Replacement Adjustment shall not be in the form of a reduction to the Applicable Margin).

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate”, the definition of “Interest Period”, timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to LIBOR:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event”, the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the LIBO Screen Rate permanently or indefinitely ceases to provide the LIBO Screen Rate; or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event”, the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to LIBOR:

(a) a public statement or publication of information by or on behalf of the administrator of the LIBO Screen Rate announcing that such administrator has ceased or will cease to provide the LIBO Screen Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Screen Rate, a resolution authority with jurisdiction over the administrator for the LIBO Screen Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Screen Rate, in each case which states that the administrator of the LIBO Screen Rate has ceased or will cease to provide the LIBO Screen Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate; and/or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate announcing that the LIBO Screen Rate is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-In Election, the date specified by the Administrative Agent (or, in the event such Early Opt-in Election has occurred as a result of a determination or election by the Borrower, the Administrative Agent and the Borrower) or the Required Lenders, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR and solely to the extent that LIBOR has not been replaced with a Benchmark Replacement, the period (a) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced LIBOR for all purposes hereunder in accordance with Section 2.13(b) and (b) ending at the time that a Benchmark Replacement has replaced the LIBOR for all purposes hereunder pursuant to Section 2.13(b).

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrowing” shall mean a borrowing consisting of Loans of the same Type, made, converted or continued on the same date and in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“Business Day” shall mean (i) any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close and (ii) if such day relates to a Borrowing of, a payment or prepayment of principal or interest on, a conversion of or into, or an Interest Period for, a Eurodollar Loan or a notice with respect to any of the foregoing, any day on which dealings in Dollars are carried on in the London interbank market.

“Capital Stock” shall mean (a) in the case of a corporation, all classes of capital stock of such corporation, (b) in the case of a partnership, partnership interests (whether general or limited), (c) in the case of a limited liability company, membership interests and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“Change in Law” shall mean (i) the adoption of any applicable law, rule or regulation after the date of this Agreement, (ii) any change in any applicable law, rule or regulation, or any change in the interpretation, implementation or application thereof, by any Governmental Authority after the date of this Agreement, or (iii) compliance by any Lender (or its Applicable Lending Office) (or, for purposes of Section 2.15(b), by the Parent Company of such Lender, if applicable) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided, however, that for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” shall mean either of the following events:

(a) any “person” or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) has become, directly or indirectly, the “beneficial owner” (as defined in Rules 13d-3 (other than subsection (d) thereof) and 13d-5 under the Exchange Act), by way of merger, consolidation or otherwise of 40% or more of the voting power of the Borrower on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of the Borrower convertible into or exercisable for voting stock of the Borrower (whether or not such securities are then currently convertible or exercisable); or

(b) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors of the Borrower together with any new members of such board of directors whose elections by such board of directors or whose nomination for election by the stockholders of the Borrower was approved by a vote of a majority of the members of such board of directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the directors of the Borrower then in office.

“Charges” shall have the meaning set forth in Section 9.12.

“Closing Date” shall mean the date on which the conditions precedent set forth in Section 3.1 and Section 3.2 have been satisfied or waived in accordance with Section 9.2.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder.

“Co-Documentation Agents” shall mean, collectively, Bank of America, N.A., BNP Paribas, Regions Bank, The Toronto-Dominion Bank, New York Branch, and U.S. Bank National Association.

“Commitment” shall mean, with respect to each Lender, the obligation of such Lender to make Loans to the Borrower in an aggregate principal amount not exceeding the amount set forth with respect to such Lender on Schedule II, or in the case of a Person becoming a Lender after the Closing Date through an assignment of an existing Commitment, the amount of the assigned “Commitment” as provided in the Assignment and Acceptance executed by such Person as an assignee, as the same may be increased or decreased pursuant to terms hereof.

“Commitment Fee” shall have the meaning set forth in Section 2.11(b).

“Commitment Termination Date” shall mean the earliest of (i) [], 2021¹, (ii) the date on which the Commitments are terminated pursuant to Section 2.6 and (iii) the date on which all amounts outstanding under this Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

“Compliance Certificate” shall mean a certificate from a Financial Officer of the Borrower in the form of, and containing the certifications set forth in, the certificate attached hereto as Exhibit 5.1(c).

“Compounded SOFR” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Administrative Agent in accordance with:

- (a) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; or
- (b) if, and to the extent that, the Administrative Agent determines that Compounded SOFR cannot be determined in accordance with clause (a) above, then the rate, or methodology for this rate, and conventions for this rate that the Administrative Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided that if the Administrative Agent decides that any such rate, methodology or convention determined in accordance with clause (a) or (b) is not administratively feasible for the Administrative Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of “Benchmark Replacement”.

“Consolidated Capitalization” shall mean, without duplication, the sum of (a) all of the shareholders’ equity or net worth of the Borrower and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP plus (b) the aggregate principal amount of Preferred Securities plus (c) the aggregate Minority Interests in Subsidiaries plus (d) Consolidated Funded Debt.

¹ To be 364 days from Closing Date.

“Consolidated Funded Debt” shall mean, without duplication, the sum of (a) all indebtedness of the Borrower and its Subsidiaries for borrowed money, (b) all purchase money indebtedness of the Borrower and its Subsidiaries (other than trade accounts payable), (c) the principal portion of all obligations of the Borrower and its Subsidiaries under capital leases, (d) all commercial letters of credit and all performance and standby letters of credit issued or bankers’ acceptances created for the account of the Borrower or one of its Subsidiaries, including, without duplication, all unreimbursed draws thereunder, (e) all Guaranty Obligations of the Borrower and its Subsidiaries with respect to funded indebtedness of another Person of the types listed in clauses (a) through (d), (f) all indebtedness of another entity secured by a Lien on any property of the Borrower or any of its Subsidiaries whether or not such indebtedness has been assumed by the Borrower or any of its Subsidiaries, (g) all indebtedness of any partnership or unincorporated joint venture to the extent the Borrower or one of its Subsidiaries is legally obligated with respect thereto, net of any assets of such partnership or joint venture and in the case of the Capital Stock of such partnership or joint venture being held by a Subsidiary, limited to the net worth of such Subsidiary, (h) all obligations of the Borrower and its Subsidiaries to advance or provide funds or other support for the payment or purchase of funded indebtedness (including, without limitation, maintenance agreements, comfort letters or similar agreements or arrangements) and (i) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of the Borrower or one of its Material Subsidiaries where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP; provided, however, that for the purposes of calculating the Debt to Capitalization Ratio, Consolidated Funded Debt will exclude (to the extent otherwise included in Consolidated Funded Debt) (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with GAAP and (ii) an amount of Hybrid Securities not to exceed a total of 15% of Consolidated Capitalization.

“Consolidated Net Property” shall mean the Fixed Assets less, without duplication, the amount of accumulated depreciation and amortization attributable thereto.

“Consolidated Net Worth” shall mean, as of any date, (i) the total assets of the Borrower and its Subsidiaries that would be reflected on the Borrower’s consolidated balance sheet as of such date prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries, *minus* (ii) the total liabilities of the Borrower and its Subsidiaries that would be reflected on the Borrower’s consolidated balance sheet as of such date prepared in accordance with GAAP.

“Contractual Obligation” of any Person shall mean any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property in which it has an interest is bound.

“Co-Syndication Agents” shall mean, collectively, CoBank, ACB and JPMorgan Chase Bank, N.A.

“Corresponding Tenor” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to LIBOR.

“Credit Documents” shall mean, collectively, this Agreement, any promissory notes issued pursuant to this Agreement, the Fee Letter, all Notices of Borrowing, all Notices of Conversion/Continuation, all Compliance Certificates and any and all other instruments, agreements, documents and writings executed in connection with any of the foregoing.

“Credit Exposure” shall mean, with respect to any Lender at any time, the outstanding principal amount of such Lender’s

“Debt to Capitalization Ratio” shall mean the ratio of (a) Consolidated Funded Debt to (b) Consolidated Capitalization.

“Default” shall mean any act, condition or event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Defaulting Lender” shall mean, at any time, subject to Section 2.22, any Lender that, as determined by the Administrative Agent acting in good faith, (a) has failed to fund any portion of its Commitments required to be funded by it within two Business Days after the date required to be funded by it, unless the subject of a good faith dispute as specified to the Administrative Agent, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it under the Credit Documents within three Business Days after the date when due, unless the subject of a good faith dispute as specified to the Administrative Agent, (c) has notified the Borrower or the Administrative Agent that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations under the Credit Documents unless such notification or public statement relates to such Lender’s obligation to fund any portion of its Commitments hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding cannot be satisfied, (d) has failed, within three Business Days after request by the Administrative Agent, to confirm to the Administrative Agent that it will comply with its funding obligations; provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (d) upon receipt of such confirmation by the Administrative Agent, or (e) as to which a Lender Insolvency Event has occurred and is continuing.

“Default Interest” shall have the meaning set forth in Section 2.10(b).

“Dollar(s)” and the sign “\$” shall mean lawful money of the United States of America.

“Early Opt-In Election” means the occurrence of:

(a) (i) a determination by the Administrative Agent, (ii) a notification by the Borrower to the Administrative Agent that the Borrower has determined (in consultation with the Administrative Agent), or (iii) a notification by the Required Lenders to the Administrative Agent (with a copy to Borrower) that the Required Lenders have determined, in each case that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.13(b), are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace LIBOR, and

(b) (i) the election by the Administrative Agent or the Borrower (in consultation with the Administrative Agent) or (ii) the election by the Required Lenders to declare that an Early Opt-In Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders, by the Borrower to the Administrative Agent or by the Required Lenders of written notice of such election to the Administrative Agent.

“EEA Financial Institution” shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” shall mean any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Environmental Laws” shall mean any current or future legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety, and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater) and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USC 9601 *et seq.*, Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendment of 1984, 42 USC 6901 *et seq.*, Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC 1251 *et seq.*, Clean Air Act of 1966, as amended, 42 USC 7401 *et seq.*, Toxic Substances Control Act of 1976, 15 USC 2601 *et seq.*, Hazardous Materials Transportation Act, 49 USC App. 1801 *et seq.*, Occupational Safety and Health Act of 1970, as amended, 29 USC 651 *et seq.*, Oil Pollution Act of 1990, 33 USC 2701 *et seq.*, Emergency Planning and Community Right-to-Know Act of 1986, 42 USC 11001 *et seq.*, National Environmental Policy Act of 1969, 42 USC 4321 *et seq.*, Safe Drinking Water Act of 1974, as amended, 42 USC 300(f) *et seq.*, any analogous implementing or successor law, and any amendment, rule, regulation, order, or directive issued thereunder.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

“ERISA Affiliate” shall mean an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower or any of its Subsidiaries and which is treated as a single employer under Sections 414(b), (c), (m), or (o) of the Code.

“EU Bail-In Legislation Schedule” shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurodollar” when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

“Eurodollar Reserve Percentage” shall mean the aggregate of the maximum reserve percentages (including, without limitation, any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upwards to the next 1/100th of 1%) in effect on any day with respect to the Adjusted LIBO Rate pursuant to regulations issued by the Board of Governors of the Federal Reserve System (or any Governmental Authority succeeding to any of its principal functions) with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities” under Regulation D). Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Event of Default” shall have the meaning provided in Section 7.1.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Excluded Taxes” shall mean with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Lender is located and (c) in the case of a Foreign Lender, any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, (ii) is imposed on amounts payable to such Foreign Lender at any time that such Foreign Lender designates a new lending office, other than taxes that have accrued prior to the designation of such lending office that are otherwise not Excluded Taxes, and (iii) is attributable to such Foreign Lender’s failure to comply with Section 2.17(e).

“FATCA” means Sections 1471 through 1474 of the Code and any current or future regulations or official interpretations thereof.

“Federal Funds Rate” shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or if such rate is not so published for any Business Day, the Federal Funds Rate for such day shall be the average (rounded upwards, if necessary, to the next 1/100th of 1%) of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent; provided that in no event shall the Federal Funds Rate be less than zero.

“Fee Letter” shall mean that certain fee letter, dated as of the date hereof, executed by the Administrative Agent and accepted by the Borrower.

“Financial Officer” shall mean any one of the chief financial officer, the controller or the treasurer of the Borrower.

“Fixed Assets” shall mean the assets of the Borrower and its Subsidiaries constituting “net property, plant and equipment” on the consolidated balance sheet of the Borrower and its Subsidiaries.

“Foreign Lender” shall mean any Lender that is not a United States person under Section 7701(a)(3) of the Code.

“GAAP” shall mean generally accepted accounting principles in the United States applied on a consistent basis and subject to Section 1.3.

“Governmental Authority” shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

“Guaranty Obligations” shall mean, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing any indebtedness for borrowed money of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such indebtedness or other obligation or any property constituting security therefor, (b) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such indebtedness or (c) to otherwise assure or hold harmless the owner of such indebtedness or obligation against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount of the indebtedness in respect of which such Guaranty Obligation is made.

“Hazardous Materials” shall mean all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedging Obligations” shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Hedging Transactions, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Transactions and (iii) any and all renewals, extensions and modifications of any Hedging Transactions and any and all substitutions for any Hedging Transactions.

“Hedging Transaction” shall mean any transaction (including an agreement with respect thereto) now existing or hereafter entered into by such Person that is a rate swap, basis swap, forward rate transaction, commodity swap, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collateral transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

“Hybrid Securities” shall mean any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years, which provides for the optional or

mandatory deferral of interest or distributions, issued by the Borrower, or any business trusts, limited liability companies, limited partnerships or similar entities (i) substantially all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more wholly owned subsidiaries) at all times by the Borrower or any of its subsidiaries, (ii) that have been formed for the purpose of issuing trust preferred securities or deferrable interest subordinated debt, and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a subsidiary of the Borrower, and (B) payments made from time to time on the subordinated debt.

“Indemnified Taxes” shall mean Taxes other than Excluded Taxes.

“Interest Period” shall mean with respect to any Eurodollar Borrowing, a period of one week, one month, two months, three months or six months; provided, that:

- (i) the initial Interest Period for such Borrowing shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of another Type), and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;
- (ii) if any Interest Period would otherwise end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such Business Day falls in another calendar month, in which case such Interest Period would end on the next preceding Business Day;
- (iii) any Interest Period which begins on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month;
- (iv) no Interest Period may extend beyond the Commitment Termination Date.

“Joint Lead Arrangers” shall mean, collectively, Mizuho Bank, Ltd., Bank of America, N.A., BNP Paribas, JPMorgan Chase Bank, N.A., Regions Bank, The Toronto-Dominion Bank, New York Branch, U.S. Bank National Association, and CoBank ACB.

“Lender Insolvency Event” shall mean that (i) a Lender or its Parent Company is, or has been, adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of its creditors, (ii) a Lender or its Parent Company is the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or a receiver, trustee, conservator, custodian or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such capacity, has been appointed for such Lender or its Parent Company, or such Lender or its Parent Company has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment, (iii) a Lender or its Parent Company has become the subject of a Bail-In Action; provided that, for the avoidance of doubt, a Lender Insolvency Event shall not be deemed to have occurred solely by virtue of the ownership or acquisition of any equity interest in or control of a Lender or a Parent Company thereof by a Governmental Authority or an instrumentality thereof so long as

such ownership or acquisition does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

“Lenders” shall have the meaning assigned to such term in the opening paragraph of this Agreement.

“LIBOR” shall mean, for any Interest Period with respect to a Eurodollar Loan, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London, England time), two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided that in no event shall such LIBOR be less than zero.

“Lien” shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind.

“Listed Country” has the meaning set forth in Section 4.17(b).

“Loan” shall mean a loan made by a Lender to the Borrower under its Commitment, which may either be a Base Rate Loan or a Eurodollar Loan.

“Material Adverse Effect” shall mean a material adverse effect on (a) the business, assets, liabilities, results of operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under this Agreement or any of the other Credit Documents or (c) the validity or enforceability of this Agreement, any of the other Credit Documents, or the rights and remedies of the Lenders hereunder or thereunder.

“Material Subsidiary” shall mean, at any date, a Subsidiary of the Borrower whose aggregate assets properly included under the category “property, plant and equipment” on the balance sheet of such Subsidiary, less the amount of depreciation and amortization attributable thereto, constitutes at least 10% of Consolidated Net Property as of such date; provided that if at any time the Borrower has Subsidiaries that are not Material Subsidiaries whose total aggregate assets under the category “property, plant and equipment” on the balance sheet of such Subsidiaries, less the amount of depreciation and amortization attributable thereto, constitute more than 20% of Consolidated Net Property as of such date the Borrower shall designate one or more of such Subsidiaries as Material Subsidiaries for the purposes of this Agreement in order that all Subsidiaries of the Borrower, other than Material Subsidiaries, own not more than 20% of Consolidated Net Property.

“Maximum Rate” shall have the meaning set forth in Section 9.12.

“Minority Interests” shall mean interests owned by Persons (other than the Borrower or a Subsidiary of the Borrower) in a Subsidiary of the Borrower in which less than 100% of all classes of the voting securities are owned by the Borrower or its Subsidiaries.

“Moody’s” shall mean Moody’s Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

“Multiemployer Plan” shall mean a Plan covered by Title IV of ERISA which is a multiemployer plan as defined in Section 3(37) or 4001(a) (3) of ERISA.

“Multiple Employer Plan” shall mean a Plan covered by Title IV of ERISA, other than a Multiemployer Plan, which the Borrower or any ERISA Affiliate and at least one employer other than the Borrower or any ERISA Affiliate are contributing sponsors.

“1998 Indenture” shall mean, collectively, that certain Indenture, dated as of July 15, 1998, granted by the Borrower to US Bank Trust National Association, as Trustee, and all Supplemental Indentures thereto.

“Non-Defaulting Lender” shall mean, at any time, a Lender that is not a Defaulting Lender.

“Non-Recourse Indebtedness” shall mean, at any time, indebtedness incurred after the date hereof by the Borrower or a Material Subsidiary in connection with the acquisition of property or assets by the Borrower or such Material Subsidiary or the financing of the construction of or improvements on property, whenever acquired, that, under the terms of such indebtedness and pursuant to applicable law, the recourse at such time and thereafter of the lenders with respect to such indebtedness is limited to the property or assets so acquired, or such construction or improvements, and any accession or additions thereto and proceeds thereof, including indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to such indebtedness or the related property or assets if such guarantee or similar undertaking has been satisfied and is no longer in effect at such time. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the Borrower, any Material Subsidiary, any guarantor or any other Person for (a) environmental representations, warranties or indemnities, or (b) indemnities for and liabilities arising from (i) fraud, (ii) misrepresentation, (iii) misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received from secured assets to be paid to the lender, (iv) waste, (v) materialmen’s and mechanics’ liens or (vi) similar matters.

“Notice of Borrowing” shall have the meaning set forth in Section 2.3.

“Notice of Conversion/Continuation” shall mean the notice given by the Borrower to the Administrative Agent in respect of the conversion or continuation of an outstanding Borrowing as provided in Section 2.5(b).

“NYFRB” means the Federal Reserve Bank of New York.

“Obligations” shall mean all amounts owing by the Borrower to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or any other Credit Document, including without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), all reimbursement obligations, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all reasonable fees and expenses of counsel to the Administrative Agent and any Lender incurred

pursuant to this Agreement or any other Credit Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, and all Hedging Obligations owed to the Administrative Agent, any Lender or any of their Affiliates incurred in order to limit interest rate or fee fluctuation with respect to the Loans, and all obligations and liabilities incurred in connection with collecting and enforcing the foregoing, together with all renewals, extensions, modifications or refinancings thereof.

“OFAC” shall mean the Office of Foreign Assets Control of the U.S. Department of Treasury.

“Other Taxes” shall mean any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Credit Document.

“Parent Company” shall mean, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

“Participant” shall have the meaning set forth in Section 9.4(d).

“Payment Office” shall mean the office of the Administrative Agent located at 1301 Avenue of the Americas, New York, NY 10019, or such other location as to which the Administrative Agent shall have given written notice to the Borrower and the other Lenders.

“PBGC” shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

“Permitted Lien” shall mean, with respect to any asset, the Liens permitted to exist on such asset under Section 6.6.

“Person” shall mean any individual, partnership, joint venture, firm, corporation, association, trust, limited liability company or other enterprise (whether or not incorporated), or any government or political subdivision or any agency, department or instrumentality thereof.

“Physical Trade Contract” shall mean any agreement that is for the purchase, sale, transfer or exchange of natural gas or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and any master agreement relating to or governing any or all of the foregoing, in each case entered into in the ordinary course of business.

“Physical Trade Obligations” shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Physical Trade Contracts, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Physical Trade Contracts and (iii) any and all renewals, extensions and modifications of any Physical Trade Contracts and any and all substitutions for any Physical Trade Contracts.

“Plan” shall mean any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an “employer” within the meaning of Section 3(5) of ERISA.

“Preferred Securities” shall mean, at any date, any equity interests in the Borrower, in a Special Purpose Financing Subsidiary of the Borrower or in any other Subsidiary of the Borrower (such as those known as “TECONS”, “MIPS” or “RHINOS”): (a) that are not (i) required to be redeemed or redeemable at the option of the holder thereof prior to the fifth anniversary of the Commitment Termination Date or (ii) convertible into or exchangeable for (unless solely at the option of the Borrower or such Subsidiary of the Borrower) equity interests referred to in clause (i) above or indebtedness having a scheduled maturity, or requiring any repayments or prepayments of principal or any sinking fund or similar payments in respect of principal or providing for any such repayment, prepayment, sinking fund or other payment at the option of the holder thereof prior to the fifth anniversary of the Commitment Termination Date and (b) as to which, at such date, the Borrower or such Subsidiary of the Borrower has the right to defer the payment of all dividends and other distributions in respect thereof for the period of at least 19 consecutive quarters beginning at such date.

“Pro Rata Share” shall mean with respect to any Commitment of any Lender at any time, a percentage, the numerator of which shall be such Lender’s Commitment (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, such Lender’s Credit Exposure), and the denominator of which shall be the sum of such Commitments of all Lenders (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Credit Exposure of all Lenders).

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“Rating Category” shall mean the applicable credit ratings categories given to the Borrower by Moody’s and S&P as set forth on Schedule I.

“Register” shall have the meaning set forth in Section 9.4(c).

“Regulation D, T, U, or X” shall mean Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System (or any successor body) as from time to time in effect, any amendment thereto and any successor to all or a portion thereof.

“Related Parties” shall mean, with respect to any specified Person, such Person’s Affiliates and the respective directors, partners, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Release” shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

“Relevant Governmental Body” means the Board and/or the NYFRB, or a committee officially endorsed or convened by the Board and/or the NYFRB or, in each case, any successor thereto.

“Reportable Event” shall mean a “reportable event” as defined in Section 4043 of ERISA with respect to which the notice requirements to the PBGC have not been waived.

“Required Lenders” shall mean, at any time, Lenders holding more than 50% of the aggregate outstanding Commitments of the Lenders at such time or if the Lenders have no Commitments outstanding, then Lenders holding more than 50% of the Credit Exposure of the Lenders; provided however, that to the extent that any Lender is a Defaulting Lender, such Defaulting Lender and all of its Commitments and Credit Exposure shall be excluded for purposes of determining Required Lenders.

“Requirement of Law” for any Person shall mean the articles or certificate of incorporation, bylaws, partnership certificate and agreement, or limited liability company certificate of organization and agreement, as the case may be, and other organizational and governing documents of such Person, and any law, treaty, rule or regulation, or determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Resolution Authority” shall mean an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor or assignee of the business of such division in the business of rating securities.

“Sanctions Lists” shall have the meaning assigned to such term in Section 4.14.

“SEC” shall mean the Securities and Exchange Commission or any successor agency.

“Single Employer Plan” shall mean any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the NYFRB, as the administrator of the benchmark (or a successor administrator), on the website of the NYFRB at <http://www.newyorkfed.org>, or any successor source.

“SOFR-Based Rate” means SOFR, Compounded SOFR or Term SOFR.

“Special Purpose Financing Subsidiary” shall mean a Subsidiary of the Borrower that has no direct or indirect interest in the business of the Borrower and its other Subsidiaries and was formed solely for the purpose of issuing Preferred Securities.

“Subsidiary” shall mean, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not, at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (b) any partnership, association, joint venture, limited liability company or other entity in which such Person directly or indirectly through Subsidiaries has more than 50% voting equity interest at any time.

“Taxes” shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the relevant Environmental Body.

“Termination Event” shall mean (a) with respect to any Single Employer Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA), (b) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan, (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA, (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA, (e) any event or condition which might reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (f) the complete or partial withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan.

“Total Assets” shall mean all assets of the Borrower and its Subsidiaries as shown on its most recent quarterly consolidated balance sheet, as determined in accordance with GAAP.

“2001 Indenture” shall mean, collectively, that certain Indenture, dated as of May 22, 2001, granted by the Borrower to SunTrust Bank, Atlanta, as Trustee, and all Supplemental Indentures thereto.

“2007 Indenture” shall mean, collectively, that certain Indenture, dated as of June 14, 2007, granted by the Borrower to U.S. Bank National Association, as Trustee, and all Supplemental Indentures, if any, thereto.

“2009 Indenture” shall mean, collectively, that certain Indenture, dated as of March 26, 2009, granted by the Borrower to U.S. Bank National Association, as Trustee, and all Supplemental Indentures, if any, thereto.

“Type”, when used in reference to a Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Base Rate.

“UK Financial Institution” shall mean any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” shall mean the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment; provided that, if the Unadjusted Benchmark Replacement as so determined would be less than zero, the Unadjusted Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

Section 1.2. Classifications of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Type (e.g. a “Eurodollar Loan”, or “Base Rate Loan”). Borrowings also may be classified and referred to by Type (e.g. “Eurodollar Borrowing”).

Section 1.3. Accounting Terms and Determination. Unless otherwise defined or specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP as in effect from time to time, applied on a basis consistent with the most recent audited consolidated financial statements of the Borrower delivered pursuant to Section 5.1(a); provided, that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend the covenant in Section 5.2 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Section 5.2 for such purpose), then the Borrower’s compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standards Codification Section 825-10 (or any other Financial Accounting Standard having a similar result or effect) to value any Consolidated Funded Indebtedness or other liabilities of the Borrower or any Subsidiary of the Borrower at “fair value”, as defined therein.

Section 1.4. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the word “to” means “to but excluding”. Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as it was originally executed or as it may from time to time be amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person’s successors and permitted assigns, (iii) the words “hereof”, “herein” and “hereunder” and words of similar import shall be construed to refer to this Agreement as a whole and not to any particular provision hereof, (iv) all references to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles, Sections, Exhibits and Schedules to this Agreement and (v) all references to a specific time shall be construed to refer to the time in the city and state of the Administrative Agent’s principal office, unless otherwise indicated.

Section 1.5. Divisions. For all purposes under the Credit Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws), if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person.

ARTICLE II

AMOUNT AND TERMS OF THE COMMITMENTS

Section 2.1. General Description of Facility. Subject to and upon the terms and conditions herein set forth, the Lenders hereby establish in favor of the Borrower a revolving credit facility pursuant to which each Lender severally agrees (to the extent of such Lender's Commitment) to make Loans to the Borrower in accordance with Section 2.2.

Section 2.2. Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make Loans in Dollars, ratably in proportion to its Pro Rata Share, to the Borrower, from time to time during the Availability Period, in an aggregate principal amount outstanding at any time that will not result in (a) such Lender's Credit Exposure exceeding such Lender's Commitment or (b) the sum of the aggregate Credit Exposures of all Lenders exceeding the Aggregate Commitment Amount. During the Availability Period, the Borrower shall be entitled to borrow, prepay and reborrow Loans in accordance with the terms and conditions of this Agreement; provided, that the Borrower may not borrow or reborrow should there exist a Default or Event of Default.

Section 2.3. Procedure for Borrowings. The Borrower shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of each Borrowing substantially in the form of Exhibit 2.3 (a "Notice of Borrowing") (x) prior to 11:00 A.M. (New York time) on the requested date of each Base Rate Borrowing and (y) prior to 11:00 a.m. (New York time) three (3) Business Days prior to the requested date of each Eurodollar Borrowing. Each Notice of Borrowing shall be irrevocable and shall specify: (i) the aggregate principal amount of such Borrowing, (ii) the date of such Borrowing (which shall be a Business Day), (iii) the Type of such Loan comprising such Borrowing and (iv) in the case of a Eurodollar Borrowing, the duration of the initial Interest Period applicable thereto (subject to the provisions of the definition of Interest Period). Each Borrowing shall consist entirely of Base Rate Loans or Eurodollar Loans, as the Borrower may request. The aggregate principal amount of each Eurodollar Borrowing shall be not less than \$5,000,000 or a larger multiple of \$1,000,000, and the aggregate principal amount of each Base Rate Borrowing shall not be less than \$1,000,000 or a larger multiple of \$100,000; provided, that Base Rate Loans made pursuant to Section 2.4 may be made in lesser amounts as provided therein. At no time shall the total number of Eurodollar Borrowings outstanding exceed six. Promptly following the receipt of a Notice of Borrowing in accordance herewith, the Administrative Agent shall advise each Lender of the details thereof and the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.4. Funding of Borrowings.

(a) Each Lender will make available each Loan to be made by it hereunder on the proposed date thereof by wire transfer in immediately available funds by 12:00 noon (New York time) to the Administrative Agent at the Payment Office. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts that it receives, in like funds by the close of business on such proposed date, to an account maintained by the Borrower with the Administrative Agent or at the Borrower's option, by effecting a wire transfer of such amounts to an account designated by the Borrower to the Administrative Agent.

(b) Unless the Administrative Agent shall have been notified by any Lender prior to 5:00 p.m. (New York time) one (1) Business Day prior to the date of a funding of a requested Borrowing in which such Lender is to participate that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date, and the Administrative Agent, in reliance on such assumption, may make available to the Borrower on such date a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender on the date of such Borrowing, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest at the Federal Funds Rate until the second Business Day after such demand and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent together with interest at the rate specified for such Borrowing. Nothing in this subsection shall be deemed to relieve any Lender from its obligation to fund its Pro Rata Share of any Borrowing hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

(c) All Borrowings shall be funded by the Lenders severally on the basis of their respective Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in its obligations hereunder, and each Lender shall be obligated to make its Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

Section 2.5. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing, and in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Borrower may elect to convert such Borrowing into a different Type or to continue such Borrowing, and in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.5. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section 2.5, the Borrower shall give the Administrative Agent prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing substantially in the form of Exhibit 2.5 attached hereto (a "Notice of Conversion/Continuation") that is to be converted or continued, as the case may be, (x) prior to 11:00 a.m. (New York time) one (1) Business Day prior to the requested date of a conversion into a Base Rate Borrowing and (y) prior to 11:00 a.m. (New York time) three (3) Business Days prior to a continuation of or conversion into a Eurodollar Borrowing. Each such Notice of

Conversion/Continuation shall be irrevocable and shall specify (i) the Borrowing to which such Notice of Conversion/Continuation applies if different options are being elected with respect to different portions thereof, the portions thereof that are to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) shall be specified for each resulting Borrowing); (ii) the effective date of the election made pursuant to such Notice of Conversion/Continuation, which shall be a Business Day, (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and (iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of "Interest Period". If any such Notice of Conversion/Continuation requests a Eurodollar Borrowing but does not specify an Interest Period, the Borrower shall be deemed to have selected an Interest Period of one month. The principal amount of any resulting Borrowing shall satisfy the minimum borrowing amount for Eurodollar Borrowings and Base Rate Borrowings set forth in Section 2.3.

(c) If, on the expiration of any Interest Period in respect of any Eurodollar Borrowing, the Borrower shall have failed to deliver a Notice of Conversion/Continuation, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Borrowing to a Base Rate Borrowing. No Borrowing may be converted into, or continued as, a Eurodollar Borrowing if a Default or an Event of Default exists, unless the Administrative Agent and each of the Lenders shall have otherwise consented in writing. No conversion of any Eurodollar Loans shall be permitted except on the last day of the Interest Period in respect thereof.

(d) Upon receipt of any Notice of Conversion/Continuation, the Administrative Agent shall promptly notify each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

Section 2.6. Optional Reduction and Termination of Commitments.

(a) Unless previously terminated, all Commitments shall terminate on the Commitment Termination Date.

(b) Upon at least three (3) Business Days' prior written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent (which notice shall be irrevocable), the Borrower may reduce the Aggregate Commitments in part or terminate the Aggregate Commitments in whole; provided, that (i) any partial reduction shall apply to reduce proportionately and permanently the Commitment of each Lender, (ii) any partial reduction pursuant to this Section 2.6 shall be in an amount of at least \$5,000,000 and any larger multiple of \$1,000,000, and (iii) no such reduction shall be permitted which would reduce the Aggregate Commitment Amount to an amount less than the outstanding Credit Exposures of all Lenders.

Section 2.7. Repayment of Loans. The outstanding principal amount of all Loans shall be due and payable (together with accrued and unpaid interest thereon) on the Commitment Termination Date.

Section 2.8. Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice appropriate records evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable thereon and paid to such Lender from time to time under this Agreement. The

Administrative Agent shall maintain appropriate records in which shall be recorded (i) the Commitment of each Lender, (ii) the amount of each loan made hereunder by each Lender, the Type thereof and the Interest Period applicable thereto, (iii) the date of each continuation thereof pursuant to Section 2.5, (iv) the date of each conversion of all or a portion thereof to another Type pursuant to Section 2.5, (v) the date and amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder in respect of such Loans and (vi) both the date and amount of any sum received by the Administrative Agent hereunder from the Borrower in respect of the Loans and each Lender's Pro Rata Share thereof. The entries made in such records shall be *prima facie* evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, that the failure or delay of any Lender or the Administrative Agent in maintaining or making entries into any such record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans (both principal and unpaid accrued interest) of such Lender in accordance with the terms of this Agreement.

(b) This Agreement evidences the obligation of the Borrower to repay the Loans and is being executed as a "noteless" credit agreement. However, at the request of any Lender at any time, the Borrower agrees that it will prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment permitted hereunder) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.9. Prepayments.

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, without premium or penalty, by giving irrevocable written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent no later than (i) in the case of prepayment of any Eurodollar Borrowing, 11:00 a.m. (New York time) not less than three (3) Business Days prior to any such prepayment, and (ii) in the case of any prepayment of any Base Rate Borrowing, not less than one Business Day prior to the date of such prepayment. Each such notice shall be irrevocable and shall specify the proposed date of such prepayment and the principal amount of each Borrowing or portion thereof to be prepaid. Upon receipt of any such notice, the Administrative Agent shall promptly notify each affected Lender of the contents thereof and of such Lender's Pro Rata Share of any such prepayment. If such notice is given, the aggregate amount specified in such notice shall be due and payable on the date designated in such notice, together with accrued interest to such date on the amount so prepaid in accordance with Section 2.10(c); provided, that if a Eurodollar Borrowing is prepaid on a date other than the last day of an Interest Period applicable thereto, the Borrower shall also pay all amounts required pursuant to Section 2.16. Each partial prepayment of any Loan shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type pursuant to Section 2.3. Each prepayment of a Borrowing shall be applied ratably to the Loans comprising such Borrowing.

(b) Mandatory Repayments. The Borrower shall repay the principal amount and any interest outstanding of such Loan on the Commitment Termination Date.

Section 2.10. Interest on Loans.

(a) The Borrower shall pay interest on each Base Rate Loan at the Base Rate in effect from time to time and on each Eurodollar Loan at the Adjusted LIBO Rate for the applicable Interest Period in effect for such Loan, *plus*, in each case, the Applicable Margin in effect from time to time.

(b) Upon the occurrence, and during the continuation, of an Event of Default under Section 7.1(a) or, at the option of the Required Lenders, any other Event of Default, the Borrower shall pay interest (“Default Interest”) with respect to all Eurodollar Loans at the rate otherwise applicable for the then-current Interest Period *plus* an additional 2% per annum until the last day of such Interest Period, and thereafter, and with respect to all Base Rate Loans and all other Obligations hereunder (other than Loans), at an all-in rate in effect for Base Rate Loans, *plus* an additional 2% per annum.

(c) Interest on the principal amount of all Loans shall accrue from and including the date such Loans are made to but excluding the date of any repayment thereof. Interest on all outstanding Base Rate Loans shall be payable quarterly in arrears on the last day of each March, June, September and December and on the Commitment Termination Date. Interest on all outstanding Eurodollar Loans shall be payable on the last day of each Interest Period applicable thereto, and, in the case of any Eurodollar Loans having an Interest Period in excess of three months, on each day which occurs every three months after the initial date of such Interest Period, and on the Commitment Termination Date. Interest on any Loan which is converted into a Loan of another Type or which is repaid or prepaid shall be payable on the date of such conversion or on the date of any such repayment or prepayment (on the amount repaid or prepaid) thereof. All Default Interest shall be payable on demand.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder and shall promptly notify the Borrower and the Lenders of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

Section 2.11. Fees.

(a) The Borrower shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon in writing by the Borrower and the Administrative Agent.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee (the “Commitment Fee”), which shall accrue at the Applicable Commitment Fee Percentage per annum (determined daily in accordance with Schedule I) on the daily amount of the unused Commitment of such Lender during the Availability Period. Notwithstanding anything set forth herein to the contrary, a Defaulting Lender shall not be entitled to receive any Commitment Fees under this Section 2.11(b) for any date in which such Lender was and/or continued to be a Defaulting Lender.

(c) The Borrower shall pay to the Administrative Agent, for the ratable benefit of each Lender, the upfront fee previously agreed upon by the Borrower and the Administrative Agent, which shall be due and payable on the Closing Date.

(d) Accrued fees under paragraph (b) above shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on June 30, 2020 and on the Commitment Termination Date.

Section 2.12. Computation of Interest and Fees. Interest hereunder based on the Administrative Agent's prime lending rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day) Each determination by the Administrative Agent of an interest amount or fee hereunder shall be made in good faith and, except for manifest error, shall be final, conclusive and binding for all purposes.

Section 2.13. Inability to Determine Interest Rates. (a) If prior to the commencement of any Interest Period for any Eurodollar Borrowing,

(i) the Administrative Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant interbank market, adequate means do not exist for ascertaining LIBOR for such Interest Period, or

(ii) the Administrative Agent shall have received notice from the Required Lenders that the Adjusted LIBO Rate does not adequately and fairly reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Loans for such Interest Period,

the Administrative Agent shall give written notice (or telephonic notice, promptly confirmed in writing) to the Borrower and to the Lenders as soon as practicable thereafter. Until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) the obligations of the Lenders to make Eurodollar Loans or to continue or convert outstanding Loans as or into Eurodollar Loans shall be suspended and (ii) all such affected Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto unless the Borrower prepays such Loans in accordance with this Agreement. Unless the Borrower notifies the Administrative Agent at least one Business Day before the date of any Eurodollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, then such Borrowing shall be made as a Base Rate Borrowing.

(b) LIBOR Replacement.

(i) Notwithstanding anything to the contrary herein, upon the occurrence of a Benchmark Transition Event or an Early Opt-In Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement or any Note to replace LIBOR with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. (New York City time) on the fifth Business Day after the Administrative Agent has posted such proposed amendment to all Lenders, so long as the Administrative Agent has not received, by such time, written notice of objection to such proposed amendment from Lenders comprising the Required Lenders; provided that, with respect to any proposed amendment containing any SOFR-Based Rate, the Lenders shall be entitled to object only to the Benchmark Replacement Adjustment contained therein. Any such amendment with respect to an Early Opt-In Election will become effective on the date that Lenders comprising the Required Lenders have delivered to the Administrative Agent

written notice that such Required Lenders consent to such amendment. No replacement of LIBOR with a Benchmark Replacement will occur prior to the applicable Benchmark Transition Start Date.

(ii) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any Note, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(iii) The Administrative Agent will promptly notify the Borrower and the Lenders of (A) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, (B) the implementation of any Benchmark Replacement, (C) the effectiveness of any Benchmark Replacement Conforming Changes and (D) the commencement or conclusion of any Benchmark Unavailability Period.

(iv) Upon receipt by the Borrower of notice of the commencement of a Benchmark Unavailability Period, the provisions of clauses (i) and (ii) of the final paragraph Section 2.13(a) shall apply as to all Eurodollar Loans, mutatis mutandis.

(v) Any determination, decision or election that may be made by the Administrative Agent, the Borrower or Lenders pursuant to this Section 2.13(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.13(b).

Section 2.14. Illegality. If any Change in Law shall make it unlawful or impossible for any Lender to make, maintain or fund any Eurodollar Loan and such Lender shall so notify the Administrative Agent, the Administrative Agent shall promptly give notice thereof to the Borrower and the other Lenders, whereupon until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Eurodollar Loans, or to continue or convert outstanding Loans as or into Eurodollar Loans, shall be suspended. In the case of the making of a Eurodollar Borrowing, such Lender's Loan shall be made as a Base Rate Loan as part of the same Borrowing for the same Interest Period and if the affected Eurodollar Loan is then outstanding, such Loan shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurodollar Loan if such Lender may lawfully continue to maintain such Loan to such date or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain such Eurodollar Loan to such date. Notwithstanding the foregoing, the affected Lender shall, prior to giving such notice to the Administrative Agent, designate a different Applicable Lending Office if such designation would avoid the need for giving such notice and if such designation would not otherwise be disadvantageous to such Lender in the good faith exercise of its discretion.

Section 2.15. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement that is not otherwise included in the determination of the Adjusted LIBO Rate hereunder against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the eurodollar interbank market any other condition affecting this Agreement or any Eurodollar Loans made by such Lender;

and the result of either of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining a Eurodollar Loan or to reduce the amount received or receivable by such Lender hereunder (whether of principal, interest or any other amount), then the Borrower shall promptly pay, upon written notice from and demand by such Lender on the Borrower (with a copy of such notice and demand to the Administrative Agent), to the Administrative Agent for the account of such Lender, within five Business Days after the date of such notice and demand, additional amount or amounts sufficient to compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that on or after the date of this Agreement any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital (or on the capital of the Parent Company of such Lender) as a consequence of its obligations hereunder to a level below that which such Lender or the Parent Company of such Lender could have achieved but for such Change in Law (taking into consideration such Lender's policies or the policies of the Parent Company of such Lender with respect to capital adequacy or liquidity) then, from time to time, within five (5) Business Days after receipt by the Borrower of written demand by such Lender (with a copy thereof to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender or the Parent Company of such Lender for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or the Parent Company of such Lender, as the case may be, specified in paragraph (a) or (b) of this Section 2.15 shall be delivered to the Borrower (with a copy to the Administrative Agent) and shall be conclusive, absent manifest error. The Borrower shall pay any such Lender such amount or amounts within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.15 shall not constitute a waiver of such Lender's right to demand such compensation.

Section 2.16. Funding Indemnity. In the event of (a) the payment of any principal of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion or continuation of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure by the Borrower to borrow, prepay, convert or continue any Eurodollar Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such

event, the Borrower shall compensate each Lender, within five (5) Business Days after written demand from such Lender, for any loss, reasonable cost or expense directly attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense shall be deemed to include an amount determined by such Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Eurodollar Loan if such event had not occurred at the Adjusted LIBO Rate applicable to such Eurodollar Loan for the period from the date of such event to the last day of the then current Interest Period therefor (or in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan) over (B) the amount of interest that would accrue on the principal amount of such Eurodollar Loan for the same period if the Adjusted LIBO Rate were set on the date such Eurodollar Loan was prepaid or converted or the date on which the Borrower failed to borrow, convert or continue such Eurodollar Loan. A certificate as to any additional amount payable under this Section 2.16 submitted to the Borrower by any Lender (with a copy to the Administrative Agent) shall be conclusive, absent manifest error.

Section 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided, that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) the Administrative Agent or any Lender (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within five (5) Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 2.17) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the Code or any treaty to which the United States is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative

Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law, or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. Without limiting the generality of the foregoing, each Foreign Lender agrees that it will deliver to the Administrative Agent and the Borrower (or in the case of a Participant, to the Lender from which the related participation shall have been purchased), as appropriate, two (2) duly completed copies of (i) Internal Revenue Service Form W-8 ECI, or any successor form thereto, certifying that the payments received from the Borrower hereunder are effectively connected with such Foreign Lender's conduct of a trade or business in the United States; or (ii) Internal Revenue Service Form W-8 BEN, or any successor form thereto, certifying that such Foreign Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest; or (iii) Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate (A) establishing that the payment to the Foreign Lender qualifies as "portfolio interest" exempt from U.S. withholding tax under Code section 871(h) or 881(c), and (B) stating that (1) the Foreign Lender is not a bank for purposes of Code section 881(c)(3)(A), or the obligation of the Borrower hereunder is not, with respect to such Foreign Lender, a loan agreement entered into in the ordinary course of its trade or business, within the meaning of that section; (2) the Foreign Lender is not a 10% shareholder of the Borrower within the meaning of Code section 871(h)(3) or 881(c)(3)(B); and (3) the Foreign Lender is not a controlled foreign corporation that is related to the Borrower within the meaning of Code section 881(c)(3)(C); or (iv) such other Internal Revenue Service forms as may be applicable to the Foreign Lender, including Forms W-8 IMY or W-8 EXP. Each such Foreign Lender shall deliver to the Borrower and the Administrative Agent such forms on or before the date that it becomes a party to this Agreement (or in the case of a Participant, on or before the date such Participant purchases the related participation). In addition, each such Foreign Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Foreign Lender. Each such Foreign Lender shall promptly notify the Borrower and the Administrative Agent at any time that it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the Internal Revenue Service for such purpose).

(f) If a payment made to a Lender under this Agreement would be subject to U.S. federal withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or Administrative Agent as may be necessary for the Borrower or Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees, or amounts payable under Sections 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon (New York time) on the date when due, in immediately available funds, free and clear of any defenses, rights of set-off, counterclaim, or withholding or deduction of taxes. Any amounts received after such time on any date may, in the discretion of

the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at the Payment Office, except that payments pursuant to Sections 2.15, 2.16 and 2.17 and 9.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be made payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Loans that would result in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided, that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount or amounts due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 2.19. Mitigation of Obligations. If any Lender requests compensation under Section 2.15, Section 2.16 or Section 2.17 or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable under Section 2.15 or Section 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with such designation or assignment.

Section 2.20. Replacement of Lenders. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority of the account of any Lender pursuant to Section 2.17, or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions set forth in Section 9.4(b)) all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender); provided, that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal amount of all Loans owed to it, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (in the case of such outstanding principal and accrued interest) and from the Borrower (in the case of all other amounts) and (iii) in the case of a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.21. Reserved.

Section 2.22. Defaulting Lenders.

(a) Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable Requirement of Law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and in Section 9.2.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event

of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any then final and non-appealable judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any the final and non-appealable judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 3.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments without giving effect to Section 2.18. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.22(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III

CONDITIONS PRECEDENT TO LOANS

Section 3.1. Conditions To Effectiveness. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.2).

(a) The Administrative Agent and the Joint Lead Arrangers shall have received all fees and other amounts due and payable prior to the Closing Date, including reimbursement or payment of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel to the Administrative Agent) required to be reimbursed or paid by the Borrower hereunder, under any other Credit Document and under any agreement with the Administrative Agent or the Joint Lead Arrangers.

(b) The Administrative Agent (or its counsel) shall have received the following:

(i) a counterpart of this Agreement signed by or on behalf of each party hereto or written evidence satisfactory to the Administrative Agent (which may include telecopy or .pdf transmission of an executed signature page of this Agreement) that such party has signed a counterpart of this Agreement;

(ii) [reserved];

(iii) a certificate of the Secretary or Assistant Secretary of the Borrower in the form of Exhibit 3.1(b)(iii), attaching and certifying copies of its bylaws and of the resolutions of its boards of directors, authorizing the execution, delivery and performance of the Credit Documents and certifying the name, title and true signature of each officer of the Borrower executing the Credit Documents;

(iv) certified copies of the articles or certificate of incorporation of the Borrower, together with certificates of good standing or existence, as may be available from the Secretary of State of the jurisdictions of organization of the Borrower and each other jurisdiction in which the failure to so qualify and be in good standing would have or would reasonably be expected to have a Material Adverse Effect;

(v) a favorable written opinion of inside or outside counsel to the Borrower, addressed to the Administrative Agent and each of the Lenders, and covering such matters relating to the Borrower, the Credit Documents and the transactions contemplated therein as the Administrative Agent or the Required Lenders shall reasonably request;

(vi) a certificate in the form of Exhibit 3.1(b)(vi), dated the Closing Date and signed by a Financial Officer, certifying that (A) no Default or Event of Default exists, (B) all representations and warranties of the Borrower set forth in the Credit Documents are true and correct in all material respects, (C) since September 30, 2019, there shall have been no material adverse change in the business, condition (financial or otherwise), operations, liabilities (contingent or otherwise), properties or prospects of the Borrower and its subsidiaries taken as a whole, (D) there are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower, any of its Subsidiaries or any of its properties which would have or be reasonably expected to have a Material Adverse Effect and (E) except as would not result or be reasonably expected to result in a Material Adverse Effect: (a) each of the properties of the Borrower and its Subsidiaries and all operations at such properties are in compliance in all material respects with all applicable Environmental Laws, (b) there is no violation of any Environmental Law with respect to the properties or the businesses operated by the Borrower or its Subsidiaries, and (c) there are no conditions relating to the businesses or properties that would reasonably be expected to give rise to a material liability under any applicable Environmental Laws;

(vii) if a Borrowing will be made on the Closing Date, a duly executed Notice of Borrowing and a duly executed funds disbursement agreement, together with a report setting forth the sources and uses of the proceeds hereof;

(viii) certified copies of all consents, approvals, authorizations, registrations and filings and orders required or advisable to be made or obtained under any Requirement of Law, or by any Contractual Obligation of Borrower, in connection with the execution, delivery, performance, validity and enforceability of the Credit Documents or any of the transactions contemplated thereby, and such consents, approvals, authorizations, registrations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired, and no investigation or inquiry by any governmental authority regarding the Commitments or any transaction being financed with the proceeds thereof shall be ongoing;

(ix) copies of (A) the internally prepared quarterly financial statements of the Borrower and its Subsidiaries on a consolidated basis for the fiscal quarter ending on December 31, 2019 and (B) the audited consolidated financial statements for the Borrower and its Subsidiaries for the fiscal year ending September 30, 2019; and

(x) such other documents, certificates or information as the Joint Lead Arrangers may reasonably request, all in form and substance reasonably satisfactory to the Joint Lead Arrangers.

(c) To the extent requested by the Administrative Agent in writing not less than five (5) Business Days prior to the Closing Date, the Administrative Agent shall have received, not later than two (2) calendar days prior to the Closing Date, all documentation and other information with respect to the Borrower that the Administrative Agent reasonably believes is required by regulatory authorities under applicable “know-your-customer” and anti-money laundering rules and regulations, including without limitation the Patriot Act (as defined below).

(d) At least five (5) days prior to the Closing Date, to the extent the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, the Borrower shall deliver a Beneficial Ownership Certification in relation to the Borrower.

Section 3.2. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) at the time of and immediately after giving effect to such Borrowing, no Default or Event of Default shall exist;

(b) at the time of and immediately after giving effect to such Borrowing, all representations and warranties of the Borrower set forth in the Credit Documents shall be true and correct in all material respects (or, if already qualified by “materiality,” “Material Adverse Effect” or similar phrases, in all respects (after giving effect to such qualification)) on and as of the date of such Borrowing before and after giving effect thereto;

(c) the Borrower shall have delivered the required Notice of Borrowing; and

(d) the Administrative Agent shall have received such other documents, certificates or information as the Administrative Agent or the Required Lenders may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent or the Required Lenders.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the documents specified in paragraphs (a) and (b) of this Section 3.2.

Section 3.3. Delivery of Documents. All of the Credit Documents, certificates, legal opinions and other documents and papers referred to in this Article III, unless otherwise specified, shall be delivered to the Administrative Agent for the account of each of the Lenders and, except for any promissory notes, in sufficient counterparts or copies for each of the Lenders and shall be in form and substance reasonably satisfactory to the Administrative Agent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and each Lender as follows:

Section 4.1. Organization and Good Standing. The Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdictions of its incorporation, (b) is duly qualified and in good standing as a foreign corporation authorized to do business in every jurisdiction where the failure to so qualify would have or would reasonably be expected to have a Material Adverse Effect and (c) has the requisite corporate power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.2. Due Authorization. The Borrower (a) has the requisite corporate power and authority to execute, deliver and perform this Agreement and the other Credit Documents and to incur the obligations herein and therein provided for and (b) has been authorized by all necessary corporate action, to execute, deliver and perform this Agreement and the other Credit Documents.

Section 4.3. No Conflicts. Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by the Borrower will (a) violate or conflict with, in any material respect, any provision of its articles of incorporation or bylaws, (b) violate, contravene or conflict with, in any material respect, any law, regulation (including without limitation, Regulation U, Regulation X or any regulation promulgated by the Federal Energy Regulatory Commission), order, writ, judgment, injunction, decree or permit applicable to it, (c) except as would not reasonably be expected to result in a Material Adverse Effect, violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it or its properties may be bound, or (d) in any material respect, result in or require the creation of any Lien upon or with respect to its properties, other than a Permitted Lien.

Section 4.4. Consents. No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance of this Agreement or any of the other Credit Documents, except any such consent, approval, authorization, order, filing, registration or qualification as would not reasonably be expected to have a Material Adverse Effect.

Section 4.5. Enforceable Obligations. This Agreement and the other Credit Documents have been duly executed and delivered and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as may be limited by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally or by general equitable principles.

Section 4.6. Financial Condition.

(a) The consolidated financial statements delivered to the Lenders pursuant to Section 3.1(b)(ix) and pursuant to Section 5.1(a) and (b): (i) have been prepared in accordance with GAAP (subject to the provisions of Section 1.3) and (ii) present fairly in all material respects the financial condition, results of operations, and cash flows of the Borrower and its Subsidiaries as of such date and for such periods.

(b) Since September 30, 2019, there has been no sale, transfer or other disposition by the Borrower of any material part of the business or property of the Borrower, and no purchase or other acquisition by the Borrower of any business or property (including any Capital Stock of any other Person) material in relation to the financial condition of the Borrower, in each case which is not (i) reflected in the most recent financial statements delivered to the Lenders pursuant to Section 3.1(b)(ix) and pursuant to Section 5.1 or in the notes thereto or (ii) otherwise permitted by the terms of this Agreement and communicated to the Administrative Agent.

Section 4.7. Intentionally Omitted.

Section 4.8. No Default. No Default or Event of Default presently exists and is continuing.

Section 4.9. Intentionally Omitted.

Section 4.10. Taxes. The Borrower and its Subsidiaries have filed, or caused to be filed, all material tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes shown thereon to be due (including interest and penalties) and has paid all other material taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes which are not yet delinquent or that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP.

Section 4.11. Compliance with Law. The Borrower and each of its Subsidiaries is in compliance with all laws, rules, regulations, orders and decrees applicable to it or to its properties, except where the failure to be in compliance would not have or would not reasonably be expected to have a Material Adverse Effect.

Section 4.12. Material Agreements. Neither the Borrower nor any of its Subsidiaries is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default has had or would be reasonably expected to have a Material Adverse Effect.

Section 4.13. ERISA. Except as would not result or be reasonably expected to result in a Material Adverse Effect

- (a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no Termination Event has occurred, and, to the best knowledge of the Borrower, no event or condition has occurred or exists as a result of which any Termination Event is reasonably expected to occur, with respect to any Plan; (ii) no “accumulated funding deficiency,” as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in material compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no Lien in favor of the PBGC or a Plan has arisen or is reasonably expected to arise on account of any Plan.
- (b) No liability has been or is reasonably expected by the Borrower to be incurred under Sections 4062, 4063 or 4064 of ERISA with respect to any Single Employer Plan by the Borrower or any of its Subsidiaries which has or would reasonably be expected to have a Material Adverse Effect.
- (c) The actuarial present value of all “benefit liabilities” under each Single Employer Plan (determined within the meaning of Section 401(a)(2) of the Code, utilizing the actuarial assumptions used to fund such Plans), whether or not vested, did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such accrued liabilities, except as disclosed in the Borrower’s financial statements.
- (d) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Borrower, is reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Borrower, reasonably expected to be in reorganization, insolvent, or terminated.
- (e) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or is reasonably likely to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 407, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.
- (f) The present value (determined using actuarial and other assumptions which are reasonable with respect to the benefits provided and the employees participating) of the liability of the Borrower and each ERISA Affiliate for post-retirement welfare benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA), net of all assets under all such Plans allocable to such benefits, are reflected on the financial statements referenced in Section 5.1 in accordance with FASB 106.

(g) Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

Section 4.14. Use of Proceeds. The proceeds of the Loans hereunder will be used solely for the purposes specified in Section 5.8. None of such proceeds will be used for the acquisition of another Person unless the board of directors (or other comparable governing body) or stockholders, as appropriate, of such Person has approved such acquisition. The proceeds of the Loans hereunder shall not be used, wholly, partially, directly or indirectly to finance any transaction relating to a client, customer, importer, exporter or any other Person who appears on any list of OFAC, the Financial Action Task Force on Money Laundering or on any control list of a similar nature of any governmental authority (collectively, the "Sanctions Lists") or in violation of any Anti-Terrorism and Anti-Corruption Law.

Section 4.15. Government Regulation.

(a) No proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U, or for the purpose of purchasing or carrying or trading in any securities. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loans was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Borrower and its Subsidiaries.

(b) Neither the Borrower nor any of its Subsidiaries is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by an "investment company".

Section 4.16. Disclosure. Neither this Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of the Borrower in connection with the transactions contemplated hereby (in each case, as modified or supplemented by other information so furnished) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein, taken as a whole, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time (it being understood that the projected financial information is subject to significant uncertainties and contingencies, many of which are beyond the Borrower's control, and that no assurance can be given that any projections will be realized).

Section 4.17. OFAC; Anti-Corruption Laws; Anti-Money Laundering Laws.

(a) Neither the Borrower nor any of its Subsidiaries or Affiliates, nor to its knowledge any of its or their respective directors, officers, or employees, agents or

representatives, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to improperly influence official action or secure an improper advantage for the Borrower or any of its Subsidiaries or Affiliates where such actions would constitute a material breach of Anti-Corruption Laws; and the Borrower and its Subsidiaries and Affiliates have conducted their businesses in material compliance with applicable Anti-Terrorism and Anti-Corruption Laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(b) Neither the Borrower nor any of its Subsidiaries or Affiliates, nor to its knowledge any of its or their respective directors, officers, or employees, agents or representatives, is (i) named on any Sanctions List, (ii)(A) an agency of the government of a country, or (B) an organization controlled by a country, (iii) a Person resident in a country that is subject to a sanctions program identified on any Sanctions List (each a "Listed Country"), or, if a resident in a Listed Country, that residency and the operations of that Person relating to that Listed Country are in compliance with all Anti-Terrorism Laws and Anti-Corruption Laws in all material respects or (iv) directly conducting business or engaged in any transaction with any Persons named on any Sanctions List or resident in a Listed Country.

Section 4.18. Insurance. The Borrower and its Subsidiaries maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate and/or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

Section 4.19. Franchises, Licenses, Etc. The Borrower and its Subsidiaries possess (a) good title to, or the legal right to use, all properties and assets and (b) all franchises, certificates, licenses, permits and other authorizations, in each case as are necessary for the operation of their respective businesses, except to the extent the failure to possess any of the foregoing would not and would not reasonably be expected to have a Material Adverse Effect.

Section 4.20. Secured Indebtedness. All of the secured indebtedness of the Borrower is set forth on Schedule 4.20 or permitted by Section 6.6.

Section 4.21. Subsidiaries. All Subsidiaries of the Borrower and the designation as to which such Subsidiaries are Material Subsidiaries are set forth on Schedule 4.21. Schedule 4.21 may be updated from time to time by the Borrower.

Section 4.22. Affected Financial Institution. Neither the Borrower nor any Subsidiary is an Affected Financial Institution.

Section 4.23. Beneficial Ownership. As of the Closing Date, the information included in the Beneficial Ownership Certification is true and correct in all respects.

ARTICLE V

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains unpaid or outstanding:

Section 5.1. Information Covenants. The Borrower will furnish, or cause to be furnished, to the Administrative Agent (who shall forward copies thereof to each Lender):

(a) **Annual Financial Statements.** As soon as available, and in any event within 120 days after the close of each fiscal year of the Borrower, a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal year, together with retained earnings and a consolidated statement of cash flows for such fiscal year setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing and whose opinion shall be furnished to the Administrative Agent, shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified by a going concern or similar qualification.

(b) **Quarterly Financial Statements.** As soon as available, and in any event within 65 days after the close of each fiscal quarter of the Borrower (other than the fourth fiscal quarter) a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal quarter, together with a related consolidated statement of cash flows for such fiscal quarter in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of a Financial Officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments and absence of notes.

(c) **Officer's Certificate.** At the time of delivery of the financial statements provided for in Sections 5.1(a) and 5.1(b) above, a certificate of a Financial Officer of the Borrower, substantially in the form of Exhibit 5.1(c), (i) demonstrating compliance with Section 5.2 by calculation thereof as of the end of each such fiscal period and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower proposes to take with respect thereto.

(d) **Reports.** Promptly after the same are available, copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Exchange Act, and not otherwise required to be delivered to the Administrative Agent pursuant hereto.

(e) **Notices.** Upon the Borrower obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent promptly of (i) the occurrence of a Default or Event of Default, specifying the nature and existence thereof and what action the Borrower proposes to take with respect thereto, (ii) any change in any rating from S&P or Moody's and/or any loss of rating from S&P or Moody's, (iii) the occurrence of any of the following with respect

to the Borrower or any Subsidiary: (A) the pendency or commencement of any litigation, arbitration or governmental proceeding against the Borrower or such Subsidiary which, if adversely determined, would have or would be reasonably expected to have a Material Adverse Effect or (B) the institution of any proceedings against the Borrower or such Subsidiary with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation or alleged violation of, any federal, state or local law, rule or regulation (including, without limitation, any Environmental Law), the violation of which would have or would be reasonably expected to have a Material Adverse Effect and/or (iv) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (c) or (d) of such certification.

(f) ERISA. Upon the Borrower or any ERISA Affiliate obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent and each of the Lenders promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or would be reasonably expected to lead to, a Termination Event; (ii) any communication from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan together with a statement of the amount of liability, if any, incurred or expected to be incurred by the Borrower or any Subsidiary in connection therewith; (iii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Borrower or any ERISA Affiliate, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iv) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrower or any of its Subsidiaries or ERISA Affiliates is required to contribute to each Plan which is subject to Title IV of ERISA pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (v) any change in the funding status of any Plan that would have or would be reasonably expected to have a Material Adverse Effect; together, with a description of any such event or condition or a copy of any such notice and a statement by an officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower with respect thereto. Promptly upon request, the Borrower shall furnish the Administrative Agent with such additional information concerning any Plan as may be reasonably requested by the Administrative Agent or any Lender, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(g) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Borrower as the Administrative Agent or the Required Lenders may reasonably request.

(h) Delivery of Information. Documents required to be delivered pursuant to this Section (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address www.atmosenergy.com; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third party website or sponsored by the Administrative Agent); provided that the Borrower shall notify the Administrative Agent (by telecopier or electronic mail) of the posting of any such

documents (which notice the Administrative Agent shall promptly forward to the Lenders). Notwithstanding anything contained herein, in any instance the Borrower shall be required to provide paper or facsimile copies of the officer's certificates required by Section 5.1(c) to the Administrative Agent. Except for such officer's certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for maintaining its copies of such documents.

Section 5.2. Debt to Capitalization Ratio. As of the last day of each fiscal quarter of the Borrower, the Debt to Capitalization Ratio shall be less than or equal to 0.70 to 1.0.

Section 5.3. Preservation of Existence, Franchises and Assets. The Borrower will, and will cause its Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority, except where failure to do so would not or would not reasonably be expected to have a Material Adverse Effect. The Borrower will, and will cause its Subsidiaries to, generally maintain its properties, real and personal, in good condition, and the Borrower and its Subsidiaries shall not waste or otherwise permit such properties to deteriorate, reasonable wear and tear excepted, except, in each case, where failure to do so would not or would not reasonably be expected to have a Material Adverse Effect.

Section 5.4. Books and Records. The Borrower will, and will cause its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

Section 5.5. Compliance with Law. The Borrower will, and will cause its Subsidiaries to, comply with, and obtain all permits and licenses required by, all laws (including, without limitation, all Environmental Laws and ERISA laws), rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its property, if the failure to comply would have or would be reasonably expected to have a Material Adverse Effect. The Borrower will, and will cause each of its Subsidiaries and Affiliates to, comply with, and not act in any manner that would result in a violation by any Person (including Lender) of, Anti-Terrorism and Anti-Corruption Laws.

Section 5.6. Payment of Taxes and Other Claims. The Borrower will, and will cause its Subsidiaries to, pay, settle or discharge (a) all material taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent and (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties; provided, however, that the Borrower shall not be required to pay any such tax, assessment, charge, levy, claim or indebtedness which is being contested in good faith by appropriate action and as to which adequate reserves therefor, if required, have been established in accordance with GAAP, unless the failure to make any such payment (i) would give rise to an immediate right to foreclose or collect on a Lien securing such amounts or (ii) would have or would reasonably be expected to have a Material Adverse Effect.

Section 5.7. Insurance. The Borrower will, and will cause its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance and casualty insurance) with financially sound and reputable insurance companies or associations in such amounts and covering such risks as is usually carried

by companies engaged in similar business and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate and/or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

Section 5.8. Use of Proceeds. The proceeds of the Loans may be used solely (a) to pay fees and expenses related to this Agreement, (b) to fund future acquisitions permitted by Section 4.14 and (c) for working capital, capital expenditures and other lawful corporate purposes of the Borrower.

Section 5.9. Audits/Inspections. Upon reasonable prior notice and during normal business hours and no more frequently than once during any fiscal year upon reasonable advance notice through the Administrative Agent to the Borrower, the Borrower will permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect the Borrower's and its Subsidiaries' property, including their books and records, their accounts receivable and inventory, the Borrower's and its Subsidiaries' facilities and their other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives to discuss all such matters with the officers, employees and representatives of the Borrower and its Subsidiaries; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives) may do any of the foregoing at the expense of the Borrower at any time during normal business hours.

ARTICLE VI

NEGATIVE COVENANTS

The Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains outstanding:

Section 6.1. Nature of Business. The Borrower will not materially alter the character of its business from that conducted as of the Closing Date.

Section 6.2. Consolidation and Merger. The Borrower will not (a) enter into any transaction of merger, or (b) consolidate, liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, so long as no Default or Event of Default shall exist or be caused thereby, a Person may be merged or consolidated with or into the Borrower so long as the Borrower shall be the continuing or surviving corporation.

Section 6.3. Sale or Lease of Assets. Within any period of four consecutive fiscal quarters, the Borrower will not, nor will it permit any Subsidiary to, convey, sell, lease, transfer or otherwise dispose of assets, business or operations with a net book value in excess of 25% of Total Assets as calculated as of the end of the most recent such fiscal quarter.

Section 6.4. Arm's-Length Transactions. The Borrower will not, nor will it permit its Subsidiaries to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length transaction with a Person other than an Affiliate; provided that the foregoing restriction shall not apply to the payment or grant of reasonable compensation, benefits and indemnities to any director, officer, employee or agent of the Borrower or any Subsidiary.

Section 6.5. Fiscal Year; Organizational Documents. The Borrower will not (a) change its fiscal year or (b) in any manner that would reasonably be expected to materially adversely affect the rights of the Lenders, change its organizational documents or its bylaws; it being understood that the Borrower's shareholders may approve an amendment to the Borrower's Articles of Incorporation to permit the issuance of Preferred Securities.

Section 6.6. Liens. The Borrower will not, nor will it permit any of its Material Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or after acquired, except for the following: (a) Liens securing Obligations, (b) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate action and for which adequate reserves, if required, determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (c) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carrier's, landlords' and other nonconsensual statutory Liens which are not yet due and payable, which have been in existence less than 90 days or which are being contested in good faith by appropriate action and for which adequate reserves, if required, determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (d) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs, (e) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (f) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (g) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (h) judgment Liens that would not constitute an Event of Default or securing appeal or other surety bonds related to such judgments, (i) Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (j) any Lien on any assets securing indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring, developing, operating, constructing, altering, repairing or improving all or part of such assets; provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof, completion of construction, improvement or repair, or commencement of commercial operation of such assets, (k) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or one of its Subsidiaries and not created in contemplation of such event, (l) any Lien existing on any asset prior to the acquisition thereof by the Borrower or one of its Subsidiaries and not created in contemplation of such acquisition, (m) any Lien on the assets of the Borrower or any Material Subsidiary pursuant to Section 803 of the 1998 Indenture, Section 803 of the 2001 Indenture, Section 803 of the 2007 Indenture, or Section 803 of the 2009 Indenture if placed on the property of the Borrower or such Material Subsidiary on an equal and ratable basis with Liens securing Obligations and other Liens that may be placed on the properties of the Borrower or such Material Subsidiary in the future, (n) any Lien created in connection with a project financed with, or created to secure, Non-Recourse Indebtedness, (o) Liens on goods (and the proceeds thereof) and documents of title and the property covered thereby securing indebtedness in respect of commercial letters of credit, (p) Liens that have been placed by any developer, landlord or other third party on property over which the Borrower or any Material Subsidiary has easement rights or on any real property leased

by the Borrower or any Material Subsidiary and subordination or similar agreements relating thereto, (q) any condemnation or eminent domain proceedings affecting any real property, (r) any provision for the retention of title to an asset by vendor or transferor of such asset which asset is acquired by the Borrower or a Material Subsidiary in a transaction entered into in the ordinary course of business, (s) Liens on the proceeds of assets that were subject to Liens permitted hereunder or on assets acquired with such proceeds as a replacement of such former assets, (t) Liens not otherwise permitted by this Agreement securing indebtedness in the aggregate (at the time such Liens are created) not in excess of ten percent (10%) of Consolidated Net Property, (u) Liens constituted by a right of set off, or rights over a margin call account, or any form of cash collateral, or any similar arrangement, securing Hedging Obligations and/or Physical Trade Obligations, in each case so long as the aggregate principal amount of cash securing such Hedging Obligations and Physical Trade Obligations, do not exceed ten percent (10%) of Consolidated Net Worth, (v) Liens on accounts and related assets arising under an areawide utility contract or similar contract with the federal government related to energy management, conservation, or similar services, securing indebtedness of the Persons to whom Borrower has subcontracted to provide such services to the federal government and (w) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (v) for amounts not exceeding the principal amount of the indebtedness (including undrawn commitments) secured by the Lien so extended, renewed or replaced (except for accrued interest and a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred in connection with such extension, renewal or replacement); provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets).

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1. Events of Default. An Event of Default shall exist upon the occurrence of any of the following specified events (each an “Event of Default”):

(a) Payment. The Borrower shall default in the payment (i) when due of any principal of any of the Loans or (ii) within three Business Days of when due of any interest on the Loans or of any fees owing hereunder or any of the other Credit Documents or (iii) within ten days of when due of any other amounts owing hereunder, under any of the other Credit Documents or in connection herewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by the Borrower herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto (including without limitation the certificate delivered pursuant to Section 3.1(b)(vi)) shall prove untrue in any material respect on the date as of which it was deemed to have been made.

(c) Covenants. The Borrower shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 5.2, 5.3 (as to maintenance of existence of the Borrower only) or 6.1 through 6.6 inclusive; or

(ii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 5.1 and such default shall continue unremedied for a period of five Business Days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i), or (c)(ii) of this Section 7.1) contained in this Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent.

(d) Credit Documents. The Borrower shall default in the due performance or observance of any term, covenant or agreement in any of the other Credit Documents and such default shall continue unremedied for a period of at least 30 days after the earlier of (i) the Borrower becoming aware of such default or notice thereof given by the Administrative Agent or (ii) any Credit Document shall fail to be in full force and effect or the Borrower shall so assert.

(e) Bankruptcy, etc. The occurrence of any of the following with respect to the Borrower or any of its Material Subsidiaries: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Material Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Borrower or any of its Material Subsidiaries or for any substantial part of its property or order the winding up or liquidation of its affairs; or (ii) an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect is commenced against the Borrower or any of its Material Subsidiaries and such petition remains unstayed and in effect for a period of 60 consecutive days; or (iii) the Borrower or any of its Material Subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Borrower or any of its Material Subsidiaries shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by such Person in furtherance of any of the aforesaid purposes.

(f) Defaults under Other Agreements. With respect to any indebtedness of the Borrower in excess of \$100,000,000 (other than indebtedness outstanding under this Agreement or Non-Recourse Indebtedness) (A) the Borrower shall (1) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such indebtedness, or (2) default (after giving effect to any applicable grace period) in the observance or performance of any covenant or agreement relating to such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder of the holders of such indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required) any such indebtedness to become due prior to its stated maturity; or (B) any such indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, or by a mandatory prepayment upon specified events or conditions, in each case, prior to the stated maturity thereof; or (C) any such indebtedness shall mature and remain unpaid.

(g) Judgments. One or more final judgments, orders, or decrees shall be entered against the Borrower involving a liability of \$100,000,000 or more, in the aggregate (to the extent not paid or covered by insurance provided by a carrier who has acknowledged coverage) and such judgments, orders or decrees shall continue unsatisfied, undischarged and unstayed for a period of 90 days; provided that if such judgment, order or decree provides for periodic payments over time then the Borrower shall have a grace period of 30 days with respect to each such periodic payment.

(h) ERISA. The occurrence of any of the following events or conditions if any of the same would be reasonably expected to result in a liability of an amount greater than or equal to \$20,000,000: (A) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (B) a Termination Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (C) a Termination Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (i) the termination of such Plan for purposes of Title IV of ERISA, or (ii) the Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (D) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which would be reasonably expected to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(i) Change of Control. The occurrence of any Change of Control.

Section 7.2. Acceleration; Remedies. Upon the occurrence and during the continuation of an Event of Default, the Administrative Agent may, with the consent of the Required Lenders, and shall, upon the request and direction of the Required Lenders, by written notice to the Borrower take any of the following actions without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans. Declare the unpaid amount of all Obligations to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(c) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents or otherwise available at law or in equity, including, without limitation, all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 7.1(e) shall occur, then the Commitments shall automatically terminate and all Loans, all accrued interest in respect thereof, all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders and the Administrative Agent hereunder shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders.

Notwithstanding the fact that enforcement powers reside primarily with the Administrative Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

Section 7.3. Allocation of Payments After Event of Default.

Notwithstanding any other provisions of this Agreement, but subject in all respects to Section 2.22, after the occurrence of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender on account of amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent or any of the Lenders in connection with enforcing the rights of the Lenders under the Credit Documents, pro rata as set forth below;

SECOND, to payment of any fees owed to the Administrative Agent or any Lender, pro rata as set forth below;

THIRD, to the payment of all accrued interest payable to the Lenders hereunder, pro rata as set forth below;

FOURTH, to the payment of the outstanding principal amount of the Loans, pro rata as set forth below;

FIFTH, to all other obligations which shall have become due and payable under the Credit Documents and not repaid pursuant to clauses "FIRST" through "FOURTH" above; and

SIXTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category and (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans held by such Lender bears to the aggregate then outstanding Loans) of amounts available to be applied.

ARTICLE VIII

THE ADMINISTRATIVE AGENT

Section 8.1. Appointment of Administrative Agent. Each Lender irrevocably appoints Mizuho Bank, Ltd. as the Administrative Agent and authorizes it to take

such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent under this Agreement and the other Credit Documents, together with all such actions and powers that are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder or under the other Credit Documents by or through any one or more sub-agents or attorneys-in-fact appointed by the Administrative Agent. The Administrative Agent and any such sub-agent or attorney-in-fact may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions set forth in this Article shall apply to any such sub-agent or attorney-in-fact and the Related Parties of the Administrative Agent, any such sub-agent and any such attorney-in-fact and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 8.2. Nature of Duties of Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in this Agreement and the other Credit Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except those discretionary rights and powers expressly contemplated by the Credit Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2), and (c) except as expressly set forth in the Credit Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it, its sub-agents or attorneys-in-fact with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2) or in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall not be deemed to have knowledge of any Default or Event of Default unless and until written notice thereof (which notice shall include an express reference to such event being a "Default" or "Event of Default" hereunder) is given to the Administrative Agent by the Borrower or any Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements, or other terms and conditions set forth in any Credit Document, (iv) the validity, enforceability, effectiveness or genuineness of any Credit Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article III or elsewhere in any Credit Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent. The Administrative Agent may consult with legal counsel (including counsel for the Borrower) concerning all matters pertaining to such duties.

Section 8.3. Lack of Reliance on the Administrative Agent. Each of the Lenders acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Lenders also acknowledges that it will, independently and without reliance upon the

Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, continue to make its own decisions in taking or not taking of any action under or based on this Agreement, any related agreement or any document furnished hereunder or thereunder.

Section 8.4. Certain Rights of the Administrative Agent. If the Administrative Agent shall request instructions from the Required Lenders with respect to any action or actions (including the failure to act) in connection with this Agreement, the Administrative Agent shall be entitled to refrain from such act or taking such act, unless and until it shall have received instructions from such Lenders; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders where required by the terms of this Agreement.

Section 8.5. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed, sent or made by the proper Person. The Administrative Agent may also rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of such counsel, accountants or experts.

Section 8.6. The Administrative Agent in its Individual Capacity. The bank serving as the Administrative Agent shall have the same rights and powers under this Agreement and any other Credit Document in its capacity as a Lender as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent; and the terms "Lenders", "Required Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The bank acting as the Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 8.7. Successor Administrative Agent.

(a) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval by the Borrower provided that no Default or Event of Default shall exist at such time. If no successor Administrative Agent shall have been so appointed, and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or any state thereof or a bank which maintains an office in the United States, having a combined capital and surplus of at least \$500,000,000.

(b) Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative

Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Credit Documents. If within 45 days after written notice is given of the retiring Administrative Agent's resignation under this Section 8.7 no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such 45th day (i) the retiring Administrative Agent's resignation shall become effective, (ii) the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under the Credit Documents and (iii) the Required Lenders shall thereafter perform all duties of the retiring Administrative Agent under the Credit Documents until such time as the Required Lenders appoint a successor Administrative Agent as provided above. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall continue in effect for the benefit of such retiring Administrative Agent and its representatives and agents in respect of any actions taken or not taken by any of them while it was serving as the Administrative Agent.

Section 8.8. Co-Documentation Agents; Co-Syndication Agents. Each of the Lenders and the Borrower hereby acknowledges and agrees that the Co-Documentation Agents and the Co-Syndication Agents shall have no duties or obligations under any Credit Documents to any Lender or the Borrower.

ARTICLE IX **MISCELLANEOUS**

Section 9.1. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications to any party herein to be effective shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopy or to the extent permitted below, by email as follows:

To the Borrower: Atmos Energy Corporation
Three Lincoln Centre, Suite 1800
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Chief Financial Officer
Telecopy Number: (972) 855-3793
Email Address: Chris.Forsythe@atmosenergy.com

With a copy to: Atmos Energy Corporation
700 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Treasurer
Telecopy Number: (214) 550-9326
Email Address: dan.meziere@atmosenergy.com

and Atmos Energy Corporation
Three Lincoln Centre, Suite 1800
5430 LBJ Freeway
Dallas, Texas 75240
Attention: General Counsel
Telecopy Number: (972) 855-3080
Email Address: Karen.Hartsfield@atmosenergy.com

To the Administrative Agent:

For operations topics: Mizuho Bank, Ltd.
Harborside Financial Center
1800 Plaza Ten
Jersey City, NJ 07311
Tel: (201) 626-9649
Attention: Stanley Lin
Email Address: Stanley.lin@mizuhogroup.com;
LAU_agent@mizuhogroup.com

With a copy to: Mizuho Bank, Ltd.
Harborside Financial Center
1800 Plaza Ten
Jersey City, NJ 07311
Attention: Lois Swain-Robinson
Email Address: lois.swain@mizuhocbus.com
Tel: (201) 626-9404
Fax: (201) 626-9935

and

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309
Attention: Carolyn Z. Alford
Telecopy Number: (404) 572-5100
Email Address: czalford@kslaw.com

For all other topics: Mizuho Americas
2700 Post Oak Boulevard
Galleria Tower I, Suite 1270
Houston, TX 77056
Attention: Edward Sacks
Email Address: ed.sacks@mizuhogroup.com
Tel: (713) 499-4809
Fax: (281) 932-6551

and

With a copy to: Mizuho Bank, Ltd.
1271 Avenue of the Americas
New York, NY 10020
Attention: Edwin O. Stone
Email Address: Edwin.stone@mizuhogroup.com
Tel: (212) 282-3269

and

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309
Attention: Carolyn Z. Alford
Telecopy Number: (404) 572-5100
Email Address: czalford@kslaw.com

To any other Lender: the address set forth in the Administrative Questionnaire or the Assignment and Acceptance executed by such Lender

Notices and other communications hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All such notices and other communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the mail or if delivered, upon delivery; provided, that notices delivered to the Administrative Agent shall not be effective until actually received by such Person at its address specified in this Section 9.1 during normal business hours for such Person, or if received after normal business hours for such Person, such notice shall be effective on the next Business Day.

(b) Any agreement of the Administrative Agent and the Lenders herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent and Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in

reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and all other Obligations hereunder shall not be affected in any way or to any extent by any failure of the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in any such telephonic or facsimile notice.

(c) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the "Platform"). The Platform is provided "as is" and "as available". The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications of the Platform. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of Borrower's or the Administrative Agent's transmission of Communications through the Platform. "Communications" means, collectively, any notice, demand, communication, information, document or other material that the Borrower provides to the Administrative Agent pursuant to any Credit Document or the transactions contemplated therein which is distributed to the Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through the Platform.

Section 9.2. Waiver; Amendments.

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder or any other Credit Document, and no course of dealing between the Borrower and the Administrative Agent or any Lender, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power hereunder or thereunder. The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Credit Documents are cumulative and are not exclusive of any rights or remedies provided by law. No waiver of any provision of this Agreement or any other Credit Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 9.2, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default or Event of Default at the time.

(b) No amendment or waiver of any provision of this Agreement or the other Credit Documents (excluding the Fee Letter, which may be amended by written agreement executed by each of the parties thereto), nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Required Lenders or the Borrower and the Administrative Agent with the consent of the Required Lenders and then such waiver or consent shall be effective only in the specific instance

and for the specific purpose for which given; provided, that no amendment or waiver shall: (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or interest thereon or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby, (iv) change the definition of "Pro Rata Share" or Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.2 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender; (vi) release any guarantor or limit the liability of any such guarantor under any guaranty agreement, without the written consent of each Lender other than Defaulting Lenders; (vii) release all or substantially all collateral (if any) securing any of the Obligations, without the written consent of each Lender other than Defaulting Lenders; provided further, that no such agreement shall amend, modify or otherwise affect the rights, duties or obligations of the Administrative Agent without the prior written consent of such Person. Notwithstanding anything contained herein to the contrary, this Agreement may be amended and restated without the consent of any Lender (but with the consent of the Borrower and the Administrative Agent) if, upon giving effect to such amendment and restatement, such Lender shall no longer be a party to this Agreement (as so amended and restated), the Commitments of such Lender shall have terminated (but such Lender shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.3), such Lender shall have no other commitment or other obligation hereunder and shall have been paid in full all principal, interest and other amounts owing to it or accrued for its account under this Agreement.

Section 9.3. Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable, out-of-pocket costs and expenses of the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and its Affiliates, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Credit Documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated in this Agreement or any other Credit Document shall be consummated), and (ii) all reasonable out-of-pocket costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel) incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section 9.3, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), the Joint Lead Arrangers, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out

of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Credit Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any liability arising under the Environmental Laws related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Credit Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) The Borrower shall pay, and hold the Administrative Agent and each of the Lenders harmless from and against, any and all present and future stamp, documentary, and other similar taxes with respect to this Agreement and any other Credit Documents, any collateral described therein, or any payments due thereunder, and save the Administrative Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

(d) To the extent that the Borrower fails to pay any amount required to be paid to the Administrative Agent under clauses (a), (b) or (c) hereof, each Lender severally agrees to pay to the Administrative Agent such Lender's Pro Rata Share (determined as of the time that the unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided, that the unreimbursed expense or indemnified payment, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(e) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated therein, any Loan or the use of proceeds thereof.

(f) All amounts due under this Section 9.3 shall be payable promptly after written demand therefor.

Section 9.4. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an

assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans and Credit Exposure outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans and Credit Exposure of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance, as of the "Trade Date") shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans, Credit Exposure or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that, the Borrower will be deemed to have provided consent if it fails to approve or disapprove of such assignment within ten (10) Business Days after the date on which it receives notice thereof.

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Assignment and Acceptance. The parties to each assignment shall deliver to the Administrative Agent (A) a duly executed Assignment and Acceptance, (B) a processing and recordation fee of \$3,500 (unless waived by the Administrative Agent), (C) an Administrative Questionnaire unless the assignee is already a Lender and (D) the documents required under Section 2.17(e) if such assignee is a Foreign Lender.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons or Defaulting Lender. No such assignment shall be made to a natural person (or an investment vehicle or trust for the primary benefit of a natural person or relatives of a natural person) or a Defaulting Lender or an Affiliate thereof.

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section 9.4, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section 9.4.

(c) The Administrative Agent shall maintain at one of its offices a copy of each Assignment and Acceptance delivered to it in a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and Credit Exposure owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender (as to its commitment only), at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person (or an investment vehicle or trust for the primary benefit of a natural person or relatives of a natural person), the Borrower, any of the Borrower's Affiliates or Subsidiaries or any Defaulting Lender) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(e) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to the following to the extent affecting such Participant: (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or interest thereon or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.4 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender; (vi) release any guarantor or limit the liability of any such guarantor under any guaranty agreement without the written consent of each Lender except to the extent such release is expressly provided under the terms of this Agreement or such guaranty agreement; or (vii) release all or substantially all collateral (if any) securing any of the Obligations. Subject to paragraph (e) of this Section 9.4, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16, and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 9.4, provided, that such Participant agrees to be subject to the provisions of Sections 2.19 and 2.20 as if it were an assignee hereunder, further, to the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.7 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 and Section 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or any other central bank or a Governmental Authority having jurisdiction over any Lender or its parent; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.5. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement and the other Credit Documents shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof, except for Sections 5-1401 and 5-1402 of the New York General Obligations Law) of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, and of any state court of the State of New York sitting in New York County and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Credit Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding described in paragraph (b) of this Section 9.5 and brought in any court referred to in paragraph (b) of this Section 9.5. Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 9.1, provided that such service of process is delivered only by overnight courier, signature required. Nothing in this Agreement or in any other Credit Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 9.6. WAIVER OF JURY TRIAL. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.7. Right of Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, each Lender shall have the right, at any time or from time to time upon the occurrence and during the continuance of an Event of Default, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, to set off and apply against all deposits (general or special, time or demand, provisional or final) of the Borrower at any time held or other obligations at any time owing by such Lender to or for the credit or the account of the Borrower against any and all Obligations held by such Lender irrespective of whether such Lender shall have made demand hereunder and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Administrative Agent and the Borrower after any such set-off and any application made by such Lender; provided, that the failure to give such notice shall not affect the validity of such set-off and application. Each Lender agrees to apply all amounts collected from any such set-off to the Obligations before applying such amounts to any other indebtedness or other obligations owed by the Borrower and any of its Subsidiaries to such Lender.

Section 9.8. Counterparts; Integration. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, the Fee Letter, the other Credit Documents, and any separate letter agreement(s) relating to any fees payable to the Administrative Agent constitute the entire agreement among the parties hereto and thereto regarding the subject matters hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters. Delivery of an executed counterpart to this Agreement or any other Credit Document by facsimile transmission or by electronic mail in pdf format shall be as effective as delivery of a manually executed counterpart hereof.

Section 9.9. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is

outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.10 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof. All representations and warranties made herein, in the certificates, reports, notices, and other documents delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement and the other Credit Documents, and the making of the Loans.

Section 9.10. Severability. Any provision of this Agreement or any other Credit Document held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof or thereof; and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.11. Confidentiality. Each of the Administrative Agent and each Lender agrees to take normal and reasonable precautions to maintain the confidentiality of any Information, except that such Information may be disclosed (i) to any Related Party of the Administrative Agent or any such Lender, including without limitation accountants, legal counsel and other advisors, (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iii) to the extent requested by any regulatory agency or authority or self-regulatory organization, (iv) to the extent that such information becomes publicly available other than as a result of a breach of this Section 9.11, or which becomes available to the Administrative Agent, any Lender or any Related Party of any of the foregoing on a non-confidential basis from a source other than the Borrower, (v) in connection with the exercise of any remedy hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to provisions substantially similar to this Section 9.11, to any actual or prospective assignee or Participant, or to any direct or indirect contractual counterparties (or the professional advisors thereto) to any swap or derivative transaction or any credit insurance provider, in each case, relating to Borrower and its obligations, (vii) on a confidential basis to (a) any rating agency in connection with rating the Borrower, its Subsidiaries or the facilities or (b) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the facilities, or (viii) with the consent of the Borrower. Any Person required to maintain the confidentiality of any information as provided for in this Section 9.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord its own confidential information. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential.

Section 9.12. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which may be treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate of interest (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by a Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum

Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.12 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

Section 9.13. Waiver of Effect of Corporate Seal. The Borrower represents and warrants that it is not required to affix its corporate seal to this Agreement or any other Credit Document pursuant to any requirement of law or regulation, agrees that this Agreement is delivered by Borrower under seal and waives any shortening of the statute of limitations that may result from not affixing the corporate seal to this Agreement or such other Credit Documents.

Section 9.14. Patriot Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide to the extent commercially reasonable, such information and take such other actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

Section 9.15. No Fiduciary Duty. The Administrative Agent, the Co- Syndication Agents, the Co-Documentation Agents, the Joint Lead Arrangers, each Lender and their Affiliates (collectively, solely for purposes of this paragraph, the "Lenders"), may have economic interests that conflict with those of Borrower. Borrower agrees that nothing in the Credit Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between the Lenders and Borrower, its stockholders or its affiliates. The Borrower acknowledges and agrees that (i) the transactions contemplated by the Credit Documents are arm's-length commercial transactions between the Lenders, on the one hand, and Borrower, on the other, (ii) in connection therewith and with the process leading to such transaction each of the Lenders is acting solely as a principal and not the agent or fiduciary of Borrower, its management, stockholders, creditors or any other person, (iii) no Lender has assumed an advisory or fiduciary responsibility in favor of Borrower with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether any Lender or any of its affiliates has advised or is currently advising Borrower on other matters) or any other obligation to Borrower except the obligations expressly set forth in the Credit Documents and (iv) Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate. Borrower further acknowledges and agrees that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. Borrower agrees that it will not claim that any Lender has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to Borrower, in connection with such transaction or the process leading thereto.

Section 9.16. Acknowledgment and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the write-down and

conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by,

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

Section 9.17. Certain ERISA Matters. (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:

- (i) such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments or this Agreement,
- (ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,
- (iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on

behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (c) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document or any documents related hereto or thereto).

(remainder of page left intentionally blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ATMOS ENERGY CORPORATION, as Borrower

By: /s/ Daniel M. Meziere

Name: Daniel M. Meziere

Title: Vice President and Treasurer

[Signature Page to 364-Day Revolving Credit Agreement]

By: /s/ Edward Sacks

Name: Edward Sacks

Title: Authorized Signatory

[Signature Page to 364-Day Revolving Credit Agreement]

COBANK, ACB, FR 16(7)(p)
as a Co-Syndication Agent and as a Lender ATTACHMENT 2

By: /s/ Kelli Cholas

Name: Kelli Cholas

Title: Assistant Corporate Secretary

[Signature Page to 364-Day Revolving Credit Agreement]

By: /s/ Dee Dee Farkas

Name: Dee Dee Farkas

Title: Director

[Signature Page to 364-Day Revolving Credit Agreement]

BNP PARIBAS, FR 16(7)(p)
as a Co-Documentation Agent and as a Lender ATTACHMENT 2

By: /s/ Denis O'Meara

Name: Denis O'Meara

Title: Managing Director

By: /s/ Francis Delaney

Name: Francis Delaney

Title: Managing Director

[Signature Page to 364-Day Revolving Credit Agreement]

JPMORGAN CHASE BANK, N.A. FR 16(7)(p)
ATTACHMENT 2
as a Co-Syndication Agent and as a Lender

By: /s/ Nancy R. Barwig

Name: Nancy R. Barwig

Title: Executive Director

[Signature Page to 364-Day Revolving Credit Agreement]

REGIONS BANK, FR 16(7)(p)
as a Co-Documentation Agent and as a Lender ATTACHMENT 2

By: /s/ Michael Kolosowsky

Name: Michael Kolosowsky

Title: Managing Director

[Signature Page to 364-Day Revolving Credit Agreement]

FR 16(7)(p)
THE TORONTO-DOMINION BANK NEW YORK
BRANCH,
ATTACHMENT 2

as a Co-Documentation Agent and as a Lender

By: /s/ Peter Kuo

Name: Peter Kuo

Title: Authorized Signatory

[Signature Page to 364-Day Revolving Credit Agreement]

By: /s/ Andrew N Taylor

Name: Andrew N Taylor

Title: Senior Vice President

[Signature Page to 364-Day Revolving Credit Agreement]

TRUIST BANK,
as a Lender

By: /s/ Sarah Salmon

Name: Sarah Salmon

Title: Senior Vice President

[Signature Page to 364-Day Revolving Credit Agreement]

By: /s/ Alysha Salinger

Name: Alysha Salinger

Title: Authorized Signatory

[Signature Page to 364-Day Revolving Credit Agreement]

By: /s/ Jacob Elder

Name: Jacob Elder

Title: Authorized Signatory

[Signature Page to 364-Day Revolving Credit Agreement]

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as a Lender

ATTACHMENT 2

By: /s/ Kelly Shield

Name: Kelly Shield

Title: Director

[Signature Page to 364-Day Revolving Credit Agreement]

Schedule I

APPLICABLE MARGINS AND APPLICABLE PERCENTAGES

Level	Rating Category: Moody's/S&P	Applicable Margin for Eurodollar Advances	Applicable Margin for Base Rate Advances	Applicable Commitment Fee Percentage
I	Aa3/AA- or higher	1.000%	0.000%	0.100%
II	A1/A+	1.125%	0.125%	0.125%
III	A2/A or lower	1.250%	0.250%	0.175%

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior, unsecured long-term debt securities of the Borrower without third-party credit enhancement, whether or not any such debt securities are actually outstanding, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect on any date is that in effect at the close of business on such date. If the ratings established or deemed to have been established by Moody's and S&P for the Borrower fall within different Levels, the highest rating (or numerically lower Level) shall apply, unless the ratings differ by more than one Level, in which case, the governing rating shall be the rating next below the highest of the two. If the Borrower is not rated by Moody's or S&P, then the rate shall be established by reference to Level III.

If the rating system of Moody's or S&P shall change, or if any of these rating agencies shall cease to be in the business of rating corporate debt obligations, the Borrower, the Lenders and the Administrative Agent shall negotiate in good faith to amend this Schedule to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin and the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to any such change or cessation. If after a reasonable time (not to exceed 90 days) the parties cannot agree to a mutually acceptable amendment, the Applicable Margin and the Applicable Percentage shall be determined by reference to Level III.

[SCHEDULE I]

Schedule II

COMMITMENT AMOUNTS

<u>Lender</u>	<u>Commitment Amount</u>
Mizuho Bank, Ltd.	\$ 57,000,000.00
CoBank, ACB	\$ 75,000,000.00
Bank of America, N.A.	\$ 57,000,000.00
BNP Paribas	\$ 57,000,000.00
JPMorgan Chase Bank, N.A.	\$ 57,000,000.00
Regions Bank	\$ 57,000,000.00
The Toronto-Dominion Bank, New York Branch	\$ 57,000,000.00
U.S. Bank National Association	\$ 57,000,000.00
Truist Bank	\$ 38,000,000.00
Morgan Stanley Bank, N.A.	\$ 33,000,000.00
Goldman Sachs Bank USA	\$ 30,000,000.00
Fifth Third Bank, National Association	\$ 25,000,000.00
TOTAL	\$ 600,000,000.00

[SCHEDULE II]