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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, 2008

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.)*

**Three Lincoln Centre, Suite 1800
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:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, No Par Value	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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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, 2008, was \$2,243,034,264.

As of November 12, 2008, the registrant had 91,133,742 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 4, 2009 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	<u>Page</u>
Glossary of Key Terms	3
Part I	
Item 1. Business	4
Item 1A. Risk Factors	22
Item 1B. Unresolved Staff Comments	27
Item 2. Properties	27
Item 3. Legal Proceedings	28
Item 4. Submission of Matters to a Vote of Security Holders	28
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	30
Item 6. Selected Financial Data	33
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations ...	34
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	64
Item 8. Financial Statements and Supplementary Data	66
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ...	122
Item 9A. Controls and Procedures	122
Item 9B. Other Information	124
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	124
Item 11. Executive Compensation	124
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	124
Item 13. Certain Relationships and Related Transactions, and Director Independence	124
Item 14. Principal Accountant Fees and Services	124
Part IV	
Item 15. Exhibits and Financial Statement Schedules	125

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AES	Atmos Energy Services, LLC
APS	Atmos Pipeline and Storage, LLC
ATO	Trading symbol for Atmos Energy Corporation common stock on the New York Stock Exchange
Bcf	Billion cubic feet
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EITF	Emerging Issues Task Force
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation
Fitch	Fitch Ratings, Ltd.
FSP	FASB Staff Position
GRIP	Gas Reliability Infrastructure Program
Heritage	Heritage Propane Partners, L.P.
iFERC	Inside FERC
KPSC	Kentucky Public Service Commission
LPSC	Louisiana Public Service Commission
LTIP	1998 Long-Term Incentive Plan
Mcf	Thousand cubic feet
MDWQ	Maximum daily withdrawal quantity
MMcf	Million cubic feet
Moody's	Moody's Investor Services, Inc.
MPSC	Mississippi Public Service Commission
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SEC	United States Securities and Exchange Commission
Settled Cities	Represents 438 of the 439 incorporated cities, or approximately 80 percent of the Mid-Tex Division's customers, with whom a settlement agreement was reached during the fiscal 2008 second quarter.
SFAS	Statement of Financial Accounting Standards
TXU Gas	TXU Gas Company, which was acquired on October 1, 2004
USP	U.S. Propane, L.P.
VCC	Virginia Corporation Commission
WNA	Weather Normalization Adjustment

PART I

The terms “we,” “our,” “us” and “Atmos Energy” 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, is engaged primarily in the regulated natural gas distribution and transmission and storage businesses as well as other nonregulated natural gas businesses. Since our incorporation in Texas in 1983, we have grown primarily through a series of acquisitions, the most recent of which was the acquisition in October 2004 of the natural gas distribution and pipeline operations of TXU Gas Company. We are also incorporated in the state of Virginia.

Today, we distribute natural gas through regulated sales and transportation arrangements to approximately 3.2 million residential, commercial, public authority and industrial customers in 12 states located primarily in the South, which makes us one of the country’s largest natural-gas-only distributors based on number of customers. We also operate one of the largest intrastate pipelines in Texas based on miles of pipe.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers primarily in the Midwest and Southeast and natural gas transportation along with storage services to certain of our natural gas distribution divisions and third parties.

Our overall strategy is to:

- deliver superior shareholder value,
- improve the quality and consistency of earnings growth, while operating our regulated and nonregulated businesses exceptionally well and
- enhance and strengthen a culture built on our core values.

We have experienced more than 20 consecutive years of increasing dividends and earnings growth after giving effect to our acquisitions. Historically, we achieved this record of growth through acquisitions while efficiently managing our operating and maintenance expenses and leveraging our technology, such as our 24-hour call centers, to achieve more efficient operations. In recent years, we have also achieved growth by implementing rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved margins from customer usage patterns. In addition, we have developed various commercial opportunities within our regulated transmission and storage operations. Finally, we have strengthened our nonregulated businesses by increasing sales volumes and actively pursuing opportunities to increase the amount of storage available to us.

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

We operate the Company through the following four segments:

- The *natural gas distribution segment*, which includes our regulated natural gas distribution and related sales operations.
- The *regulated transmission and storage segment*, which includes the regulated pipeline and storage operations of our Atmos Pipeline — Texas Division.
- The *natural gas marketing segment*, which includes a variety of nonregulated natural gas management services.

- The *pipeline, storage and other segment*, which is comprised of our nonregulated natural gas transmission and storage services.

These operating segments are described in greater detail below.

Natural Gas Distribution Segment Overview

Our natural gas distribution segment consists of the following six regulated divisions, in order of total customers served, covering service areas in 12 states:

- Atmos Energy Mid-Tex Division,
- Atmos Energy Kentucky/Mid-States Division,
- Atmos Energy Louisiana Division,
- Atmos Energy West Texas Division,
- Atmos Energy Mississippi Division and
- Atmos Energy Colorado-Kansas Division

Our natural gas distribution business is a seasonal business. Gas sales to residential and commercial customers are greater during the winter months than during the remainder of the year. The volumes of gas sales during the winter months will vary with the temperatures during these months.

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 and to provide a reasonable return on invested capital. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia, Illinois, Iowa, Missouri and Virginia. In addition, we transport natural gas for others through our distribution system.

Rates established by regulatory authorities often include cost adjustment mechanisms 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 mechanisms represent a common form of cost adjustment mechanism. Purchased gas adjustment mechanisms provide natural gas utility companies 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 natural gas distribution gas costs. Therefore, although substantially all of our natural gas distribution operating revenues fluctuate with the cost of gas that we purchase, natural gas distribution gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas.

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

Finally, regulatory authorities for over 90 percent of residential and commercial meters in our service areas have approved weather normalization adjustments (WNA) as a part of our rates. WNA minimizes the effect of weather that is above or below normal by allowing us to increase customers' bills to offset lower gas usage when weather is warmer than normal and decrease customers' bills to offset higher gas usage when weather is colder than normal.

As of September 30, 2008 we had WNA for our residential and commercial meters in the following service areas for the following periods:

Georgia	October — May
Kansas	October — May
Kentucky	November — April
Louisiana	December — March
Mississippi	November — April
Tennessee	November — April
Texas: Mid-Tex	November — April
Texas: West Texas	October — May
Virginia	January — December

In addition to seasonality, financial results for this segment are affected by the cost of natural gas and economic conditions in the areas that we serve. Higher gas costs, which we are generally able to pass through to our customers under purchased gas adjustment clauses, may cause customers to conserve or, in the case of industrial customers, to use alternative energy sources. Higher gas costs may also 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.

Our supply of natural gas is provided by a variety of suppliers, including independent producers, marketers and pipeline companies and withdrawals of gas from proprietary and contracted storage assets. Additionally, the natural gas supply for our Mid-Tex Division includes peaking and spot purchase agreements.

Supply arrangements are contracted from our suppliers on a firm basis with various terms at market prices. The firm supply consists of both base load and swing supply (peaking) quantities. 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.

Currently, all of our natural gas distribution divisions, except for our Mid-Tex Division, 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 by our Atmos Pipeline — Texas Division.

Except for local production purchases, we select our natural gas suppliers through a competitive bidding process by 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 cost. Major suppliers during fiscal 2008 were Anadarko Energy Services, BP Energy Company, Chesapeake Energy Marketing, Inc., ConocoPhillips Company, Devon Gas Services, L.P., Enbridge Marketing (US) L.P., National Fuel Marketing Company, LLC, ONEOK Energy Services Company L.P., Tenaska Marketing and Atmos Energy Marketing, LLC, our natural gas marketing subsidiary.

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 4.2 Bcf. The peak-day demand for our natural gas distribution operations in fiscal 2008 was on January 2, 2008, when sales to customers reached approximately 3.1 Bcf.

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 statutes or regulations. 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 anticipate no problems with obtaining additional gas supply as needed for our customers.

The following briefly describes our six natural gas distribution divisions. 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, 2008, we held 1,107 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. We believe that we will be able to renew our franchises as they expire. Additional information concerning our natural gas distribution divisions is presented under the caption "Operating Statistics".

Atmos Energy Mid-Tex Division. Our Mid-Tex Division serves approximately 550 incorporated and unincorporated communities in the north-central, eastern and western parts of Texas, including the Dallas/Fort Worth Metroplex. The governing body of each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, except with respect to sales of natural gas for vehicle fuel and agricultural use. The Railroad Commission of Texas (RRC) has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality.

Prior to fiscal 2008, this division operated under one system-wide rate structure. However, beginning in 2008, we reached a settlement with cities representing approximately 80 percent of this division's customers (Settled Cities) that will allow us to update rates for customers in these cities through an annual rate review mechanism. Rates for the remaining 20 percent of this division's customers, including the City of Dallas, continue to be updated through periodic formal rate proceedings and filings made under Texas' Gas Reliability Infrastructure Program (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.

Atmos Energy Kentucky/Mid-States Division. Our Kentucky/Mid-States Division operates in more than 420 communities across Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee, and other suburban areas of Nashville. We update our rates in this division through periodic formal rate filings made with each state's public service commission.

Atmos Energy Louisiana Division. In Louisiana, we serve nearly 300 communities, including the suburban areas of New Orleans, the metropolitan area of Monroe and western Louisiana. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation and are recognized in our natural gas marketing segment. Our rates in this division are updated annually through a stable rate filing without filing a formal rate case.

Atmos Energy West Texas Division. Our West Texas Division serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, with the RRC having exclusive appellate jurisdiction over the municipalities and exclusive original jurisdiction over rates and services provided to customers not located within the limits of a municipality. Prior to fiscal 2008, rates were updated in this division through formal rate proceedings. However, during 2008, the West Texas Division entered into agreements with its Lubbock and West Texas service areas to update rates for customers in these service areas through an annual rate review mechanism. Rates for the division's Amarillo service area continue to be updated through periodic formal rate proceedings and filings made under GRIP.

Atmos Energy Mississippi Division. In Mississippi, we serve about 110 communities throughout the northern half of the state, including the Jackson metropolitan area. Our rates in the Mississippi Division are updated annually through a stable rate filing without filing a formal rate case.

Atmos Energy Colorado-Kansas Division. Our Colorado-Kansas Division serves approximately 170 communities throughout Colorado and Kansas and parts of Missouri, including the cities of Olathe, Kansas, a suburb of Kansas City and Greeley, Colorado, a suburb of Denver. We update our rates in this division through periodic formal rate filings made with each state's public service commission.

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

<u>Division</u>	<u>Jurisdiction</u>	<u>Effective Date of Last Rate/GRIP Action</u>	<u>Rate Base (thousands)⁽¹⁾</u>	<u>Authorized Rate of Return⁽¹⁾</u>	<u>Authorized Return on Equity⁽¹⁾</u>
Atmos Pipeline — Texas . .	Texas	5/24/04	\$417,111	8.258%	10.00%
Atmos Pipeline — Texas — GRIP	Texas	4/15/08	713,351	8.258%	10.00%
Colorado-Kansas	Colorado	10/1/07	81,208	8.45%	11.25%
	Kansas	5/12/08	(2)	(2)	(2)
Kentucky/Mid-States	Georgia	9/22/08	66,893	7.75%	10.70%
	Illinois	11/1/00	24,564	9.18%	11.56%
	Iowa	3/1/01	5,000	(2)	11.00%
	Kentucky	8/1/07	(2)	(2)	(2)
	Missouri	3/4/07	(2)	(2)	(2)
	Tennessee	11/4/07	186,506	8.03%	10.48%
	Virginia	9/30/08	33,194	8.46% - 8.96%	9.50% - 10.50%
Louisiana	Trans LA	4/1/08	96,834	(2)	10.00% - 10.80%
	LGS	7/1/08	221,970	(2)	10.40%
Mid-Tex — Settled Cities. .	Texas	11/1/08	1,176,453 ⁽³⁾	7.79%	9.60%
Mid-Tex — Dallas & Environs	Texas	6/24/08	1,127,924 ⁽³⁾	7.98%	10.00%
Mississippi	Mississippi	12/28/07	215,117	7.60%	9.89%
West Texas	Amarillo	9/1/03	36,844	9.88%	12.00%
	Lubbock	3/1/04	43,300	9.15%	11.25%
	West Texas	11/18/08	112,043	7.79%	9.60%

<u>Division</u>	<u>Jurisdiction</u>	<u>Authorized Debt/ Equity Ratio</u>	<u>Bad Debt Rider⁽⁴⁾</u>	<u>WNA</u>	<u>Performance- Based Rate Program⁽⁵⁾</u>	<u>Customer Meters</u>
Atmos Pipeline — Texas	Texas	50/50	No	N/A	N/A	N/A
Colorado-Kansas	Colorado	54/46	No	No	No	111,069
	Kansas	(2)	Yes	Yes	No	129,048
Kentucky/Mid-States	Georgia	55/45	No	Yes	Yes	69,043
	Illinois	67/33	No	No	No	23,233
	Iowa	57/43	No	No	No	4,425
	Kentucky	(2)	No	Yes	Yes	177,393
	Missouri	(2)	No	No ⁽⁶⁾	No	58,703
	Tennessee	56/44	Yes	Yes	Yes	134,128
	Virginia	55/45	Yes	Yes	No	23,422
Louisiana	Trans LA	52/48	No	Yes	No	78,867
	LGS	52/48	No	Yes	No	280,403
Mid-Tex — Settled Cities	Texas	52/48	Yes	Yes	No	1,225,382
Mid-Tex — Dallas & Environs	Texas	52/48	Yes	Yes	No	306,346
Mississippi	Mississippi	58/42	No ⁽⁷⁾	Yes	No	270,716
West Texas	Amarillo	50/50	Yes	Yes	No	70,157
	Lubbock	50/50	Yes	Yes	No	73,323
	West Texas	52/48	Yes	Yes	No	156,121

- (1) The rate base, authorized rate of return and authorized return on equity presented in this table are those from the last rate case or GRIP filing for each jurisdiction. These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.
- (2) A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.
- (3) The Mid-Tex Rate Base amounts for the Settled Cities and Dallas & Environs both represent "system-wide", or 100 percent, of the Mid-Tex Division's rate base. The difference in rate base amounts is due to two separate test filing periods covered.
- (4) The bad debt rider allows us to recover from ratepayers the gas cost portion of uncollectible accounts.
- (5) The performance-based rate program provides incentives to natural gas utility companies to minimize purchased gas costs by allowing the utility company and its customers to share the purchased gas costs savings.
- (6) The Missouri jurisdiction has a straight-fixed variable rate design which decouples gross profit margin from customer usage patterns.
- (7) The Company filed to amend its PGA rider to allow inclusion of bad debt costs on October 1, 2008.

Natural Gas Distribution Sales and Statistical Data

	Fiscal Year Ended September 30				
	2008	2007	2006	2005 ⁽¹⁾	2004
METERS IN SERVICE, end of year					
Residential	2,911,475	2,893,543	2,886,042	2,862,822	1,506,777
Commercial	268,845	272,081	275,577	274,536	151,381
Industrial	2,241	2,339	2,661	2,715	2,436
Public authority and other	9,218	19,164	16,919	17,767	18,542
Total meters	<u>3,191,779</u>	<u>3,187,127</u>	<u>3,181,199</u>	<u>3,157,840</u>	<u>1,679,136</u>
INVENTORY STORAGE BALANCE —					
Bcf	<u>58.3</u>	<u>58.0</u>	<u>59.9</u>	<u>54.7</u>	<u>27.4</u>
HEATING DEGREE DAYS⁽²⁾					
Actual (weighted average)	2,820	2,879	2,527	2,587	3,271
Percent of normal	100%	100%	87%	89%	96%
SALES VOLUMES — MMcf⁽³⁾					
Gas Sales Volumes					
Residential	163,229	166,612	144,780	162,016	92,208
Commercial	93,953	95,514	87,006	92,401	44,226
Industrial	21,734	22,914	26,161	29,434	22,330
Public authority and other	13,760	12,287	14,086	12,432	14,455
Total gas sales volumes	292,676	297,327	272,033	296,283	173,219
Transportation volumes	<u>141,083</u>	<u>135,109</u>	<u>126,960</u>	<u>122,098</u>	<u>87,746</u>
Total throughput	<u>433,759</u>	<u>432,436</u>	<u>398,993</u>	<u>418,381</u>	<u>260,965</u>
OPERATING REVENUES (000's)⁽³⁾					
Gas Sales Revenues					
Residential	\$2,131,447	\$1,982,801	\$2,068,736	\$1,791,172	\$ 923,773
Commercial	1,077,056	970,949	1,061,783	869,722	400,704
Industrial	212,531	195,060	276,186	229,649	155,336
Public authority and other	137,821	114,298	144,600	114,742	109,029
Total gas sales revenues	3,558,855	3,263,108	3,551,305	3,005,285	1,588,842
Transportation revenues	60,504	59,813	62,215	59,996	31,714
Other gas revenues	35,771	35,844	37,071	37,859	17,172
Total operating revenues	<u>\$3,655,130</u>	<u>\$3,358,765</u>	<u>\$3,650,591</u>	<u>\$3,103,140</u>	<u>\$1,637,728</u>
Average transportation revenue per Mcf	\$ 0.43	\$ 0.44	\$ 0.49	\$ 0.49	\$ 0.36
Average cost of gas per Mcf sold	\$ 9.05	\$ 8.09	\$ 10.02	\$ 7.41	\$ 6.55
Employees	4,558	4,472	4,402	4,327	2,742

See footnotes following these tables.

Natural Gas Distribution Sales and Statistical Data By Division

	Fiscal Year Ended September 30, 2008							
	Mid-Tex	Kentucky/ Mid-States	Louisiana	West Texas	Mississippi	Colorado- Kansas	Other ⁽⁴⁾	Total
METERS IN SERVICE								
Residential	1,414,543	431,880	336,211	270,990	240,113	217,738	—	2,911,475
Commercial	117,022	54,538	23,059	25,226	27,219	21,781	—	268,845
Industrial	163	930	—	497	562	89	—	2,241
Public authority and other	—	2,563	—	2,888	2,822	945	—	9,218
Total	<u>1,531,728</u>	<u>489,911</u>	<u>359,270</u>	<u>299,601</u>	<u>270,716</u>	<u>240,553</u>	<u>—</u>	<u>3,191,779</u>
HEATING DEGREE DAYS⁽²⁾								
Actual	2,213	3,799	1,531	3,546	2,741	5,861	—	2,820
Percent of normal	99%	96%	99%	99%	101%	105%	—	100%
SALES VOLUMES — MMcf⁽³⁾								
Gas Sales Volumes								
Residential	76,296	26,009	12,475	17,190	12,882	18,377	—	163,229
Commercial	50,348	15,731	6,858	7,162	6,590	7,264	—	93,953
Industrial	3,293	7,740	—	3,876	6,580	245	—	21,734
Public authority and other	—	1,419	—	6,933	3,013	2,395	—	13,760
Total	<u>129,937</u>	<u>50,899</u>	<u>19,333</u>	<u>35,161</u>	<u>29,065</u>	<u>28,281</u>	<u>—</u>	<u>292,676</u>
Transportation volumes	<u>49,606</u>	<u>44,796</u>	<u>6,136</u>	<u>26,411</u>	<u>4,219</u>	<u>9,915</u>	<u>—</u>	<u>141,083</u>
Total throughput	<u>179,543</u>	<u>95,695</u>	<u>25,469</u>	<u>61,572</u>	<u>33,284</u>	<u>38,196</u>	<u>—</u>	<u>433,759</u>
OPERATING MARGIN (000's)⁽³⁾	\$ 478,622	\$159,265	\$110,754	\$ 87,344	\$ 91,749	\$ 78,332	\$ —	\$1,006,066
OPERATING EXPENSES (000's)⁽³⁾								
Operation and maintenance	\$ 167,497	\$ 65,161	\$ 42,367	\$ 36,688	\$ 46,024	\$ 35,414	\$ (3,907)	\$ 389,244
Depreciation and amortization	\$ 84,202	\$ 30,574	\$ 21,193	\$ 14,781	\$ 11,752	\$ 14,703	\$ —	\$ 177,205
Taxes, other than income	\$ 111,914	\$ 14,799	\$ 8,104	\$ 22,032	\$ 14,003	\$ 7,600	\$ —	\$ 178,452
OPERATING INCOME (000's)⁽³⁾	\$ 115,009	\$ 48,731	\$ 39,090	\$ 13,843	\$ 19,970	\$ 20,615	\$ 3,907	\$ 261,165
CAPITAL EXPENDITURES (000's)	\$ 178,409	\$ 59,274	\$ 46,674	\$ 34,354	\$ 22,590	\$ 20,331	\$ 24,910	\$ 386,542
PROPERTY, PLANT AND EQUIPMENT, NET (000's)								
	\$1,491,188	\$689,109	\$370,751	\$278,326	\$254,452	\$272,121	\$127,609	\$3,483,556
OTHER STATISTICS, at year end								
Miles of pipe	28,697	12,104	8,277	14,697	6,537	7,150	—	77,462
Employees	1,506	635	427	342	393	281	974	4,558

See footnotes following these tables.

	Fiscal Year Ended September 30, 2007							Total
	Mid-Tex	Kentucky/ Mid-States	Louisiana	West Texas	Mississippi	Colorado- Kansas	Other ⁽⁴⁾	
METERS IN SERVICE								
Residential	1,398,274	434,529	334,467	270,557	240,073	215,643	—	2,893,543
Commercial	119,660	54,964	23,015	25,460	27,461	21,521	—	272,081
Industrial	185	927	—	521	619	87	—	2,339
Public authority and other	—	2,623	—	12,825	2,827	889	—	19,164
Total	<u>1,518,119</u>	<u>493,043</u>	<u>357,482</u>	<u>309,363</u>	<u>270,980</u>	<u>238,140</u>	<u>—</u>	<u>3,187,127</u>
HEATING DEGREE DAYS⁽²⁾								
Actual	2,332	3,831	1,638	3,537	2,759	5,732	—	2,879
Percent of normal	100%	97%	105%	99%	101%	104%	—	100%
SALES VOLUMES — MMc⁽³⁾								
Gas Sales Volumes								
Residential	78,140	25,900	13,292	18,882	13,314	17,084	—	166,612
Commercial	50,752	16,137	7,138	7,671	6,859	6,957	—	95,514
Industrial	3,946	7,439	—	3,521	7,672	336	—	22,914
Public authority and other	—	1,454	—	5,376	3,386	2,071	—	12,287
Total	<u>132,838</u>	<u>50,930</u>	<u>20,430</u>	<u>35,450</u>	<u>31,231</u>	<u>26,448</u>	<u>—</u>	<u>297,327</u>
Transportation volumes	<u>49,337</u>	<u>46,852</u>	<u>6,841</u>	<u>21,709</u>	<u>2,072</u>	<u>8,298</u>	<u>—</u>	<u>135,109</u>
Total throughput	<u>182,175</u>	<u>97,782</u>	<u>27,271</u>	<u>57,159</u>	<u>33,303</u>	<u>34,746</u>	<u>—</u>	<u>432,436</u>
OPERATING MARGIN (000's)⁽³⁾	\$ 433,279	\$ 151,442	\$ 108,908	\$ 90,285	\$ 94,866	\$ 73,904	\$ —	\$ 952,684
OPERATING EXPENSES (000's)⁽³⁾								
Operation and maintenance	\$ 171,416	\$ 61,029	\$ 34,805	\$ 34,187	\$ 47,318	\$ 30,026	\$ 394	\$ 379,175
Depreciation and amortization	\$ 82,524	\$ 34,439	\$ 20,941	\$ 14,026	\$ 10,886	\$ 14,372	\$ —	\$ 177,188
Taxes, other than income	\$ 107,476	\$ 13,813	\$ 8,969	\$ 21,036	\$ 13,437	\$ 7,114	\$ —	\$ 171,845
Impairment of long-lived assets	\$ 3,289	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,289
OPERATING INCOME (000's)⁽³⁾	\$ 68,574	\$ 42,161	\$ 44,193	\$ 21,036	\$ 23,225	\$ 22,392	\$ (394)	\$ 221,187
CAPITAL EXPENDITURES (000's)	\$ 140,037	\$ 59,641	\$ 40,752	\$ 27,031	\$ 20,643	\$ 21,395	\$ 17,943	\$ 327,442
PROPERTY, PLANT AND EQUIPMENT, NET (000's)								
	\$ 1,356,453	\$ 656,920	\$ 345,535	\$ 258,622	\$ 241,796	\$ 264,629	\$ 127,189	\$ 3,251,144
OTHER STATISTICS, at year end								
Miles of pipe	28,324	12,081	8,216	14,603	6,496	6,642	—	76,362
Employees	1,415	633	422	340	409	269	984	4,472

Notes to preceding tables:

- (1) The operational and statistical information includes the operations of the Mid-Tex Division since the October 1, 2004 acquisition date.
- (2) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The colder the climate, the greater the number of heating degree days. Heating degree days are used in the natural gas industry to measure the relative coldness of weather and to compare relative temperatures between one geographic area and another. Normal degree days are based on National Weather Service data for selected locations. For service areas that have weather normalized operations, normal degree days are used instead of actual degree days in computing the total number of heating degree days.
- (3) Sales volumes, revenues, operating margins, operating expense and operating income reflect segment operations, including intercompany sales and transportation amounts.
- (4) The Other column represents our shared services function, which provides administrative and other support to the Company. Certain costs incurred by this function are not allocated.

Regulated Transmission and Storage Segment Overview

Our regulated transmission and storage segment consists of the regulated pipeline and storage operations of our Atmos Pipeline — Texas Division. This division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary in the pipeline industry including parking arrangements, lending and sales of inventory on hand. Parking arrangements provide short-term interruptible storage of gas on our pipeline. Lending services provide short-term interruptible loans of natural gas from our pipeline to meet market demands. These operations represent 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 Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Nine basins located in Texas are believed to contain a substantial portion of the nation's remaining onshore natural gas reserves. This pipeline system provides access to all of these basins. Gross profit earned from our Mid-Tex Division and through certain other transportation and storage services is subject to traditional ratemaking governed by the RRC. However, Atmos Pipeline — Texas' existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates with minimal regulation.

Regulated Transmission and Storage Sales and Statistical Data

	Fiscal Year Ended September 30				
	2008	2007	2006	2005	2004 ⁽¹⁾
CUSTOMERS, end of year					
Industrial	62	65	67	66	—
Other	189	196	178	191	—
Total	<u>251</u>	<u>261</u>	<u>245</u>	<u>257</u>	<u>—</u>
PIPELINE TRANSPORTATION					
VOLUMES — MMcf⁽²⁾	782,876	699,006	581,272	554,452	—
OPERATING REVENUES (000's)⁽²⁾	\$195,917	\$163,229	\$141,133	\$142,952	—
Employees, at year end	60	54	85	78	—

⁽¹⁾ Atmos Pipeline — Texas was acquired on October 1, 2004, the first day of our 2005 fiscal year.

⁽²⁾ Transportation volumes and operating revenues reflect segment operations, including intercompany sales and transportation amounts.

Natural Gas Marketing Segment Overview

Our natural gas marketing activities are conducted through Atmos Energy Marketing (AEM), which is wholly-owned by Atmos Energy Holdings, Inc. (AEH). AEH is a wholly-owned subsidiary of AEC and operates primarily in the Midwest and Southeast areas of the United States. AEM aggregates and purchases gas supply, arranges transportation and storage logistics and ultimately delivers gas to customers at competitive prices. To facilitate this process, we utilize proprietary and customer-owned transportation and storage assets to provide various services our customers request, including furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of financial instruments. As a result, our revenues arise from the types of commercial transactions we have structured with our customers and include the value we extract by optimizing the storage and transportation capacity we own or control as well as revenues for services we deliver.

Our asset optimization activities seek to maximize the economic value associated with the storage and transportation capacity we own or control. We attempt to meet this objective by engaging in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We

purchase physical natural gas and then sell financial instruments at advantageous prices to lock in a gross profit margin. We also seek to participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers by identifying the lowest cost alternative within the natural gas supplies, transportation and markets to which we have access. Through the use of transportation and storage services and financial instruments, we are able to capture gross profit margin through the arbitrage of pricing differences in various locations and by recognizing pricing differences that occur over time.

AEM's management of natural gas requirements involves the sale of natural gas and the management of storage and transportation supplies under contracts with customers generally having one to two year terms. AEM also sells natural gas to some of its industrial customers on a delivered burner tip basis under contract terms ranging from 30 days to two years.

Natural Gas Marketing Sales and Statistical Data

	Fiscal Year Ended September 30				
	2008	2007	2006	2005	2004
CUSTOMERS, end of year					
Industrial	624	677	679	559	638
Municipal	55	68	73	69	80
Other	312	281	289	211	237
Total	<u>991</u>	<u>1,026</u>	<u>1,041</u>	<u>839</u>	<u>955</u>
INVENTORY STORAGE					
BALANCE — Bcf	11.0	19.3	15.3	8.2	5.2
NATURAL GAS MARKETING					
SALES VOLUMES — MMcf ⁽¹⁾ . . .	457,952	423,895	336,516	273,201	265,090
OPERATING REVENUES (000's) ⁽¹⁾ . .	\$4,287,862	\$3,151,330	\$3,156,524	\$2,106,278	\$1,618,602

⁽¹⁾ Sales volumes and operating revenues reflect segment operations, including intercompany sales and transportation amounts.

Pipeline, Storage and Other Segment Overview

Our pipeline, storage and other segment primarily consists of the operations of Atmos Pipeline and Storage, LLC (APS), Atmos Energy Services, LLC (AES) and Atmos Power Systems, Inc., which are each wholly-owned by AEH.

APS owns and operates a 21 mile pipeline located in New Orleans, Louisiana. This pipeline is primarily used to aggregate gas supply for our regulated natural gas distribution division in Louisiana and for AEM. However, it also provides limited third party transportation services. APS also owns or has an interest in underground storage fields in Kentucky and Louisiana. We use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods. Finally, beginning in fiscal 2006, APS initiated activities in the natural gas gathering business. As of September 30, 2008, these activities were limited in nature.

APS also engages in limited asset optimization activities whereby it seeks to maximize the economic value associated with the storage and transportation capacity it owns or controls. Most of these arrangements are with regulated affiliates of the Company and have been approved by applicable state regulatory commissions. Generally, these arrangements require APS to share with our regulated customers a portion of the profits earned from these arrangements.

AES, through December 31, 2006, provided natural gas management services to our natural gas distribution operations, other than the Mid-Tex Division. These services included aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our natural gas distribution service areas at competitive prices. Effective January 1, 2007, our shared services function began

providing these services to our natural gas distribution operations. AES continues to provide limited services to our natural gas distribution divisions, and the revenues AES receives are equal to the costs incurred to provide those services.

Through Atmos Power Systems, Inc., we have constructed electric peaking power-generating plants and associated facilities and lease these plants through lease agreements that are accounted for as sales under generally accepted accounting principles.

Pipeline, Storage and Other Sales and Statistical Data

	Fiscal Year Ended September 30				
	2008	2007	2006	2005	2004
OPERATING REVENUES (000's)⁽¹⁾	\$31,709	\$33,400	\$25,574	\$15,639	\$23,151
PIPELINE TRANSPORTATION VOLUMES —					
MMcf ⁽¹⁾	5,492	7,710	9,712	7,593	9,395
INVENTORY STORAGE BALANCE — Bcf	1.4	2.0	2.6	1.8	2.3

⁽¹⁾ Transportation volumes and operating revenues reflect segment operations, including intercompany sales and transportation amounts.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our natural gas distribution divisions 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 and to provide a reasonable return on invested capital.

Our current rate strategy is to focus on reducing or eliminating regulatory lag, obtaining adequate returns and providing stable, predictable margins. Atmos Energy has annual ratemaking mechanisms in place in three states that provide for an annual rate review and adjustment to rates for approximately 65 percent of our customers. Additionally, we have WNA mechanisms in eight states. These mechanisms work in tandem to provide insulation from volatile margins, both for the Company and our customers.

We will also continue to address various rate design changes, including the recovery of bad debt gas costs, inclusion of other taxes in gas costs and stratification of rates to benefit low income households in future rate filings. These design changes would address cost variations that are related to pass-through energy costs beyond our control.

Improving rate design is a long-term process. In the interim, we are addressing regulatory lag issues by directing discretionary capital spending to jurisdictions where recovery rules minimize the regulatory lag, which helps us to keep actual returns more closely aligned with allowed returns.

Recent Ratemaking Activity

Approximately 97 percent of our natural gas distribution revenues in the fiscal years ended September 30, 2008, 2007 and 2006 were derived from sales at rates set by or subject to approval by local or state authorities. Net annual revenue increases resulting from ratemaking activity totaling \$34.5 million, \$40.1 million, and \$39.0 million became effective in fiscal 2008, 2007 and 2006 as summarized below:

Rate Action	Increase (Decrease) to Revenue For the Fiscal Year Ended September 30		
	2008	2007	2006
		(In thousands)	
Rate case filings	\$22,240	\$ 4,221	\$ (191)
GRIP filings	8,101	25,624	34,320
Annual rate filing mechanisms	3,775	11,628	3,326
Other rate activity	334	(1,359)	1,565
	<u>\$34,450</u>	<u>\$40,114</u>	<u>\$39,020</u>

Additionally, the following ratemaking efforts were initiated during fiscal 2008 but had not been completed as of September 30, 2008:

Division	Rate Action	Jurisdiction	Revenue Requested (In thousands)
Mid-Tex ⁽¹⁾	RRM	Settled Cities	\$26,650
Mid-Tex ⁽²⁾	GRIP	Dallas & Environs	1,837
West Texas ⁽³⁾	RRM	West Texas	9,503
Mississippi	Stable Rate Filing	Mississippi	3,493
West Texas	CCVP	City of Lubbock	131
			<u>\$41,614</u>

- ⁽¹⁾ In April 2008, the Mid-Tex Division filed its first RRM that will adjust rates for the 438 incorporated cities in the division who settled with the Company (the Settled Cities). The filing requested an increase in rates of \$33.3 million on a system-wide basis, of which \$26.7 million applied to the Settled Cities. The Company reached an agreement with representatives of the Settled Cities to increase rates \$20.0 million on a system-wide basis beginning in November 2008. The impact to the Mid-Tex Division for the Settled Cities is approximately \$16.0 million.
- ⁽²⁾ The 2007 Mid-Tex GRIP filing seeks a \$10.3 million increase on a system-wide basis. However, this filing was only made for the City of Dallas and the Mid-Tex environs and seeks a \$1.8 million increase for customers in those service areas only.
- ⁽³⁾ The Company reached an agreement with representatives of the West Texas Cities to increase rates a total of \$3.9 million. The \$3.9 million will be collected through the true-up portion of the RRM tariff rates over a 9½ month period beginning in November 2008.

Our recent ratemaking activity is discussed in greater detail below.

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 fair rate of return to our shareholders and ensure that we continue to deliver reliable, reasonably priced natural gas service to our customers. The following table summarizes our recent rate cases:

Division	State	Increase (Decrease) in Annual Revenue (In thousands)	Effective Date
<i>2008 Rate Case Filings:</i>			
Kentucky/Mid-States	Virginia	\$ 869	9/30/08
Kentucky/Mid-States	Georgia	3,351	9/22/08
Mid-Tex ⁽¹⁾	Texas	3,930	6/24/08
Colorado-Kansas	Kansas	2,100	5/12/08
Mid-Tex ⁽²⁾	Texas	8,000	4/1/08
Kentucky/Mid-States	Tennessee	<u>3,990</u>	11/4/07
Total 2008 Rate Case Filings		<u>\$22,240</u>	
<i>2007 Rate Case Filings:</i>			
Kentucky/Mid-States	Kentucky ⁽³⁾	\$ 5,500	8/1/07
Mid-Tex	Texas ⁽⁴⁾	4,793	4/1/07
Kentucky/Mid-States	Missouri ⁽⁵⁾	—	3/4/07
Kentucky/Mid-States	Tennessee	<u>(6,072)</u>	12/15/06
Total 2007 Rate Case Filings		<u>\$ 4,221</u>	
<i>2006 Rate Case Filings:</i>			
Kentucky/Mid-States	Georgia	\$ 409	11/22/05
Mississippi	Mississippi	<u>(600)</u>	10/1/05
Total 2006 Rate Case Filings		<u>\$ (191)</u>	

- (1) In June 2008, the RRC issued an order, which increased the Mid-Tex Division’s annual revenues by \$19.6 million on a system-wide basis beginning in July 2008. However, as the increase only relates to the City of Dallas and the unincorporated areas of the Mid-Tex Division, the net annual impact of the implementation is approximately \$3.9 million.
- (2) In April 2008, the Mid-Tex Division implemented new rates based on a settlement reached with the Mid-Tex Settled Cities, which stipulated a \$10.0 million increase based on a system-wide basis. However, as the increase only relates to the Settled Cities, the net annual impact of the implementation is approximately \$8.0 million.
- (3) In February 2005, the Attorney General of the State of Kentucky filed a complaint with the Kentucky Public Service Commission (KPSC) alleging that our rates were producing revenues in excess of reasonable levels. In June 2007, the KPSC issued an order dismissing the case. In December 2006, the Company filed a rate application for an increase in base rates. Additionally, we proposed to implement a process to review our rates annually and to collect the bad debt portion of gas costs directly rather than through the base rate. In July 2007, the KPSC approved a settlement we had reached with the Attorney General for an increase in annual revenues of \$5.5 million effective August 1, 2007.
- (4) In March 2007, the RRC issued an order, which increased the Mid-Tex Division’s annual revenues by approximately \$4.8 million beginning April 2007 and established a permanent WNA based on 10-year average weather effective for the months of November through April of each year. The RRC also approved

a cost allocation method that eliminated a subsidy received from industrial and transportation customers and increased the revenue responsibility for residential and commercial customers. However, the order also required an immediate refund of amounts collected from our 2003 — 2005 GRIP filings of approximately \$2.9 million and reduced our total return to 7.903 percent from 8.258 percent, based on a capital structure of 48.1 percent equity and 51.9 percent debt with a return on equity of 10 percent.

- (5) The Missouri Commission issued an order in March 2007 approving a settlement with rate design changes, including revenue decoupling through the recovery of all non-gas cost revenues through fixed monthly charges and no rate increase.

GRIP Filings

As discussed above in “Natural Gas Distribution Segment Overview,” GRIP allows natural gas utility companies the opportunity to include in their rate base annually approved capital costs incurred in the prior calendar year. The following table summarizes our GRIP filings with effective dates during the fiscal years ended September 30, 2008, 2007 and 2006:

<u>Division</u>	<u>Calendar Year</u>	<u>Incremental Net Utility Plant Investment</u> (In thousands)	<u>Additional Annual Revenue</u> (In thousands)	<u>Effective Date</u>
<i>2008 GRIP:</i>				
Atmos Pipeline — Texas	2007	\$ 46,648	\$ 6,970	4/15/08
West Texas	2006	<u>7,022</u>	<u>1,131</u>	12/17/07
Total 2008 GRIP		<u>\$ 53,670</u>	<u>\$ 8,101</u>	
<i>2007 GRIP:</i>				
Atmos Pipeline — Texas	2006	\$ 88,938	\$13,202	9/14/07
Mid-Tex	2006	<u>62,375</u>	<u>12,422</u>	9/14/07
Total 2007 GRIP		<u>\$151,313</u>	<u>\$25,624</u>	
<i>2006 GRIP:</i>				
Mid-Tex ⁽¹⁾	2005	\$ 62,156	\$11,891	9/1/06
West Texas	2005	3,802	—	9/1/06
Atmos Pipeline — Texas	2005	21,486	3,286	8/1/06
West Texas	2004	22,597	3,802	5/4/06
Mid-Tex ⁽¹⁾	2004	28,903	6,731	2/1/06
Atmos Pipeline — Texas	2004	10,640	1,919	1/1/06
Mid-Tex ⁽¹⁾	2003	<u>32,518</u>	<u>6,691</u>	10/1/05
Total 2006 GRIP		<u>\$182,102</u>	<u>\$34,320</u>	

- (1) The order issued by the RRC in the Mid-Tex rate case required an immediate refund of amounts collected from the Mid-Tex Division’s 2003-2005 GRIP filings of approximately \$2.9 million. This refund is not reflected in the amounts shown in the table above.

Annual Rate Filing Mechanisms

As an instrument to reduce regulatory lag, annual rate filing mechanisms allow us to refresh our rates on a periodic 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. As discussed above in “Natural Gas Distribution Segment Overview,” we currently have annual rate filing mechanisms in our Louisiana and Mississippi divisions and in significant portions of our Mid-Tex and West Texas divisions. These mechanisms are referred to as rate review mechanisms in our Mid-Tex and West Texas

Divisions and stable rate filings in our Louisiana and Mississippi divisions. The following table summarizes filings made under our various annual rate filing mechanisms:

<u>Division</u>	<u>Jurisdiction</u>	<u>Test Year Ended</u>	<u>Additional Annual Revenue</u> (In thousands)	<u>Effective Date</u>
<i>2008 Filings:</i>				
Louisiana	LGS	12/31/07	\$ 1,709	7/1/08
Louisiana	Transla	9/30/07	<u>2,066</u>	4/1/08
Total 2008 Filings			<u>\$ 3,775</u>	
<i>2007 Filings:</i>				
Mississippi	Mississippi	6/30/07	\$ —	11/1/07
Louisiana	LGS	12/31/06	665	7/1/07
Louisiana	Transla	9/30/06	1,445	4/1/07
Louisiana	LGS	12/31/05	<u>9,518</u>	8/1/06
Total 2007 Filings			<u>\$11,628</u>	
<i>2006 Filings:</i>				
Mississippi	Mississippi	6/30/06	\$ —	11/1/06
Louisiana	LGS	12/31/03	<u>3,326</u>	2/1/06
Total 2006 Filings			<u>\$ 3,326</u>	

The rate review mechanism in the Mid-Tex Division was entered into as a result of a settlement in the September 20, 2007 Statement of Intent case filed with all Mid-Tex Division cities. Of the 439 incorporated cities served by the Mid-Tex Division, 438 of these cities are part of the rate review mechanism process. The West Texas rate review mechanism was entered into in August 2008 as a result of a settlement with the West Texas Coalition of Cities. The Lubbock Customer Conservation Value Plan (CCVP) was entered into in May 2008 as a result of a settlement to resolve ongoing rate issues. All three mechanisms have been implemented under a three year trial basis, beginning in fiscal 2009, based upon calendar 2007 financial information.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the fiscal years ended September 30, 2008, 2007 and 2006:

<u>Division</u>	<u>Jurisdiction</u>	<u>Rate Activity</u>	<u>Increase (Decrease) in Revenue</u> (In thousands)	<u>Effective Date</u>
<i>2008 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem Tax ⁽¹⁾	\$ 1,434	1/1/08
Colorado-Kansas	Colorado	Earnings Agreement ⁽²⁾	<u>(1,100)</u>	11/20/07
Total 2008 Other Rate Activity			<u>\$ 334</u>	
<i>2007 Other Rate Activity:</i>				
Mid-Tex	Texas	GRIP Refund	\$(2,887)	4/1/07
Colorado-Kansas	Kansas	Ad Valorem Tax ⁽¹⁾	<u>1,528</u>	1/1/07
Total 2007 Other Rate Activity			<u>\$(1,359)</u>	
<i>2006 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem Tax ⁽¹⁾	<u>\$ 1,565</u>	1/1/06
Total 2006 Other Rate Activity			<u>\$ 1,565</u>	

See footnotes on the following page.

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- (1) In the state of Kansas, ad valorem tax represents a general tax on all real and personal property determined based on the value of the property. This tax is assessed to the Company and recovered from our customers through our rates.
 - (2) In November 2007, the Colorado Public Utilities Commission approved an earnings agreement entered into jointly between the Colorado-Kansas Division, the Commission Staff and the Office of Consumer Counsel. The agreement called for a one-time refund to customers of \$1.1 million made in January 2008.

In addition to the activity above, in December 2006, the Louisiana Public Service Commission issued a staff report allowing the deferral of \$4.3 million in operating and maintenance expenses in our Louisiana Division to allow recovery of all incremental operation and maintenance expense incurred in fiscal 2005 and 2006 in connection with our Hurricane Katrina recovery efforts.

In September 2006, our Mid-Tex Division filed its annual gas cost reconciliation with the RRC. The filing reflects approximately \$24 million in refunds of amounts that were overcollected from customers between July 2005 and June 2006. The Mid-Tex Division received approval to refund these amounts over a six-month period, which began in November 2006. The ruling had no impact on the gross profit for the Mid-Tex Division.

In May 2007, our Mid-Tex Division filed a 36-month gas contract review filing. This filing is mandated by prior RRC orders and relates to the prudence of gas purchases made from November 2003 through October 2006, which total approximately \$2.7 billion. An agreed-upon procedural schedule was filed with the RRC, which established a hearing schedule beginning in December 2007. In July 2008, the City of Dallas filed testimony recommending a disallowance of approximately \$58 million and the ACSC Coalition of Cities filed testimony recommending a disallowance of approximately \$89 million. However, the Mid-Tex Division has historically been able to settle similar gas contract reviews for significantly less than the requested disallowance amounts. A hearing was held at the RRC in September 2008, and initial and reply briefs were filed by all parties in mid-October 2008. A proposal for decision on this matter is expected by the end of March 2009.

Other Regulation

Each of our natural gas distribution divisions is 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 gas distribution facilities. In addition, our distribution 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 substantially comply with and are operated in substantial 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 in Tennessee, Iowa and Missouri.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act, gas transportation services through our Atmos Pipeline — Texas assets “on behalf of” interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC.

The RRC has issued a final rule requiring the replacement of known compression couplings at pre-bent gas meter risers by November 2009. This rule affects the operations of the Mid-Tex Division but is presently not anticipated to have a significant impact on our West Texas Division. This rule requires us to expend significant amounts of capital in the Mid-Tex Division, but these prudent and mandatory expenditures should be recoverable through our rates.

Competition

Although our natural gas 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. However, higher gas prices, coupled with the electric utilities' marketing efforts, have increased competition for residential and commercial customers. In addition, AEM competes with other natural gas marketers to provide natural gas management and other related services to customers.

Our regulated transmission and storage operations currently face limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers.

Employees

At September 30, 2008, we had 4,750 employees, consisting of 4,618 employees in our regulated operations and 132 employees in our nonregulated 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) are available free of charge at our website, www.atmosenergy.com, under "Publications and Filings" under the "Investors" tab, 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, Robert W. Best, has certified to the New York Stock Exchange that he was not aware of any violation 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 the Corporate Governance page of our website. 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. Although we have tried to discuss key risk factors below, please be aware that other or new risks may prove to be important in the future. Investors should carefully consider the following discussion of risk factors as well as other information appearing in this report. These factors include the following:

The continuation of the unprecedented disruptions in the credit markets could limit our ability to access capital and increase our costs of capital.

We rely upon access to both short-term and long-term credit markets to satisfy our liquidity requirements. The global credit markets have been experiencing significant disruption and volatility in recent months, to a greater degree than has been seen in decades. In some cases, the ability or willingness of traditional sources of capital to provide financing has been reduced.

Historically, we have accessed the commercial paper markets to finance our short-term working capital needs. However, the disruptions in the credit markets since mid-September 2008 have limited our access to the commercial paper markets. Consequently, we have borrowed directly under our primary credit facility that backstops our commercial paper program to provide much of our working capital. This credit facility provides up to \$600 million in committed financing through its expiration in December 2011; however, one lender with a 5.55% share of the commitments has ceased funding, effectively reducing the facility's size to \$567 million. Our borrowings under this facility, along with our commercial paper, have been used primarily to purchase natural gas supply for the upcoming winter heating season. The amount of our working capital requirements in the near-term will depend primarily on the market price of natural gas. Higher natural gas prices may adversely impact our accounts receivable collections and may require us to increase borrowings under our credit facilities to fund our operations. The cost of both our borrowings under the primary credit facility and our commercial paper has increased significantly since mid-September 2008. We have historically supplemented our commercial paper program with a short-term committed credit facility that must be renewed annually. No borrowings are currently outstanding under this \$212.5 million facility, which matures at the end of October 2009.

Our long-term debt is currently rated as "investment grade" by Standard & Poor's Corporation, Moody's Investors Services, Inc. and Fitch Ratings, Ltd. If continuing adverse credit conditions cause a significant limitation on our access to the private and public credit 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 three credit rating agencies. If we were to lose our investment-grade rating from any of the three credit rating agencies, we would lose our ability to issue unsecured long-term debt in the capital markets without further regulatory approval due to restrictions imposed by one of the state regulatory commissions that regulates our natural gas distribution business. Additionally, such a downgrade could even further limit our access to private credit markets and increase the costs of borrowing under credit lines that could be available.

Further, if our credit ratings were downgraded, we could be required to provide additional liquidity to our natural gas marketing segment because the commodity financial instruments markets could become unavailable to us. Our natural gas marketing segment depends primarily upon an uncommitted demand \$580 million credit facility to finance its working capital needs, which it uses primarily to issue standby letters of credit to its natural gas suppliers. Although the availability of credit under this facility has not yet been affected, the continuation of current market conditions could adversely affect such availability. A significant reduction in such availability could require us to provide extra liquidity to support its operations or reduce some of the activities of our natural gas marketing segment. Our ability to provide extra liquidity is limited by the terms of our existing lending arrangements with AEH, which are subject to annual approval by one state regulatory commission.

A continuation of the recent deterioration in credit markets could also adversely impact our plans to refinance debt that matures at the beginning of fiscal 2010. We financed our TXU Gas acquisition in October 2004 in part with the proceeds of our 4% senior notes due 2009. The \$400 million principal amount of these

notes matures in October 2009 and we plan to access the capital markets to refinance this debt prior to maturity. A continuation of current market conditions could adversely affect the cost or other terms of such refinancing.

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 continuation of current market conditions could be material and adverse to us, both in the ways described above or in other ways that we do not currently anticipate.

The continuation of recent economic conditions could adversely affect our customers and negatively impact our financial results.

The slowdown in the U.S. economy, together with increased mortgage defaults and significant decreases in the values of homes and investment assets, has adversely affected the financial resources of many domestic households. It is unclear whether the administrative and legislative responses to these conditions will be successful in avoiding a recession or in lessening the severity or duration of a recession. As a result, our customers may seek to use less gas in upcoming heating seasons and it may become more difficult for them to pay their gas bills. This may slow collections and lead to higher than normal levels of accounts receivable. This in turn could increase our financing requirements and bad debt expense.

The costs of providing pension and postretirement health care benefits and related funding requirements are subject to changes in pension fund values, changing demographics and fluctuating actuarial assumptions and may have a material adverse effect on our financial results.

We provide a cash-balance pension plan and postretirement healthcare benefits to eligible full-time employees. Our costs of providing such benefits and related funding requirements are subject to changes in the market value of the assets funding our pension and postretirement healthcare plans. The recent significant decline in the value of investments that fund our pension and postretirement healthcare plans may significantly differ from or alter the values and actuarial assumptions we use to calculate our future pension plan expense and postretirement healthcare costs. A continuation or further decline in the value of these investments could increase the expenses of our pension and postretirement healthcare plans and related funding requirements in the future. Our costs of providing such benefits and related funding requirements are also subject to 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, as well as various actuarial calculations and assumptions, which may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates and interest rates and other factors.

Our operations are exposed to market risks that are beyond our control which could adversely affect our financial results and capital requirements.

Our risk management operations are subject to market risks beyond our control, including market liquidity, commodity price volatility and counterparty creditworthiness. Although we maintain a risk management policy, we may not be able to completely offset the price risk associated with volatile gas prices or the risk in our natural gas marketing and pipeline, storage and other segments, which could lead to volatility in our earnings. Physical trading also introduces price risk on any net open positions at the end of each trading day, as well as volatility resulting from intra-day fluctuations of gas prices and the potential for daily price movements between the time natural gas is purchased or sold for future delivery and the time the related purchase or sale is hedged. Although we manage our business to maintain no open positions, there are times when limited net open positions related to our physical storage may occur on a short-term basis. The determination of our net open position as of the end of any particular trading day requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of such day may increase if the assumptions are not realized, we review these assumptions as part of our daily monitoring activities. Net open positions may increase volatility in our financial condition or results of

operations if market prices move in a significantly favorable or unfavorable manner because the timing of the recognition of profits or losses on the hedges for financial accounting purposes usually do not match up with the timing of the economic profits or losses on the item being hedged. This volatility may occur with a resulting increase or decrease in earnings or losses, even though the expected profit margin is essentially unchanged from the date the transactions were consummated. Further, if the local physical markets in which we trade do not move consistently with the NYMEX futures market, we could experience increased volatility in the financial results of our natural gas marketing and pipeline, storage and other segments.

Our natural gas marketing and pipeline, storage and other segments manage margins and limit risk exposure on the sale of natural gas inventory or the offsetting fixed-price purchase or sale commitments for physical quantities of natural gas through the use of a variety of financial instruments. However, contractual limitations could adversely affect our ability to withdraw gas from storage, which could cause us to purchase gas at spot prices in a rising market to obtain sufficient volumes to fulfill customer contracts. We could also realize financial losses on our efforts to limit risk as a result of volatility in the market prices of the underlying commodities or if a counterparty fails to perform under a contract. A continued tightening of the credit market could cause more of our counterparties to fail to perform than expected and reserved. In addition, adverse changes in the creditworthiness of our counterparties could limit the level of trading activities with these parties and increase the risk that these parties may not perform under a contract. These circumstances could also increase our capital requirements.

We are also subject to interest rate risk on our borrowings. In recent years, we have been operating in a relatively low interest-rate environment with both short and long-term interest rates being relatively low compared to historical interest rates. However, increases in interest rates could adversely affect our future financial results.

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

Our natural gas distribution and regulated transmission and storage segments are subject to various regulated returns on our rate base in each jurisdiction in which we operate. We monitor the allowed rates of return and our effectiveness in earning such rates and initiate rate proceedings or operating changes as we believe are needed. In addition, in the normal course of business in the regulatory environment, assets may be placed in service and historical test periods established before rate cases can be filed that could result in an adjustment of our returns. Once rate cases are filed, regulatory bodies have the authority to suspend implementation of the new rates while studying the cases. Because of this process, we must 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". Rate cases also involve a risk of rate reduction, because once rates have been approved, they are still subject to challenge for their reasonableness by appropriate regulatory authorities. In addition, regulators may review our purchases of natural gas and can adjust the amount of our gas costs that we pass through to our customers. Finally, our debt and equity financings are also subject to approval by regulatory bodies in several states, which could limit our ability to access or take advantage of changes in the capital markets.

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

FERC has regulatory authority that affects some of our operations, including sales of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity. Under legislation passed by Congress in 2005, 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. We are currently under investigation by FERC for possible violations of FERC's posting and competitive bidding regulations for pre-arranged released firm capacity on interstate natural gas pipelines. Although we are currently taking action to structure current and future transactions to comply with applicable FERC regulations, we are unable to predict the impact that these rules or any future regulatory activities of FERC and other federal agencies will have on our operations or financial results. Changes in regulations or their interpretation or additional regulations could adversely affect our business or financial results.

We are subject to environmental regulations which could adversely affect our operations or financial results.

We are 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 legal requirements 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. In addition, there are a number of new federal and state legislative and regulatory initiatives being proposed and adopted in an attempt to control or limit the effects of global warming and overall climate change, including greenhouse gas emissions, such as carbon dioxide. Such revised or new regulations could result in increased compliance costs or additional operating restrictions which could adversely affect our business, financial condition or financial results.

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

As a result of our acquisition of the distribution, pipeline and storage operations of TXU Gas in October 2004, over 50 percent of our natural gas distribution customers and most of our pipeline and storage assets and 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 and regulatory decisions by state and local regulatory authorities in Texas.

Adverse weather conditions could affect our operations or financial results.

Since the 2006-2007 winter heating season, we have had weather-normalized rates for over 90 percent of our residential and commercial meters, which has substantially mitigated 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 natural gas distribution and regulated transmission and storage operating results may continue to vary somewhat with the actual temperatures during the winter heating season. Sustained cold weather could adversely affect our natural gas marketing operations as we may be required to purchase gas at spot rates in a rising market to obtain sufficient volumes to fulfill some customer contracts.

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

Inflation has caused increases in some of our operating expenses and has required assets to be replaced at higher costs. We have a process in place to continually review the adequacy of our natural gas distribution gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates. Historically, we have been able to budget and control operating expenses and investments within the amounts authorized to be collected in rates and intend to continue to do so. However, the ability to control expenses is an important factor that could impact future financial results.

Rapid increases in the costs of purchased gas, which has occurred in recent years, 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.

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

We must continually build additional capacity in our natural gas distribution system to maintain the growth in the number of our customers. The cost of adding this capacity may be affected by a number of factors, including the general state of the economy and weather. Our cash flows from operations generally are sufficient to supply funding for all our capital expenditures, including the financing of the costs of new construction along with capital expenditures necessary to maintain our existing natural gas system. Due to the timing of these cash flows and capital expenditures, we often must fund at least a portion of these costs through borrowing funds from third party lenders, the cost and availability of which is dependent on the liquidity of the credit markets, interest rates and other market conditions. This in turn may limit our ability to connect new customers to our system due to constraints on the amount of funds we can invest in our infrastructure.

Our operations are subject to increased competition.

In residential and commercial customer markets, our natural gas 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, as a result, our customer growth slows, reducing our ability to make capital expenditures, 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 regulated transmission and storage segment currently faces limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, competition may increase if new intrastate pipelines are constructed near our existing facilities.

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

Our natural gas distribution business involves a number of hazards and operating risks that cannot be completely avoided, such as leaks, accidents and operational problems, which could cause loss of human life, as well as substantial financial losses resulting from property damage, damage to the environment and to our operations. We do have liability and property insurance coverage in place for many of these hazards and risks. However, because our pipeline, storage and distribution 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 insurance, our operations or financial results could be adversely affected.

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 be 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, 2008, our natural gas distribution segment owned an aggregate of 77,462 miles of underground distribution and transmission mains throughout our gas distribution systems. These mains are located on easements or rights-of-way which generally provide for perpetual use. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Our regulated transmission and storage segment owned 6,069 miles of gas transmission and gathering lines and our pipeline, storage and other segment owned 114 miles of gas transmission and gathering 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:

State	Usable Capacity (Mcf)	Cushion Gas (Mcf) ⁽¹⁾	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
<i>Natural Gas Distribution Segment</i>				
Kentucky	4,442,696	6,322,283	10,764,979	109,100
Kansas	3,239,000	2,300,000	5,539,000	45,000
Mississippi	2,211,894	2,442,917	4,654,811	48,000
Georgia	450,000	50,000	500,000	30,000
<i>Total</i>	<u>10,343,590</u>	<u>11,115,200</u>	<u>21,458,790</u>	<u>232,100</u>
<i>Regulated Transmission and Storage Segment — Texas</i>				
<i>Pipeline, Storage and Other Segment</i>				
Kentucky	3,492,900	3,295,000	6,787,900	71,000
Louisiana	438,583	300,973	739,556	56,000
<i>Total</i>	<u>3,931,483</u>	<u>3,595,973</u>	<u>7,527,456</u>	<u>127,000</u>
Total	<u><u>53,518,299</u></u>	<u><u>27,839,198</u></u>	<u><u>81,357,497</u></u>	<u><u>1,594,100</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 pipelines serving us to supplement our proprietary storage capacity. The following table summarizes our contracted storage capacity:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity (MMBtu) ⁽¹⁾
<i>Natural Gas Distribution Segment</i>			
	Colorado-Kansas Division	4,237,243	108,232
	Kentucky/Mid-States Division	15,301,017	287,798
	Louisiana Division	2,574,479	158,731
	Mississippi Division	4,033,649	168,039
	West Texas Division	<u>1,225,000</u>	<u>56,000</u>
<i>Total</i>		27,371,388	778,800
<i>Natural Gas Marketing Segment</i>	Atmos Energy Marketing, LLC	7,879,724	202,586
<i>Pipeline, Storage and Other Segment</i>	Trans Louisiana Gas Pipeline, Inc.	<u>1,200,000</u>	<u>55,720</u>
Total Contracted Storage Capacity		<u><u>36,451,112</u></u>	<u><u>1,037,106</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.

Other facilities

Our natural gas distribution segment owns and operates one propane peak shaving plant with a total capacity of approximately 180,000 gallons that can produce an equivalent of approximately 3,300 Mcf daily.

Offices

Our administrative offices and corporate headquarters are consolidated in a leased facility in Dallas, Texas. We also maintain field offices throughout our distribution system, the majority of which are located in leased facilities. Our nonregulated operations are headquartered in Houston, Texas, with offices in Houston and other locations, primarily in leased facilities.

ITEM 3. *Legal Proceedings.*

See Note 12 to the consolidated financial statements.

ITEM 4. *Submission of Matters to a Vote of Security Holders.*

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2008.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of September 30, 2008, 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>
Robert W. Best	61	11	Chairman, President and Chief Executive Officer
Kim R. Cocklin	57	2	Senior Vice President, Regulated Operations
Louis P. Gregory	53	8	Senior Vice President and General Counsel
Michael E. Haefner	48	—	Senior Vice President
Mark H. Johnson	49	7	Senior Vice President, Nonregulated Operations and President, Atmos Energy Marketing, LLC
Wynn D. McGregor	55	20	Senior Vice President, Human Resources
John P. Reddy	55	10	Senior Vice President and Chief Financial Officer

Robert W. Best was named Chairman of the Board, President and Chief Executive Officer in March 1997. Effective October 1, 2008, Mr. Best continues to serve the Company as Chairman of the Board and Chief Executive Officer.

Kim R. Cocklin joined the Company in June 2006 as Senior Vice President, Regulated Operations. On October 1, 2008, Mr. Cocklin was named President and Chief Operating Officer. Prior to joining the Company, Mr. Cocklin served as Senior Vice President, General Counsel and Chief Compliance Officer of Piedmont Natural Gas Company from February 2003 to May 2006.

Louis P. Gregory was named Senior Vice President and General Counsel in September 2000.

Michael E. Haefner joined the Company in June 2008 as Senior Vice President to succeed Wynn D. McGregor, who retired from the Company on October 1, 2008. Prior to joining the Company, Mr. Haefner was a self-employed consultant and founder and president of Perform for Life, LLC from May 2007 to May 2008. Mr. Haefner previously served for 10 years as the Senior Vice President, Human Resources, of Sabre Holding Corporation, the parent company of Sabre Airline Solutions, Sabre Travel Network and Travelocity.

Mark H. Johnson was named Senior Vice President, Nonregulated Operations in April 2006 and President of Atmos Energy Holdings, Inc., and Atmos Energy Marketing, LLC, in April 2005. Mr. Johnson previously served the Company as Vice President, Nonutility Operations from October 2005 to March 2006 and as Executive Vice President of Atmos Energy Marketing from October 2003 to March 2005.

Wynn D. McGregor was named Senior Vice President, Human Resources in October 2005. He previously served the Company as Vice President, Human Resources from January 1994 to September 2005. Mr. McGregor retired from the Company on October 1, 2008.

John P. Reddy was named Senior Vice President and Chief Financial Officer in September 2000.

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 high and low sale prices and dividends paid per share of our common stock for fiscal 2008 and 2007 are listed below. The high and low prices listed are the closing NYSE quotes, as reported on the NYSE composite tape, for shares of our common stock:

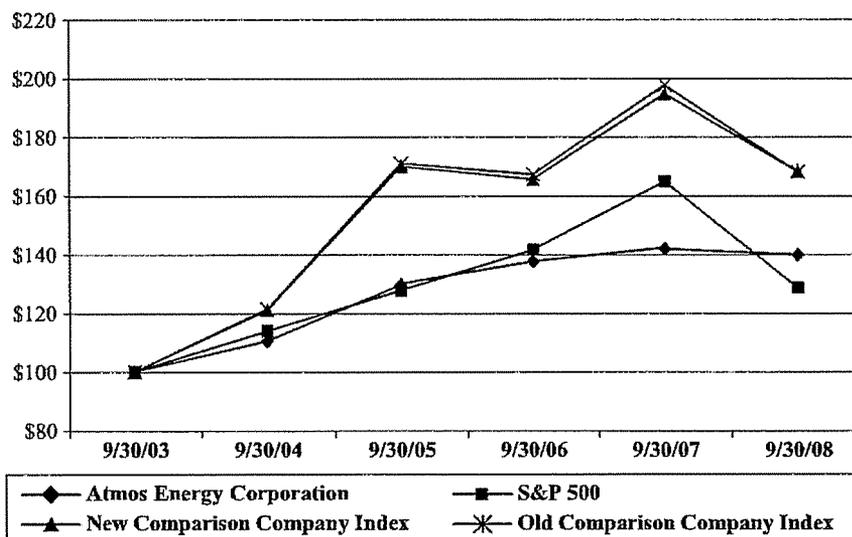
	2008			2007		
	High	Low	Dividends paid	High	Low	Dividends paid
Quarter Ended:						
December 31	\$29.46	\$26.11	\$.325	\$33.01	\$28.45	\$.320
March 31	28.96	25.09	.325	33.00	30.63	.320
June 30	28.54	25.81	.325	33.11	29.38	.320
September 30	28.25	25.49	.325	30.66	26.47	.320
			\$1.30			\$1.28

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. The number of record holders of our common stock on October 31, 2008 was 21,825. 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 2008 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 Standard and Poor's 500 Stock Index and the cumulative total return of two different customized peer company groups, the New Comparison Company Index and the Old Comparison Company Index. The New Comparison Company Index includes Integrys Energy Group, Inc. because the Board of Directors determined that Integrys Energy Group, Inc. fits the profile of the companies in the peer group, which 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, 2003 in our common stock, the S&P 500 Index and in the common stock of the companies in the New and Old Comparison Company Indexes, 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 Indices**



	Cumulative Total Return					
	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	9/30/08
Atmos Energy Corporation	100.00	110.52	129.67	137.30	141.91	139.94
S&P 500 Index	100.00	113.87	127.82	141.62	164.90	128.66
New Comparison Company Index	100.00	121.05	170.07	165.67	194.83	168.42
Old Comparison Company Index	100.00	121.42	171.06	167.35	197.75	168.15

The New Comparison Company Index contains a hybrid group of utility companies, primarily natural gas distribution companies, recommended by a global management consulting firm and approved by the Board of Directors. The companies included in the index are AGL Resources Inc., CenterPoint Energy Resources Corporation, CMS Energy Corporation, Equitable Resources, Inc., Integrys Energy Group, Inc., Nicor Inc., NiSource Inc., ONEOK Inc., Piedmont Natural Gas Company, Inc., Questar Corporation, Vectren Corporation and WGL Holdings, Inc. The Old Comparison Company Index includes the companies listed above in the New Comparison Company Index with the exception of Integrys Energy Group, Inc., which was added to the Company's peer group in the current year for the reasons discussed above.

The following table sets forth the number of securities authorized for issuance under our equity compensation plans at September 30, 2008.

	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:			
Long-Term Incentive Plan	913,841	\$22.54	2,122,776
Total equity compensation plans approved by security holders . . .	913,841	22.54	2,122,776
Equity compensation plans not approved by security holders . . .	—	—	—
Total	<u>913,841</u>	<u>\$22.54</u>	<u>2,122,776</u>

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				
	2008	2007 ⁽¹⁾	2006 ⁽¹⁾	2005 ⁽²⁾	2004 ⁽³⁾
	(In thousands, except per share data and ratios)				
Results of Operations					
Operating revenues	\$7,221,305	\$5,898,431	\$6,152,363	\$4,961,873	\$2,920,037
Gross profit	1,321,326	1,250,082	1,216,570	1,117,637	562,191
Operating expenses ⁽¹⁾	893,431	851,446	833,954	768,982	368,496
Operating income	427,895	398,636	382,616	348,655	193,695
Miscellaneous income ⁽³⁾	2,731	9,184	881	2,021	9,507
Interest charges	137,922	145,236	146,607	132,658	65,437
Income before income taxes	292,704	262,584	236,890	218,018	137,765
Income tax expense	112,373	94,092	89,153	82,233	51,538
Net income	\$ 180,331	\$ 168,492	\$ 147,737	\$ 135,785	\$ 86,227
Weighted average diluted shares outstanding	90,272	87,745	81,390	79,012	54,416
Diluted net income per share	\$ 2.00	\$ 1.92	\$ 1.82	\$ 1.72	\$ 1.58
Cash flows from operations	370,933	547,095	311,449	386,944	270,734
Cash dividends paid per share	\$ 1.30	\$ 1.28	\$ 1.26	\$ 1.24	\$ 1.22
Total natural gas distribution throughput (MMcf)	429,354	427,869	393,995	411,134	246,033
Total regulated transmission and storage transportation volumes (MMcf)	595,542	505,493	410,505	373,879	—
Total natural gas marketing sales volumes (MMcf)	389,392	370,668	283,962	238,097	222,572
Financial Condition					
Net property, plant and equipment	\$4,136,859	\$3,836,836	\$3,629,156	\$3,374,367	\$1,722,521
Working capital	78,017	149,217	(1,616)	151,675	283,310
Total assets	6,386,699	5,895,197	5,719,547	5,610,547	2,902,658
Short-term debt, inclusive of current maturities of long-term debt	351,327	154,430	385,602	148,073	5,908
Capitalization:					
Shareholders' equity	2,052,492	1,965,754	1,648,098	1,602,422	1,133,459
Long-term debt (excluding current maturities)	2,119,792	2,126,315	2,180,362	2,183,104	861,311
Total capitalization	4,172,284	4,092,069	3,828,460	3,785,526	1,994,770
Capital expenditures	472,273	392,435	425,324	333,183	190,285
Financial Ratios					
Capitalization ratio ⁽⁴⁾	45.4%	46.3%	39.1%	40.7%	56.7%
Return on average shareholders' equity ⁽⁵⁾	8.8%	8.8%	8.9%	9.0%	9.1%

⁽¹⁾ Financial results for 2007 and 2006 include a \$6.3 million and a \$22.9 million pre-tax loss for the impairment of certain assets.

⁽²⁾ Financial results for 2005 include the results of the Mid-Tex Division and the Atmos Pipeline — Texas Division from October 1, 2004, the date of acquisition.

⁽³⁾ Financial results for 2004 include a \$5.9 million pre-tax gain on the sale of our interest in U.S. Propane, L.P. and Heritage Propane Partners, L.P.

⁽⁴⁾ The capitalization ratio is calculated by dividing shareholders' equity by the sum of total capitalization and short-term debt, inclusive of current maturities of long-term debt.

⁽⁵⁾ The return on average shareholders' equity is calculated by dividing current year net income by the average of shareholders' equity for the previous five quarters.

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: our ability to continue to access the credit markets to satisfy our liquidity requirements; the impact of recent economic conditions on our customers; increased costs of providing pension and postretirement health care benefits and increased funding requirements; market risks beyond our control affecting our risk management activities including market liquidity, commodity price volatility, increasing interest rates and counterparty creditworthiness; regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; the impact of environmental regulations on our business; the concentration of our distribution, pipeline and storage operations in Texas; adverse weather conditions; the effects of inflation and changes in the availability and price of natural gas; the capital-intensive nature of our gas distribution business; increased competition from energy suppliers and alternative forms of energy; the inherent hazards and risks involved in operating our gas distribution business, natural disasters, terrorist activities or other events, and other risks and uncertainties discussed herein, especially those discussed in Item 1A above, 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 AND ESTIMATES

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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, allowance for doubtful

accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Our critical accounting policies are reviewed by the Audit Committee quarterly. Actual results may differ from estimates.

Regulation — Our natural gas distribution and regulated transmission 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 regulated operations are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) 71, *Accounting for the Effects of Certain Types of Regulation*. This statement requires cost-based, rate-regulated entities that meet certain criteria to reflect the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions in their financial statements. We record regulatory assets for costs that have been deferred for which 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. 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 they can be recovered through rates. Discontinuing the application of SFAS 71 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. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations. The impact of regulation on our natural gas distribution operations may be affected by decisions of the regulatory authorities or the issuance of new regulations.

Revenue recognition — Sales of natural gas to our natural gas distribution customers are billed on a monthly basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for natural gas distribution segment revenues whereby revenues applicable 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.

On occasion, we are permitted to implement new rates that have not been formally approved by our regulatory authorities, which are subject to refund. As permitted by SFAS No. 71, 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.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility company's non-gas costs. These mechanisms are commonly utilized when regulatory authorities recognize a particular type of cost, such as purchased gas costs, that (i) is subject to significant price fluctuations compared to the utility company's other costs, (ii) represents a large component of the utility company's cost of service and (iii) is generally outside the control of the gas utility company. There is no gross profit generated through purchased gas adjustments, but they provide a dollar-for-dollar offset to increases or decreases in utility gas costs. Although substantially all natural gas distribution sales to our customers fluctuate with the cost of gas that we purchase, our gross profit is generally not affected by fluctuations in the cost of gas as a result of the purchased gas adjustment mechanism. The effects of these purchased gas adjustment mechanisms are recorded as deferred gas costs on our balance sheet.

Operating revenues for our regulated transmission and storage and pipeline, storage and other segments are recognized in the period in which actual volumes are transported and storage services are provided.

Operating revenues for our natural gas marketing segment and the associated carrying value of natural gas inventory (inclusive of storage costs) are recognized when we sell the gas and physically deliver 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 and unrealized gains and losses arising from changes

in the fair value of natural gas inventory designated as a hedged item in a fair value hedge and the associated financial instruments.

Allowance for doubtful accounts — Accounts receivable consist of natural gas sales to residential, commercial, industrial, municipal and other customers. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collections experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. 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.

Financial instruments and hedging activities — We currently use financial instruments to mitigate commodity price risk. Additionally, we periodically use financial instruments to manage interest rate risk. The objectives and strategies for using financial instruments have been tailored to meet the needs of our regulated and nonregulated businesses.

We record all of our financial instruments on the balance sheet at fair value as required by SFAS 133, *Accounting for Derivatives and Hedging Activities*, with changes in fair value ultimately recorded in the income statement. We determine fair values primarily through prices actively quoted on national exchanges, which we believe correspond to the market in which transactions involving these financial instruments are executed. We utilize models and other valuation methods to determine fair value in those limited circumstances where external sources are not available. Values are adjusted accordingly to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then current market conditions. Amounts reported at fair value are subject to potentially significant volatility based upon changes in market prices, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions, 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.

Fair value estimates also consider the creditworthiness of our counterparties. 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. Recent adverse developments in the global financial and credit markets have made it more difficult and more expensive for companies to access the short-term capital markets, which may negatively impact the creditworthiness of our counterparties. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and collateral requirements under certain circumstances, including the use of master netting agreements in our natural gas marketing segment.

The timing of when changes in fair value of our financial instruments are recorded in the income statement 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 income statement as they occur.

Financial Instruments Associated with Commodity Price Risk

In our natural gas distribution segment, our customers are exposed to the effect 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. The costs associated with and the gains and losses arising from the use of financial instruments to mitigate commodity price risk in this segment are included in our purchased gas 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 statement of income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue in accordance with SFAS 71. Accordingly, there is no earnings impact to our natural gas distribution segment as a result of the use of financial instruments.

Our natural gas marketing segment aggregates and purchases gas supply, arranges transportation and/or storage logistics and ultimately delivers gas to our customers at competitive prices. We also perform asset optimization activities in both our natural gas marketing segment and pipeline, storage and other segment. As a result of these activities, our nonregulated operations are exposed to risks associated with changes in the market price of natural gas. We manage our exposure to the risk of natural gas price changes through a combination of physical storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties.

In our natural gas marketing and pipeline, storage and other segments, we have designated the natural gas inventory held by these operating segments as the hedged item in a fair-value hedge. This inventory is 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 revenue in the period of change. The financial instruments associated with this natural gas inventory have been designated as fair-value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in revenue in the period of change. Changes in the spreads between the forward natural gas prices used to value the financial instruments designated against our physical inventory (NYMEX) and the market (spot) prices used to value our physical storage (Gas Daily) result in unrealized margins until the underlying physical gas is withdrawn and the related financial instruments are settled. The difference in the spot price used to value our physical inventory and the forward price used to value the related financial instruments can result in volatility in our reported income as a component of unrealized margins. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges. Once the gas is withdrawn and the financial instruments are settled, the previously unrealized margins associated with these net positions are realized. Over time, we expect gains and losses on the sale of storage gas inventory to be offset by gains and losses on the fair-value hedges, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

We have elected to treat fixed-price forward contracts used in our natural gas marketing segment to deliver gas as normal purchases and normal sales. As such, these deliveries are 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 have been designated as cash flow hedges of anticipated purchases and sales at indexed prices. Accordingly, unrealized gains and losses on open financial instruments are recorded as a component of accumulated other comprehensive income and are recognized in earnings as a component of revenue when the hedged volumes are sold. Hedge ineffectiveness, to the extent incurred, is reported as a component of revenue.

We also use storage swaps and futures to capture additional storage arbitrage opportunities in our natural gas marketing segment that arise after the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. These financial instruments have not been designated as hedges in accordance with SFAS 133.

Financial Instruments Associated with Interest Rate Risk

We periodically manage interest rate risk, typically when we issue new or refinance existing long-term debt. Currently, we do not have any financial instruments in place to manage interest rate risk. However, in prior years, we entered into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings. We designated these Treasury lock agreements as a cash flow hedge of an anticipated transaction at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the Treasury lock agreements were recorded as a component of accumulated other comprehensive income (loss). The realized gain or loss recognized upon settlement of each Treasury lock agreement was

initially recorded as a component of accumulated other comprehensive income (loss) and is recognized as a component of interest expense over the life of the related financing arrangement.

Impairment assessments — We perform impairment assessments of our goodwill, intangible assets subject to amortization and long-lived assets. We currently have no indefinite-lived intangible assets.

We annually evaluate our goodwill balances for impairment during our second fiscal quarter or as impairment indicators arise. We use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. We have determined our reporting units to be each of our natural gas distribution divisions and wholly-owned subsidiaries and goodwill is allocated to the reporting units responsible for the acquisition that gave rise to the goodwill. The discounted cash flow calculations used to assess goodwill impairment 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.

We annually assess whether the cost of our intangible assets subject to amortization or other long-lived assets is recoverable or that the remaining useful lives may warrant revision. We perform this assessment more frequently when specific events or circumstances have occurred that suggest the recoverability of the cost of the intangible and other long-lived assets is at risk.

When such events or circumstances are present, we assess the recoverability of these assets by determining whether the carrying value will be recovered through expected future cash flows from the operating division or subsidiary to which these assets relate. These cash flow projections consider various factors such as the timing of the future cash flows and the discount rate and are based upon the best information available at the time the estimate is made. Changes in these factors could materially affect the cash flow projections and result in the recognition of an impairment charge. An impairment charge is recognized as the difference between the carrying amount and the fair value if the sum of the undiscounted cash flows is less than the carrying value of the related asset.

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. Through fiscal 2008, we reviewed the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities annually based upon a June 30 measurement date. Effective October 1, 2008, we changed our measurement date to 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.

The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net pension and postretirement costs. When establishing our discount rate, we consider high quality corporate bond rates based on Moody's Aa bond index, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with a high quality corporate bond spot rate curve.

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.

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.

Actual changes in the fair market value of plan assets and differences between the actual return on plan assets and the expected return on plan assets could have a material effect on the amount of pension costs ultimately recognized. A 0.25 percent change in our discount rate would impact our pension and postretirement costs by approximately \$0.9 million. A 0.25 percent change in our expected rate of return would impact our pension and postretirement costs by approximately \$0.9 million.

RESULTS OF OPERATIONS

Overview

Atmos Energy Corporation is involved in the distribution, marketing and transportation of natural gas. Accordingly, our results of operations are impacted by the demand for natural gas, particularly during the winter heating season, and the volatility of the natural gas markets. This generally results in higher operating revenues and net income during the period from October through March of each fiscal year and lower operating revenues and either lower net income or net losses during the period from April through September of each fiscal year. As a result of the seasonality of the natural gas industry, our second fiscal quarter has historically been our most critical earnings quarter with an average of approximately 62 percent of our consolidated net income having been earned in the second quarter during the three most recently completed fiscal years.

Additionally, the seasonality of our business impacts our working capital differently at various times during the year. Typically, our accounts receivable, accounts payable and short-term debt balances peak by the end of January and then start to decline, as customers begin to pay their winter heating bills. Gas stored underground, particularly in our natural gas distribution segment, typically peaks in November and declines as we utilize storage gas to serve our customers.

During the current year, prices for several world energy commodities rose to historic levels, most significantly seen in unprecedented oil prices. While natural gas prices did not reach historic levels, they were impacted by financial speculators and large hedge fund trading, particularly during the summer months. As a result, our natural gas distribution segment's cost of natural gas per Mcf sold increased 12 percent to \$9.05 for the current fiscal year compared with \$8.09 in the prior fiscal year. Despite these higher prices, we experienced lower price volatility, which reduced our natural gas marketing segment's opportunity to earn arbitrage gains.

Although gas costs do not directly impact our natural gas distribution gross profit margin, higher natural gas prices could cause our natural gas distribution customers and customers served by our other operating segments to conserve, or in the case of industrial customers, switch to less expensive fuel sources. Further, higher natural gas prices 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.

We normally access the commercial paper markets to finance our working capital needs and growth. However, recent adverse developments in global financial and credit markets have made it more difficult and more expensive for the Company to access the short-term capital markets, including the commercial paper market, to satisfy our liquidity requirements. Despite these conditions, we believe the amounts available to us under our credit facilities coupled with our operating cash flows will provide the necessary liquidity to fund our working capital needs for fiscal year 2009.

Consolidated Results

The following table presents our consolidated financial highlights for the fiscal years ended September 30, 2008, 2007 and 2006.

	For the Fiscal Year Ended September 30		
	2008	2007	2006
	(In thousands, except per share data)		
Operating revenues	\$7,221,305	\$5,898,431	\$6,152,363
Gross profit	1,321,326	1,250,082	1,216,570
Operating expenses	893,431	851,446	833,954
Operating income	427,895	398,636	382,616
Miscellaneous income	2,731	9,184	881
Interest charges	137,922	145,236	146,607
Income before income taxes	292,704	262,584	236,890
Income tax expense	112,373	94,092	89,153
Net income	\$ 180,331	\$ 168,492	\$ 147,737
Earnings per diluted share	\$ 2.00	\$ 1.92	\$ 1.82

Historically, our regulated operations arising from our natural gas distribution and regulated transmission and storage operations contributed 65 to 85 percent of our consolidated net income. Regulated operations contributed 74 percent, 64 percent and 54 percent to our consolidated net income for fiscal years 2008, 2007, and 2006. Our consolidated net income during the last three fiscal years was earned across our business segments as follows:

	For the Fiscal Year Ended September 30		
	2008	2007	2006
	(In thousands)		
Natural gas distribution segment	\$ 92,648	\$ 73,283	\$ 53,002
Regulated transmission and storage segment	41,425	34,590	26,547
Natural gas marketing segment	29,989	45,769	58,566
Pipeline, storage and other segment	16,269	14,850	9,622
Net income	<u>\$180,331</u>	<u>\$168,492</u>	<u>\$147,737</u>

The following table segregates our consolidated net income and diluted earnings per share between our regulated and nonregulated operations:

	For the Fiscal Year Ended September 30		
	2008	2007	2006
	(In thousands, except per share data)		
Regulated operations	\$134,073	\$107,873	\$ 79,549
Nonregulated operations	46,258	60,619	68,188
Consolidated net income	<u>\$180,331</u>	<u>\$168,492</u>	<u>\$147,737</u>
Diluted EPS from regulated operations	\$ 1.49	\$ 1.23	\$ 0.98
Diluted EPS from nonregulated operations	0.51	0.69	0.84
Consolidated diluted EPS	<u>\$ 2.00</u>	<u>\$ 1.92</u>	<u>\$ 1.82</u>

Year-over-year, net income during fiscal 2008 increased seven percent. Net income from our regulated operations increased 24 percent during fiscal 2008. The increase primarily reflects a net \$53.8 million increase in gross profit resulting from our ratemaking efforts, coupled with higher per-unit transportation margins and an 18 percent increase in consolidated throughput in our Atmos Pipeline — Texas Division. These increases were partially offset by a four percent increase in operating expenses. Net income in our nonregulated

operations experienced a 24 percent decline as less volatile natural gas market conditions significantly reduced our asset optimization margins. However, higher delivered gas margins in our natural gas marketing segment and unrealized margins partially offset this decrease.

The 14 percent year-over-year increase in net income during fiscal 2007 reflects improvements across all business segments. Results from our regulated operations reflect the net favorable impact of various ratemaking rulings in our natural gas distribution segment, including the implementation of WNA in our Mid-Tex and Louisiana Divisions coupled with increased throughput and incremental gross profit margins from our North Side Loop project and other pipeline compression projects completed in fiscal 2006. The decrease in net income from our nonregulated operations primarily reflects the impact of a less volatile natural gas market, which reduced delivered gas margins despite a 31 percent increase in sales volumes. However, our nonregulated operations benefited from higher asset optimization margins, primarily in the pipeline, storage and other segment.

Other key financial and significant events for the fiscal year ended September 30, 2008 include the following:

- For the fiscal year ended September 30, 2008, we generated \$370.9 million in operating cash flow compared with \$547.1 million for the fiscal year ended September 30, 2007, primarily reflecting the unfavorable timing of gas cost collections from our customers and cash payments to collateralize our risk management liabilities.
- Capital expenditures increased to \$472.3 million during the fiscal year ended September 30, 2008 from \$392.4 million in the prior year. The increase primarily reflects an increase in compliance spending and main replacements in our Mid-Tex Division, spending in the natural gas distribution segment for our new automated meter reading initiative and spending for two nonregulated growth projects.
- We repaid \$10.3 million of long-term debt during the fiscal year ended September 30, 2008 compared with a net reduction of long-term debt of \$56.0 million during the prior year. The decreased payments during the current year reflect regularly scheduled maturity payments compared with the prior fiscal year, which reflect the repayment of \$303.2 million of unsecured floating rate senior notes with \$247.2 million of net proceeds received from the issuance of ten year senior notes.
- We maintained our capitalization ratio within our targeted range of 50 to 55 percent despite higher short-term borrowings under our existing 5-year credit facility to fund seasonal natural gas purchases at higher prices.

See the following discussion regarding the results of operations for each of our business operating segments.

Fiscal year ended September 30, 2008 compared with fiscal year ended September 30, 2007

Natural Gas Distribution Segment

The primary factors that impact the results of our natural gas distribution operations are our ability to earn our authorized rates of return, the cost of natural gas, 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 by reducing or eliminating regulatory lag and, ultimately, separating the recovery of our approved margins 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 and recent ratemaking initiatives in more detail.

Our natural gas distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe gross profit is a better indicator of our financial performance than revenues. However, gross profit in our Texas and Mississippi service areas include franchise

fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the tax expense as a component of taxes, other than income. Although changes in revenue-related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income. Timing differences exist between the recognition of revenue for franchise fees collected from our customers and the recognition of expense of franchise taxes. The effect of these timing differences can be significant in periods of volatile gas prices, particularly in our Mid-Tex Division. These timing differences may favorably or unfavorably affect net income; however, these amounts should offset over time with no permanent impact on net income.

Higher gas costs may also 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. Finally, higher gas costs, as well as competitive factors in the industry and general economic conditions may cause customers to conserve or use alternative energy sources.

Review of Financial and Operating Results

Financial and operational highlights for our natural gas distribution segment for the fiscal years ended September 30, 2008 and 2007 are presented below.

	<u>For the Fiscal Year Ended September 30</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
	<u>(In thousands, unless otherwise noted)</u>		
Gross profit	\$1,006,066	\$952,684	\$53,382
Operating expenses	<u>744,901</u>	<u>731,497</u>	<u>13,404</u>
Operating income	261,165	221,187	39,978
Miscellaneous income	9,689	8,945	744
Interest charges	<u>117,933</u>	<u>121,626</u>	<u>(3,693)</u>
Income before income taxes	152,921	108,506	44,415
Income tax expense	<u>60,273</u>	<u>35,223</u>	<u>25,050</u>
Net income	<u>\$ 92,648</u>	<u>\$ 73,283</u>	<u>\$19,365</u>
Consolidated natural gas distribution sales volumes — MMcf . .	292,676	297,327	(4,651)
Consolidated natural gas distribution transportation volumes — MMcf	<u>136,678</u>	<u>130,542</u>	<u>6,136</u>
Total consolidated natural gas distribution throughput — MMcf	<u>429,354</u>	<u>427,869</u>	<u>1,485</u>
Consolidated natural gas distribution average transportation revenue per Mcf	\$ 0.44	\$ 0.45	\$ (0.01)
Consolidated natural gas distribution average cost of gas per Mcf sold	\$ 9.05	\$ 8.09	\$ 0.96

The following table shows our operating income by natural gas distribution division for the fiscal years ended September 30, 2008 and 2007. The presentation of our natural gas distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	<u>For the Fiscal Year Ended September 30</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
	(In thousands)		
Mid-Tex	\$115,009	\$ 68,574	\$46,435
Kentucky/Mid-States	48,731	42,161	6,570
Louisiana	39,090	44,193	(5,103)
West Texas	13,843	21,036	(7,193)
Mississippi	19,970	23,225	(3,255)
Colorado-Kansas	20,615	22,392	(1,777)
Other	3,907	(394)	4,301
Total	<u>\$261,165</u>	<u>\$221,187</u>	<u>\$39,978</u>

The \$53.4 million increase in natural gas distribution gross profit primarily reflects a \$40.7 million net increase in rates. The net increase in rates primarily was attributable to the Mid-Tex Division which increased \$29.2 million as a result of its 2006 GRIP filing, the previous and current year Mid-Tex rate cases and the absence of a one time GRIP refund that occurred in the prior year. The current year also reflects \$14.4 million in rate increases in our Kansas, Kentucky, Louisiana, Tennessee and West Texas service areas. In addition, the prior year includes a \$7.5 million accrual for estimated unrecoverable gas costs that did not recur in the current year.

Gross profit also increased approximately \$8.6 million from revenue-related taxes primarily due to higher revenues, on which the tax is calculated, in the current year compared to the prior year. This increase, partially offset by a \$7.2 million period-over-period increase in the associated franchise and state gross receipts tax expense recorded as a component of taxes other than income, resulted in a \$1.4 million increase in operating income, when compared with the prior year.

Operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased by a net \$13.4 million.

The net increase was primarily reflected in our operation and maintenance expense, excluding the provision for doubtful accounts, which increased \$13.3 million compared with the prior year. The increase principally reflects higher employee and administrative costs in addition to increased natural gas odorization and fuel costs attributable to higher commodity prices. The increase in operation and maintenance expense also reflects the absence in the current-year period of a nonrecurring \$4.3 million deferral of hurricane-related operation and maintenance expenses in the prior year.

The provision for doubtful accounts decreased \$3.2 million to \$16.6 million for the fiscal year ended September 30, 2008, which reflects our continued effective collection efforts, despite a 12 percent rise in our average cost of gas per Mcf sold. As a result of these efforts, our provision for doubtful accounts as a percentage of revenue decreased from 0.61 percent in fiscal 2007 to 0.47 percent in fiscal 2008.

Operating expenses for the prior year also include a \$3.3 million noncash charge associated with the write-off of software costs.

The decrease in operating expenses attributable to the lower provision for doubtful accounts and the absence of the prior year charge were offset by the aforementioned increase in franchise and gross receipt taxes.

Miscellaneous Income

The increase in miscellaneous income primarily reflects the recognition of a \$1.2 million gain on the sale of irrigation assets in our West Texas Division during the fiscal 2008 second quarter.

Interest charges

Interest charges allocated to the natural gas distribution segment decreased \$3.7 million due to lower average outstanding short-term debt balances in the current year compared with the prior year.

Regulated Transmission and Storage Segment

Our regulated transmission and storage segment consists of the regulated pipeline and storage operations of the Atmos Pipeline — Texas Division. The Atmos Pipeline — Texas Division transports natural gas to our Mid-Tex Division and third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary in the pipeline industry including parking arrangements, lending and sales of inventory on hand.

Similar to our natural gas distribution segment, our regulated transmission and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation of natural gas. However, natural gas prices could influence the level of drilling activity in the markets that we serve, which may influence the level of throughput we may be able to transport on our pipeline. Further, as the Atmos Pipeline — Texas Division operations supply all of the natural gas for our Mid-Tex Division, the results of this segment are highly dependent upon the natural gas requirements of the Mid-Tex Division. Finally, as a regulated pipeline, the operations of the Atmos Pipeline — Texas Division may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

Review of Financial and Operating Results

Financial and operational highlights for our regulated transmission and storage segment for the fiscal years ended September 30, 2008 and 2007 are presented below.

	For the Fiscal Year Ended September 30		
	2008	2007	Change
	(In thousands, unless otherwise noted)		
Mid-Tex Division transportation	\$ 86,665	\$ 77,090	\$ 9,575
Third-party transportation	85,256	65,158	20,098
Storage and park and lend services	9,746	9,374	372
Other	<u>14,250</u>	<u>11,607</u>	<u>2,643</u>
Gross profit	195,917	163,229	32,688
Operating expenses	<u>106,172</u>	<u>83,399</u>	<u>22,773</u>
Operating income	89,745	79,830	9,915
Miscellaneous income	1,354	2,105	(751)
Interest charges	<u>27,049</u>	<u>27,917</u>	<u>(868)</u>
Income before income taxes	64,050	54,018	10,032
Income tax expense	<u>22,625</u>	<u>19,428</u>	<u>3,197</u>
Net income	<u>\$ 41,425</u>	<u>\$ 34,590</u>	<u>\$ 6,835</u>
Gross pipeline transportation volumes — MMcf	<u>782,876</u>	<u>699,006</u>	<u>83,870</u>
Consolidated pipeline transportation volumes — MMcf	<u>595,542</u>	<u>505,493</u>	<u>90,049</u>

The \$32.7 million increase in gross profit primarily was attributable to a \$13.1 million increase from rate adjustments resulting from our 2006 and 2007 GRIP filings and an \$8.3 million increase from transportation volumes. Consolidated throughput increased 18 percent primarily due to increased transportation in the Barnett Shale region of Texas. The improvement in gross profit also reflects increased service fees and per-unit transportation margins due to favorable market conditions which contributed \$8.0 million. New compression

contracts and transportation capacity enhancements also contributed \$1.5 million. In addition, sales of excess gas increased \$1.3 million compared to the prior year.

Operating expenses increased \$22.8 million primarily due to increased pipeline integrity and maintenance costs.

Natural Gas Marketing Segment

Our natural gas marketing activities are conducted through AEM, which aggregates and purchases gas supply, arranges transportation and/or storage logistics and ultimately delivers gas to our customers at competitive prices. To facilitate this process, we utilize proprietary and customer-owned transportation and storage assets to provide the various services our customers request, including furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of financial instruments. As a result, our revenues arise from the types of commercial transactions we have structured with our customers and include the value we extract by optimizing the storage and transportation capacity we own or control as well as revenues for services we deliver.

Our asset optimization activities seek to maximize the economic value associated with the storage and transportation capacity we own or control. We attempt to meet this objective by engaging in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We purchase physical natural gas and then sell financial instruments at advantageous prices to lock in a gross profit margin. We also seek to participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers by identifying the lowest cost alternative within the natural gas supplies, transportation and markets to which we have access. Through the use of transportation and storage services and financial instruments, we also seek to capture gross profit margin through the arbitrage of pricing differences that exist in various locations and by recognizing pricing differences that occur over time.

AEM continually manages its net physical position to attempt to increase the future economic profit that was created when the original transaction was executed. Therefore, AEM may subsequently change its originally scheduled storage injection and withdrawal plans from one time period to another based on market conditions and recognize any associated gains or losses at that time. If AEM elects to accelerate the withdrawal of physical gas, it will execute new financial instruments to hedge the original financial instruments. If AEM elects to defer the withdrawal of gas, it will reset its financial instruments to correspond to the revised withdrawal schedule and execute new financial instruments to offset the original financial instruments.

We use financial instruments, designated as fair value hedges, to hedge our natural gas inventory used in our natural gas marketing storage activities. These financial instruments are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains and losses in the period of change. The hedged natural gas inventory is marked to market at the end of each month based on the Gas Daily index with changes in fair value recognized as unrealized gains and losses in the period of change. Changes in the spreads between the forward natural gas prices used to value the financial hedges designated against our physical inventory and the market (spot) prices used to value our physical storage result in unrealized margins until the underlying physical gas is withdrawn and the related financial instruments are settled. Once the gas is withdrawn and the financial instruments are settled, the previously unrealized margins associated with these net positions are realized.

AEM also uses financial instruments to capture additional storage arbitrage opportunities that may arise after the original physical inventory hedge and to attempt to insulate and protect the economic value within its asset optimization activities. Changes in fair value associated with these financial instruments are recognized as a component of unrealized margins until they are settled.

Due to the nature of these operations, natural gas prices have a significant impact on our natural gas marketing operations. Within our delivered gas activities, higher natural gas prices 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. Higher gas prices, as well as competitive factors in the industry and general economic conditions may also cause customers to conserve or use alternative energy sources. Within our asset optimization activities, higher gas prices could also lead to increased borrowings under our credit facilities resulting in higher interest expense.

Volatility in natural gas prices also has a significant impact on our natural gas marketing segment. Increased price volatility often has a significant impact on the spreads between the market (spot) prices and forward natural gas prices, which creates opportunities to earn higher arbitrage spreads within our asset optimization activities. However, increased volatility impacts the amounts of unrealized margins recorded in our gross profit and could impact the amount of cash required to collateralize our risk management liabilities.

Review of Financial and Operating Results

Financial and operational highlights for our natural gas marketing segment for the fiscal years ended September 30, 2008 and 2007 are presented below. Gross profit margin consists primarily of margins earned from the delivery of gas and related services requested by our customers and margins earned from asset optimization activities, which are derived from the utilization of our proprietary and managed third party storage and transportation assets to capture favorable arbitrage spreads through natural gas trading activities.

Unrealized margins represent the unrealized gains or losses on our net physical position and the related financial instruments used to manage commodity price risk as described above. These margins fluctuate based upon changes in the spreads between the physical and forward natural gas prices. Generally, if the physical/financial spread narrows, we will record unrealized gains or lower unrealized losses. If the physical/financial spread widens, we will record unrealized losses or lower unrealized gains. The magnitude of the unrealized gains and losses is also dependent upon the levels of our net physical position at the end of the reporting period.

	For the Fiscal Year Ended September 30		
	2008	2007	Change
	(In thousands, unless otherwise noted)		
Realized margins			
Delivered gas	\$ 73,627	\$ 57,054	\$ 16,573
Asset optimization	(6,135)	28,827	(34,962)
	<u>67,492</u>	<u>85,881</u>	<u>(18,389)</u>
Unrealized margins	<u>25,529</u>	<u>18,430</u>	<u>7,099</u>
Gross profit	93,021	104,311	(11,290)
Operating expenses	<u>36,629</u>	<u>29,271</u>	<u>7,358</u>
Operating income	56,392	75,040	(18,648)
Miscellaneous income	2,022	6,434	(4,412)
Interest charges	<u>9,036</u>	<u>5,767</u>	<u>3,269</u>
Income before income taxes	49,378	75,707	(26,329)
Income tax expense	<u>19,389</u>	<u>29,938</u>	<u>(10,549)</u>
Net income	<u>\$ 29,989</u>	<u>\$ 45,769</u>	<u>\$(15,780)</u>
Gross natural gas marketing sales volumes — MMcf	<u>457,952</u>	<u>423,895</u>	<u>34,057</u>
Consolidated natural gas marketing sales volumes — MMcf	<u>389,392</u>	<u>370,668</u>	<u>18,724</u>
Net physical position (Bcf)	<u>8.0</u>	<u>12.3</u>	<u>(4.3)</u>

The \$11.3 million decrease in our natural gas marketing segment's gross profit primarily reflects a \$35.0 million decrease in realized asset optimization margins. As a result of less volatile natural gas market conditions experienced during the current year, AEM regularly deferred storage withdrawals and reset the

associated financial instruments to increase the potential gross profit it could realize from its asset optimization activities in future periods. As a result, AEM recognized settlement losses without corresponding storage withdrawal gains during the current year. Additionally, AEM experienced increased storage fees charged by third parties during the current year. In the prior year, AEM was able to recognize arbitrage gains as changes in its originally scheduled storage injection and withdrawal plans had a significantly smaller impact than in the current year.

The decrease in realized asset optimization margins was partially offset by a \$16.6 million increase in realized delivered gas margins. The increase reflects both increased sales volumes and increased per-unit margins. Gross sales volumes increased eight percent compared with the prior year. The increase in sales volumes reflects the successful execution of our marketing strategies. Our per-unit margin increased 19 percent, which reflects increased basis gains on certain contracts coupled with improved marketing efforts. Excluding the impact of these basis gains, our per-unit margins increased seven percent in the current year.

Gross profit margin was also favorably impacted by a \$7.1 million increase in unrealized margins attributable to a narrowing of the spreads between current cash prices and forward natural gas prices. The change in unrealized margins also reflects the recognition of previously unrealized margins as a component of realized margins as a result of injecting and withdrawing gas and settling financial instruments as a part of AEM's asset optimization activities.

Operating expenses increased \$7.4 million primarily reflecting a \$2.4 million increase associated with property taxes coupled with a \$5.0 million increase in other administrative costs.

Economic Gross Profit

AEM monitors the impact of its asset optimization efforts by estimating the gross profit, before associated storage fees, that it captured through the purchase and sale of physical natural gas and the execution of the associated financial instruments. This economic gross profit, combined with the effect of the future reversal of unrealized gains or losses currently recognized in the income statement is referred to as the potential gross profit.⁽¹⁾ The following table presents AEM's economic gross profit and its potential gross profit at September 30, 2008, 2007 and 2006.

<u>Period Ending</u>	<u>Net Physical Position</u> (Bcf)	<u>Economic Gross Profit</u> (In millions)	<u>Associated Net Unrealized Gain (Loss)</u> (In millions)	<u>Potential Gross Profit</u> (In millions)
September 30, 2008	8.0	\$48.5	\$ 36.4	\$12.1
September 30, 2007	12.3	\$40.8	\$ 10.8	\$30.0
September 30, 2006	14.5	\$60.0	\$(16.0)	\$76.0

⁽¹⁾ Potential gross profit represents the increase in AEM's gross profit in future periods if its optimization efforts are executed as planned. This amount does not include storage and other operating expenses and increased income taxes that will be incurred to realize this amount. Therefore, it does not represent an estimated increase in future net income. There is no assurance that the economic gross profit or the potential gross profit will be fully realized in the future. We consider this measure a non-GAAP financial measure as it is calculated using both forward-looking storage injection/withdrawal and hedge settlement estimates and historical financial information. This measure is presented because we believe it provides a more comprehensive view to investors of our asset optimization efforts and thus a better understanding of these activities than would be presented by GAAP measures alone.

As of September 30, 2008, based upon AEM's planned inventory withdrawal schedule and associated planned settlement of financial instruments, the economic gross profit was \$48.5 million. This amount will be reduced by \$36.4 million of net unrealized gains recorded in the financial statements as of September 30, 2008 that will reverse when the inventory is withdrawn and the accompanying financial instruments are settled. Therefore, the potential gross profit was \$12.1 million at September 30, 2008.

The economic gross profit is based upon planned storage injection and withdrawal schedules and its realization is contingent upon the execution of this plan, weather and other execution factors. Since AEM actively manages and optimizes its portfolio to attempt to enhance the future profitability of its storage position, it may change its scheduled storage injection and withdrawal plans from one time period to another based on market conditions. Therefore, we cannot ensure that the economic gross profit or the potential gross profit calculated as of September 30, 2008 will be fully realized in the future nor can we predict in what time periods such realization may occur. Further, if we experience operational or other issues which limit our ability to optimally manage our stored gas positions, our earnings could be adversely impacted. Assuming AEM fully executes its plan in place on September 30, 2008, without encountering operational or other issues, we anticipate the majority of the potential gross profit as of September 30, 2008 will be recognized during the first quarter of fiscal 2009 with the remainder recognized over the remaining months in fiscal 2009.

Pipeline, Storage and Other Segment

Our pipeline, storage and other segment primarily consists of the operations of Atmos Pipeline and Storage, LLC (APS), Atmos Energy Services, LLC (AES) and Atmos Power Systems, Inc., which are each wholly-owned by AEH.

APS owns and operates a 21 mile pipeline located in New Orleans, Louisiana. This pipeline is primarily used to aggregate gas supply for our regulated natural gas distribution division in Louisiana and for AEM. However, it also provides limited third party transportation services. APS also owns or has an interest in underground storage fields in Kentucky and Louisiana. We use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods. Finally, beginning in fiscal 2006, APS initiated activities in the natural gas gathering business. As of September 30, 2008, these activities were limited in nature.

APS also engages in limited asset optimization activities whereby it seeks to maximize the economic value associated with the storage and transportation capacity it owns or controls. Most of these arrangements are with regulated affiliates of the Company and have been approved by applicable state regulatory commissions. Generally, these arrangements require APS to share with our regulated customers a portion of the profits earned from these arrangements.

AES, through December 31, 2006, provided natural gas management services to our natural gas distribution operations, other than the Mid-Tex Division. These services included aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our natural gas distribution service areas at competitive prices. Effective January 1, 2007, our shared services function began providing these services to our natural gas distribution operations. AES continues to provide limited services to our natural gas distribution divisions, and the revenues AES receives are equal to the costs incurred to provide those services.

Through Atmos Power Systems, Inc., we have constructed electric peaking power-generating plants and associated facilities and lease these plants through lease agreements that are accounted for as sales under generally accepted accounting principles.

Results for this segment are primarily impacted by seasonal weather patterns and, similar to our natural gas marketing segment, volatility in the natural gas markets. Additionally, this segment's results include an unrealized component as APS hedges its risk associated with its asset optimization activities.

Review of Financial and Operating Results

Financial and operational highlights for our pipeline, storage and other segment for the fiscal years ended September 30, 2008 and 2007 are presented below.

	For the Fiscal Year Ended September 30		
	2008	2007	Change
		(In thousands)	
Storage and transportation services	\$13,469	\$13,532	\$ (63)
Asset optimization	5,178	11,868	(6,690)
Other	4,961	5,111	(150)
Unrealized margins	<u>4,705</u>	<u>2,097</u>	<u>2,608</u>
Gross profit	28,313	32,608	(4,295)
Operating expenses	<u>8,064</u>	<u>10,373</u>	<u>(2,309)</u>
Operating income	20,249	22,235	(1,986)
Miscellaneous income	8,428	8,173	255
Interest charges	<u>2,322</u>	<u>6,055</u>	<u>(3,733)</u>
Income before income taxes	26,355	24,353	2,002
Income tax expense	<u>10,086</u>	<u>9,503</u>	<u>583</u>
Net income	<u>\$16,269</u>	<u>\$14,850</u>	<u>\$ 1,419</u>

Pipeline, storage and other gross profit decreased \$4.3 million primarily due to a \$6.7 million decrease in asset optimization margins as a result of a less volatile natural gas market. The decrease in asset optimization margins was partially offset by an increase of \$2.6 million in unrealized margins associated with asset optimization activities.

Operating expenses decreased \$2.3 million primarily due to the absence in the current year of a \$3.0 million noncash charge recorded in the prior year related to the write-off of costs associated with a natural gas gathering project.

Fiscal year ended September 30, 2007 compared with fiscal year ended September 30, 2006

Natural Gas Distribution Segment

Financial and operational highlights for our natural gas distribution segment for the fiscal years ended September 30, 2007 and 2006 are presented below.

	For the Fiscal Year Ended September 30		
	2007	2006	Change
	<i>(In thousands, unless otherwise noted)</i>		
Gross profit	\$952,684	\$925,057	\$27,627
Operating expenses	731,497	723,163	8,334
Operating income	221,187	201,894	19,293
Miscellaneous income	8,945	9,506	(561)
Interest charges	121,626	126,489	(4,863)
Income before income taxes	108,506	84,911	23,595
Income tax expense	35,223	31,909	3,314
Net income	\$ 73,283	\$ 53,002	\$20,281
Consolidated natural gas distribution sales volumes — MMcf	297,327	272,033	25,294
Consolidated natural gas distribution transportation volumes — MMcf	130,542	121,962	8,580
Total consolidated natural gas distribution throughput — MMcf	427,869	393,995	33,874
Consolidated natural gas distribution average transportation revenue per Mcf	\$ 0.45	\$ 0.50	\$ (0.05)
Consolidated natural gas distribution average cost of gas per Mcf sold	\$ 8.09	\$ 10.02	\$ (1.93)

The following table shows our operating income by natural gas distribution division for the fiscal years ended September 30, 2007 and 2006. The presentation of our natural gas distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	2007		2006	
	Operating Income	Heating Degree Days Percent of Normal ⁽¹⁾	Operating Income	Heating Degree Days Percent of Normal ⁽¹⁾
	<i>(In thousands, except degree day information)</i>			
Mid-Tex	\$ 68,574	100%	\$ 71,703	72%
Kentucky/Mid-States	42,161	97%	49,893	98%
Louisiana	44,193	105%	27,772	78%
West Texas	21,036	99%	2,215	100%
Mississippi	23,225	101%	23,276	102%
Colorado-Kansas	22,392	104%	22,524	99%
Other	(394)	—	4,511	—
Total	\$221,187	100%	\$201,894	87%

⁽¹⁾ Adjusted for service areas that have weather-normalized operations. For service areas that have weather normalized operations, normal degree days are used instead of actual degree days in computing the total number of heating degree days.

The \$27.6 million increase in natural gas distribution gross profit primarily reflects a nine percent increase in throughput and the impact of having WNA coverage for more than 90 percent of our residential

and commercial customers, partially offset by an accrual for estimated unrecoverable gas costs and lower irrigation margins discussed below. The impact of higher throughput and greater WNA coverage increased gross profit by \$38.6 million. Included in this amount was a \$10.8 million increase associated with the implementation of WNA in our Mid-Tex and Louisiana Divisions beginning with the 2006-2007 winter heating season.

As a result of the Mid-Tex rate case, our gas distribution gross profit increased by \$5.4 million compared to the prior year. This increase was partially offset by a decrease in Mid-Tex transportation revenue as the rate case reduced the transportation rates for certain customer classes. The Mid-Tex rate case also required the refund of \$2.9 million collected under GRIP, which reduced gross profit in the current year.

Favorable regulatory activity in the current year increased gross profit by \$24.4 million, primarily due to an \$11.8 million increase in GRIP-related recoveries and a \$10.2 million increase from our Rate Stabilization Clause (RSC) filings in our Louisiana service areas. These increases were partially offset by an \$11.6 million decrease in gross profit associated with regulatory rulings in our Tennessee, Louisiana and Virginia jurisdictions.

Offsetting these increases in gross profit was a reduction in revenue-related taxes. Due to a significant decline in the cost of gas in the current-year period compared with the prior-year period, franchise and state gross receipts taxes included in gross profit decreased approximately \$2.7 million; however, franchise and state gross receipts tax expense recorded as a component of taxes, other than income decreased \$5.4 million, which resulted in a \$2.7 million increase in operating income when compared with the prior-year period.

Natural gas distribution gross profit also reflects a \$7.5 million accrual for estimated unrecoverable gas costs. The remaining decrease in gross profit primarily is attributable to lower irrigation margins and a reduction in pass-through surcharges used to recover various costs as these costs were fully recovered by the end of fiscal 2006 and during fiscal 2007.

Operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense, taxes, other than income, and impairment of long-lived assets, increased to \$731.5 million for the fiscal year ended September 30, 2007 from \$723.2 million for the fiscal year ended September 30, 2006.

Operation and maintenance expense, excluding the provision for doubtful accounts, increased \$22.4 million, primarily due to increased employee and other administrative costs. These increases include the personnel and other operating costs associated with the transfer of our gas supply function from our pipeline, storage and other segment to our natural gas distribution segment effective January 1, 2007. Partially offsetting these increases was the deferral of \$4.3 million of operation and maintenance expense in our Louisiana Division resulting from the Louisiana Public Service Commission's ruling to allow recovery of all incremental operation and maintenance expense incurred in fiscal 2005 and 2006 in connection with our Hurricane Katrina recovery efforts.

The provision for doubtful accounts decreased \$0.8 million to \$19.8 million for the fiscal year ended September 30, 2007. The decrease primarily was attributable to reduced collection risk as a result of lower natural gas prices. In the natural gas distribution segment, the average cost of natural gas for the fiscal year ended September 30, 2007 was \$8.09 per Mcf, compared with \$10.02 per Mcf for the year ended September 30, 2006.

Depreciation and amortization expense increased \$12.7 million for the fiscal year ended September 30, 2007 compared with the prior-year period. The increase was primarily attributable to increases in assets placed in service during fiscal 2007. Additionally, the increase was partially attributable to the absence in the current-year period of a \$2.8 million reduction in depreciation expense recorded in the prior-year period arising from the Mississippi Public Service Commission's decision to allow certain deferred costs in our rate base.

Operating expenses for the fiscal year ended September 30, 2007 included a \$3.3 million noncash charge associated with the write-off of costs for software that will no longer be used. Fiscal 2006 results included a \$22.9 million noncash charge to impair the West Texas Division irrigation properties.

Interest charges

Interest charges allocated to the natural gas distribution segment for the fiscal year ended September 30, 2007 decreased to \$121.6 million from \$126.5 million for the fiscal year ended September 30, 2006. The decrease primarily was attributable to lower average outstanding short-term debt balances in the current-year period compared with the prior-year period.

Regulated Transmission and Storage Segment

Financial and operational highlights for our regulated transmission and storage segment for the fiscal years ended September 30, 2007 and 2006 are presented below.

	For the Fiscal Year Ended September 30		
	2007	2006	Change
	(In thousands, unless otherwise noted)		
Mid-Tex Division transportation	\$ 77,090	\$ 69,925	\$ 7,165
Third-party transportation	65,158	56,813	8,345
Storage and park and lend services	9,374	8,047	1,327
Other	<u>11,607</u>	<u>6,348</u>	<u>5,259</u>
Gross profit	163,229	141,133	22,096
Operating expenses	<u>83,399</u>	<u>77,807</u>	<u>5,592</u>
Operating income	79,830	63,326	16,504
Miscellaneous income (expense)	2,105	(153)	2,258
Interest charges	<u>27,917</u>	<u>22,787</u>	<u>5,130</u>
Income before income taxes	54,018	40,386	13,632
Income tax expense	<u>19,428</u>	<u>13,839</u>	<u>5,589</u>
Net income	<u>\$ 34,590</u>	<u>\$ 26,547</u>	<u>\$ 8,043</u>
Gross pipeline transportation volumes — MMcf	<u>699,006</u>	<u>581,272</u>	<u>117,734</u>
Consolidated pipeline transportation volumes — MMcf	<u>505,493</u>	<u>410,505</u>	<u>94,988</u>

The \$22.1 million increase in gross profit primarily is attributable to a 23 percent increase in throughput due to colder weather in the current year and incremental volumes from the North Side Loop and other compression projects. These activities increased gross profit by \$16.2 million, of which, \$10.8 million was associated with our North Side Loop and other compression projects completed in fiscal 2006. Increases in gross profit also include a \$3.1 million increase from rate adjustments resulting from our 2005 GRIP filing, a \$2.1 million increase from the sale of excess gas inventory and a \$2.0 million increase from new or renegotiated blending and capacity enhancement contracts.

Operating expenses increased to \$83.4 million for the fiscal year ended September 30, 2007 from \$77.8 million for the fiscal year ended September 30, 2006 due to higher administrative and other operating costs primarily associated with the North Side Loop and other compression projects that were completed in fiscal 2006.

Interest charges

Interest charges allocated to the pipeline and storage segment for the fiscal year ended September 30, 2007 increased to \$27.9 million from \$22.8 million for the fiscal year ended September 30, 2006. The increase was attributable to the use of updated allocation factors for fiscal 2007. These factors are reviewed and updated on an annual basis.

Natural Gas Marketing Segment

Financial and operational highlights for our natural gas marketing segment for the fiscal years ended September 30, 2007 and 2006 are presented below.

	For the Fiscal Year Ended September 30		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
	(In thousands, unless otherwise noted)		
Realized margins			
Delivered gas	\$ 57,054	\$ 87,236	\$(30,182)
Asset optimization	28,827	26,225	2,602
	85,881	113,461	(27,580)
Unrealized margins	18,430	17,166	1,264
Gross profit	104,311	130,627	(26,316)
Operating expenses	29,271	28,392	879
Operating income	75,040	102,235	(27,195)
Miscellaneous income	6,434	2,598	3,836
Interest charges	5,767	8,510	(2,743)
Income before income taxes	75,707	96,323	(20,616)
Income tax expense	29,938	37,757	(7,819)
Net income	\$ 45,769	\$ 58,566	\$(12,797)
Gross natural gas marketing sales volumes — MMcf	423,895	336,516	87,379
Consolidated natural gas marketing sales volumes — MMcf	370,668	283,962	86,706
Net physical position (Bcf)	12.3	14.5	(2.2)

The \$26.3 million decrease in our natural gas marketing segment's gross profit primarily reflects a \$30.2 million decrease in delivered gas margins. This decrease reflects the impact of a less volatile market, which reduced opportunities to take advantage of pricing differences between hubs, partially offset by a 31 percent increase in sales volumes attributable to successful execution of our marketing strategies and colder weather in the 2007 fiscal year compared with the 2006 fiscal year.

Asset optimization margins increased \$2.6 million compared with the 2006 fiscal year. The increase reflects greater cycled storage volumes as a result of accelerating storage withdrawals scheduled in future periods to capture greater arbitrage gains during the current-year period, partially offset by an increase in storage fees and park and loan fees which reduced the arbitrage spreads available.

Gross profit margin was also favorably impacted by a \$1.3 million increase in unrealized margins attributable to a narrowing of the spreads between current cash prices and forward natural gas prices. The change in unrealized margins also reflects the recognition of previously unrealized margins as a component of realized margins as a result of injecting and withdrawing gas and settling financial instruments as a part of AEM's asset optimization activities.

Operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes other than income taxes, increased to \$29.3 million for the fiscal year ended September 30, 2007 from \$28.4 million for the fiscal year ended September 30, 2006. The increase in operating expense primarily was attributable to an increase in employee and other administrative costs.

Miscellaneous income

Miscellaneous income increased to \$6.4 million for the fiscal year ended September 30, 2007 from \$2.6 million for the fiscal year ended September 30, 2006. The increase primarily was attributable to increased investment income earned on overnight investments during the current-year period combined with increased

interest income earned on our margin account associated with increased margin requirements during the current year.

Interest charges

Interest charges for the fiscal year ended September 30, 2007 decreased to \$5.8 million from \$8.5 million for the fiscal year ended September 30, 2006. The decrease was attributable to lower borrowing requirements during the current-year period.

Pipeline, Storage and Other Segment

Financial and operational highlights for our pipeline, storage and other segment for the fiscal years ended September 30, 2007 and 2006 are presented below.

	For the Fiscal Year Ended September 30		
	2007	2006	Change
	(In thousands)		
Storage and transportation services	\$13,532	\$ 8,683	\$ 4,849
Asset optimization	11,868	4,874	6,994
Other	5,111	7,587	(2,476)
Unrealized margins	<u>2,097</u>	<u>3,350</u>	<u>(1,253)</u>
Gross profit	32,608	24,494	8,114
Operating expenses	<u>10,373</u>	<u>9,570</u>	<u>803</u>
Operating income	22,235	14,924	7,311
Miscellaneous income	8,173	6,858	1,315
Interest charges	<u>6,055</u>	<u>6,512</u>	<u>(457)</u>
Income before income taxes	24,353	15,270	9,083
Income tax expense	<u>9,503</u>	<u>5,648</u>	<u>3,855</u>
Net income	<u>\$14,850</u>	<u>\$ 9,622</u>	<u>\$ 5,228</u>

Gross profit increased \$8.1 million primarily due to APS' ability to capture more favorable arbitrage spreads from its asset optimization activities, an increase in asset optimization contracts and increased transportation margins.

Operating expenses increased to \$10.4 million for the fiscal year ended September 30, 2007 from \$9.6 million for the fiscal year ended September 30, 2006 primarily due to a \$3.0 million noncash charge associated with the write-off of costs associated with a natural gas gathering project. This increase was partially offset by a decrease in employee and other administrative costs associated with the transfer of gas supply operations from the pipeline, storage and other segment to our natural gas distribution segment effective January 1, 2007.

Miscellaneous income

Miscellaneous income increased to \$8.2 million for the fiscal year ended September 30, 2007 from \$6.9 million for the fiscal year ended September 30, 2006. The increase was primarily attributable to \$2.1 million received from leasing certain mineral interests coupled with an increase in interest income recorded in the pipeline, storage and other segment.

Interest charges

Interest charges allocated to the pipeline, storage and other segment for the fiscal year ended September 30, 2007 decreased to \$6.1 million from \$6.5 million for the fiscal year ended September 30, 2006.

The decrease was attributable to the use of updated allocation factors for fiscal 2007. These factors are reviewed and updated on an annual basis.

LIQUIDITY AND CAPITAL RESOURCES

Our internally generated funds and borrowings under our credit facilities and commercial paper program generally provide the liquidity needed to fund our working capital, capital expenditures and other cash needs. Additionally, from time to time, we raise funds from the public debt and equity capital markets to fund our liquidity needs.

We normally access the commercial paper markets to finance our working capital needs and growth. However, recent adverse developments in global financial and credit markets, including the recent failure of a major investment bank and the bailout of or merger between several large financial institutions, have made it more difficult and more expensive for the Company to access the short-term capital markets, including the commercial paper market, to satisfy our liquidity requirements.

Consequently, as of September 30, 2008, we had borrowed \$330.5 million directly under our five-year committed credit facility that backstops our commercial paper program to fund most of our working capital. Until recently, our five-year committed credit facility allowed us to borrow up to \$600 million. However, one lender with a 5.55% share of the commitments has ceased funding under the facility. This has effectively limited the amount that we can borrow to approximately \$567 million. The amounts borrowed under the credit facility have been primarily used to purchase large volumes of natural gas in preparation for the upcoming winter heating season. Although our natural gas marketing operations have not been impacted directly in a significant manner yet, continued disruptions in the capital markets could adversely affect the availability of the uncommitted demand credit facility on which such operations substantially relies to conduct its business. A significant reduction in such availability would mean that the Company would need to provide extra liquidity to support the activities of our natural gas marketing business and other nonregulated businesses. Our ability to provide extra liquidity is limited by the terms of our existing lending arrangements with AEH.

We have historically supplemented our commercial paper program with a short-term \$300 million committed credit facility that must be renewed annually. There were no borrowings under this facility as of September 30, 2008. In October 2008, we replaced this facility upon its termination with a new facility that will allow borrowings up to \$212.5 million and expires in October 2009. Additionally, as more fully described in Note 5, the borrowing costs under the new facility will be significantly higher than under the prior facility.

We believe the amounts available to us under our existing and new credit facilities coupled with operating cash flow will provide the necessary liquidity to fund our working capital needs, capital expenditures and other expenditures for fiscal year 2009.

Cash Flows

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

Cash flows from operating activities

Year-over-year changes in our operating cash flows primarily are attributable to changes in net income, working capital changes, particularly within our natural gas distribution segment resulting from the price of natural gas and the timing of customer collections, payments for natural gas purchases and deferred gas cost recoveries.

For the fiscal year ended September 30, 2008, we generated operating cash flow of \$370.9 million compared with \$547.1 million in fiscal 2007 and \$311.4 million in fiscal 2006. The significant factors impacting our operating cash flow for the last three fiscal years are summarized below.

Fiscal Year ended September 30, 2008

Operating cash flows were \$176.2 million lower in fiscal 2008 compared to fiscal 2007. The decrease primarily reflects an increase in cash required to collateralize risk management liabilities in our natural gas marketing segment, which reduced operating cash flow by \$95.7 million and the unfavorable timing of gas cost collections in our natural gas distribution segment, which reduced operating cash flow by \$92.6 million.

Fiscal Year ended September 30, 2007

Fiscal 2007 operating cash flows reflect the favorable timing of payments for accounts payable and accrued liabilities, which increased operating cash flow by \$107.6 million. Additionally, improved management of our deferred gas costs balances increased operating cash flow by \$125.2 million. Finally, increased net income and other favorable working capital changes contributed to the increase in operating cash flow. Partially offsetting these increases in operating cash flow was a decrease in customer collections of \$84.8 million due to the decrease in the price of natural gas during the fiscal year.

Fiscal Year ended September 30, 2006

Fiscal 2006 operating cash flows reflect the adverse impact of significantly higher natural gas prices. Year-over-year, unfavorable timing of payments for accounts payable and other accrued liabilities reduced operating cash flow by \$523.0 million. Partially offsetting these outflows were higher customer collections (\$245.1 million) and reduced payments for natural gas inventories (\$102.1 million). Additionally, favorable movements in the market indices used to value our natural gas marketing segment risk management assets and liabilities reduced the amount that we were required to deposit in margin accounts and therefore favorably affected operating cash flow by \$126.3 million.

Cash flows from investing activities

In recent fiscal years, a substantial portion of our cash resources has been used to fund acquisitions and growth projects, our ongoing construction program and improvements to information systems. Our ongoing construction program enables us to provide natural gas distribution services to our existing customer base, expand our natural gas distribution services into new markets, enhance the integrity of our pipelines and, more recently, expand our intrastate pipeline network. In executing our current rate strategy, we are directing discretionary capital spending to jurisdictions that permit us to earn a timely return on our investment. Currently, our Mid-Tex, Louisiana, Mississippi and West Texas natural gas distribution divisions and our Atmos Pipeline — Texas Division have rate designs that provide the opportunity to include in their rate base approved capital costs on a periodic basis without being required to file a rate case.

For the fiscal year ended September 30, 2008, we incurred \$472.3 million for capital expenditures compared with \$392.4 million for the fiscal year ended September 30, 2007 and \$425.3 million for the fiscal year ended September 30, 2006. The increase in fiscal 2008 primarily reflects an increase in compliance spending and main replacements in our Mid-Tex Division, spending in the natural gas distribution segment for our new automated meter reading initiative and spending for two nonregulated growth projects. The decrease in capital expenditures in fiscal 2007 primarily reflects the absence of capital expenditures associated with our North Side Loop and other pipeline compression projects, which were completed during the fiscal 2006 third quarter.

Cash flows from financing activities

For the fiscal years ended September 30, 2008 and 2006, our financing activities provided \$98.1 million and \$155.3 million in cash compared with cash of \$159.3 million used for the fiscal year ended September 30, 2007. Our significant financing activities for the fiscal years ended September 30, 2008, 2007 and 2006 are summarized as follows:

- During the fiscal years ended September 30, 2008 and 2006, we increased our borrowings under our short-term facilities by \$200.2 million and \$237.6 million whereas during the fiscal year ended

September 30, 2007 we repaid a net \$213.2 million under our short-term facilities. Net borrowings under our short-term facilities during fiscal 2008 and 2006 reflect the impact of seasonal natural gas purchases and the effect of higher natural gas prices.

- We repaid \$10.3 million of long-term debt during the fiscal year ended September 30, 2008, compared with \$303.2 million during the fiscal year ended September 30, 2007 and \$3.3 million during the fiscal year ended September 30, 2006. The increased payments during fiscal 2007 reflect the repayment of our \$300 million unsecured floating rate senior notes discussed below.
- In June 2007, we issued \$250 million of 6.35% Senior Notes due 2017. The effective interest rate of this offering, inclusive of all debt issue costs, was 6.45 percent. After giving effect to the settlement of our \$100 million Treasury lock agreement in June 2007, the effective rate on these senior notes was reduced to 6.26 percent. We used the net proceeds of \$247 million, together with \$53 million of available cash, to repay our \$300 million unsecured floating rate senior notes, which were redeemed on July 15, 2007.
- In December 2006, we sold 6.3 million shares of common stock in an offering, including the underwriters' exercise of their overallotment option of 0.8 million shares, generating net proceeds of approximately \$192 million. The net proceeds from this issuance were used to reduce our short-term debt.
- During the fiscal year ended September 30, 2008, we paid \$117.3 million in cash dividends compared with dividend payments of \$111.7 million and \$102.3 million for the fiscal years ended September 30, 2007 and 2006. The increase in dividends paid over the prior-year reflects the increase in our dividend rate from \$1.28 per share during fiscal 2007 to \$1.30 per share during fiscal 2008, combined with a 1.5 million increase in shares outstanding due to new share issuances under our various equity plans.
- During the fiscal year ended September 30, 2008 we issued 1.0 million shares of common stock which generated net proceeds of \$25.5 million. In addition, we granted 0.5 million shares of common stock under our 1998 Long-Term Incentive Plan to directors, officers and other participants in the plan.

The following table shows the number of shares issued for the fiscal years ended September 30, 2008, 2007 and 2006:

	For the Fiscal Year Ended September 30		
	2008	2007	2006
Shares issued:			
Direct stock purchase plan	388,485	325,338	387,833
Retirement savings plan	558,014	422,646	442,635
1998 Long-term incentive plan	538,450	511,584	366,905
Long-term stock plan for Mid-States Division	—	—	300
Outside directors stock-for-fee plan	3,197	2,453	2,442
December 2006 equity offering	—	<u>6,325,000</u>	—
Total shares issued	<u>1,488,146</u>	<u>7,587,021</u>	<u>1,200,115</u>

Credit Facilities

As of September 30, 2008, we had three committed credit facilities totaling \$918 million. These facilities included (1) a five-year \$600 million unsecured facility expiring December 2011, (2) a \$300 million unsecured 364-day facility expiring October 2008, and (3) an \$18 million unsecured facility expiring March 2009. However, one lender with a 5.55% share of the commitments under our \$600 million and \$300 million facilities has ceased funding under these facilities. Further, in October 2008, we replaced our \$300 million facility at its termination with a new \$212.5 million unsecured 364-day facility. After giving effect to these changes, the amount available to us under our committed credit facilities was \$797.2 million. As of September 30, 2008, we had no outstanding letters of credit under these facilities.

AEM has an uncommitted credit facility that can provide up to \$580 million. As of September 30, 2008, the amount available to us under this credit facility, net of outstanding letters of credit, was \$212.1 million. Borrowings under our uncommitted credit facilities are made on a when-and-as-needed basis at the discretion of the banks. Our credit capacity and the amount of unused borrowing capacity are affected by the seasonal nature of the natural gas business and our short-term borrowing requirements, which are typically highest during colder winter months.

Our working capital needs can vary significantly due to changes in the price of natural gas charged by suppliers and the increased gas supplies required to meet customers' needs during periods of cold weather. However, we believe these credit facilities, combined with our operating cash flows will be sufficient to fund our working capital needs, our fiscal 2009 capital expenditure program and our common stock dividends. These facilities are described in further detail in Note 5 to the consolidated financial statements.

Shelf Registration

On December 4, 2006, we filed a registration statement with the Securities and Exchange Commission (SEC) to issue, from time to time, up to \$900 million in new common stock and/or debt securities available for issuance. As of September 30, 2008, we had approximately \$450 million available for issuance under the registration statement. Due to certain restrictions imposed by one state regulatory commission on our ability to issue securities under the registration statement, we are permitted to issue a total of approximately \$200 million of equity securities and \$250 million of senior debt securities. In addition, due to restrictions imposed by another state regulatory commission, if the credit ratings on our senior unsecured debt were to fall below investment grade from either Standard & Poor's Corporation (BBB-), Moody's Investors Services, Inc. (Baa3) or Fitch Ratings, Ltd. (BBB-), our ability to issue any type of debt securities under the registration statement would be suspended until an investment grade rating from all three credit rating agencies was achieved.

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 debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities and funding status. In addition, the rating agencies consider qualitative factors such as consistency of our earnings over time, the quality of our management and business strategy, the risks associated with our regulated and nonregulated businesses and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by three rating agencies: Standard & Poor's Corporation (S&P), Moody's Investors Services, Inc. (Moody's) and Fitch Ratings, Ltd. (Fitch). Our current debt ratings are all considered investment grade and are as follows:

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Unsecured senior long-term debt	BBB	Baa3	BBB+
Commercial paper	A-2	P-3	F-2

Currently, with respect to our unsecured senior long-term debt, S&P maintains its positive outlook and Fitch maintains its stable outlook. Moody's recently reaffirmed its stable outlook. None of our ratings are currently under review. However, a significant reduction in our liquidity caused by more limited access to the private and public credit markets as a result of the recent adverse global financial and credit conditions could trigger a negative change in our ratings outlook or even a reduction in our credit ratings by the three credit rating agencies. This would mean even 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 for S&P is AAA, Moody's is Aaa and Fitch is AAA. The lowest investment grade credit rating for S&P is BBB-, Moody's is Baa3 and Fitch is BBB-. Our credit ratings may be revised or withdrawn at any time by the rating agencies, and each rating should be evaluated independent 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, 2008. Our debt covenants are described in Note 5 to the consolidated financial statements.

Capitalization

The following table presents our capitalization as of September 30, 2008 and 2007:

	September 30			
	2008		2007	
	(In thousands, except percentages)			
Short-term debt	\$ 350,542	7.7%	\$ 150,599	3.5%
Long-term debt	2,120,577	46.9%	2,130,146	50.2%
Shareholders' equity	<u>2,052,492</u>	<u>45.4%</u>	<u>1,965,754</u>	<u>46.3%</u>
Total capitalization, including short-term debt	<u>\$4,523,611</u>	<u>100.0%</u>	<u>\$4,246,499</u>	<u>100.0%</u>

Total debt as a percentage of total capitalization, including short-term debt, was 54.6 percent and 53.7 percent at September 30, 2008 and 2007. The increase in the debt to capitalization ratio primarily reflects an increase in natural gas prices as of September 30, 2008 compared to the prior year. Our ratio of total debt to capitalization is typically greater during the winter heating season as we make additional short-term borrowings to fund natural gas purchases and meet our working capital requirements. We intend to maintain our capitalization ratio in a target range of 50 to 55 percent through cash flow generated from operations, continued issuance of new common stock under our Direct Stock Purchase Plan and Retirement Savings Plan and access to the equity capital markets.

Contractual Obligations and Commercial Commitments

The following table provides information about contractual obligations and commercial commitments at September 30, 2008.

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years (In thousands)	3-5 Years	More Than 5 Years
Contractual Obligations					
Long-term debt ⁽¹⁾	\$2,123,612	\$ 785	\$ 760,262	\$252,565	\$1,110,000
Short-term debt ⁽¹⁾	350,542	350,542	—	—	—
Interest charges ⁽²⁾	939,048	118,858	196,040	143,226	480,924
Gas purchase commitments ⁽³⁾	550,029	418,949	109,454	18,648	2,978
Capital lease obligations ⁽⁴⁾	1,752	186	372	372	822
Operating leases ⁽⁴⁾	180,317	18,374	33,925	30,924	97,094
Demand fees for contracted storage ⁽⁵⁾	33,411	11,511	14,315	6,698	887
Demand fees for contracted transportation ⁽⁶⁾	104,202	35,522	40,864	14,763	13,053
Financial instrument obligations ⁽⁷⁾	64,283	58,914	5,369	—	—
Postretirement benefit plan contributions ⁽⁸⁾	163,089	12,703	22,083	28,111	100,192
Uncertain tax positions (including interest) ⁽⁹⁾	6,731	—	6,731	—	—
Total contractual obligations	\$4,517,016	\$1,026,344	\$1,189,415	\$495,307	\$1,805,950

(1) See Note 5 to the consolidated financial statements.

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

(3) Gas purchase commitments were determined based upon contractually determined volumes at prices estimated based upon the index specified in the contract, adjusted for estimated basis differentials and contractual discounts as of September 30, 2008.

(4) See Note 13 to the consolidated financial statements.

(5) Represents third party contractual demand fees for contracted storage in our natural gas marketing and pipeline, storage and other segments. Contractual demand fees for contracted storage for our natural gas distribution segment are excluded as these costs are fully recoverable through our purchase gas adjustment mechanisms.

(6) Represents third party contractual demand fees for transportation in our natural gas marketing segment.

(7) Represents liabilities for natural gas commodity financial instruments that were valued as of September 30, 2008. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled.

(8) Represents expected contributions to our postretirement benefit plans.

(9) Represents liabilities associated with uncertain tax positions claimed or expected to be claimed on tax returns.

AEM has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2008, AEM was committed to purchase 55.8 Bcf within one year, 35.6 Bcf within one to three years and 0.5 Bcf after three years under indexed contracts. AEM was committed to purchase 1.5 Bcf within one year and less than 0.1 Bcf within one to three years under fixed price contracts with prices ranging from \$3.58 to \$13.20 per Mcf.

With the exception of our Mid-Tex Division, our natural gas distribution segment maintains 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 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 prices. The estimated commitments under these contract terms as of September 30, 2008 are reflected in the table above.

Risk Management Activities

We conduct risk management activities through our natural gas distribution, natural gas marketing and pipeline, storage and other segments. In our natural gas distribution segment, 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 our natural gas marketing and pipeline, storage and other segments, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. To the extent our inventory cost and actual sales and actual purchases do not correlate with the changes in the market indices we use in our hedges, we could experience ineffectiveness or the hedges may no longer meet the accounting requirements for hedge accounting, resulting in the financial instruments being treated as mark to market instruments through earnings.

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 natural gas distribution segment's financial instruments for the fiscal year ended September 30, 2008 (in thousands):

Fair value of contracts at September 30, 2007	\$(21,053)
Contracts realized/settled	(27,580)
Fair value of new contracts	(28,308)
Other changes in value	<u>13,264</u>
Fair value of contracts at September 30, 2008	<u>\$(63,677)</u>

The fair value of our natural gas distribution segment's financial instruments at September 30, 2008, is presented below by time period and fair value source:

Source of Fair Value	Fair Value of Contracts at September 30, 2008				Total Fair Value
	Maturity in Years				
	Less Than 1	1-3	4-5	Greater Than 5	
	(In thousands)				
Prices actively quoted	\$(58,566)	\$(5,111)	\$—	\$—	\$(63,677)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	<u>\$(58,566)</u>	<u>\$(5,111)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(63,677)</u>

The following table shows the components of the change in fair value of our natural gas marketing segment's financial instruments for the fiscal year ended September 30, 2008 (in thousands):

Fair value of contracts at September 30, 2007	\$ 26,808
Contracts realized/settled	20,363
Fair value of new contracts	—
Other changes in value	<u>(30,629)</u>
Fair value of contracts at September 30, 2008	16,542
Netting of cash collateral	<u>56,616</u>
Cash collateral and fair value of contracts at September 30, 2008	<u>\$ 73,158</u>

The fair value of our natural gas marketing segment's financial instruments at September 30, 2008, is presented below by time period and fair value source.

<u>Source of Fair Value</u>	<u>Fair Value of Contracts at September 30, 2008</u>				<u>Total Fair Value</u>
	<u>Maturity in Years</u>				
	<u>Less Than 1</u>	<u>1-3</u>	<u>4-5</u>	<u>Greater Than 5</u>	
	(In thousands)				
Prices actively quoted	\$12,356	\$5,566	\$—	\$—	\$17,922
Prices based on models and other valuation methods	<u>(1,029)</u>	<u>(351)</u>	<u>—</u>	<u>—</u>	<u>(1,380)</u>
Total Fair Value	<u>\$11,327</u>	<u>\$5,215</u>	<u>\$—</u>	<u>\$—</u>	<u>\$16,542</u>

Pension and Postretirement Benefits Obligations

Net Periodic Pension and Postretirement Benefit Costs

For the fiscal year ended September 30, 2008, our total net periodic pension and other benefits costs was \$47.9 million, compared with \$48.6 million and \$50.0 million for the fiscal years ended September 30, 2007 and 2006. These costs relating to our natural gas distribution operations are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our gas distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our total net periodic pension and other benefit costs remained relatively unchanged during the current-year period when compared with the prior-year period as the assumptions we made during our annual pension plan valuation completed June 30, 2007 were consistent with the prior year. The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. At our June 30, 2007 measurement date, the interest rates were consistent with rates at our prior-year measurement date, which resulted in no change to our 6.30 percent discount rate used to determine our fiscal 2008 net periodic and post-retirement cost. In addition, our expected return on our pension plan assets remained constant at 8.25 percent.

The decrease in total net periodic pension and other benefits costs during fiscal 2007 compared with fiscal 2006 primarily reflects changes in assumptions we made during our annual pension plan valuation completed June 30, 2006. The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. In the period leading up to our June 30, 2006 measurement date, these interest rates were increasing, which resulted in a 130 basis point increase in our discount rate used to determine our fiscal 2007 net periodic and post-retirement cost to 6.30 percent. This increase had the effect of decreasing the present value of our plan liabilities and associated expenses. This favorable impact was partially offset by the unfavorable impact of reducing the expected return on our pension plan assets by 25 basis points to 8.25 percent, which has the effect of increasing our pension and postretirement benefit costs.

Pension and Postretirement Plan Funding

Generally, our funding policy is to contribute annually an amount that will at least equal the minimum amount required to comply with the Employee Retirement Income Security Act of 1974. 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 2008 and fiscal 2006, we voluntarily contributed \$2.3 million and \$2.9 million to the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees. These contributions achieved a desired level of funding for this plan for plan years 2007 and 2005. During fiscal 2007, we did not contribute to our pension plans.

We contributed \$9.6 million, \$11.8 million and \$10.9 million to our postretirement benefits plans for the fiscal years ended September 30, 2008, 2007 and 2006. The contributions represent the portion of the postretirement costs we are responsible for under the terms of our plan and minimum funding required by state regulatory commissions.

Outlook for Fiscal 2009

Effective October 1, 2008, the Company adopted the requirement under SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, that the measurement date used to determine our projected benefit and postretirement obligations and net periodic pension and postretirement costs must correspond to a fiscal year end. In accordance with the transition rules, the fiscal 2009 expense will be based upon market conditions as of September 30, 2008.

As of September 30, 2008, interest and corporate bond rates utilized to determine our discount rates, which will impact our fiscal 2009 net periodic pension and postretirement costs, were significantly higher than the interest and corporate bond rates as of June 30, 2007, the measurement date for our fiscal 2008 net periodic cost. Accordingly, we increased our discount rate used to determine our fiscal 2009 pension and benefit costs to 7.57%. We maintained the expected return on our pension plan assets at 8.25 percent, despite the recent decline in the financial markets as we believe this rate reflects the average rate of expected earnings on plan assets that will fund our projected benefit obligation. Although the fair value of our plan assets has declined as the financial markets have declined, the impact of this decline is mitigated by the fact that assets are smoothed for purposes of determining net periodic pension cost. Accordingly, asset gains and losses are recognized over time as a component of net periodic pension and benefit costs for our Pension Account Plan, our largest funded plan. Accordingly, we expect our fiscal 2009 pension and postretirement medical costs to be materially the same as in fiscal 2008.

Despite the recent decline in the fair value of the plans' assets, we were not required to make a minimum funding contribution to our pension plans during fiscal 2008. However, based upon market conditions subsequent to September 30, 2008, the current funded position of the plans and the new funding requirements under the Pension Protection Act (PPA), we believe it is reasonably possible that we will be required to contribute to the plans in fiscal 2009. Further, we will consider whether an additional voluntary contribution is prudent to maintain certain PPA funding thresholds. However, we cannot anticipate with certainty whether such contributions will be made and the amount of such contributions. With respect to our postretirement medical plans, we anticipate contributing approximately \$3.8 million during fiscal 2009.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the Plan are subject to change, depending upon the actuarial value of plan assets and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts are impacted by actual investment returns, changes in interest rates and changes in the demographic composition of the participants in the plan.

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 results from our portfolio of debt and equity instruments that we issue to provide financing and liquidity for our business activities.

We conduct risk management activities through both our natural gas distribution and natural gas marketing segments. In our natural gas distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to protect us and our customers against unusually large winter period gas price increases. In our natural gas marketing segment, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Our risk management activities and related accounting treatment are described in further detail in Note 4 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

Natural gas distribution segment

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

Natural gas marketing and pipeline, storage and other segments

Our natural gas marketing segment is also exposed to risks associated with changes in the market price of natural gas. For our natural gas marketing segment, we use a sensitivity analysis to estimate commodity price risk. For purposes of this analysis, we estimate commodity price risk by applying a \$0.50 change in the forward NYMEX price to our net open position (including existing storage and related financial contracts) at the end of each period. Based on AEH's net open position (including existing storage and related financial contracts) at September 30, 2008 of 0.5 Bcf, a \$0.50 change in the forward NYMEX price would have had a \$0.3 million impact on our consolidated net income.

Changes in the difference between the indices used to mark to market our physical inventory (Gas Daily) and the related fair-value hedge (NYMEX) can result in volatility in our reported net income; but, over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the fair-value hedges. Based upon our net physical position at September 30, 2008 and assuming our hedges would still qualify as highly effective, a \$0.50 change in the difference between the Gas Daily and NYMEX indices would impact our reported net income by approximately \$2.8 million.

Additionally, these changes could cause us to recognize a risk management liability, which would require us to place cash into an escrow account to collateralize this liability position. This, in turn, would reduce the amount of cash we would have on hand to fund our working capital needs.

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 have increased by approximately \$2.1 million during 2008.

We also assess market risk for our fixed rate long-term obligations. We estimate market risk for our long-term obligations as the potential increase in fair value resulting from a hypothetical one percent decrease in interest rates associated with these debt instruments. Fair value is estimated using a discounted cash flow analysis. Assuming this one percent hypothetical decrease, the fair value of our long-term obligations would have increased by approximately \$144.2 million.

As of September 30, 2008, we were not engaged in other activities that would cause exposure to the risk of material earnings or cash flow loss due to changes in interest rates or market commodity prices.

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 on consolidated financial statements	67
Financial statements and supplementary data:	
Consolidated balance sheets at September 30, 2008 and 2007.	68
Consolidated statements of income for the years ended September 30, 2008, 2007 and 2006	69
Consolidated statements of shareholders' equity for the years ended September 30, 2008, 2007 and 2006	70
Consolidated statements of cash flows for the years ended September 30, 2008, 2007 and 2006	71
Notes to consolidated financial statements	72
Selected Quarterly Financial Data (Unaudited).	121
Financial statement schedule for the years ended September 30, 2008, 2007 and 2006	
Schedule II. Valuation and Qualifying Accounts.	129

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 ON
CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation as of September 30, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2008. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the financial information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Atmos Energy Corporation's internal control over financial reporting as of September 30, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 18, 2008 expressed an *unqualified opinion* thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 18, 2008

ATMOS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30	
	2008	2007
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	\$5,650,096	\$5,326,621
Construction in progress	80,060	69,449
	5,730,156	5,396,070
Less accumulated depreciation and amortization	<u>1,593,297</u>	<u>1,559,234</u>
Net property, plant and equipment	4,136,859	3,836,836
Current assets		
Cash and cash equivalents	46,717	60,725
Accounts receivable, less allowance for doubtful accounts of \$15,301 in 2008 and \$16,160 in 2007	477,151	380,133
Gas stored underground	576,617	515,128
Other current assets	<u>184,619</u>	<u>111,189</u>
Total current assets	1,285,104	1,067,175
Goodwill and intangible assets	739,086	737,692
Deferred charges and other assets	<u>225,650</u>	<u>253,494</u>
	<u>\$6,386,699</u>	<u>\$5,895,197</u>
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at \$.005 per share); 200,000,000 shares authorized; issued and outstanding: 2008 — 90,814,683 shares, 2007 — 89,326,537 shares	\$ 454	\$ 447
Additional paid-in capital	1,744,384	1,700,378
Accumulated other comprehensive loss	(35,947)	(16,198)
Retained earnings	<u>343,601</u>	<u>281,127</u>
Shareholders' equity	2,052,492	1,965,754
Long-term debt	<u>2,119,792</u>	<u>2,126,315</u>
Total capitalization	4,172,284	4,092,069
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued liabilities	395,388	355,255
Other current liabilities	460,372	408,273
Short-term debt	350,542	150,599
Current maturities of long-term debt	<u>785</u>	<u>3,831</u>
Total current liabilities	1,207,087	917,958
Deferred income taxes	441,302	370,569
Regulatory cost of removal obligation	298,645	271,059
Deferred credits and other liabilities	<u>267,381</u>	<u>243,542</u>
	<u>\$6,386,699</u>	<u>\$5,895,197</u>

See accompanying notes to consolidated financial statements

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30		
	2008	2007	2006
	(In thousands, except per share data)		
Operating revenues			
Natural gas distribution segment	\$3,655,130	\$3,358,765	\$3,650,591
Regulated transmission and storage segment	195,917	163,229	141,133
Natural gas marketing segment	4,287,862	3,151,330	3,156,524
Pipeline, storage and other segment	31,709	33,400	25,574
Intersegment eliminations	<u>(949,313)</u>	<u>(808,293)</u>	<u>(821,459)</u>
	7,221,305	5,898,431	6,152,363
Purchased gas cost			
Natural gas distribution segment	2,649,064	2,406,081	2,725,534
Regulated transmission and storage segment	—	—	—
Natural gas marketing segment	4,194,841	3,047,019	3,025,897
Pipeline, storage and other segment	3,396	792	1,080
Intersegment eliminations	<u>(947,322)</u>	<u>(805,543)</u>	<u>(816,718)</u>
	5,899,979	4,648,349	4,935,793
Gross profit	1,321,326	1,250,082	1,216,570
Operating expenses			
Operation and maintenance	500,234	463,373	433,418
Depreciation and amortization	200,442	198,863	185,596
Taxes, other than income	192,755	182,866	191,993
Impairment of long-lived assets	—	6,344	22,947
Total operating expenses	<u>893,431</u>	<u>851,446</u>	<u>833,954</u>
Operating income	427,895	398,636	382,616
Miscellaneous income, net	2,731	9,184	881
Interest charges	<u>137,922</u>	<u>145,236</u>	<u>146,607</u>
Income before income taxes	292,704	262,584	236,890
Income tax expense	<u>112,373</u>	<u>94,092</u>	<u>89,153</u>
Net income	<u>\$ 180,331</u>	<u>\$ 168,492</u>	<u>\$ 147,737</u>
Per share data			
Basic net income per share	<u>\$ 2.02</u>	<u>\$ 1.94</u>	<u>\$ 1.83</u>
Diluted net income per share	<u>\$ 2.00</u>	<u>\$ 1.92</u>	<u>\$ 1.82</u>
Weighted average shares outstanding:			
Basic	<u>89,385</u>	<u>86,975</u>	<u>80,731</u>
Diluted	<u>90,272</u>	<u>87,745</u>	<u>81,390</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 Loss	Retained Earnings	Total
	Number of Shares	Stated Value				
(In thousands, except share data)						
Balance, September 30, 2005	80,539,401	\$403	\$1,426,523	\$ (3,341)	\$ 178,837	\$1,602,422
Comprehensive income:						
Net income	—	—	—	—	147,737	147,737
Unrealized holding gains on investments, net	—	—	—	882	—	882
Treasury lock agreements, net	—	—	—	3,442	—	3,442
Cash flow hedges, net	—	—	—	(44,833)	—	(44,833)
Total comprehensive income						107,228
Cash dividends (\$1.26 per share)	—	—	—	—	(102,275)	(102,275)
Common stock issued:						
Direct stock purchase plan	387,833	2	10,391	—	—	10,393
Retirement savings plan	442,635	2	11,918	—	—	11,920
1998 Long-term incentive plan	366,905	2	8,976	—	—	8,978
Long-term stock plan for Mid-States Division	300	—	5	—	—	5
Employee stock-based compensation	—	—	9,361	—	—	9,361
Outside directors stock-for-fee plan	2,442	—	66	—	—	66
Balance, September 30, 2006	81,739,516	409	1,467,240	(43,850)	224,299	1,648,098
Comprehensive income:						
Net income	—	—	—	—	168,492	168,492
Unrealized holding gains on investments, net	—	—	—	1,241	—	1,241
Treasury lock agreements, net	—	—	—	6,288	—	6,288
Cash flow hedges, net	—	—	—	20,123	—	20,123
Total comprehensive income						196,144
Cash dividends (\$1.28 per share)	—	—	—	—	(111,664)	(111,664)
Common stock issued:						
Public offering	6,325,000	32	191,881	—	—	191,913
Direct stock purchase plan	325,338	2	9,866	—	—	9,868
Retirement savings plan	422,646	2	12,929	—	—	12,931
1998 Long-term incentive plan	511,584	2	7,547	—	—	7,549
Employee stock-based compensation	—	—	10,841	—	—	10,841
Outside directors stock-for-fee plan	2,453	—	74	—	—	74
Balance, September 30, 2007	89,326,537	447	1,700,378	(16,198)	281,127	1,965,754
Comprehensive income:						
Net income	—	—	—	—	180,331	180,331
Unrealized holding losses on investments, net	—	—	—	(1,897)	—	(1,897)
Treasury lock agreements, net	—	—	—	3,148	—	3,148
Cash flow hedges, net	—	—	—	(21,000)	—	(21,000)
Total comprehensive income						160,582
Adoption of FIN 48	—	—	—	—	(569)	(569)
Cash dividends (\$1.30 per share)	—	—	—	—	(117,288)	(117,288)
Common stock issued:						
Direct stock purchase plan	388,485	2	10,333	—	—	10,335
Retirement savings plan	558,014	3	15,116	—	—	15,119
1998 Long-term incentive plan	538,450	2	5,592	—	—	5,594
Employee stock-based compensation	—	—	12,878	—	—	12,878
Outside directors stock-for-fee plan	3,197	—	87	—	—	87
Balance, September 30, 2008	<u>90,814,683</u>	<u>\$454</u>	<u>\$1,744,384</u>	<u>\$(35,947)</u>	<u>\$ 343,601</u>	<u>\$2,052,492</u>

See accompanying notes to consolidated financial statements

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2008	2007	2006
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 180,331	\$ 168,492	\$ 147,737
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of long-lived assets	—	6,344	22,947
Depreciation and amortization:			
Charged to depreciation and amortization	200,442	198,863	185,596
Charged to other accounts	147	192	371
Deferred income taxes	97,940	62,121	86,178
Stock-based compensation	14,032	11,934	10,234
Debt financing costs	10,665	10,852	11,117
Other	(5,492)	(1,516)	(2,871)
Changes in assets and liabilities:			
Decrease in cash held on deposit in margin account	—	—	9,762
(Increase) decrease in accounts receivable	(97,018)	(6,407)	78,407
Increase in gas stored underground	(61,489)	(53,626)	(10,695)
(Increase) decrease in other current assets	(114,119)	112,588	(59,882)
Decrease in deferred charges and other assets	22,476	23,506	28,614
Increase (decrease) in accounts payable and accrued liabilities . . .	39,902	(8,428)	(116,060)
Increase (decrease) in other current liabilities	60,026	11,661	(70,997)
Increase (decrease) in deferred credits and other liabilities	23,090	10,519	(9,009)
Net cash provided by operating activities	370,933	547,095	311,449
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(472,273)	(392,435)	(425,324)
Other, net	(10,736)	(10,436)	(5,767)
Net cash used in investing activities	(483,009)	(402,871)	(431,091)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	200,174	(213,242)	237,607
Net proceeds from issuance of long-term debt	—	247,217	—
Settlement of Treasury lock agreement	—	4,750	—
Repayment of long-term debt	(10,284)	(303,185)	(3,264)
Cash dividends paid	(117,288)	(111,664)	(102,275)
Issuance of common stock	25,466	24,897	23,273
Net proceeds from equity offering	—	191,913	—
Net cash provided by (used in) financing activities	98,068	(159,314)	155,341
Net increase (decrease) in cash and cash equivalents	(14,008)	(15,090)	35,699
Cash and cash equivalents at beginning of year	60,725	75,815	40,116
Cash and cash equivalents at end of year	\$ 46,717	\$ 60,725	\$ 75,815

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 our subsidiaries are engaged primarily in the regulated natural gas distribution and transmission and storage businesses as well as certain other nonregulated businesses. Through our natural gas distribution business, we deliver natural gas through sales and transportation arrangements to approximately 3.2 million residential, commercial, public-authority and industrial customers through our six regulated natural gas distribution divisions in the service areas described below:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas, Missouri ⁽¹⁾
Atmos Energy Kentucky/Mid-States Division . . .	Georgia ⁽¹⁾ , Illinois ⁽¹⁾ , Iowa ⁽¹⁾ , Kentucky, Missouri ⁽¹⁾ , 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 locations where we have more limited service areas.

In addition, we transport natural gas for others through our distribution system. Our natural gas distribution business is subject to federal and state regulation and/or regulation by local authorities in each of the states in which our natural gas 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 regulated transmission and storage business consists of the regulated operations of our Atmos Pipeline — Texas Division, a division of the Company. This division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary to the pipeline industry including parking arrangements, lending and sales of inventory on hand. Parking arrangements provide short-term interruptible storage of gas on our pipeline. Lending services provide short-term interruptible loans of natural gas from our pipeline to meet market demands.

Our nonregulated businesses operate primarily in the Midwest and Southeast and include our natural gas marketing operations and our pipeline, storage and other operations. These businesses are operated through various wholly-owned subsidiaries of Atmos Energy Holdings, Inc. (AEH), which is wholly-owned by the Company and based in Houston, Texas.

Our natural gas marketing operations are managed by Atmos Energy Marketing, LLC (AEM), which is wholly-owned by AEH. AEM provides a variety of natural gas management services to municipalities, natural gas utility systems and industrial natural gas customers, primarily in the southeastern and midwestern states and to our Colorado-Kansas, Kentucky/Mid-States and Louisiana divisions. These services consist primarily of furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of financial instruments.

Our pipeline, storage and other segment primarily consists of the operations of Atmos Pipeline and Storage, LLC (APS), Atmos Energy Services, LLC (AES) and Atmos Power Systems, Inc., each of which are wholly-owned by AEH. APS owns or has an interest in underground storage fields in Kentucky and Louisiana.

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

We use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods. Additionally, APS manages our natural gas gathering operations, which were limited in nature as of September 30, 2008. AES provides limited services to our natural gas distribution divisions, and the revenues AES receives are equal to the costs incurred to provide those services. Through Atmos Power Systems, Inc., we have constructed electric peaking power-generating plants and associated facilities and lease these plants through lease agreements that are accounted for as sales under generally accepted accounting principles in the United States.

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.

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, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes, asset retirement obligations, impairment of long-lived assets, risk management and trading activities and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results could differ from those estimates.

Regulation — Our natural gas distribution and regulated transmission 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. Regulated operations are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*. This statement requires 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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We record regulatory assets as a component of other current assets and deferred charges and other assets for costs that have been deferred for which future recovery through customer rates is considered probable. Regulatory liabilities are recorded either on the face of the balance sheet or as a component of current liabilities, deferred income taxes or deferred credits and other liabilities when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Significant regulatory assets and liabilities as of September 30, 2008 and 2007 included the following:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	\$100,563	\$ 59,022
Merger and integration costs, net	7,586	7,996
Deferred gas costs	55,103	14,797
Environmental costs	980	1,303
Rate case costs	12,885	10,989
Deferred franchise fees	651	796
Deferred income taxes, net	343	—
Other	<u>8,120</u>	<u>10,719</u>
	<u>\$186,231</u>	<u>\$105,622</u>
Regulatory liabilities:		
Deferred gas costs	\$ 76,979	\$ 84,043
Regulatory cost of removal obligation	317,273	295,241
Deferred income taxes, net	—	165
Other	<u>5,639</u>	<u>7,503</u>
	<u>\$399,891</u>	<u>\$386,952</u>

Currently authorized rates do not include a return on certain of our merger and integration costs; however, we recover the amortization of these costs. Merger and integration costs, net, are generally amortized on a straight-line basis over estimated useful lives ranging up to 20 years. Environmental costs have been deferred to be included in future rate filings in accordance with rulings received from various state regulatory commissions. During the fiscal years ended September 30, 2008, 2007 and 2006, we recognized \$0.4 million, \$0.3 million and \$0.5 million in amortization expense related to these costs.

Revenue recognition — Sales of natural gas to our natural gas distribution customers are billed on a monthly basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for natural gas distribution segment revenues whereby revenues applicable 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.

On occasion, we are permitted to implement new rates that have not been formally approved by our state regulatory commissions, which are subject to refund. As permitted by SFAS No. 71, 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.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility company's non-gas costs. There is no gross profit generated through purchased gas adjustments, but they provide a dollar-for-dollar offset to increases or decreases in our natural gas distribution segment's gas costs. The effects of these purchased gas adjustment mechanisms are recorded as deferred gas costs on our balance sheet.

Operating revenues for our natural gas marketing segment and the associated carrying value of natural gas inventory (inclusive of storage costs) are recognized when we sell the gas and physically deliver 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 and unrealized gains and losses arising from changes in the fair value of natural gas inventory designated as a hedged item in a fair value hedge and the associated financial instruments. For the fiscal years ended September 30, 2008, 2007 and 2006, we included unrealized gains on open contracts of \$25.5 million, \$18.4 million and \$17.2 million as a component of natural gas marketing revenues.

Operating revenues for our regulated transmission and storage and pipeline, storage and other segments are recognized in the period in which actual volumes are transported and storage services are provided.

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 consist of natural gas sales to residential, commercial, industrial, municipal and other customers. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collection experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. 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 natural gas distribution operations and natural gas held by our natural gas marketing and other nonregulated subsidiaries to conduct their operations. The average cost method is used for all our natural gas distribution divisions, except for certain jurisdictions in the Kentucky/Mid-States Division, where it is valued on the first-in first-out method basis, in accordance with regulatory requirements. The average gas cost method is also used for our regulated transmission and storage segment. Our natural gas marketing and pipeline, storage and other segments utilize the average cost method; however, most of this inventory is hedged and is therefore reported at fair value at the end of each month. 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.

Regulated 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 represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service. Interest expense of \$2.9 million, \$3.0 million and \$3.6 million was capitalized in 2008, 2007 and 2006.

Major renewals, including replacement pipe, and betterments that are recoverable under our regulatory rate base are capitalized while the costs of maintenance and repairs that are not recoverable through rates are charged to expense as incurred. The costs of large projects are accumulated in construction in progress until

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 3.7 percent, 3.9 percent and 3.9 percent for the fiscal years ended September 30, 2008, 2007 and 2006.

Nonregulated property, plant and equipment — Nonregulated 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 ranging from three to 35 years.

Asset retirement obligations — SFAS 143, *Accounting for Asset Retirement Obligations* and FIN 47, *Accounting for Conditional Asset Retirement Obligations* require that 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, 2008 and 2007, we had recorded asset retirement obligations of \$5.9 million and \$9.0 million. Additionally, we recorded \$1.3 million and \$2.9 million of asset retirement costs 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 storage wells. However, we have not recognized an asset retirement obligation associated with our storage wells because there is not sufficient industry history to reasonably estimate the fair value of this obligation.

Impairment of long-lived assets — We periodically 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.

During fiscal 2007, we recorded a \$6.3 million charge associated with the write-off of approximately \$3.0 million of costs related to a nonregulated natural gas gathering project and approximately \$3.3 million of obsolete software costs. During the fourth quarter of fiscal 2006, we determined that, as a result of declining irrigation sales primarily associated with our agricultural customers' shift from gas-powered pumps to electric pumps, the West Texas Division's irrigation assets would not be able to generate sufficient future cash flows from operations to recover the net investment in these assets. Therefore, we recorded a \$22.9 million charge to impairment to write off the entire net book value.

Goodwill and intangible assets — We annually evaluate our goodwill balances for impairment during our second fiscal quarter or more frequently as impairment indicators arise. We 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.

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

Intangible assets are amortized over their useful lives of 10 years. These assets are reviewed for impairment as impairment indicators arise. 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. No impairment has been recognized.

Marketable securities — As of September 30, 2008 and 2007, all of our marketable securities were classified as available-for-sale based upon the criteria of SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*. In accordance with that standard, these securities are reported at market value with unrealized gains and losses shown as a component of accumulated other comprehensive income (loss). We regularly evaluate the performance of these investments on a fund by fund basis for impairment, taking into consideration the fund's purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related fund is written down to its estimated fair value.

Financial instruments and hedging activities — We currently use financial instruments to mitigate commodity price risk. Additionally, we periodically use financial instruments to manage interest rate risk. The objectives and strategies for using financial instruments have been tailored for our regulated and nonregulated businesses. Currently, we utilize financial instruments in our natural gas distribution, natural gas marketing and pipeline, storage and other segments. The objectives and strategies for the use of financial instruments are discussed in Note 4.

We record all of our financial instruments on the balance sheet at fair value as required by SFAS 133, *Accounting for Derivatives and Hedging Activities*, with changes in fair value ultimately recorded in the income statement. 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.

The timing of when changes in fair value of our financial instruments are recorded in the income statement 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 income statement as they occur.

Financial Instruments Associated with Commodity Price Risk

In our natural gas distribution segment, the costs associated with and the gains and losses arising from the use of financial instruments to mitigate commodity price risk are included in our purchased gas 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 statement of income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue in accordance with SFAS 71. Accordingly, there is no earnings impact to our natural gas distribution segment as a result of the use of financial instruments.

In our natural gas marketing and pipeline, storage and other segments, we have designated the natural gas inventory held by these operating segments as the hedged item in a fair-value hedge. This inventory is 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 revenue in the period of change. The financial instruments associated with this natural gas inventory have been designated as fair-value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in revenue in the period of change. Changes in the spreads between the forward natural gas prices used to value the financial hedges designated against our physical inventory (NYMEX) and the market (spot) prices used to value our physical storage (Gas Daily) result in unrealized margins until the underlying physical gas is withdrawn and

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the related financial instruments are settled. Once the gas is withdrawn and the financial instruments are settled, the previously unrealized margins associated with these net positions are realized. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges. Over time, we expect gains and losses on the sale of storage gas inventory to be offset by gains and losses on the fair-value hedges, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

In our natural gas marketing segment, we have elected to treat fixed-price forward contracts to deliver natural gas as normal purchases and normal sales. As such, these deliveries are 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 have been designated as cash flow hedges of anticipated purchases and sales at indexed prices. Accordingly, unrealized gains and losses on these open financial instruments are recorded as a component of accumulated other comprehensive income, and are recognized in earnings as a component of revenue when the hedged volumes are sold. Hedge ineffectiveness, to the extent incurred, is reported as a component of revenue.

Gains and losses from hedge ineffectiveness are recognized in the income statement. 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 are referred to as timing ineffectiveness.

In our natural gas marketing segment, the following summarizes the gains and losses recognized in the income statement for the fiscal years ended September 30, 2008, 2007 and 2006.

	For the Fiscal Year Ended September 30		
	2008	2007	2006
	(In thousands)		
Basis ineffectiveness:			
Fair-value basis ineffectiveness	\$(2,841)	\$ 783	\$ 15,476
Cash flow basis ineffectiveness	<u>3,720</u>	<u>2,330</u>	<u>7,392</u>
Total basis ineffectiveness	879	3,113	22,868
Timing ineffectiveness:			
Fair-value timing ineffectiveness	<u>39,695</u>	<u>89,207</u>	<u>(17,832)</u>
Total hedge ineffectiveness	<u>\$40,574</u>	<u>\$92,320</u>	<u>\$ 5,036</u>

In our pipeline, storage and other segment, actual hedge ineffectiveness arising from the timing of settlement of physical contracts and the settlement of the financial instruments resulted in a gain of approximately \$5.4 million and \$8.4 million for the fiscal years ended September 30, 2008 and 2007 and a loss of approximately \$7.0 million for the fiscal year ended September 30, 2006.

Prices actively quoted on national exchanges are used to determine the fair value of most of our financial instruments. Values derived from these sources reflect the market in which transactions involving these financial instruments are executed. We utilize models and other valuation methods to determine fair value when external sources are not available. Values are adjusted accordingly to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then-current market conditions. We believe the market prices and models used to value these financial instruments represent the best information

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

available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts.

Fair-value estimates also consider the creditworthiness of our counterparties. 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. Recent adverse developments in the global financial and credit markets have made it more difficult and more expensive for companies to access the short-term capital markets, which may negatively impact the creditworthiness of our counterparties. A continued tightening of the credit market could cause more of our counterparties to fail to perform than expected and reserved. 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.

In our natural gas marketing segment, we also utilize master netting agreements with significant counterparties that allow us to offset gains and losses arising from financial instruments that may be settled in cash with gains and losses arising from financial instruments that may 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.

In April 2007, the Financial Accounting Standards Board (FASB) issued FSP FIN 39-1, *Amendment of FASB Interpretation No. 39*. This FSP requires that, to the extent we utilize master netting agreements to offset gains and losses arising from financial instruments, we must include the fair value of cash collateral or the obligation to return cash in the amounts that have been netted. This FSP is applicable to the Company effective October 1, 2008 and early adoption is permitted. We have elected to adopt this FSP as of September 30, 2008. As a result of adopting this FSP, the Company netted \$56.6 million of cash held in margin accounts into its current risk management assets and liabilities as of September 30, 2008. The adoption of this interpretation also required a reclassification as of September 30, 2007 of a \$1.7 million obligation to return cash from other current liabilities to risk management assets. This requirement to net this cash position against risk management assets and liabilities did not have a material impact on our financial position or working capital.

Financial Instruments Associated with Interest Rate Risk

We periodically manage interest rate risk, typically when we issue new or refinance existing long-term debt. Currently, we do not have any financial instruments in place to manage interest rate risk. However, in prior years, we entered into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings. We designated these Treasury lock agreements as a cash flow hedge of an anticipated transaction at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the Treasury lock agreements were recorded as a component of accumulated other comprehensive income (loss). When the Treasury locks were settled, the realized gain or loss was recorded as a component of accumulated other comprehensive income (loss) and is being recognized as a component of interest expense over the life of the related financing arrangement.

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. Through fiscal 2008, we reviewed the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities annually based upon a June 30 measurement date. To comply with the new measurement date requirements of SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, effective October 1, 2008, we changed our measurement date from June 30 to our fiscal year end, September 30. This change is more fully discussed in Note 8. The assumed discount rate

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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 Moody's Aa bond index, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with a high quality corporate bond spot rate curve.

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 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 cost is 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.

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.

Income taxes — Income taxes are provided 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 current and 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.

Stock-based compensation plans — We maintain the 1998 Long-Term Incentive Plan that provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, performance-based restricted stock units and stock units to officers, division presidents and other key employees. Non-employee directors are also eligible to receive stock-based compensation under the 1998 Long-Term Incentive Plan. The objectives of this plan include attracting and retaining the best personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire our common stock.

Accumulated other comprehensive loss — Accumulated other comprehensive loss, net of tax, as of September 30, 2008 and 2007 consisted of the following unrealized gains (losses):

	September 30	
	2008	2007
	(In thousands)	
Unrealized holding gains on investments	\$ 910	\$ 2,807
Treasury lock agreements	(11,104)	(14,252)
Cash flow hedges	(25,753)	(4,753)
	<u>\$(35,947)</u>	<u>\$(16,198)</u>

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

Recent accounting pronouncements — In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. SFAS 161 expands the disclosure requirements for derivative instruments and for hedging activities. This statement requires specific disclosures regarding how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. Although the provisions of this standard will be effective for us beginning January 1, 2009, we adopted this standard effective October 1, 2008. Since SFAS 161 only requires additional disclosures concerning derivatives and hedging activities, this standard is not expected to have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosure on fair value measurements required under other accounting pronouncements but does not change existing guidance as to whether or not an instrument is carried at fair value. We will be required to apply the provisions of SFAS 157 beginning October 1, 2008. We believe this standard will not materially impact our financial position, results of operations or cash flows. However, it will significantly expand our disclosure concerning the fair value measurements reflected in our financial statements.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. This new standard permits an entity to measure certain financial assets and financial liabilities at fair value. The objective of the standard is to improve financial reporting by allowing entities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis. The fair value option is irrevocable, unless a new election date occurs. The provisions of this standard will be effective October 1, 2008. We do not anticipate this standard will materially impact our financial position, results of operations or cash flows.

In December 2007, the FASB issued FASB Statement No. 141 (revised 2007), *Business Combinations*. SFAS 141(R) establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date fair value. SFAS 141(R) significantly changes the accounting for business combinations in a number of areas, including the treatment of contingent consideration, preacquisition contingencies, transaction costs and restructuring costs. In addition, under SFAS 141(R), changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. The provisions of this standard will apply to any acquisitions we may complete after October 1, 2009.

In December 2007, the FASB issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No. 51*. SFAS 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method significantly changes the accounting for transactions with minority interest holders. The provisions of the standard will be effective for us beginning October 1, 2009. This standard is not expected to have a material impact on our financial position, results of operations or cash flows.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Goodwill and Intangible Assets

Goodwill and intangible assets were comprised of the following as of September 30, 2008 and 2007.

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Goodwill	\$736,998	\$734,976
Intangible assets	<u>2,088</u>	<u>2,716</u>
Total	<u>\$739,086</u>	<u>\$737,692</u>

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2008:

	<u>Natural Gas Distribution Segment</u>	<u>Regulated Transmission and Storage Segment</u>	<u>Natural Gas Marketing Segment</u>	<u>Pipeline, Storage and Other Segment</u>	<u>Total</u>
	(In thousands)				
Balance as of September 30, 2007	\$567,775	\$132,490	\$24,282	\$10,429	\$734,976
Deferred tax adjustments on prior acquisitions ⁽¹⁾	<u>2,145</u>	<u>(123)</u>	<u>—</u>	<u>—</u>	<u>2,022</u>
Balance as of September 30, 2008	<u>\$569,920</u>	<u>\$132,367</u>	<u>\$24,282</u>	<u>\$10,429</u>	<u>\$736,998</u>

⁽¹⁾ During the preparation of the fiscal 2008 tax provision, we adjusted certain deferred taxes recorded in connection with acquisitions completed in fiscal 2001 and fiscal 2004, which resulted in an increase to goodwill and net deferred tax liabilities of \$2.0 million.

Information regarding our intangible assets is reflected in the following table. As of September 30, 2008 and 2007, we had no intangible assets with indefinite lives.

		<u>September 30, 2008</u>			<u>September 30, 2007</u>		
	<u>Useful Life (Years)</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
		(In thousands)					
Customer contracts	10	\$6,926	\$(4,838)	\$2,088	\$6,926	\$(4,210)	\$2,716

The following table presents actual amortization expense recognized during 2008 and an estimate of future amortization expense based upon our intangible assets at September 30, 2008.

Amortization expense (in thousands):

Actual for the fiscal year ending September 30, 2008	\$628
Estimated for the fiscal year ending:	
September 30, 2009	627
September 30, 2010	627
September 30, 2011	627
September 30, 2012	43
September 30, 2013	43

4. Financial Instruments and Hedging Activities

We currently use financial instruments to mitigate commodity price risk. Additionally, we periodically utilize financial instruments to manage interest rate risk. The objectives and strategies for using financial instruments have been tailored to our regulated and nonregulated businesses. Currently, we utilize financial instruments in our natural gas distribution, natural gas marketing and pipeline, storage and other segments.

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

However, our pipeline, storage and other segment uses financial instruments acquired from AEM on the same terms that AEM received from an independent counterparty. On a consolidated basis, these financial instruments are reported in the natural gas marketing segment.

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 by segment at September 30, 2008 and 2007:

	<u>Natural Gas Distribution</u>	<u>Natural Gas Marketing</u>	<u>Total</u>
	(In thousands)		
September 30, 2008:			
Assets from risk management activities, current ⁽¹⁾	\$ —	\$68,291	\$ 68,291
Assets from risk management activities, noncurrent	—	5,473	5,473
Liabilities from risk management activities, current ⁽¹⁾	(58,566)	(348)	(58,914)
Liabilities from risk management activities, noncurrent	<u>(5,111)</u>	<u>(258)</u>	<u>(5,369)</u>
Net assets (liabilities)	<u>\$(63,677)</u>	<u>\$73,158</u>	<u>\$ 9,481</u>
September 30, 2007:			
Assets from risk management activities, current ⁽²⁾	\$ —	\$20,129	\$ 20,129
Assets from risk management activities, noncurrent	—	5,535	5,535
Liabilities from risk management activities, current	(21,053)	(286)	(21,339)
Liabilities from risk management activities, noncurrent	<u>—</u>	<u>(290)</u>	<u>(290)</u>
Net assets (liabilities)	<u>\$(21,053)</u>	<u>\$25,088</u>	<u>\$ 4,035</u>

⁽¹⁾ Includes \$56.6 million of cash held on deposit in margin accounts to collateralize certain financial instruments. Of this amount, \$29.8 million was used to offset current risk management liabilities under master netting agreements and the remaining \$26.8 million is classified as current risk management assets.

⁽²⁾ Includes a \$1.7 million obligation to return cash collateral, which was used to offset current risk management assets under master netting agreements.

Regulated Commodity Risk Management Activities

Although our purchased gas adjustment mechanisms essentially insulate our natural gas distribution segment from commodity price risk, our natural gas distribution customers are exposed to the effect 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 natural gas 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. 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 2007-2008 heating season, we hedged approximately 45 percent of our anticipated winter flowing gas requirements at a weighted average cost of approximately \$7.61 per Mcf.

We currently do not manage commodity price risk with financial instruments in our regulated transmission and storage segment.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Nonregulated Commodity Risk Management Activities

Our natural gas marketing segment, through AEM, aggregates and purchases gas supply, arranges transportation and/or storage logistics and ultimately delivers gas to our customers at competitive prices. To facilitate this process, we utilize proprietary and customer-owned transportation and storage assets to provide the various services our customers request.

We also perform asset optimization activities in both our natural gas marketing segment and pipeline, storage and other segment. Through asset optimization activities, we seek to maximize the economic value associated with the storage and transportation capacity we own or control. We attempt to meet this objective by engaging in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We purchase physical natural gas and then sell financial instruments at advantageous prices to lock in a gross profit margin. We also seek to participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers by identifying the lowest cost alternative within the natural gas supplies, transportation and markets to which we have access. Through the use of transportation and storage services and financial instruments, we also seek to capture gross profit margin through the arbitrage of pricing differences that exist in various locations and by recognizing pricing differences that occur over time. Over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the financial instruments, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

As a result of these activities, our nonregulated operations are exposed to risks associated with changes in the market price of natural gas. We manage 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. Future contracts provide the right to buy or sell the commodity at a fixed price in the future. Option contracts provide the right, but not the requirement, to buy or sell the commodity at a fixed price. Swap contracts require receipt of payment for the commodity based on the difference between a fixed price and the market price on the settlement date.

We use financial instruments, designated as cash flow hedges of anticipated purchases and sales at index prices, to mitigate the commodity price risk in our natural gas marketing segment associated with deliveries under fixed-priced forward contracts to deliver gas to customers, and we use financial instruments, designated as fair value hedges, to hedge our natural gas inventory used in our asset optimization activities in our natural gas marketing and pipeline, storage and other segments.

Also, in our natural gas marketing segment, we use storage swaps and futures to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. These financial instruments have not been designated as hedges pursuant to FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Our nonregulated risk management activities are controlled through various risk management policies and procedures. Our Audit Committee has oversight responsibility for our nonregulated risk management limits and policies. Our risk management committee, comprised of corporate and business unit officers, is responsible for establishing and enforcing our nonregulated risk management policies and procedures.

Under our risk management policies, we seek to match our financial instrument positions to our physical storage positions as well as our expected current and future sales and purchase obligations to maintain no open positions at the end of each trading day. The determination of our net open position as of any day, however, requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of each day may increase if the assumptions are not realized, we review these assumptions

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

as part of our daily monitoring activities. We can also be affected by intraday fluctuations of gas prices, since the price of natural gas purchased or sold for future delivery earlier in the day may not be hedged until later in the day. At times, limited net open positions related to our existing and anticipated commitments may occur. At the close of business on September 30, 2008, AEH had a net open position (including existing storage) of 0.5 Bcf.

Interest Rate Risk Management Activities

Currently, we are not managing interest rate risk with financial instruments. However, in prior years, we periodically managed interest rate risk by entering into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings.

In fiscal 2004, we entered into four Treasury lock agreements to fix the Treasury yield component of the interest cost of financing associated with the-then anticipated issuance of \$875 million of long-term debt issued in October 2004 in connection with the permanent financing for our TXU Gas acquisition. These Treasury lock agreements were settled in October 2004 with a net \$43.8 million payment to the counterparties.

In March 2007, we entered into a Treasury lock agreement to fix the Treasury yield component of the interest cost associated with \$100 million of our \$250 million 6.35% Senior Notes issued in June 2007. This Treasury lock agreement was settled in June 2007, which resulted in the receipt of \$2.9 million from the counterparties.

The gains and losses realized upon settlement were recorded as a component of accumulated other comprehensive income (loss) and are being recognized as a component of interest expense over the life of the associated notes from the date of settlement.

Cash Flow Hedging Information

As of September 30, 2008 and 2007, deferred amounts associated with our natural gas marketing forward commodity contracts and our Treasury lock agreements were included in other comprehensive income (loss). The following table presents the amount of other comprehensive income (loss), net of taxes, associated with these financial instruments during the fiscal years ended September 30, 2008 and 2007.

	Fiscal Year Ended September 30	
	2008	2007
	(In thousands)	
<i>Increase (decrease) in fair value:</i>		
Treasury lock agreements	\$ —	\$ 2,945
Forward commodity contracts	(13,213)	(10,861)
<i>Recognition of (gains) losses in earnings due to settlements:</i>		
Treasury lock agreements	3,148	3,343
Forward commodity contracts	(7,787)	30,984
Total other comprehensive income (loss) from hedging, net of tax ⁽¹⁾	\$(17,852)	\$ 26,411

⁽¹⁾ Utilizing an income tax rate of approximately 38 percent comprised of the effective rates in each taxing jurisdiction.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred amounts associated with our financial instruments, based upon the fair values of these financial instruments as of September 30, 2008:

	<u>Treasury Lock Agreements</u>	<u>Forward Commodity Contracts</u>	<u>Total</u>
	<i>(In thousands)</i>		
2009	\$ (3,147)	\$(24,878)	\$(28,025)
2010	(1,828)	(885)	(2,713)
2011	(1,709)	58	(1,651)
2012	(1,709)	(58)	(1,767)
2013	(1,709)	10	(1,699)
Thereafter	<u>(1,002)</u>	—	<u>(1,002)</u>
Total	<u>\$(11,104)</u>	<u>\$(25,753)</u>	<u>\$(36,857)</u>

5. Debt

Long-term debt

Long-term debt at September 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
	<i>(In thousands)</i>	
Unsecured 4.00% Senior Notes, due October 2009	\$ 400,000	\$ 400,000
Unsecured 7.375% Senior Notes, due 2011	350,000	350,000
Unsecured 10% Notes, due 2011	2,303	2,303
Unsecured 5.125% Senior Notes, due 2013	250,000	250,000
Unsecured 4.95% Senior Notes, due 2014	500,000	500,000
Unsecured 6.35% Senior Notes, due 2017	250,000	250,000
Unsecured 5.95% Senior Notes, due 2034	200,000	200,000
Medium term notes		
Series A, 1995-2, 6.27%, due 2010	10,000	10,000
Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
First Mortgage Bonds Series P, 10.43% due 2013	—	7,500
Rental property, propane and other term notes due in installments through 2013	<u>1,309</u>	<u>3,890</u>
Total long-term debt	2,123,612	2,133,693
Less:		
Original issue discount on unsecured senior notes and debentures	(3,035)	(3,547)
Current maturities	<u>(785)</u>	<u>(3,831)</u>
	<u>\$2,119,792</u>	<u>\$2,126,315</u>

Short-term debt

At September 30, 2008, we had \$350.5 million of short-term debt outstanding comprised of \$330.5 million outstanding under our bank credit facilities and \$20.0 million outstanding under our commercial paper

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

program. At September 30, 2007 we had \$150.6 million outstanding under our commercial paper program. There were no amounts outstanding under our bank credit facilities at September 30, 2007. As of September 30, 2008, our commercial paper had maturities of less than three months, with an interest rate of 3.35 percent.

Shelf registration

On December 4, 2006, we filed a registration statement with the Securities and Exchange Commission (SEC) to issue, from time to time, up to \$900 million in new common stock and/or debt securities available for issuance. As of September 30, 2008, we had approximately \$450 million of availability remaining under the registration statement. Due to certain restrictions placed by one state regulatory commission on our ability to issue securities under the registration statement, we are permitted to issue a total of approximately \$200 million of equity securities and \$250 million of senior debt securities. In addition, due to restrictions imposed by another state regulatory commission, if the credit ratings on our senior unsecured debt were to fall below investment grade from either Standard & Poor's Corporation (BBB-), Moody's Investors Services, Inc. (Baa3) or Fitch Ratings, Ltd. (BBB-), our ability to issue any type of debt securities under the registration statement would be suspended until we received an investment grade rating from all of the three credit rating agencies.

Credit facilities

We maintain both committed and uncommitted credit facilities. Borrowings under our uncommitted credit facilities are made on a when-and-as-needed basis at the discretion of the bank. Our credit capacity and the amount of unused borrowing capacity are affected by the seasonal nature of the natural gas business and our short-term borrowing requirements, which are typically highest during colder winter months. Our working capital needs can vary significantly due to changes in the price of natural gas charged by suppliers and the increased gas supplies required to meet customers' needs during periods of cold weather.

Committed credit facilities

As of September 30, 2008, we had three committed revolving credit facilities totaling \$918 million. The first facility is a five-year unsecured facility, expiring December 2011, that bears interest at a base rate or at the LIBOR rate for the applicable interest period, plus from 0.30 percent to 0.75 percent, based on the Company's credit ratings. This credit facility serves as a backup liquidity facility for our commercial paper program. At the time this credit facility was established, the limit on borrowings under the facility was \$600 million. However, in September 2008, the limit on borrowings was effectively reduced to approximately \$567 million after one lender with a 5.55% share of the commitments ceased funding under the facility. At September 30, 2008, there was \$216.2 million available under the credit facility.

The second facility is a \$300 million unsecured 364-day facility expiring October 2008, that bears interest at a base rate or the LIBOR rate for the applicable interest period, plus from 0.30 percent to 0.75 percent, based on the Company's credit ratings. In September 2008, the limit on borrowings was reduced to approximately \$283 million after one lender with a 5.55% share of the commitments ceased funding under the facility. At September 30, 2008, there were no borrowings under this facility. In October 2008, this facility was replaced upon its termination by a \$212.5 million unsecured 364-day facility that bears interest at a base rate or the LIBOR rate for the applicable interest period, plus from 1.25 percent to 2.50 percent, based on the Company's credit ratings.

The third facility is an \$18 million unsecured facility that bears interest at a daily negotiated rate, generally based on the Federal Funds rate plus a variable margin. This facility expired on March 31, 2008 and was renewed effective April 1, 2008 for one year with no material changes to the terms and pricing. At September 30, 2008, there were no borrowings under this facility.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The availability of funds under our 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 our revolving credit 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, 2008, our total-debt-to-total-capitalization ratio, as defined, was 57 percent. In addition, both the interest margin over the Eurodollar rate and the fee that we pay on unused amounts under each of our revolving credit facilities are subject to adjustment depending upon our credit ratings. The revolving credit facilities each contain the same limitation with respect to our total-debt to-total capitalization ratio.

Uncommitted credit facilities

AEM has a \$580 million uncommitted demand working capital credit facility. On March 31, 2008, AEM and the participating banks amended the facility, primarily to extend it to March 31, 2009. In addition, the amendment removed the financial covenant relating to the amount of cumulative losses that could be incurred by AEM and its subsidiaries over a specific period of time and included provisions permitting the participating banks, or their affiliates, to participate in physical commodity transactions with AEM.

Borrowings under the credit facility can be made either as revolving loans or offshore rate loans. Revolving loan borrowings will bear interest at a floating rate equal to a base rate defined as the higher of (i) 0.50 percent per annum above the Federal Funds rate or (ii) the lender's prime rate plus 0.25 percent. Offshore rate loan borrowings will bear interest at a floating rate equal to a base rate based upon LIBOR for the applicable interest period plus an applicable margin, ranging from 1.25 percent to 1.625 percent per annum, depending on the excess tangible net worth of AEM, as defined in the credit facility. Borrowings drawn down under letters of credit issued by the banks will bear interest at a floating rate equal to the base rate, as defined above, plus an applicable margin, which will range from 1.00 percent to 1.875 percent per annum, depending on the excess tangible net worth of AEM and whether the letters of credit are swap-related standby letters of credit.

AEM is required by the financial covenants in the credit facility not to exceed a maximum ratio of total liabilities to tangible net worth of 5 to 1. At September 30, 2008, AEM's ratio of total liabilities to tangible net worth, as defined, was 1.58 to 1. Additionally, AEM must maintain minimum levels of net working capital ranging from \$20 million to \$120 million and a minimum tangible net worth ranging from \$21 million to \$121 million. As defined in the financial covenants, at September 30, 2008, AEM's net working capital was \$218.8 million and its tangible net worth was \$232.5 million.

At September 30, 2008, there were no borrowings outstanding under this credit facility. However, at September 30, 2008, AEM letters of credit totaling \$87.9 million had been issued under the facility, which reduced the amount available by a corresponding amount. The amount available under this credit facility is also limited by various covenants, including covenants based on working capital. Under the most restrictive covenant, the amount available to AEM under this credit facility was \$212.1 million at September 30, 2008. This line of credit is collateralized by substantially all of the assets of AEM and is guaranteed by AEH.

The Company has a \$200 million intercompany uncommitted revolving credit facility with AEH. This facility bears interest at the lower of (i) the one-month LIBOR rate plus 0.20 percent or (ii) the marginal borrowing rate available to the Company on any such date under its commercial paper program. Applicable state regulatory commissions have approved this facility through December 31, 2008. The Company has applied for renewal of these approvals through December 31, 2009. At September 30, 2008, there were no borrowings outstanding under this facility.

AEH has a \$200 million intercompany uncommitted demand credit facility with the Company, which bears interest at the rate of AEM's \$580 million uncommitted demand working capital credit facility plus

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

0.75 percent. Applicable state regulatory commissions have approved this facility through December 31, 2008. The Company has applied for renewal of these approvals through December 31, 2009. At September 30, 2008, there was \$35.1 million outstanding under this facility.

In addition, to supplement its \$580 million credit facility, AEM has a \$200 million intercompany uncommitted demand credit facility with AEH, which bears interest at the rate of AEM's \$580 million uncommitted demand working capital credit facility plus 0.75 percent. Any outstanding amounts under this facility are subordinated to AEM's \$580 million uncommitted demand credit facility. At September 30, 2008, there was \$6.5 million outstanding under this facility.

Debt Covenants

In addition to the covenants described above, our Series P First Mortgage Bonds contained provisions that allowed us to prepay the outstanding balance in whole at any time, subject to a prepayment premium. The First Mortgage Bonds provided for certain cash flow requirements and restrictions on the incurrence of additional indebtedness, sales of assets and payments of dividends. In May 2008, we redeemed our Series P First Mortgage Bonds which were scheduled to mature in November 2013. Since the bonds have been redeemed and the related indenture has been discharged, the debt covenants described above no longer apply.

We were in compliance with all of our debt covenants as of September 30, 2008. If we do not comply with our debt covenants, we may be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions. Our public debt indentures relating to our senior notes and debentures, as well as 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. In addition, AEM's credit agreement contains a cross-default provision whereby AEM would be in default if it defaults on other indebtedness, as defined, by at least \$250 thousand in the aggregate. Additionally, this agreement contains a provision that would limit the amount of credit available if the Company were downgraded below an S&P rating of BBB and a Moody's rating of Baa2.

Except as described above, we have no triggering events in our debt instruments that are tied to changes in specified credit ratings or stock price, nor have we entered into any transactions that would require us to issue equity based on our credit rating or other triggering events.

Based on the borrowing rates currently available to us for debt with similar terms and remaining average maturities, the fair value of long-term debt at September 30, 2008 and 2007 is estimated, using discounted cash flow analysis, to be \$1,955.5 million and \$2,026.6 million.

Maturities of long-term debt at September 30, 2008 were as follows (in thousands):

2009	\$ 785
2010	400,131
2011	360,131
2012	2,434
2013	250,131
Thereafter	<u>1,110,000</u>
	<u>\$2,123,612</u>

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

6. Shareholders' Equity

Stock Issuances

During the fiscal years ended September 30, 2008, 2007 and 2006 we issued 1,488,146, 7,587,021 and 1,200,115 shares of common stock.

On December 13, 2006, we completed the public offering of 6,325,000 shares of our common stock including the underwriters' exercise of their over-allotment option of 825,000 shares. The offering was priced at \$31.50 per share and generated net proceeds of approximately \$192 million. We used the net proceeds from this offering to reduce short-term debt.

Shareholder Rights Plan

In November 1997, our Board of Directors declared a dividend distribution of one right for each outstanding share of our common stock to shareholders of record at the close of business on May 10, 1998, the description and terms of which were set forth in a rights agreement between us and the rights agent dated May 10, 1998. From that time until the expiration of the rights agreement on May 10, 2008, when all rights terminated, each share of common stock we issued included a right that entitled the holder to purchase from us a one-tenth share of our common stock at a purchase price of \$8.00 per share, subject to adjustment.

7. Stock and Other Compensation Plans

Stock-Based Compensation Plans

Total stock-based compensation expense was \$14.0 million, \$11.9 million and \$10.2 million for the fiscal years ended September 30, 2008, 2007 and 2006, primarily related to restricted stock costs.

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, 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 personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock. We are authorized to grant awards for up to a maximum of 6.5 million shares of common stock under this plan subject to certain adjustment provisions. As of September 30, 2008, non-qualified stock options, bonus stock, time-lapse restricted stock, performance-based restricted stock units and stock units had been issued under this plan, and 2,122,776 shares were available for future issuance. The option price of the stock options issued under this plan is equal to the market price of our stock at the date of grant. These stock options expire 10 years from the date of the grant and vest annually over a service period ranging from one to three years. However, no stock options have been granted under this plan since fiscal 2003, except for a limited number of options that were converted from bonuses paid under our Annual Incentive Plan, the last of which occurred in fiscal 2006.

Restricted Stock Plans

As noted above, the LTIP provides for discretionary awards of restricted stock 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 associated expense is recognized ratably over the vesting period. The following summarizes

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

information regarding the restricted stock issued under the plan during the fiscal years ended September 30, 2008, 2007 and 2006:

	2008		2007		2006	
	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	948,717	\$28.95	746,776	\$26.49	592,490	\$25.32
Granted	547,845	27.90	485,260	30.85	440,016	26.80
Vested	(380,895)	27.17	(271,075)	26.12	(265,546)	24.42
Forfeited	<u>(18,897)</u>	<u>29.32</u>	<u>(12,244)</u>	<u>28.51</u>	<u>(20,184)</u>	<u>26.95</u>
Nonvested at end of year	<u>1,096,770</u>	<u>\$29.04</u>	<u>948,717</u>	<u>\$28.95</u>	<u>746,776</u>	<u>\$26.49</u>

As of September 30, 2008, there was \$16.3 million of total unrecognized compensation cost related to nonvested restricted shares 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, 2008, 2007 and 2006 was \$10.3 million, \$7.1 million and \$6.5 million.

Stock Option Plan

We used the Black-Scholes pricing model to estimate the fair value of each option granted with the following weighted average assumptions for fiscal year 2006. No stock options were granted in fiscal years 2007 and 2008.

	Fiscal Year Ended September 30, 2006
Valuation Assumptions	
Expected Life (<i>years</i>) ⁽¹⁾	7
Interest rate ⁽²⁾	4.6%
Volatility ⁽³⁾	20.3%
Dividend yield	4.8%

⁽¹⁾ The expected life of stock options is estimated based on historical experience.

⁽²⁾ The interest rate is based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

⁽³⁾ The volatility is estimated based on historical and current stock data for the Company.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of activity for grants of stock options under the LTIP follows:

	2008		2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	920,841	\$22.54	1,017,152	\$22.57	964,704	\$22.20
Granted	—	—	—	—	93,196	26.19
Exercised	(7,000)	21.90	(92,071)	22.84	(40,582)	22.21
Forfeited	—	—	(4,240)	23.11	(166)	21.23
Outstanding at end of year ⁽¹⁾	<u>913,841</u>	<u>\$22.54</u>	<u>920,841</u>	<u>\$22.54</u>	<u>1,017,152</u>	<u>\$22.57</u>
Exercisable at end of year ⁽²⁾	<u>911,492</u>	<u>\$22.53</u>	<u>908,332</u>	<u>\$22.49</u>	<u>991,778</u>	<u>\$22.48</u>

⁽¹⁾ The weighted-average remaining contractual life for outstanding options was 3.4 years, 4.4 years, and 5.4 years for fiscal years 2008, 2007 and 2006. The aggregate intrinsic value of outstanding options was \$3.3 million, \$3.3 million and \$3.7 million for fiscal years 2008, 2007 and 2006.

⁽²⁾ The weighted-average remaining contractual life for exercisable options was 3.4 years, 4.3 years, and 5.3 years for fiscal years 2008, 2007 and 2006. The aggregate intrinsic value of exercisable options was \$3.3 million, \$3.3 million and \$3.6 million for fiscal years 2008, 2007 and 2006.

Information about outstanding and exercisable options under the LTIP, as of September 30, 2008, is reflected in the following tables:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$15.65 to \$20.24	61,833	1.4	\$15.66	61,833	\$15.66
\$20.25 to \$22.99	493,525	3.8	\$21.86	493,525	\$21.86
\$23.00 to \$26.19	<u>358,483</u>	3.2	\$24.66	<u>356,134</u>	\$24.65
\$15.65 to \$26.19	<u>913,841</u>	3.4	\$22.54	<u>911,492</u>	\$22.53

	Fiscal Year Ended September 30		
	2008	2007	2006
Grant date weighted average fair value per share	—	—	\$3.74
Net cash proceeds from stock option exercises	\$153	\$2,103	\$901
Income tax benefit from stock option exercises	\$12	\$296	\$78
Total intrinsic value of options exercised	\$26	\$347	\$143

As of September 30, 2008, there was less than \$0.1 million of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over a weighted-average period of 0.1 years.

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

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.

Outside Directors Stock-For-Fee Plan

In November 1994, the Board adopted the Outside Directors Stock-for-Fee Plan which was approved by our shareholders in February 1995 and was amended and restated in November 1997. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

In November 1998, the Board of Directors adopted the Equity Incentive and Deferred Compensation Plan for Non-Employee Directors which was approved by our shareholders in February 1999. This plan amended the Atmos Energy Corporation Deferred Compensation Plan for Outside Directors adopted by the Company in May 1990 and replaced the pension payable under our Retirement Plan for Non-Employee Directors. The plan provides non-employee directors of Atmos Energy with the opportunity to defer receipt, until retirement, of compensation for services rendered to the Company, invest deferred compensation into either a cash account or a stock account and to receive an annual grant of share units for each year of service on the Board.

Other Discretionary Compensation Plans

We adopted the Variable Pay Plan in fiscal 1999 for our regulated segments' 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 objectives for a given year and has minimum and maximum thresholds. The plan must meet the minimum threshold in order 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.

We adopted our Annual Incentive Plan in October 2001 to give the employees in our nonregulated segments an opportunity to share in the success of the nonregulated operations. The plan is based upon the net earnings of the nonregulated operations and has minimum and maximum thresholds. The plan must meet the minimum threshold in order for the plan to be funded and distributed to employees. We monitor the progress toward the achievement of the thresholds throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded.

8. Retirement and Post-Retirement Employee Benefit Plans

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

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Effective September 30, 2007, we adopted the provisions of SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. The new standard made a significant change to the existing rules by requiring recognition in the balance sheet of the overfunded or underfunded positions of defined benefit pension and other postretirement plans, along with a corresponding noncash, after-tax adjustment to stockholders' equity.

Additionally, this standard required that our measurement date correspond to the fiscal year end balance sheet date by as late as fiscal 2009 for the Company. Effective October 1, 2008, the Company adopted the measurement date requirement of SFAS 158 using the remeasurement approach. Under this approach, the Company remeasured its projected benefit obligation, fair value of plan assets and its fiscal 2009 net periodic cost. In accordance with the transition rules of SFAS 158, the impact of changing the measurement date will decrease retained earnings by \$7.8 million, net of tax, decrease the unrecognized actuarial loss by \$9.0 million and increase our postretirement liabilities by \$3.5 million as of October 1, 2008.

As a rate regulated entity, we generally recover our pension costs in our rates over a period of up to 15 years. Therefore, the decrease in the unrecognized actuarial loss that would have been recorded as a component of accumulated other comprehensive loss, net of tax, will be recorded as a reduction to a regulatory asset as a component of deferred charges and other assets in fiscal 2009. The change in the measurement date will not materially impact the level of net periodic pension cost we will record in fiscal 2009.

The amounts that have not yet been recognized in net periodic pension cost that have been recorded as regulatory assets are as follows:

	<u>Defined Benefits Plans</u>	<u>Supplemental Executive Retirement Plans</u>	<u>Postretirement Plans</u>	<u>Total</u>
	(In thousands)			
September 30, 2008				
Unrecognized transition obligation . .	\$ —	\$ —	\$ 8,131	\$ 8,131
Unrecognized prior service cost	(2,984)	452	—	(2,532)
Unrecognized actuarial loss	<u>64,815</u>	<u>17,308</u>	<u>12,841</u>	<u>94,964</u>
	<u>\$61,831</u>	<u>\$17,760</u>	<u>\$20,972</u>	<u>\$100,563</u>
September 30, 2007				
Unrecognized transition obligation . .	\$ —	\$ —	\$ 9,642	\$ 9,642
Unrecognized prior service cost	(4,142)	664	—	(3,478)
Unrecognized actuarial loss	<u>31,022</u>	<u>22,164</u>	<u>(328)</u>	<u>52,858</u>
	<u>\$26,880</u>	<u>\$22,828</u>	<u>\$ 9,314</u>	<u>\$ 59,022</u>

Defined Benefit Plans

Employee Pension Plans

As of September 30, 2008, we maintained two defined benefit plans: the Atmos Energy Corporation Pension Account Plan (the Plan) and the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees (the Union Plan) (collectively referred to as the Plans). The assets of the Plans 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 substantially all employees of Atmos Energy's regulated operations. 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

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

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).

The Plan also provides for an additional annual allocation based upon a participant's age as of January 1, 1999 for those participants who were participants in the prior pension plans. The Plan will credit this additional allocation each year through December 31, 2008. In addition, at the end of each year, a participant's account will be credited with interest on the employee's prior year account balance. A special grandfather benefit also applies through December 31, 2008, for participants who were at least age 50 as of January 1, 1999, and who were participants in one of the prior plans on December 31, 1998. Participants fully vest in their account balances after three years of service and may choose to receive their account balances as a lump sum or an annuity.

The Union Plan is a defined benefit plan that covers substantially all full-time union employees in our Mississippi Division. Under this plan, benefits are based upon years of benefit service and average final earnings. Participants vest in the plan after five years and will receive their benefit in 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 2008 and fiscal 2006, we voluntarily contributed \$2.3 million and \$2.9 million to the Union Plan. These contributions achieved a desired level of funding for this plan for the plan years 2007 and 2005. During fiscal 2007, we did not make any contributions to the Plans. However, based upon market conditions subsequent to September 30, 2008, the current funded position of the plans and the new funding requirements under the PPA, we believe it is reasonably possible that we will be required to contribute to the Plans in fiscal 2009. Further, we will consider whether an additional voluntary contribution is prudent to maintain certain PPA funding thresholds. However, we cannot anticipate with certainty whether such contributions will be made and the amount of such contributions.

We manage the Master Trust's assets with the objective of achieving a rate of return net of inflation of approximately four percent per year. We make investment decisions and evaluate performance 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, 2008 and 2007.

<u>Security Class</u>	<u>Targeted Allocation Range</u>	<u>Actual Allocation September 30</u>	
		<u>2008</u>	<u>2007</u>
Domestic equities	35%-55%	42.0%	44.9%
International equities	10%-20%	11.0%	15.2%
Fixed income	10%-30%	24.2%	20.1%
Company stock	0%-10%	10.2%	8.5%
Other assets	5%-15%	10.2%	9.6%
Cash and equivalents	0%-10%	2.4%	1.7%

At September 30, 2008 and 2007, the Plan held 1,169,700 shares of our common stock, which represented 10.2 percent and 8.5 percent of total Master Trust assets. These shares generated dividend income for the Plan of approximately \$1.5 million during fiscal 2008 and 2007.

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 June 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 Plans were determined as of June 30, 2008 and 2007 and the actuarial assumptions used to determine the net periodic pension cost for the Plans were determined as of June 30, 2007, 2006 and 2005. These assumptions are presented in the following table:

	<u>Pension Liability</u>		<u>Pension Cost</u>		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate	6.68%	6.30%	6.30%	6.30%	5.00%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%
Expected return on plan assets	8.25%	8.25%	8.25%	8.25%	8.50%

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

The following table presents the Plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2008 and 2007 based upon a June 30, 2008 and 2007 measurement date.

	<u>2008</u>	<u>2007</u>
	(In thousands)	
Accumulated benefit obligation	<u>\$329,023</u>	<u>\$325,574</u>
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$335,581	\$326,464
Service cost	13,329	13,090
Interest cost	21,129	20,396
Actuarial loss (gain)	(6,939)	4,034
Benefits paid	(25,721)	(28,403)
Plan amendments	<u>261</u>	<u>—</u>
Benefit obligation at end of year	337,640	335,581
Change in plan assets:		
Fair value of plan assets at beginning of year	389,073	362,714
Actual return on plan assets	(21,972)	54,762
Employer contributions ⁽¹⁾	—	—
Benefits paid	<u>(25,721)</u>	<u>(28,403)</u>
Fair value of plan assets at end of year	<u>341,380</u>	<u>389,073</u>
Reconciliation:		
Funded status	3,740	53,492
Unrecognized prior service cost	—	—
Unrecognized net loss	<u>—</u>	<u>—</u>
Net amount recognized	<u>\$ 3,740</u>	<u>\$ 53,492</u>

⁽¹⁾ During the fourth quarter of fiscal 2008, we voluntarily contributed \$2.3 million to the Union Plan. However, this contribution is not reflected in this table because it occurred after the June 30, 2008 measurement date.

Net periodic pension cost for the Plans for fiscal 2008, 2007 and 2006 is recorded as operating expense and included the following components:

	<u>Fiscal Year Ended September 30</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$ 13,329	\$ 13,090	\$ 13,465
Interest cost	21,129	20,396	17,932
Expected return on assets	(25,242)	(24,357)	(25,598)
Amortization of prior service cost	(897)	(838)	(959)
Recognized actuarial loss	<u>6,482</u>	<u>8,253</u>	<u>10,469</u>
Net periodic pension cost	<u>\$ 14,801</u>	<u>\$ 16,544</u>	<u>\$ 15,309</u>

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

Supplemental Executive Benefits Plans

We have a nonqualified Supplemental Executive Benefits Plan which provides additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company who were employed on or before August 12, 1998. In addition, in August 1998, we adopted the Supplemental Executive Retirement Plan (formerly known as the Performance-Based Supplemental Executive Benefits Plan), which covers all employees who become officers or division presidents after August 12, 1998 or any other employees selected by our Board of Directors at its discretion.

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental executive benefit plans annually based upon a June 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 June 30, 2008 and 2007 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of June 30, 2007, 2006 and 2005. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2008	2007	2008	2007	2006
Discount rate	6.68%	6.30%	6.30%	6.30%	5.00%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%

The following table presents the supplemental plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2008 and 2007, based upon a June 30, 2008 and 2007 measurement date.

	2008	2007
	(In thousands)	
Accumulated benefit obligation	\$ 83,871	\$ 86,976
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 92,350	\$ 87,499
Service cost	2,184	2,981
Interest cost	5,816	5,585
Actuarial loss (gain)	(3,634)	719
Benefits paid	(4,730)	(4,434)
Benefit obligation at end of year	91,986	92,350
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	4,730	4,434
Benefits paid	(4,730)	(4,434)
Fair value of plan assets at end of year	—	—
Reconciliation:		
Funded status	(91,986)	(92,350)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	\$(91,986)	\$(92,350)

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

Assets for the supplemental plans are held in separate rabbi trusts and comprise the following:

	<u>Cost</u>	<u>Unrealized Holding Gain</u>	<u>Market Value</u>
	(In thousands)		
As of September 30, 2008:			
Domestic equity mutual funds	\$31,041	\$1,231	\$32,272
Foreign equity mutual funds	<u>5,309</u>	<u>359</u>	<u>5,668</u>
	<u>\$36,350</u>	<u>\$1,590</u>	<u>\$37,940</u>
As of September 30, 2007:			
Domestic equity mutual funds	\$32,781	\$2,793	\$35,574
Foreign equity mutual funds	<u>4,618</u>	<u>1,855</u>	<u>6,473</u>
	<u>\$37,399</u>	<u>\$4,648</u>	<u>\$42,047</u>

At September 30, 2008, we maintained an investment in one domestic equity mutual fund that was in an unrealized loss position as of September 30, 2008. Information concerning unrealized losses for our supplemental plan assets follows:

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
	(In thousands)			
Domestic equity mutual fund	<u>\$4,406</u>	<u>\$(394)</u>	<u>\$—</u>	<u>\$—</u>

Because this fund is only used to fund the supplemental plans, we evaluate investment performance over a long-term horizon. Based upon our intent and ability to hold this investment, our ability to direct the source of the payments in order to maximize the life of the portfolio, the short-term nature of the decline in fair value and the fact that this fund continues to receive good ratings from mutual fund rating companies, we do not consider this impairment to be other-than-temporary as of September 30, 2008.

Net periodic pension cost for the supplemental plans for fiscal 2008, 2007 and 2006 is recorded as operating expense and included the following components:

	<u>Fiscal Year Ended September 30</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$2,184	\$ 2,981	\$ 3,001
Interest cost	5,816	5,585	4,955
Amortization of transition asset	—	—	—
Amortization of prior service cost	212	1,020	1,022
Recognized actuarial loss	<u>1,222</u>	<u>1,482</u>	<u>2,789</u>
Net periodic pension cost	<u>\$9,434</u>	<u>\$11,068</u>	<u>\$11,767</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Supplemental Disclosures for Defined Benefit Plans with Accumulated Benefit Obligations in Excess of Plan Assets

The following summarizes key information for our defined benefit plans with accumulated benefit obligations in excess of plan assets. For fiscal 2008 and 2007 the accumulated benefit obligation for our supplemental plans exceeded the fair value of plan assets.

	<u>Supplemental Plans</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Projected Benefit Obligation	\$91,986	\$92,350
Accumulated Benefit Obligation	83,871	86,976
Fair Value of Plan Assets	—	—

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:

	<u>Pension Plans</u>	<u>Supplemental Plans</u>
	(In thousands)	
2009	\$ 29,146	\$ 8,047
2010	29,688	4,975
2011	29,896	5,913
2012	30,266	5,872
2013	30,845	5,974
2014-2018	164,866	33,971

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 of this cost.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. 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 \$12.7 million to our postretirement benefits plan during fiscal 2009.

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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2008 and 2007.

<u>Security Class</u>	<u>Actual Allocation September 30</u>	
	<u>2008</u>	<u>2007</u>
Diversified investment funds	98.1%	98.4%
Cash and cash equivalents	1.9%	1.6%

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a June 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 June 30, 2008 and 2007 and the actuarial assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of June 30, 2007, 2006 and 2005. The assumptions are presented in the following table:

	<u>Postretirement Liability</u>		<u>Postretirement Cost</u>		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate	6.68%	6.30%	6.30%	6.30%	5.00%
Expected return on plan assets	5.00%	5.00%	5.00%	5.20%	5.30%
Initial trend rate	8.00%	8.00%	8.00%	8.00%	9.00%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2014	2010	2011	2010	2010

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2008 and 2007, based upon a June 30, 2008 and 2007 measurement date.

	<u>2008</u>	<u>2007</u>
	<u>(In thousands)</u>	
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 175,585	\$ 160,901
Service cost	13,367	11,228
Interest cost	11,648	10,561
Plan participants' contributions	2,879	3,605
Actuarial loss (gain)	1,401	470
Benefits paid	(11,008)	(11,305)
Subsidy payments	<u>125</u>	<u>125</u>
Benefit obligation at end of year	193,997	175,585
Change in plan assets:		
Fair value of plan assets at beginning of year	55,370	44,800
Actual return on plan assets	(8,782)	6,371
Employer contributions	9,613	11,899
Plan participants' contributions	2,879	3,605
Benefits paid	<u>(11,008)</u>	<u>(11,305)</u>
Fair value of plan assets at end of year	<u>48,072</u>	<u>55,370</u>
Reconciliation:		
Funded status	(145,925)	(120,215)
Unrecognized transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	<u>—</u>	<u>—</u>
Accrued postretirement cost	<u>\$(145,925)</u>	<u>\$(120,215)</u>

Net periodic postretirement cost for fiscal 2008, 2007 and 2006 is recorded as operating expense and included the components presented below.

	<u>Fiscal Year Ended September 30</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>(In thousands)</u>		
Components of net periodic postretirement cost:			
Service cost	\$13,367	\$11,228	\$13,083
Interest cost	11,648	10,561	8,840
Expected return on assets	(2,861)	(2,388)	(2,187)
Amortization of transition obligation	1,511	1,512	1,511
Amortization of prior service cost	—	33	361
Recognized actuarial loss	<u>—</u>	<u>—</u>	<u>1,280</u>
Net periodic postretirement cost	<u>\$23,665</u>	<u>\$20,946</u>	<u>\$22,888</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the plan. A one-percentage point change in assumed health care cost trend rates would have the following effects on the latest actuarial calculations:

	<u>1-Percentage Point Increase</u>	<u>1-Percentage Point Decrease</u>
	(In thousands)	
Effect on total service and interest cost components	\$ 3,980	\$ (3,301)
Effect on postretirement benefit obligation	\$22,620	\$(19,115)

We are currently recovering other postretirement benefits costs through our regulated rates under SFAS 106 accrual accounting in substantially all of our service areas. Other postretirement benefits costs have been specifically addressed in rate orders in each jurisdiction served by our Kentucky/Mid-States Division and our Mississippi Division or have been included in a rate case and not disallowed. Management believes that accrual accounting in accordance with SFAS 106 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.

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:

	<u>Company Payments</u>	<u>Retiree Payments</u>	<u>Subsidy Payments</u>	<u>Total Postretirement Benefits</u>
	(In thousands)			
2009	\$ 12,703	\$ 2,805	\$149	\$ 15,657
2010	10,262	3,199	77	13,538
2011	11,821	3,637	—	15,458
2012	13,352	4,092	—	17,444
2013	14,759	4,537	—	19,296
2014-2018	100,192	30,408	—	130,600

Defined Contribution Plans

As of September 30, 2008, we maintained three defined contribution benefit plans: the Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan), the Atmos Energy Corporation Savings Plan for MVG Union Employees (the Union 401K Plan) and the Atmos Energy Marketing, LLC 401K Profit-Sharing Plan (the AEM 401K Profit-Sharing Plan).

The Retirement Savings Plan covers substantially all employees in our regulated operations and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Effective January 1, 2007, employees automatically became participants of the Retirement Savings Plan on the date of employment. Participants may elect a salary reduction ranging from a minimum of one percent 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 salary reduction amount 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, in our common stock. However, participants have the option to immediately transfer this matching contribution into other funds held within the plan. Participants are eligible to receive matching contributions after completing one year of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Union 401K Plan covers substantially all Mississippi Division employees who are members of the International Chemical Workers Union Council, United Food and Commercial Workers Union International (the Union) and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Employees of the Union automatically become participants of the Union 401K plan on the date of union membership. We match 50 percent of a participant's contribution in cash, limited to six percent of the participant's eligible contribution. Participants are also permitted to take out loans against their accounts subject to certain restrictions.

Matching contributions to the Retirement Savings Plan and the Union 401K Plan are expensed as incurred and amounted to \$8.9 million, \$8.3 million, and \$7.0 million for fiscal years 2008, 2007 and 2006. The Board of Directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code of 1986 and applicable regulations of the Internal Revenue Service. No discretionary contributions were made for fiscal years 2008, 2007 or 2006. At September 30, 2008 and 2007, the Retirement Savings Plan held 3.4 percent and 3.1 percent of our outstanding common stock.

The AEM 401K Profit-Sharing Plan covers substantially all AEM employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Participants may elect a salary reduction ranging from a minimum of one percent 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. The Company may elect to make safe harbor contributions up to three percent of the employee's salary which vest immediately. The Company may also make discretionary profit sharing contributions to the AEM 401K Profit-Sharing Plan. Participants become fully vested in the discretionary profit-sharing contributions after three years of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. Discretionary contributions to the AEM 401K Profit-Sharing Plan are expensed as incurred and amounted to \$0.5 million, \$0.8 million and \$0.8 million for fiscal years 2008, 2007 and 2006.

9. Details of Selected Consolidated Balance Sheet Captions

The following tables provide additional information regarding the composition of certain of our balance sheet captions.

Accounts receivable

Accounts receivable was comprised of the following at September 30, 2008 and 2007:

	September 30	
	2008	2007
	(In thousands)	
Billed accounts receivable	\$411,225	\$325,721
Unbilled revenue	49,496	44,913
Other accounts receivable	31,731	25,659
Total accounts receivable	492,452	396,293
Less: allowance for doubtful accounts	(15,301)	(16,160)
Net accounts receivable	<u>\$477,151</u>	<u>\$380,133</u>

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

Other current assets

Other current assets as of September 30, 2008 and 2007 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Assets from risk management activities	\$ 68,291	\$ 20,129
Deferred gas costs	55,103	14,797
Taxes receivable	22,052	33,002
Current deferred tax asset	—	4,664
Prepaid expenses	16,738	16,510
Current portion of leased assets receivable	2,973	2,973
Materials and supplies	4,304	5,563
Other	<u>15,158</u>	<u>13,551</u>
Total	<u>\$184,619</u>	<u>\$111,189</u>

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2008 and 2007:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Production plant	\$ 21,958	\$ 12,578
Storage plant	150,984	149,164
Transmission plant	942,169	909,582
Distribution plant	3,870,606	3,627,729
General plant	597,460	560,400
Intangible plant	<u>66,919</u>	<u>67,168</u>
	5,650,096	5,326,621
Construction in progress	<u>80,060</u>	<u>69,449</u>
	5,730,156	5,396,070
Less: accumulated depreciation and amortization	<u>(1,593,297)</u>	<u>(1,559,234)</u>
Net property, plant and equipment	<u>\$ 4,136,859</u>	<u>\$ 3,836,836</u>

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

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2008 and 2007 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Pension plan assets in excess of plan obligations	\$ 7,997	\$ 55,785
Marketable securities	37,940	42,047
Regulatory assets	130,785	90,825
Deferred financing costs	35,378	39,866
Assets from risk management activities	5,473	5,535
Other	<u>8,077</u>	<u>19,436</u>
Total	<u>\$225,650</u>	<u>\$253,494</u>

Other current liabilities

Other current liabilities as of September 30, 2008 and 2007 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Customer deposits	\$ 75,297	\$ 83,833
Accrued employee costs	42,956	35,188
Deferred gas costs	76,979	84,043
Accrued interest	52,366	51,523
Liabilities from risk management activities	58,914	21,339
Taxes payable	53,639	50,288
Pension and postretirement obligations	16,950	13,250
Regulatory cost of removal accrual	18,628	24,182
Current deferred tax liability	1,833	—
Other	<u>62,810</u>	<u>44,627</u>
Total	<u>\$460,372</u>	<u>\$408,273</u>

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

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2008 and 2007 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Postretirement obligations	\$137,075	\$111,365
Retirement plan obligations	88,143	90,243
Customer advances for construction	17,814	18,173
Regulatory liabilities	5,639	7,503
Asset retirement obligation	5,883	8,966
Uncertain tax positions	6,731	—
Liabilities from risk management activities	5,369	290
Other	<u>727</u>	<u>7,002</u>
Total	<u>\$267,381</u>	<u>\$243,542</u>

10. Earnings Per Share

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands, except per share data)		
Net income	<u>\$180,331</u>	<u>\$168,492</u>	<u>\$147,737</u>
Denominator for basic income per share — weighted average common shares	89,385	86,975	80,731
Effect of dilutive securities:			
Restricted and other shares	790	620	551
Stock options	<u>97</u>	<u>150</u>	<u>108</u>
Denominator for diluted income per share — weighted average common shares	<u>90,272</u>	<u>87,745</u>	<u>81,390</u>
Net income per share — basic	<u>\$ 2.02</u>	<u>\$ 1.94</u>	<u>\$ 1.83</u>
Net income per share — diluted	<u>\$ 2.00</u>	<u>\$ 1.92</u>	<u>\$ 1.82</u>

There were no out-of-the-money options excluded from the computation of diluted earnings per share for the fiscal year ended September 30, 2008, 2007 and 2006.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Income Taxes

The components of income tax expense from continuing operations for 2008, 2007 and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
Current			
Federal	\$ 7,161	\$22,616	\$ 838
State	7,696	9,810	2,623
Deferred			
Federal	85,573	56,349	77,154
State	12,367	5,772	9,024
Investment tax credits	<u>(424)</u>	<u>(455)</u>	<u>(486)</u>
	<u>\$112,373</u>	<u>\$94,092</u>	<u>\$89,153</u>

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2008, 2007 and 2006 are set forth below:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
Tax at statutory rate of 35%	\$102,446	\$91,904	\$82,912
Common stock dividends deductible for tax reporting	(1,363)	(1,233)	(1,180)
Depreciation/amortization	—	(4,727)	—
Tax exempt income	—	(1,890)	—
State taxes (net of federal benefit)	12,523	10,253	7,570
Other, net	<u>(1,233)</u>	<u>(215)</u>	<u>(149)</u>
Income tax expense	<u>\$112,373</u>	<u>\$94,092</u>	<u>\$89,153</u>

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, 2008 and 2007 are presented below:

	2008	2007
	(In thousands)	
Deferred tax assets:		
Costs expensed for book purposes and capitalized for tax purposes	\$ 16,305	\$ 15,047
Accruals not currently deductible for tax purposes	11,627	11,097
Customer advances	6,769	6,906
Nonqualified benefit plans	39,632	33,111
Postretirement benefits	46,319	40,984
Treasury lock agreement	6,806	8,735
Unamortized investment tax credit	345	506
Regulatory liabilities	911	966
Tax net operating loss and credit carryforwards	616	2,505
Other, net	543	3,976
Total deferred tax assets	129,873	123,833
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(534,607)	(426,772)
Pension funding	(25,777)	(30,557)
Gas cost adjustments	(5,362)	(12,547)
Regulatory assets	(568)	(1,131)
Cost capitalized for book purposes and expensed for tax purposes	—	(5,184)
Difference between book and tax on mark to market accounting	(6,694)	(11,766)
Other, net	—	(1,781)
Total deferred tax liabilities	(573,008)	(489,738)
Net deferred tax liabilities	\$(443,135)	\$(365,905)
SFAS No. 109 deferred credits for rate regulated entities	\$ 2,397	\$ 2,541

We have tax carryforwards relating to state net operating losses amounting to \$0.6 million. Depending on the jurisdiction in which the net operating loss was generated, the state net operating losses will begin to expire between 2013 and 2027.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. FIN 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We adopted the provisions of FIN 48 on October 1, 2007. As a result of adopting FIN 48, we determined that we had \$6.1 million of liabilities associated with uncertain tax positions. Of this amount, \$0.5 million was recognized as a result of adopting FIN 48 with an offsetting reduction to retained earnings.

Prior to October 1, 2007, the \$5.6 million liability previously recorded for uncertain tax positions was reflected on the consolidated balance sheet as a component of deferred income taxes. As a result of adopting FIN 48, we recorded a \$3.7 million liability as a component of other current liabilities and \$2.4 million as a component of deferred credits and other liabilities, with offsetting decreases to the deferred income tax liability.

As of September 30, 2008, we had recorded liabilities associated with uncertain tax positions totaling \$6.7 million. The realization of all of these tax benefits would reduce our income tax expense by approximately \$6.7 million.

The following table presents the changes in unrecognized tax benefits for the fiscal year ended September 30, 2008 (in thousands):

Total unrecognized tax benefits at October 1, 2007	\$ 6,156
Gross increases for current year's tax positions	—
Gross increases for prior years' tax positions	5,081
Gross decreases for prior years' tax positions	(528)
Settlements	<u>(3,978)</u>
Total unrecognized tax benefits at September 30, 2008	<u>\$ 6,731</u>

We recognize accrued interest related to unrecognized tax benefits as a component of interest expense. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements. We recognized a tax benefit of \$1.2 million related to penalty and interest expenses during the fiscal year ended September 30, 2008.

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 2004.

12. Commitments and Contingencies

Litigation

Colorado-Kansas Division

We are a defendant in a lawsuit originally filed by Quinque Operating Company, Tom Boles and Robert Ditto in September 1999 in the District Court of Stevens County, Kansas against more than 200 companies in the natural gas industry. The plaintiffs, who purport to represent a class of royalty owners, allege that the defendants have underpaid royalties on gas taken from wells situated on non-federal and non-Indian lands in Kansas, predicated upon allegations that the defendants' gas measurements were inaccurate. The plaintiffs have not specifically alleged an amount of damages. We are also a defendant, along with over 50 other companies in the natural gas industry, in another proposed class action lawsuit filed in the same court by Will Price, Tom Boles and The Cooper Clarke Foundation in May 2003 involving similar allegations. We believe that the plaintiffs' claims are lacking in merit and we intend to vigorously defend these actions. While the results cannot be predicted with certainty, we believe the final outcome of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows. We are also a defendant in another lawsuit entitled *In Re Natural Gas Royalties Qui Tam Litigation*, involving similar allegations filed in June 1997 in the United States District Court for the District of Colorado, which was later transferred to the United States District Court for the District of Wyoming, where it was consolidated with approximately 50

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

additional lawsuits in October 1999. In October 2006, the District Court granted the defendants' motion to dismiss this lawsuit for lack of subject matter jurisdiction. The plaintiffs have appealed this dismissal order on which oral arguments were heard by the United States Court of Appeals for the Tenth Circuit in September 2008. The appeal has yet to be ruled on by the Tenth Circuit.

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

Environmental Matters

Former Manufactured Gas Plant Sites

We are the owner or previous owner of former manufactured gas plant sites in Johnson City and Bristol, Tennessee, Keokuk, Iowa, Hannibal, Missouri, and Owensboro, Kentucky, which were used to supply gas prior to the availability of natural gas. The gas manufacturing process resulted in certain byproducts and residual materials, including coal tar. The manufacturing process used by our predecessors was an acceptable and satisfactory process at the time such operations were being conducted. Under current environmental protection laws and regulations, we may be responsible for response actions with respect to such materials if response actions are necessary. We have taken removal actions with respect to the sites that have been approved by the applicable regulatory authorities in Tennessee, Iowa, Missouri, Kentucky and the United States Environmental Protection Agency.

We are a party to other environmental matters and claims that have arisen in the ordinary course of our business. While the ultimate results of response actions to these environmental matters and claims cannot be predicted with certainty, we believe the final outcome of such response actions will not have a material adverse effect on our financial condition, results of operations or cash flows because we believe that the expenditures related to such response actions will either be recovered through rates, shared with other parties or are adequately covered by insurance.

Purchase Commitments

AEM has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2008, AEM was committed to purchase 55.8 Bcf within one year, 35.6 Bcf within one to three years and 0.5 Bcf after three years under indexed contracts. AEM is committed to purchase 1.5 Bcf within one year and less than 0.1 Bcf within one to three years under fixed price contracts with prices ranging from \$3.58 to \$13.20 per Mcf. Purchases under these contracts totaled \$3,075.0 million, \$2,065.1 million and \$2,124.3 million for 2008, 2007 and 2006.

Our natural gas distribution divisions, except for our Mid-Tex Division, 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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our Mid-Tex Division maintains 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. The estimated commitments under these contracts as of September 30, 2008 are as follows (in thousands):

2009	\$418,949
2010	99,885
2011	9,569
2012	9,580
2013	9,068
Thereafter	<u>2,978</u>
	<u>\$550,029</u>

Other Contingencies

In December 2007, the Company received data requests from the Division of Investigations of the Office of Enforcement of the Federal Energy Regulatory Commission (the "Commission") in connection with its investigation into possible violations of the Commission's posting and competitive bidding regulations for pre-arranged released firm capacity on natural gas pipelines. We have responded timely to two sets of data requests received from the Commission and are fully cooperating with the Commission during this investigation.

Subsequent to responding to the second set of data requests, the Commission agreed to allow the Company to conduct our own internal investigation into compliance with the Commission's rules, and we will provide the results of this internal investigation to the Commission upon its completion. We currently are unable to predict the final outcome of this investigation or the potential impact it could have on our financial position, results of operations or cash flows.

On September 1, 2008, a Texas Railroad Commission rule, which is applicable to all natural gas distribution companies operating in Texas, became effective concerning the replacement of known compression couplings at pre-bent gas meter risers. Compliance with this rule should not have a significant impact on our West Texas Division but will require us to spend significant amounts of capital in our Mid-Tex Division. The completion date required by the Railroad Commission of Texas for the replacement of known compression couplings at pre-bent gas meter risers is November 2009 and the Mid-Tex Division is on target to meet this requirement. Compliance with this rule will require us to expend significant amounts of capital but these prudent and mandatory expenditures should be recoverable through our rates in the Mid-Tex Division. As a result, we anticipate no long-term adverse impact on our financial position, results of operations or cash flows.

13. Leases

Leasing Operations

Atmos Power Systems, Inc. has constructed electric peaking power-generating plants and associated facilities and entered into agreements to either lease or sell these plants. We completed a sales-type lease transaction for one distributed electric generation plant in 2001 and a second sales-type lease transaction in 2003. In connection with these lease transactions, as of September 30, 2008 and 2007, we had receivables of \$13.8 million and \$16.4 million and recognized income of \$1.3 million, \$1.5 million and \$1.7 million for

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

fiscal years 2008, 2007 and 2006. The future minimum lease payments to be received for each of the five succeeding fiscal years are as follows:

	<u>Minimum Lease Receipts</u> (In thousands)
2009	\$ 3,030
2010	2,973
2011	2,973
2012	2,973
2013	1,824
Thereafter	—
Total minimum lease receipts	<u>\$13,773</u>

Capital and Operating Leases

We have entered into non-cancelable operating leases for office and warehouse space used in our operations. The remaining lease terms range from one to 20 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Renewal options exist for certain of these leases. We have also entered into capital leases for division offices and operating facilities. Property, plant and equipment included amounts for capital leases of \$1.3 million and \$4.6 million at September 30, 2008 and 2007. Accumulated depreciation for these capital leases totaled \$0.7 million and \$3.2 million at September 30, 2008 and 2007. Depreciation expense for these assets is included in consolidated depreciation expense on the consolidated statement of income.

The related future minimum lease payments at September 30, 2008 were as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
	(In thousands)	
2009	\$ 186	\$ 18,374
2010	186	17,496
2011	186	16,429
2012	186	15,789
2013	186	15,135
Thereafter	<u>822</u>	<u>97,094</u>
Total minimum lease payments	1,752	<u>\$180,317</u>
Less amount representing interest	<u>746</u>	
Present value of net minimum lease payments	<u>\$1,006</u>	

Consolidated lease and rental expense amounted to \$14.2 million, \$11.3 million and \$11.4 million for fiscal 2008, 2007 and 2006.

14. 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

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

with trade accounts receivable for the natural gas distribution segment is mitigated by the large number of individual customers and diversity in our customer base. The credit risk for our other segments is not significant.

Customer diversification also helps mitigate AEM's exposure to credit risk. AEM maintains credit policies with respect to its counterparties that it believes minimizes overall credit risk. Where appropriate, such policies include the evaluation of a prospective counterparty's financial condition, collateral requirements, primarily consisting of letters of credit, and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. AEM also monitors the financial condition of existing counterparties on an ongoing basis. Customers not meeting minimum standards are required to provide adequate assurance of financial performance.

AEM maintains a provision for credit losses based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. We believe, based on our credit policies and our provisions for credit losses as of September 30, 2008, that our financial position, results of operations and cash flows will not be materially affected as a result of nonperformance by any single counterparty.

AEM's estimated credit exposure is monitored in terms of the percentage of its customers, including affiliate customers, that are rated as investment grade versus non-investment grade. Credit exposure is defined as the total of (1) accounts receivable, (2) delivered, but unbilled physical sales and (3) mark-to-market exposure for sales and purchases. Investment grade determinations are set internally by AEM's credit department, but are primarily based on external ratings provided by Moody's Investors Service Inc. (Moody's) and/or Standard & Poor's Corporation (S&P). For non-rated entities, the default rating for municipalities is investment grade, while the default rating for non-guaranteed industrials and commercials is non-investment grade. The following table shows the percentages related to the investment ratings as of September 30, 2008 and 2007.

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Investment grade	52%	53%
Non-investment grade	<u>48%</u>	<u>47%</u>
Total	<u>100%</u>	<u>100%</u>

The following table presents our financial instrument counterparty credit exposure by operating segment based upon the unrealized fair value of our financial instruments that represent assets as of September 30, 2008. Investment grade counterparties have minimum credit ratings of BBB-, assigned by S&P; or Baa3, assigned by Moody's. Non-investment grade counterparties are composed of counterparties that are below investment grade or that have not been assigned an internal investment grade rating due to the short-term nature of the contracts associated with that counterparty. This category is composed of numerous smaller counterparties, none of which is individually significant.

	<u>Natural Gas Distribution Segment⁽¹⁾</u>	<u>Natural Gas Marketing Segment</u>	<u>Consolidated</u>
	<u>(In thousands)</u>		
Investment grade counterparties	\$—	\$42,220	\$42,220
Non-investment grade counterparties	—	4,696	4,696
	<u>\$—</u>	<u>\$46,916</u>	<u>\$46,916</u>

⁽¹⁾ Counterparty risk for our natural gas distribution segment is minimized because hedging gains and losses are passed through to our customers.

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

15. Supplemental Cash Flow Disclosures

Supplemental disclosures of cash flow information for fiscal 2008, 2007 and 2006 are presented below.

	2008	2007	2006
	(In thousands)		
Cash paid for interest	\$139,958	\$151,616	\$149,031
Cash paid for income taxes	\$ 3,483	\$ 8,939	\$ 77,265

There were no significant noncash investing and financing transactions during fiscal 2008, 2007 and 2006. All cash flows and noncash activities related to our commodity financial instruments are considered as operating activities.

16. Segment Information

Atmos Energy Corporation and its subsidiaries are engaged primarily in the regulated natural gas distribution, transmission and storage business as well as other nonregulated businesses. We distribute natural gas through sales and transportation arrangements to approximately 3.2 million residential, commercial, public authority and industrial customers through our six regulated natural gas distribution divisions, which cover service areas located in 12 states. In addition, we transport natural gas for others through our distribution system.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local distribution companies and industrial customers primarily in the Midwest and Southeast. Additionally, we provide natural gas transportation and storage services to certain of our natural gas distribution operations and to third parties.

We operate the Company through the following four segments:

- The *natural gas distribution segment*, which includes our regulated natural gas distribution and related sales operations.
- The *regulated transmission and storage segment*, which includes the regulated pipeline and storage operations of the Atmos Pipeline — Texas Division.
- The *natural gas marketing segment*, which includes a variety of nonregulated natural gas management services.
- The *pipeline, storage and other segment*, which includes our nonregulated natural gas transmission and storage services.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers in differing regulatory environments. Although our natural gas distribution segment operations are geographically dispersed, they are reported as a single segment as each natural gas distribution division has similar economic characteristics. 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. Interest expense is allocated pro rata to each segment based upon our net investment in each segment. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended September 30, 2008					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
Operating revenues from						
external parties	\$3,654,338	\$108,116	\$3,436,563	\$22,288	\$ —	\$7,221,305
Intersegment revenues	792	87,801	851,299	9,421	(949,313)	—
	3,655,130	195,917	4,287,862	31,709	(949,313)	7,221,305
Purchased gas cost	2,649,064	—	4,194,841	3,396	(947,322)	5,899,979
Gross profit	1,006,066	195,917	93,021	28,313	(1,991)	1,321,326
Operating expenses						
Operation and maintenance . . .	389,244	77,439	30,903	4,983	(2,335)	500,234
Depreciation and amortization	177,205	19,899	1,546	1,792	—	200,442
Taxes, other than income	178,452	8,834	4,180	1,289	—	192,755
Total operating expenses	744,901	106,172	36,629	8,064	(2,335)	893,431
Operating income	261,165	89,745	56,392	20,249	344	427,895
Miscellaneous income	9,689	1,354	2,022	8,428	(18,762)	2,731
Interest charges	117,933	27,049	9,036	2,322	(18,418)	137,922
Income before income taxes	152,921	64,050	49,378	26,355	—	292,704
Income tax expense	60,273	22,625	19,389	10,086	—	112,373
Net income	<u>\$ 92,648</u>	<u>\$ 41,425</u>	<u>\$ 29,989</u>	<u>\$16,269</u>	<u>\$ —</u>	<u>\$ 180,331</u>
Capital expenditures	<u>\$ 386,542</u>	<u>\$ 75,071</u>	<u>\$ 340</u>	<u>\$10,320</u>	<u>\$ —</u>	<u>\$ 472,273</u>

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

	Year Ended September 30, 2007					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
Operating revenues from external parties	\$3,358,147	\$ 84,344	\$2,432,280	\$23,660	\$ —	\$5,898,431
Intersegment revenues	618	78,885	719,050	9,740	(808,293)	—
	3,358,765	163,229	3,151,330	33,400	(808,293)	5,898,431
Purchased gas cost	2,406,081	—	3,047,019	792	(805,543)	4,648,349
Gross profit	952,684	163,229	104,311	32,608	(2,750)	1,250,082
Operating expenses						
Operation and maintenance . . .	379,175	56,231	26,480	4,581	(3,094)	463,373
Depreciation and amortization	177,188	18,565	1,536	1,574	—	198,863
Taxes, other than income	171,845	8,603	1,255	1,163	—	182,866
Impairment of long-lived assets	3,289	—	—	3,055	—	6,344
Total operating expenses	731,497	83,399	29,271	10,373	(3,094)	851,446
Operating income	221,187	79,830	75,040	22,235	344	398,636
Miscellaneous income	8,945	2,105	6,434	8,173	(16,473)	9,184
Interest charges	121,626	27,917	5,767	6,055	(16,129)	145,236
Income before income taxes	108,506	54,018	75,707	24,353	—	262,584
Income tax expense	35,223	19,428	29,938	9,503	—	94,092
Net income	<u>\$ 73,283</u>	<u>\$ 34,590</u>	<u>\$ 45,769</u>	<u>\$14,850</u>	<u>\$ —</u>	<u>\$ 168,492</u>
Capital expenditures	<u>\$ 327,442</u>	<u>\$ 59,276</u>	<u>\$ 1,069</u>	<u>\$ 4,648</u>	<u>\$ —</u>	<u>\$ 392,435</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2006					
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	Consolidated
	(In thousands)					
Operating revenues from						
external parties	\$3,649,851	\$ 69,582	\$2,418,856	\$14,074	\$ —	\$6,152,363
Intersegment revenues	740	71,551	737,668	11,500	(821,459)	—
	<u>3,650,591</u>	<u>141,133</u>	<u>3,156,524</u>	<u>25,574</u>	<u>(821,459)</u>	<u>6,152,363</u>
Purchased gas cost	<u>2,725,534</u>	—	<u>3,025,897</u>	<u>1,080</u>	<u>(816,718)</u>	<u>4,935,793</u>
Gross profit	925,057	141,133	130,627	24,494	(4,741)	1,216,570
Operating expenses						
Operation and maintenance . . .	357,519	51,577	22,223	7,077	(4,978)	433,418
Depreciation and amortization	164,493	18,012	1,834	1,257	—	185,596
Taxes, other than income	178,204	8,218	4,335	1,236	—	191,993
Impairment of long-lived assets	22,947	—	—	—	—	22,947
Total operating expenses	<u>723,163</u>	<u>77,807</u>	<u>28,392</u>	<u>9,570</u>	<u>(4,978)</u>	<u>833,954</u>
Operating income	201,894	63,326	102,235	14,924	237	382,616
Miscellaneous income (expense)	9,506	(153)	2,598	6,858	(17,928)	881
Interest charges	<u>126,489</u>	<u>22,787</u>	<u>8,510</u>	<u>6,512</u>	<u>(17,691)</u>	<u>146,607</u>
Income before income taxes	84,911	40,386	96,323	15,270	—	236,890
Income tax expense	<u>31,909</u>	<u>13,839</u>	<u>37,757</u>	<u>5,648</u>	<u>—</u>	<u>89,153</u>
Net income	<u>\$ 53,002</u>	<u>\$ 26,547</u>	<u>\$ 58,566</u>	<u>\$ 9,622</u>	<u>\$ —</u>	<u>\$ 147,737</u>
Capital expenditures	<u>\$ 307,742</u>	<u>\$114,873</u>	<u>\$ 909</u>	<u>\$ 1,800</u>	<u>\$ —</u>	<u>\$ 425,324</u>

The following table summarizes our revenues by products and services for the fiscal year ended September 30.

	2008	2007	2006
	(In thousands)		
Natural gas distribution revenues:			
Gas sales revenues:			
Residential	\$2,131,447	\$1,982,801	\$2,068,736
Commercial	1,077,056	970,949	1,061,783
Industrial	212,531	195,060	276,186
Public authority and other	<u>137,821</u>	<u>114,298</u>	<u>144,600</u>
Total gas sales revenues	3,558,855	3,263,108	3,551,305
Transportation revenues	59,712	59,195	61,475
Other gas revenues	<u>35,771</u>	<u>35,844</u>	<u>37,071</u>
Total natural gas distribution revenues	3,654,338	3,358,147	3,649,851
Regulated transmission and storage revenues	108,116	84,344	69,582
Natural gas marketing revenues	3,436,563	2,432,280	2,418,856
Pipeline, storage and other revenues	<u>22,288</u>	<u>23,660</u>	<u>14,074</u>
Total operating revenues	<u>\$7,221,305</u>	<u>\$5,898,431</u>	<u>\$6,152,363</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance sheet information at September 30, 2008 and 2007 by segment is presented in the following tables:

	September 30, 2008					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
ASSETS						
Property, plant and equipment, net	\$3,483,556	\$585,160	\$ 7,520	\$ 60,623	\$ —	\$4,136,859
Investment in subsidiaries	463,158	—	(2,096)	—	(461,062)	—
Current assets						
Cash and cash equivalents	30,878	—	9,120	6,719	—	46,717
Assets from risk management activities	—	—	69,008	20,239	(20,956)	68,291
Other current assets	774,933	18,396	411,648	56,791	(91,672)	1,170,096
Intercompany receivables	578,833	—	—	135,795	(714,628)	—
Total current assets	1,384,644	18,396	489,776	219,544	(827,256)	1,285,104
Intangible assets	—	—	2,088	—	—	2,088
Goodwill	569,920	132,367	24,282	10,429	—	736,998
Noncurrent assets from risk management activities	—	—	5,473	—	—	5,473
Deferred charges and other assets	195,985	11,212	1,182	11,798	—	220,177
	<u>\$6,097,263</u>	<u>\$747,135</u>	<u>\$528,225</u>	<u>\$302,394</u>	<u>\$(1,288,318)</u>	<u>\$6,386,699</u>
CAPITALIZATION AND LIABILITIES						
Shareholders' equity	\$2,052,492	\$130,144	\$114,559	\$218,455	\$ (463,158)	\$2,052,492
Long-term debt	2,119,267	—	—	525	—	2,119,792
Total capitalization	4,171,759	130,144	114,559	218,980	(463,158)	4,172,284
Current liabilities						
Current maturities of long- term debt	—	—	—	785	—	785
Short-term debt	385,592	—	6,500	—	(41,550)	350,542
Liabilities from risk management activities	58,566	—	20,688	616	(20,956)	58,914
Other current liabilities	538,777	7,053	236,217	62,796	(47,997)	796,846
Intercompany payables	—	543,384	171,244	—	(714,628)	—
Total current liabilities	982,935	550,437	434,649	64,197	(825,131)	1,207,087
Deferred income taxes	384,860	62,720	(21,936)	15,687	(29)	441,302
Noncurrent liabilities from risk management activities	5,111	—	258	—	—	5,369
Regulatory cost of removal obligation	298,645	—	—	—	—	298,645
Deferred credits and other liabilities	253,953	3,834	695	3,530	—	262,012
	<u>\$6,097,263</u>	<u>\$747,135</u>	<u>\$528,225</u>	<u>\$302,394</u>	<u>\$(1,288,318)</u>	<u>\$6,386,699</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	September 30, 2007					
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	Consolidated
	(In thousands)					
ASSETS						
Property, plant and equipment, net	\$3,251,144	\$531,921	\$ 7,850	\$ 45,921	\$ —	\$3,836,836
Investment in subsidiaries	396,474	—	(2,096)	—	(394,378)	—
Current assets						
Cash and cash equivalents	28,881	—	31,703	141	—	60,725
Assets from risk management activities	—	—	25,063	12,947	(17,881)	20,129
Other current assets	643,353	20,065	337,169	76,731	(90,997)	986,321
Intercompany receivables	536,985	—	—	114,300	(651,285)	—
Total current assets	1,209,219	20,065	393,935	204,119	(760,163)	1,067,175
Intangible assets	—	—	2,716	—	—	2,716
Goodwill	567,775	132,490	24,282	10,429	—	734,976
Noncurrent assets from risk management activities	—	—	5,535	—	—	5,535
Deferred charges and other assets	227,869	4,898	1,279	13,913	—	247,959
	<u>\$5,652,481</u>	<u>\$689,374</u>	<u>\$433,501</u>	<u>\$274,382</u>	<u>\$(1,154,541)</u>	<u>\$5,895,197</u>
CAPITALIZATION AND LIABILITIES						
Shareholders' equity	\$1,965,754	\$ 88,719	\$107,090	\$200,665	\$ (396,474)	\$1,965,754
Long-term debt	2,125,007	—	—	1,308	—	2,126,315
Total capitalization	4,090,761	88,719	107,090	201,973	(396,474)	4,092,069
Current liabilities						
Current maturities of long- term debt	1,250	—	—	2,581	—	3,831
Short-term debt	187,284	—	30,000	—	(66,685)	150,599
Liabilities from risk management activities	21,053	—	18,167	—	(17,881)	21,339
Other current liabilities	519,642	6,394	185,072	53,297	(22,216)	742,189
Intercompany payables	—	550,184	101,101	—	(651,285)	—
Total current liabilities	729,229	556,578	334,340	55,878	(758,067)	917,958
Deferred income taxes	326,518	40,565	(8,925)	12,411	—	370,569
Noncurrent liabilities from risk management activities	—	—	290	—	—	290
Regulatory cost of removal obligation	271,059	—	—	—	—	271,059
Deferred credits and other liabilities	234,914	3,512	706	4,120	—	243,252
	<u>\$5,652,481</u>	<u>\$689,374</u>	<u>\$433,501</u>	<u>\$274,382</u>	<u>\$(1,154,541)</u>	<u>\$5,895,197</u>

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

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>
(In thousands, except per share data)				
Fiscal year 2008:				
Operating revenues				
Natural gas distribution	\$ 928,177	\$1,521,856	\$ 676,639	\$ 528,458
Regulated transmission and storage	45,046	51,440	46,286	53,145
Natural gas marketing	840,717	1,128,653	1,189,722	1,128,770
Pipeline, storage and other	6,727	10,022	3,880	11,080
Intersegment eliminations	<u>(163,157)</u>	<u>(227,986)</u>	<u>(277,382)</u>	<u>(280,788)</u>
	1,657,510	2,483,985	1,639,145	1,440,665
Gross profit	369,638	434,394	246,222	271,072
Operating income	158,509	211,143	20,709	37,534
Net income (loss)	73,803	111,534	(6,588)	1,582
Net income (loss) per basic share	\$ 0.83	\$ 1.25	\$ (0.07)	\$ 0.02
Net income (loss) per diluted share	\$ 0.82	\$ 1.24	\$ (0.07)	\$ 0.02
Fiscal year 2007:				
Operating revenues				
Natural gas distribution	\$ 964,244	\$1,461,033	\$ 548,251	\$ 385,237
Regulated transmission and storage	39,872	46,068	36,707	40,582
Natural gas marketing	711,694	795,041	854,167	790,428
Pipeline, storage and other	11,333	14,077	2,073	5,917
Intersegment eliminations	<u>(124,510)</u>	<u>(240,637)</u>	<u>(223,046)</u>	<u>(220,100)</u>
	1,602,633	2,075,582	1,218,152	1,002,064
Gross profit	375,592	428,686	228,016	217,788
Operating income	171,160	209,012	7,731	10,733
Net income (loss)	81,261	106,505	(13,360)	(5,914)
Net income (loss) per basic share	\$ 0.98	\$ 1.21	\$ (0.15)	\$ (0.07)
Net income (loss) per diluted share	\$ 0.97	\$ 1.20	\$ (0.15)	\$ (0.07)

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, 2008 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 (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, 2008, 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/ ROBERT W. BEST

Robert W. Best
Chairman and Chief Executive Officer

/s/ JOHN P. REDDY

John P. Reddy
Senior Vice President and Chief Financial Officer

November 18, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Atmos Energy Corporation'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Atmos Energy Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of September 30, 2008 and 2007, and the related statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2008 of Atmos Energy Corporation and our report dated November 18, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 18, 2008

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, 2008 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 compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 4, 2009. Information regarding executive officers is included in Part I of this Annual Report on Form 10-K.

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 4, 2009.

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". 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 under "Corporate Governance".

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 4, 2009.

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 4, 2009. 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 4, 2009.

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 4, 2009.

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*

The exhibits listed in the accompanying Exhibits Index are filed as part of this Form 10-K. The exhibits numbered 10.5(a) through 10.12(f) are management contracts or compensatory plans or arrangements.

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/ JOHN P. REDDY
 John P. Reddy
 Senior Vice President
 and Chief Financial Officer

Date: November 19, 2008

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Robert W. Best and John P. Reddy, 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:

<u>/s/ ROBERT W. BEST</u> Robert W. Best	Chairman and Chief Executive Officer	November 19, 2008
<u>/s/ JOHN P. REDDY</u> John P. Reddy	Senior Vice President and Chief Financial Officer	November 19, 2008
<u>/s/ F.E. MEISENHEIMER</u> F.E. Meisenheimer	Vice President and Controller (Principal Accounting Officer)	November 19, 2008
<u>/s/ TRAVIS W. BAIN, II</u> Travis W. Bain, II	Director	November 19, 2008
<u>/s/ DAN BUSBEE</u> Dan Busbee	Director	November 19, 2008
<u>/s/ RICHARD W. CARDIN</u> Richard W. Cardin	Director	November 19, 2008
<u>/s/ RICHARD W. DOUGLAS</u> Richard W. Douglas	Director	November 19, 2008
<u>/s/ RUBEN E. ESQUIVEL</u> Ruben E. Esquivel	Director	November 19, 2008
<u>/s/ THOMAS J. GARLAND</u> Thomas J. Garland	Director	November 19, 2008
<u>/s/ RICHARD K. GORDON</u> Richard K. Gordon	Director	November 19, 2008
<u>/s/ THOMAS C. MEREDITH</u> Thomas C. Meredith	Director	November 19, 2008
<u>/s/ PHILLIP E. NICHOL</u> Phillip E. Nichol	Director	November 19, 2008
<u>/s/ NANCY K. QUINN</u> Nancy K. Quinn	Director	November 19, 2008

/s/ STEPHEN R. SPRINGER
Stephen R. Springer

Director

November 19, 2008

/s/ CHARLES K. VAUGHAN
Charles K. Vaughan

Director

November 19, 2008

/s/ RICHARD WARE II
Richard Ware II

Director

November 19, 2008

ATMOS ENERGY CORPORATION
Valuation and Qualifying Accounts
Three Years Ended September 30, 2008

	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>Charged to Cost & Expenses</u>	<u>Charged to Other Accounts</u>		
2008					
Allowance for doubtful accounts	\$16,160	\$15,655	\$—	\$16,514 ⁽¹⁾	\$15,301
2007					
Allowance for doubtful accounts	\$13,686	\$19,718	\$—	\$17,244 ⁽¹⁾	\$16,160
2006					
Allowance for doubtful accounts	\$15,613	\$21,819	\$—	\$23,746 ⁽¹⁾	\$13,686

⁽¹⁾ Uncollectible accounts written off.

EXHIBITS INDEX
Item 14.(a)(3)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
	<i>Articles of Incorporation and Bylaws</i>	
3.1	Amended and Restated Articles of Incorporation of Atmos Energy Corporation (as of February 9, 2005)	Exhibit 3(I) to Form 10-Q dated March 31, 2005 (File No. 1-10042)
3.2	Amended and Restated Bylaws of Atmos Energy Corporation (as of May 2, 2007)	Exhibit 3.1 to Form 8-K dated May 2, 2007 (File No. 1-10042)
	<i>Instruments Defining Rights of Security Holders</i>	
4.1	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit (4)(b) to Form 10-K for fiscal year ended September 30, 1988 (File No. 1-10042)
4.2(a)	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)
4.2(b)	First Supplemental Indenture dated as of July 29, 1997 between Atmos Energy Corporation and First Trust National Association, as successor to Bank of America Illinois, Trustee	Exhibit 4.11(b) 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 June 14, 2007, between Atmos Energy Corporation and U.S. Bank National Association, Trustee	Exhibit 4.1 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.6(a)	Debenture Certificate for the 6¼% 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 7¼% Senior Notes due 2011	Exhibit 99.2 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.6(c)	Global Security for the 5¼% Senior Notes due 2013	Exhibit 10(2)(c) to Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-10042)
4.6(d)	Global Security for the 4.00% Senior Notes due 2009	Exhibit 10(2)(e) to Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-10042)
4.6(e)	Global Security for the 4.95% Senior Notes due 2014	Exhibit 10(2)(f) to Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-10042)
4.6(f)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-10042)
4.6(g)	Global Security for the 6.35% Senior Notes due 2017	Exhibit 4.2 to Form 8-K dated June 11, 2007 (File No. 1-10042)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
	<i>Material Contracts</i>	
10.1	Pipeline Construction and Operating Agreement, dated November 30, 2005, by and between Atmos-Pipeline Texas, a division of Atmos Energy Corporation, a Texas and Virginia corporation and Energy Transfer Fuel, L.P, a Delaware limited partnership	Exhibit 10.1 to Form 8-K dated November 30, 2005 (File No. 1-10042)
10.2	Revolving Credit Agreement (5 Year Facility), dated as of December 15, 2006, among Atmos Energy Corporation, SunTrust Bank, as Administrative Agent, Wachovia Bank, N.A. as Syndication Agent and Bank of America, N.A., JPMorgan Chase Bank, N.A., and the Royal Bank of Scotland plc as Co-Documentation Agents, and the lenders from time to time parties thereto	Exhibit 10.1 to Form 8-K dated December 15, 2006 (File No. 1-10042)
10.3	Revolving Credit Agreement (364 Day Facility), dated as of October 29, 2008, among Atmos Energy Corporation, SunTrust Bank, as Administrative Agent, Bank of America, N.A., as Syndication Agent, U.S. Bank National Association as Documentation Agent and Wells Fargo Bank, N.A. as Managing Agent, and the lenders from time to time parties thereto	Exhibit 10.1 to Form 8-K dated October 29, 2008 (File No. 1-10042)
10.4(a)	Uncommitted Second Amended and Restated Credit Agreement, dated to be effective March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 30, 2005 (File No. 1-10042)
10.4(b)	First Amendment, dated as of November 28, 2005, to the Uncommitted Second Amended and Restated Credit Agreement, dated to be effective March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale, and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated November 28, 2005 (File No. 1-10042)
10.4(c)	Second Amendment, dated as of March 31, 2006, to the Uncommitted Second Amended and Restated Credit Agreement, dated to be effective March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 31, 2006 (File No. 1-10042)
10.4(d)	Third Amendment, dated as of March 30, 2007, to the Uncommitted Second Amended and Restated Credit Agreement, dated as of March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 30, 2007 (File No. 1-10042)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
10.4(e)	Fourth Amendment, dated as of March 31, 2008, to the Uncommitted Second Amended and Restated Credit Agreement, dated as of March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 31, 2008 (File No. 1-10042)
10.4(f)	Intercreditor Agreement, dated as of March 31, 2008, among Fortis Capital Corp. and the other financial institutions which may become parties thereto <i>Executive Compensation Plans and Arrangements</i>	Exhibit 10.2 to Form 8-K dated March 31, 2008 (File No. 1-10042)
10.5(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement — Tier I	
10.5(b)*	Form of Atmos Energy Corporation Change in Control Severance Agreement — Tier II	
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(a)*	Description of Financial and Estate Planning Program	Exhibit 10.25(b) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.7(b)*	Description of Sporting Events Program	Exhibit 10.26(c) to Form 10-K for fiscal year ended September 30, 1993 (File No. 1-10042)
10.8(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 7, 2007	
10.8(b)*	Atmos Energy Corporation Supplemental Executive Retirement Plan, (An Amendment and Restatement of the Performance-Based Supplemental Executive Benefits Plan), Effective Date August 7, 2007	
10.8(c)*	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(d)*	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)*	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	

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
10.11*	Atmos Energy Corporation Outside Directors Stock-for-Fee Plan (Amended and Restated as of November 12, 1997)	Exhibit 10.28 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.12(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated February 9, 2007)	Exhibit 10.2 to Form 10-Q for quarter ended March 31, 2007 (File No. 1-10042)
10.12(b)*	Amendment No. 1 to Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated February 9, 2007)	
10.12(c)*	Form of Non-Qualified Stock Option Agreement under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 10.16(b) to Form 10-K for fiscal year ended September 30, 2005 (File No. 1-10042)
10.12(d)*	Form of Award Agreement of Restricted Stock With Time-Lapse Vesting under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.12(e)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.12(f)*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated August 8, 2007)	
12	Statement of computation of ratio of earnings to fixed charges <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, 2008
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications**	

* 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.

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, 2007

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)*
Three Lincoln Centre, Suite 1800
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:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, No Par Value	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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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, 2007, was \$2,715,259,243.

As of November 20, 2007, the registrant had 89,749,755 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 6, 2008 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	<u>Page</u>
Glossary of Key Terms	3
PART I	
Item 1. Business	4
Item 1A. Risk Factors	20
Item 1B. Unresolved Staff Comments	24
Item 2. Properties	24
Item 3. Legal Proceedings	25
Item 4. Submission of Matters to a Vote of Security Holders	25
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	27
Item 6. Selected Financial Data	30
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	60
Item 8. Financial Statements and Supplementary Data	62
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	117
Item 9A. Controls and Procedures	117
Item 9B. Other Information	119
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	119
Item 11. Executive Compensation	119
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	119
Item 13. Certain Relationships and Related Transactions, and Director Independence	119
Item 14. Principal Accountant Fees and Services	120
PART IV	
Item 15. Exhibits and Financial Statement Schedules	120

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AES	Atmos Energy Services, LLC
APB	Accounting Principles Board
APS	Atmos Pipeline and Storage, LLC
ATO	Trading symbol for Atmos Energy Corporation common stock on the New York Stock Exchange
Bcf	Billion cubic feet
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EITF	Emerging Issues Task Force
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation
Fitch	Fitch Ratings, Ltd.
FSP	FASB Staff Position
GRIP	Gas Reliability Infrastructure Program
Heritage	Heritage Propane Partners, L.P.
iFERC	Inside FERC
KPSC	Kentucky Public Service Commission
LGS	Louisiana Gas Service Company and LGS Natural Gas Company, which were acquired July 1, 2001
LPSC	Louisiana Public Service Commission
LTIP	1998 Long-Term Incentive Plan
Mcf	Thousand cubic feet
MDWQ	Maximum daily withdrawal quantity
MMcf	Million cubic feet
Moody's	Moody's Investor Services, Inc.
MPSC	Mississippi Public Service Commission
MVG	Mississippi Valley Gas Company, which was acquired December 3, 2002
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
RRC	Railroad Commission of Texas
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SEC	United States Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
TXU Gas	TXU Gas Company, which was acquired on October 1, 2004
USP	U.S. Propane, L.P.
VCC	Virginia Corporation Commission
WNA	Weather Normalization Adjustment

PART I

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

ITEM 1. *Business*

Overview

Atmos Energy Corporation, headquartered in Dallas, Texas, is engaged primarily in the regulated natural gas distribution and transmission and storage businesses as well as other nonregulated natural gas businesses. We are one of the country’s largest natural-gas-only distributors based on number of customers and one of the largest intrastate pipeline operators in Texas based upon miles of pipe. As of September 30, 2007, we distributed natural gas through sales and transportation arrangements to approximately 3.2 million residential, commercial, public authority and industrial customers through our six regulated natural gas distribution divisions, which covered service areas in 12 states. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia, Illinois, Iowa, Missouri and Virginia. In addition, we transport natural gas for others through our distribution system.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers in 22 states and natural gas transportation and storage services to certain of our natural gas distribution divisions and to third parties.

We were organized under the laws of Texas in 1983 as Energas Company for the purpose of owning and operating the natural gas distribution business of Pioneer Corporation in Texas. In September 1988, we changed our name to Atmos Energy Corporation. As a result of the merger with United Cities Gas Company in July 1997, we also became incorporated in Virginia.

Operating Segments

Through August 31, 2007, our operations were divided into four segments:

- the *utility segment*, which included our regulated natural gas distribution and related sales operations,
- the *natural gas marketing segment*, which included a variety of nonregulated natural gas management services,
- the *pipeline and storage segment*, which included our regulated and nonregulated natural gas transmission and storage services and
- the *other nonutility segment*, which included all of our other nonregulated nonutility operations.

During the fourth quarter of fiscal 2007, we completed a series of organizational changes and began reporting the results of our operations under the following new segments, effective September 1, 2007:

- The *natural gas distribution segment*, formerly referred to as the utility segment, includes our regulated natural gas distribution and related sales operations.
- The *regulated transmission and storage segment* includes the regulated pipeline and storage operations of our Atmos Pipeline — Texas Division. These operations were previously included in the former pipeline and storage segment.
- The *natural gas marketing segment* remains unchanged and includes a variety of nonregulated natural gas management services.
- The *pipeline, storage and other segment* primarily is comprised of our nonregulated natural gas transmission and storage services, which were previously included in the former pipeline and storage segment.

Strategy

Our overall strategy is to:

- deliver superior shareholder value,
- improve the quality and consistency of earnings growth, while operating our regulated and nonregulated businesses exceptionally well and
- enhance and strengthen a culture built on our core values.

Over the last five fiscal years, we have primarily grown through two significant acquisitions, our acquisition in December 2002 of Mississippi Valley Gas Company (MVG) and our acquisition in October 2004 of the natural gas distribution and pipeline operations of TXU Gas Company (TXU Gas).

We have experienced over 20 consecutive years of increasing dividends and earnings growth after giving effect to our acquisitions. We have achieved this record of growth while efficiently managing our operating and maintenance expenses and leveraging our technology, such as our 24-hour call centers, to achieve more efficient operations. In addition, we have focused on regulatory rate proceedings to increase revenue to recover rising costs and mitigated weather-related risks through weather-normalized rates in most of our service areas. We have also strengthened our nonregulated businesses by increasing gross profit margins, expanding commercial opportunities in our regulated transmission and storage segment and actively pursuing opportunities to increase the amount of storage available to us.

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.

Natural Gas Distribution Segment Overview

Our natural gas distribution segment consisted of the following six regulated divisions during the year ended September 30, 2007:

- Atmos Energy Mid-Tex Division,
- Atmos Energy Kentucky/Mid-States Division,
- Atmos Energy Louisiana Division,
- Atmos Energy West Texas Division,
- Atmos Energy Mississippi Division and
- Atmos Energy Colorado-Kansas Division

Our natural gas distribution business is a seasonal business. Gas sales to residential and commercial customers are greater during the winter months than during the remainder of the year. The volumes of gas sales during the winter months will vary with the temperatures during these months.

In addition to seasonality, financial results for this segment are affected by the cost of natural gas and economic conditions in the areas that we serve. Higher gas costs, which we are generally able to pass through to our customers under purchased gas adjustment clauses, may cause customers to conserve or, in the case of industrial customers, to use alternative energy sources. Higher gas costs may also 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.

The effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which are now approved by the regulatory authorities for over 90 percent of residential and commercial meters in our service areas. WNA allows us to increase customers' bills to offset lower gas usage when weather is warmer than normal and decrease customers' bills to offset higher gas usage when weather is colder than normal.

As of September 30, 2007 we had WNA for our residential and commercial meters in the following service areas for the following periods:

Georgia	October — May
Kansas	October — May
Kentucky	November — April
Louisiana	December — March
Mississippi	November — April
Tennessee	November — April
Texas: Mid-Tex	November — April
Texas: West Texas	October — May
Virginia	January — December

Our supply of natural gas is provided by a variety of suppliers, including independent producers, marketers and pipeline companies and withdrawals of gas from proprietary and contracted storage assets. Additionally, the natural gas supply for our Mid-Tex Division includes peaking and spot purchase agreements.

Supply arrangements are contracted from our suppliers on a firm basis with various terms at market prices. The firm supply consists of both base load and swing supply (peaking) quantities. 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.

Currently, all of our natural gas distribution divisions, except for our Mid-Tex Division, 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 by our Atmos Pipeline — Texas Division.

Except for local production purchases, we select our natural gas suppliers through a competitive bidding process by 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 cost. Major suppliers during fiscal 2007 were Anadarko Energy Services, BP Energy Company, Chesapeake Energy Marketing, Inc., ConocoPhillips Company, Devon Gas Services, L.P., Enbridge Marketing (US) L.P., National Fuel Marketing Company, LLC, ONEOK Energy Services Company L.P., Tenaska Marketing and Atmos Energy Marketing, LLC, our natural gas marketing subsidiary.

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 4.2 Bcf. The peak-day demand for our natural gas distribution operations in fiscal 2007 was on February 15, 2007, when sales to customers reached approximately 3.4 Bcf.

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 statutes or regulations. 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 anticipate no problems with obtaining additional gas supply as needed for our customers.

The following briefly describes our six natural gas distribution divisions. 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, 2007, we held 1,106 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. We believe that we will be able to renew our franchises as they expire. Additional information concerning our natural gas distribution divisions is presented under the caption "Operating Statistics".

Atmos Energy Mid-Tex Division. Our Mid-Tex Division serves approximately 550 communities in the north-central, eastern and western parts of Texas, including the Dallas/Fort Worth Metroplex. This division currently operates under one system-wide rate structure. However, the governing body of each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, except with respect to sales of natural gas for vehicle fuel and agricultural use. The Railroad Commission of Texas (RRC) has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. This division participates in Texas' Gas Reliability Infrastructure Program (GRIP), which allows us to include in rate base annually approved capital costs incurred in the prior calendar year. The program also requires us to file a complete rate case at least once every five years.

Atmos Energy Kentucky/Mid-States Division. Our Kentucky/Mid-States Division operates in more than 420 communities across Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee, which is less than 20 miles from downtown Nashville. We update our rates in this division through periodic formal rate filings made with each state's public service commission.

Atmos Energy Louisiana Division. In Louisiana, we serve nearly 300 communities, including the suburban areas of New Orleans, the metropolitan area of Monroe and western Louisiana. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation and are recognized in our natural gas marketing segment. Our rates in this division are updated annually through a stable rate filing without filing a formal rate case.

Atmos Energy West Texas Division. Our West Texas Division serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits. Similarly, the West Texas Division also participates in GRIP, which requires us to file a complete rate case at least once every five years.

Atmos Energy Mississippi Division. In Mississippi, we serve about 110 communities throughout the northern half of the state, including the Jackson metropolitan area. Our rates in the Mississippi Division are updated annually through a stable rate filing without filing a formal rate case.

Atmos Energy Colorado-Kansas Division. Our Colorado-Kansas Division serves approximately 170 communities throughout Colorado and Kansas and in the southwestern corner of Missouri, including Olathe, Kansas, and Greeley, Colorado. Olathe is a southern suburb of Kansas City, near the Missouri border. Greeley is located 20 miles outside of Denver. We update our rates in this division through periodic formal rate filings made with each state's public service commission.

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

Division	Jurisdiction	Effective Date of Last Rate Action	Rate Base (thousands) ⁽¹⁾	Authorized Rate of Return ⁽¹⁾	Authorized Return on Equity ⁽¹⁾
Atmos Pipeline — Texas . . .	Texas	5/24/04	\$417,111	8.258%	10.00%
Colorado-Kansas	Colorado	7/1/05	84,711	8.95%	11.25%
	Kansas	3/1/04	(2)	(2)	(2)
Kentucky/Mid-States	Georgia	12/20/05	62,380	7.57%	10.13%
	Illinois	11/1/00	24,564	9.18%	11.56%
	Iowa	3/1/01	5,000	(2)	11.00%
	Kentucky	8/1/07	(2)	(2)	(2)
	Missouri	3/4/07	(2)	(2)	(2)
	Tennessee	11/4/07	186,506	8.03%	10.48%
	Virginia	8/1/04	30,672	8.46% - 8.96%	9.50% - 10.50%
Louisiana	Trans LA	4/1/07	96,848	(2)	10.00% - 10.80%
	LGS	7/1/07	207,587	(2)	10.40%
Mid-Tex	Texas	4/1/07	1,043,857	7.903%	10.00%
Mississippi	Mississippi	1/1/05	196,801	8.23%	9.80%
West Texas	Amarillo	9/1/03	36,844	9.88%	12.00%
	Lubbock	3/1/04	43,300	9.15%	11.25%
	West Texas	5/1/04	87,500	8.77%	10.50%

Division	Jurisdiction	Authorized Debt/Equity Ratio	Bad Debt Rider ⁽³⁾	WNA	Performance-Based Rate Program ⁽⁴⁾	Customer Meters
Atmos Pipeline — Texas	Texas	50/50	No	N/A	N/A	N/A
Colorado-Kansas	Colorado	52/48	No	No	No	109,860
	Kansas	(2)	Yes	Yes	No	127,824
Kentucky/Mid-States	Georgia	55/45	No	Yes	Yes	70,606
	Illinois	67/33	No	No	No	23,342
	Iowa	57/43	No	No	No	4,455
	Kentucky	(2)	No	Yes	Yes	177,988
	Missouri	(2)	No	No ⁽⁵⁾	No	59,672
	Tennessee	56/44	No	Yes	Yes	133,715
	Virginia	52/48	Yes	Yes	No	23,721
Louisiana	Trans LA	52/48	No	Yes	No	79,985
	LGS	52/48	No	Yes	No	277,497
Mid-Tex	Texas	52/48	No	Yes	No	1,518,119
Mississippi	Mississippi	47/53	No	Yes	No	270,980
West Texas	Amarillo	50/50	Yes	Yes	No	69,772
	Lubbock	50/50	No	Yes	No	73,672
	West Texas	50/50	No	Yes	No	165,919

⁽¹⁾ The rate base, authorized rate of return and authorized return on equity presented in this table are those from the last base rate case for each jurisdiction. These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.

⁽²⁾ A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.

- (3) The bad debt rider allows us to recover from ratepayers the gas cost portion of uncollectible accounts.
- (4) The performance-based rate program provides incentives to natural gas utility companies to minimize purchased gas costs by allowing the utility company and its customers to share the purchased gas cost savings.
- (5) The Missouri jurisdiction has a straight-fixed variable rate design which decouples gross profit margin from customer usage patterns.

Natural Gas Distribution Sales and Statistical Data

	Year Ended September 30				
	2007	2006	2005 ⁽¹⁾	2004	2003 ⁽¹⁾
METERS IN SERVICE, end of year					
Residential	2,893,543	2,886,042	2,862,822	1,506,777	1,498,586
Commercial	272,081	275,577	274,536	151,381	151,008
Industrial	2,339	2,661	2,715	2,436	3,799
Agricultural	10,991	8,714	9,639	8,397	9,514
Public authority and other	8,173	8,205	8,128	10,145	9,891
Total meters	<u>3,187,127</u>	<u>3,181,199</u>	<u>3,157,840</u>	<u>1,679,136</u>	<u>1,672,798</u>
INVENTORY STORAGE BALANCE —					
Bcf	<u>58.0</u>	<u>59.9</u>	<u>54.7</u>	<u>27.4</u>	<u>23.9</u>
HEATING DEGREE DAYS⁽²⁾					
Actual (weighted average)	2,879	2,527	2,587	3,271	3,473
Percent of normal	100%	87%	89%	96%	101%
SALES VOLUMES — MMcf⁽³⁾					
Gas Sales Volumes					
Residential	166,612	144,780	162,016	92,208	97,953
Commercial	95,514	87,006	92,401	44,226	45,611
Industrial	22,914	26,161	29,434	22,330	23,738
Agricultural	3,691	5,629	3,348	4,642	7,884
Public authority and other	8,596	8,457	9,084	9,813	9,326
Total gas sales volumes	297,327	272,033	296,283	173,219	184,512
Transportation volumes	<u>135,109</u>	<u>126,960</u>	<u>122,098</u>	<u>87,746</u>	<u>70,159</u>
Total throughput	<u>432,436</u>	<u>398,993</u>	<u>418,381</u>	<u>260,965</u>	<u>254,671</u>
OPERATING REVENUES (000's)⁽³⁾					
Gas Sales Revenues					
Residential	\$1,982,801	\$2,068,736	\$1,791,172	\$ 923,773	\$ 873,375
Commercial	970,949	1,061,783	869,722	400,704	367,961
Industrial	195,060	276,186	229,649	155,336	151,969
Agricultural	28,023	40,664	27,889	31,851	48,625
Public authority and other	86,275	103,936	86,853	77,178	65,921
Total gas sales revenues	3,263,108	3,551,305	3,005,285	1,588,842	1,507,851
Transportation revenues	59,813	62,215	59,996	31,714	30,461
Other gas revenues	<u>35,844</u>	<u>37,071</u>	<u>37,859</u>	<u>17,172</u>	<u>15,770</u>
Total operating revenues	<u>\$3,358,765</u>	<u>\$3,650,591</u>	<u>\$3,103,140</u>	<u>\$1,637,728</u>	<u>\$1,554,082</u>
Average transportation revenue per Mcf	\$ 0.44	\$ 0.49	\$ 0.49	\$ 0.36	\$ 0.43
Average cost of gas per Mcf sold	\$ 8.09	\$ 10.02	\$ 7.41	\$ 6.55	\$ 5.76
Employees	4,472	4,402	4,327	2,742	2,817

See footnotes following these tables.

Natural Gas Distribution Sales and Statistical Data By Division

	Year Ended September 30, 2007							Total
	Mid-Tex	Kentucky/ Mid-States	Louisiana	West Texas	Mississippi	Colorado- Kansas	Other ⁽⁴⁾	
METERS IN SERVICE								
Residential	1,398,274	434,529	334,467	270,557	240,073	215,643	—	2,893,543
Commercial	119,660	54,964	23,015	25,460	27,461	21,521	—	272,081
Industrial	185	927	—	521	619	87	—	2,339
Agricultural	—	—	—	10,685	—	306	—	10,991
Public authority and other	—	2,623	—	2,140	2,827	583	—	8,173
Total	<u>1,518,119</u>	<u>493,043</u>	<u>357,482</u>	<u>309,363</u>	<u>270,980</u>	<u>238,140</u>	<u>—</u>	<u>3,187,127</u>
HEATING DEGREE DAYS⁽²⁾								
Actual	2,332	3,831	1,638	3,537	2,759	5,732	—	2,879
Percent of normal	100%	97%	105%	99%	101%	104%	—	100%
SALES VOLUMES — MMcf⁽³⁾								
Gas Sales Volumes								
Residential	78,140	25,900	13,292	18,882	13,314	17,084	—	166,612
Commercial	50,752	16,137	7,138	7,671	6,859	6,957	—	95,514
Industrial	3,946	7,439	—	3,521	7,672	336	—	22,914
Agricultural	—	—	—	3,079	—	612	—	3,691
Public authority and other	—	1,454	—	2,297	3,386	1,459	—	8,596
Total	<u>132,838</u>	<u>50,930</u>	<u>20,430</u>	<u>35,450</u>	<u>31,231</u>	<u>26,448</u>	<u>—</u>	<u>297,327</u>
Transportation volumes	<u>49,337</u>	<u>46,852</u>	<u>6,841</u>	<u>21,709</u>	<u>2,072</u>	<u>8,298</u>	<u>—</u>	<u>135,109</u>
Total throughput	<u>182,175</u>	<u>97,782</u>	<u>27,271</u>	<u>57,159</u>	<u>33,303</u>	<u>34,746</u>	<u>—</u>	<u>432,436</u>
OPERATING MARGIN (000's)⁽³⁾	\$ 433,279	\$151,442	\$108,908	\$ 90,285	\$ 94,866	\$ 73,904	\$ —	\$ 952,684
OPERATING EXPENSES (000's)⁽³⁾								
Operation and maintenance	\$ 171,416	\$ 61,029	\$ 34,805	\$ 34,187	\$ 47,318	\$ 30,026	\$ 394	\$ 379,175
Depreciation and amortization	\$ 82,524	\$ 34,439	\$ 20,941	\$ 14,026	\$ 10,886	\$ 14,372	\$ —	\$ 177,188
Taxes, other than income	\$ 107,476	\$ 13,813	\$ 8,969	\$ 21,036	\$ 13,437	\$ 7,114	\$ —	\$ 171,845
Impairment of long-lived assets	\$ 3,289	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,289
OPERATING INCOME (000's)⁽³⁾	\$ 68,574	\$ 42,161	\$ 44,193	\$ 21,036	\$ 23,225	\$ 22,392	\$ (394)	\$ 221,187
CAPITAL EXPENDITURES (000's)	\$ 140,037	\$ 59,641	\$ 40,752	\$ 27,031	\$ 20,643	\$ 21,395	\$ 17,943	\$ 327,442
PROPERTY, PLANT AND EQUIPMENT, NET (000's)								
	\$1,356,453	\$656,920	\$345,535	\$258,622	\$241,796	\$264,629	\$127,189	\$3,251,144
OTHER STATISTICS, at year end								
Miles of pipe	28,324	12,081	8,216	14,603	6,496	6,642	—	76,362
Employees	1,415	633	422	340	409	269	984	4,472

See footnotes following these tables.

Year Ended September 30, 2006

	Mid-Tex	Kentucky/ Mid-States	Louisiana	West Texas	Mississippi	Colorado- Kansas	Other ⁽⁴⁾	Total
METERS IN SERVICE								
Residential	1,390,450	436,406	330,694	273,520	241,406	213,566	—	2,886,042
Commercial	122,263	54,914	23,108	25,984	27,868	21,440	—	275,577
Industrial	205	921	—	808	643	84	—	2,661
Agricultural	—	—	—	8,402	—	312	—	8,714
Public authority and other	—	2,671	—	2,166	2,825	543	—	8,205
Total	<u>1,512,918</u>	<u>494,912</u>	<u>353,802</u>	<u>310,880</u>	<u>272,742</u>	<u>235,945</u>	<u>—</u>	<u>3,181,199</u>
HEATING DEGREE DAYS⁽²⁾								
Actual	1,697	3,932	1,319	3,561	2,757	5,466	—	2,527
Percent of normal	72%	98%	78%	100%	102%	99%	—	87%
SALES VOLUMES — MMcf⁽³⁾								
Gas Sales Volumes								
Residential	65,012	24,314	12,131	15,609	12,601	15,113	—	144,780
Commercial	45,558	15,854	6,944	6,309	6,440	5,901	—	87,006
Industrial	4,784	8,775	—	3,933	8,250	419	—	26,161
Agricultural	—	—	—	5,010	—	619	—	5,629
Public authority and other	—	1,463	—	1,962	3,642	1,390	—	8,457
Total	<u>115,354</u>	<u>50,406</u>	<u>19,075</u>	<u>32,823</u>	<u>30,933</u>	<u>23,442</u>	<u>—</u>	<u>272,033</u>
Transportation volumes	<u>47,608</u>	<u>46,525</u>	<u>6,310</u>	<u>15,135</u>	<u>1,702</u>	<u>9,680</u>	<u>—</u>	<u>126,960</u>
Total throughput	<u>162,962</u>	<u>96,931</u>	<u>25,385</u>	<u>47,958</u>	<u>32,635</u>	<u>33,122</u>	<u>—</u>	<u>398,993</u>
OPERATING MARGIN (000's)⁽³⁾	\$ 412,334	\$ 157,013	\$ 98,502	\$ 93,693	\$ 92,515	\$ 71,000	\$ —	\$ 925,057
OPERATING EXPENSES (000's)⁽³⁾								
Operation and maintenance	\$ 154,412	\$ 58,022	\$ 40,741	\$ 33,332	\$ 44,533	\$ 28,235	\$ (1,756)	\$ 357,519
Depreciation and amortization	\$ 74,375	\$ 33,808	\$ 21,201	\$ 13,690	\$ 10,596	\$ 13,578	\$ (2,755)	\$ 164,493
Taxes, other than income	\$ 111,844	\$ 15,290	\$ 8,788	\$ 21,509	\$ 14,110	\$ 6,663	\$ —	\$ 178,204
Impairment of long-lived assets	\$ —	\$ —	\$ —	\$ 22,947	\$ —	\$ —	\$ —	\$ 22,947
OPERATING INCOME (000's)⁽³⁾	\$ 71,703	\$ 49,893	\$ 27,772	\$ 2,215	\$ 23,276	\$ 22,524	\$ 4,511	\$ 201,894
CAPITAL EXPENDITURES (000's)	\$ 134,762	\$ 54,952	\$ 32,218	\$ 27,374	\$ 15,389	\$ 19,466	\$ 23,581	\$ 307,742
PROPERTY, PLANT AND EQUIPMENT, NET (000's)								
	\$ 1,262,516	\$ 627,875	\$ 328,310	\$ 253,086	\$ 226,690	\$ 252,584	\$ 132,240	\$ 3,083,301
OTHER STATISTICS, at year end								
Miles of pipe	27,856	11,952	8,214	14,831	6,415	6,601	—	75,869
Employees	1,458	636	412	341	437	263	855	4,402

Notes to preceding tables:

- (1) The operational and statistical information includes the operations of the Mississippi Division since the December 3, 2002 acquisition date and the Mid-Tex Division since the October 1, 2004 acquisition date.
- (2) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The colder the climate, the greater the number of heating degree days. Heating degree days are used in the natural gas industry to measure the relative coldness of weather and to compare relative temperatures between one geographic area and another. Normal degree days are based on National Weather Service data for selected locations. For service areas that have weather normalized operations, normal degree days are used instead of actual degree days in computing the total number of heating degree days.
- (3) Sales volumes, revenues, operating margins, operating expense and operating income reflect segment operations, including intercompany sales and transportation amounts.
- (4) The Other column represents our shared services unit, which provides administrative and other support to the Company. Certain costs incurred by this unit are not allocated.

Regulated Transmission and Storage Segment Overview

Our regulated transmission and storage segment consists of the regulated pipeline and storage operations of our Atmos Pipeline — Texas Division. The Atmos Pipeline — Texas Division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary in the pipeline industry including parking arrangements, lending and sales of inventory on hand. Parking arrangements provide short-term interruptible storage of gas on our pipeline. Lending services provide short-term interruptible loans of natural gas from our pipeline to meet market demands. These operations represent 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 Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Nine basins located in Texas are believed to contain a substantial portion of the nation's remaining onshore natural gas reserves. This pipeline system provides access to all of these basins.

Regulated Transmission and Storage Sales and Statistical Data

	Year Ended September 30				
	2007	2006	2005	2004 ⁽¹⁾	2003 ⁽¹⁾
CUSTOMERS, end of year					
Industrial	65	67	66	—	—
Other	196	178	191	—	—
Total	<u>261</u>	<u>245</u>	<u>257</u>	<u>—</u>	<u>—</u>
PIPELINE TRANSPORTATION					
VOLUMES — MMcf⁽²⁾	699,006	581,272	554,452	—	—
OPERATING REVENUES (000's)⁽²⁾	\$163,229	\$141,133	\$142,952	—	—
Employees, at year end	54	85	78	—	—

⁽¹⁾ Atmos Pipeline — Texas was acquired on October 1, 2004, the first day of our fiscal 2005 year.

⁽²⁾ Transportation volumes and operating revenues reflect segment operations, including intercompany sales and transportation amounts.

Natural Gas Marketing Segment Overview

Our natural gas marketing activities are conducted through Atmos Energy Marketing (AEM), which is wholly-owned by Atmos Energy Holdings, Inc. (AEH), a wholly-owned subsidiary of AEC, which operates in 22 states. AEM provides a variety of natural gas management services to municipalities, natural gas utility systems and industrial natural gas consumers primarily in the southeastern and midwestern states and to our Colorado-Kansas, Kentucky/Mid-States and Louisiana divisions. These services primarily consist of furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of derivative instruments. We use proprietary and customer-owned transportation and storage assets to provide the various services our customers request. As a result, our revenues arise from the types of commercial transactions we have structured with our customers and include the value we extract by optimizing the storage and transportation capacity we own or control as well as revenues for services we deliver.

To optimize the storage and transportation capacity we own or control, we participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers by identifying the lowest cost alternative within the natural gas supplies, transportation and markets to which we have access. Additionally, we engage in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We purchase physical natural gas and then sell financial contracts at favorable prices to lock in a gross profit margin. Through the use of transportation and storage services and derivative contracts, we are able to capture gross profit margin through

the arbitrage of pricing differences in various locations and by recognizing pricing differences that occur over time.

AEM's management of natural gas requirements involves the sale of natural gas and the management of storage and transportation supplies under contracts with customers generally having one to two year terms. AEM also sells natural gas to some of its industrial customers on a delivered burner tip basis under contract terms from 30 days to two years.

Natural Gas Marketing Sales and Statistical Data

	Year Ended September 30				
	2007	2006	2005	2004	2003
CUSTOMERS, end of year					
Industrial	677	679	559	638	644
Municipal	68	73	69	80	94
Other	281	289	211	237	202
Total	<u>1,026</u>	<u>1,041</u>	<u>839</u>	<u>955</u>	<u>940</u>
INVENTORY STORAGE BALANCE — Bcf . . .	19.3	15.3	8.2	5.2	17.6
NATURAL GAS MARKETING SALES					
VOLUMES — MMcf⁽¹⁾	423,895	336,516	273,201	265,090	294,785
OPERATING REVENUES (000's)⁽¹⁾	\$3,151,330	\$3,156,524	\$2,106,278	\$1,618,602	\$1,668,493

⁽¹⁾ Sales volumes and operating revenues reflect segment operations, including intercompany sales and transportation amounts.

Pipeline, Storage and Other Segment Overview

Our pipeline, storage and other segment primarily consists of the operations of Atmos Pipeline and Storage, LLC (APS), Atmos Energy Services, LLC (AES) and Atmos Power Systems, Inc., which are each wholly-owned by AEH.

APS owns or has an interest in underground storage fields in Kentucky and Louisiana. We use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods. Additionally, beginning in fiscal 2006, APS initiated activities in the natural gas gathering business. As of September 30, 2007, these activities were limited in nature.

AES, through December 31, 2006, provided natural gas management services to our natural gas distribution operations, other than the Mid-Tex Division. These services included aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our natural gas distribution service areas at competitive prices. Effective January 1, 2007, our shared services function began providing these services to our natural gas distribution operations. AES continues to provide limited services to our natural gas distribution divisions, and the revenues AES receives are equal to the costs incurred to provide those services.

Through Atmos Power Systems, Inc., we have constructed electric peaking power-generating plants and associated facilities and lease these plants through lease agreements that are accounted for as sales under generally accepted accounting principles.

Through January 2004, United Cities Propane Gas, Inc., a wholly-owned subsidiary of Atmos Energy Holdings, Inc., owned an approximate 19 percent membership interest in U.S. Propane L.P. (USP), a joint venture formed in February 2000 with other utility companies to own a limited partnership interest in Heritage Propane Partners, L.P. (Heritage), a publicly-traded marketer of propane through a nationwide retail distribution network. During fiscal 2004, we sold our interest in USP and Heritage. As a result of these transactions, we no longer have an interest in the propane business.

Pipeline, Storage and Other Sales and Statistical Data

	Year Ended September 30				
	2007	2006	2005	2004	2003
OPERATING REVENUES (000's)⁽¹⁾	\$33,400	\$25,574	\$15,639	\$23,151	\$23,151
PIPELINE TRANSPORTATION VOLUMES —					
MMcf⁽¹⁾	7,710	9,712	7,593	9,395	11,648
INVENTORY STORAGE BALANCE — Bcf	2.0	2.6	1.8	2.3	2.3

⁽¹⁾ Transportation volumes and operating revenues reflect segment operations, including intercompany sales and transportation amounts.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our natural gas distribution divisions operate. The regulatory authorities have the responsibility of ensuring that utilities under 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 doing business and to provide a reasonable return on invested capital.

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

Purchased gas mechanisms represent a common form of cost adjustment mechanism. Purchased gas adjustment mechanisms provide gas utility companies 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 natural gas distribution gas costs. Therefore, although substantially all of our natural gas distribution operating revenues fluctuate with the cost of gas that we purchase, natural gas distribution gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas.

Additionally, some jurisdictions have introduced performance-based ratemaking adjustments to provide incentives to natural gas utilities to minimize purchased gas costs through improved storage management and use of financial hedges to lock in gas costs. Under the performance-based ratemaking adjustment, purchased gas costs savings are shared between the utility company and its customers.

Current Ratemaking Strategy

Our current rate strategy focuses on seeking rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved margins from customer usage patterns due to weather-related variability, declining use per customer and energy conservation, also known as decoupling. Additionally, we are seeking to stratify rates to benefit low income households and to recover the gas cost portion of our bad debt expense.

Improving rate design is a long-term process. In the interim, we are addressing regulatory lag issues by directing discretionary capital spending to jurisdictions that permit us to recover our investment timely and file rate cases on a more frequent basis to minimize the regulatory lag to keep our actual returns more closely aligned with our allowed returns.

Recent Ratemaking Activity

Approximately 97 percent of our natural gas distribution revenues in the fiscal years ended September 30, 2007, 2006 and 2005 were derived from sales at rates set by or subject to approval by local or state authorities. Of that amount, approximately 90 percent of our rate increases over the last three fiscal years have been obtained through rate making mechanisms that allow us to automatically refresh our rates without filing a formal rate case. Net annual revenue increases resulting from ratemaking activity totaling \$40.1 million, \$39.0 million and \$6.3 million became effective in fiscal 2007, 2006 and 2005 as summarized below:

Rate Action	Increase (Decrease) to Revenue For the Year Ended September 30		
	2007	2006	2005
	(In thousands)		
GRIP filings	\$25,624	\$34,320	\$1,802
Stable rate filings	11,628	3,326	4,525
Rate case filings	4,221	(191)	—
Other rate activity	(1,359)	1,565	—
	<u>\$40,114</u>	<u>\$39,020</u>	<u>\$6,327</u>

Additionally, the following ratemaking efforts were initiated during fiscal 2007 but had not been completed as of September 30, 2007:

Division	Rate Action	Jurisdiction	Revenue Requested (In thousands)
Colorado-Kansas	Rate Case	Kansas	\$ 4,978
Kentucky/Mid-States	Rate Case ⁽¹⁾	Tennessee	11,055
Mid-Tex	Rate Case	Texas	<u>51,945</u>
			<u>\$67,978</u>

⁽¹⁾ The Tennessee rate case was settled in October 2007, resulting in an increase in annual revenue of \$4.0 million and a \$4.1 million reduction in depreciation expense.

Our recent ratemaking activity is discussed in greater detail below.

GRIP Filings

As discussed above in the "Natural Gas Distribution Segment Overview," GRIP allows natural gas utility companies the opportunity to include in their rate base annually approved capital costs incurred in the prior calendar year. The following table summarizes our GRIP filings with effective dates during the years ended September 30, 2007, 2006 and 2005:

Division	Calendar Year	Incremental Net Utility Plant Investment (In thousands)	Additional Annual Revenue (In thousands)	Effective Date
<i>2007 GRIP:</i>				
Atmos Pipeline — Texas	2006	\$ 88,938	\$13,202	9/14/07
Mid-Tex	2006	62,375	12,422	9/14/07
Total 2007 GRIP		<u>\$151,313</u>	<u>\$25,624</u>	
<i>2006 GRIP:</i>				
Mid-Tex ⁽¹⁾	2005	\$ 62,156	\$11,891	9/1/06
West Texas	2005	3,802	—	9/1/06
Atmos Pipeline — Texas	2005	21,486	3,286	8/1/06
West Texas	2004	22,597	3,802	5/4/06
Mid-Tex ⁽¹⁾	2004	28,903	6,731	2/1/06
Atmos Pipeline — Texas	2004	10,640	1,919	1/1/06
Mid-Tex ⁽¹⁾	2003	32,518	6,691	10/1/05
Total 2006 GRIP		<u>\$182,102</u>	<u>\$34,320</u>	
<i>2005 GRIP:</i>				
Atmos Pipeline — Texas	2003	\$ 11,038	\$ 1,802	4/1/05
Total 2005 GRIP		<u>\$ 11,038</u>	<u>\$ 1,802</u>	
<i>GRIP pending approval:</i>				
West Texas	2006	\$ 7,022	\$ 1,234	(2)
Total		<u>\$ 7,022</u>	<u>\$ 1,234</u>	

⁽¹⁾ The order issued by the RRC in the Mid-Tex rate case required an immediate refund of amounts collected from the Mid-Tex Division's 2003-2005 GRIP filings of approximately \$2.9 million. This refund is not reflected in the amounts in the table above.

⁽²⁾ The West Texas 2006 GRIP filing is pending authorization from the RRC and the cities.

Stable Rate Filings

As an instrument to reduce regulatory lag, a stable rate filing is a regulatory mechanism designed to allow us to refresh our rates on a periodic basis without filing a formal rate case. As discussed above in the "Natural Gas Distribution Segment Overview," we currently have stable rate filings in our Louisiana and Mississippi Divisions. The following table summarizes our recent stable rate filings:

Division	Jurisdiction	Test Year Ended	Additional Annual Revenue (In thousands)	Effective Date
<i>2007 Stable Rate Filings:</i>				
Mississippi	Mississippi	6/30/07	\$ —	11/1/07
Louisiana	LGS	12/31/06	665	7/1/07
Louisiana	Transla	9/30/06	1,445	4/1/07
Louisiana	LGS	12/31/05	9,518	8/1/06
Total 2007 Stable Rate Filings			<u>\$11,628</u>	
<i>2006 Stable Rate Filings:</i>				
Mississippi	Mississippi	6/30/06	\$ —	11/1/06
Louisiana	LGS	12/31/03	3,326	2/1/06
Total 2006 Stable Rate Filings			<u>\$ 3,326</u>	
<i>2005 Stable Rate Filings:</i>				
Mississippi	Mississippi	9/30/04	\$ 4,300	2/2/05
Louisiana	LGS	12/31/02	225	10/1/04
Total 2005 Stable Rate Filings			<u>\$ 4,525</u>	

Rate Case Filings

A rate case is a formal request from Atmos Energy to a state's commission 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 fair rate of return to our shareholders as well as ensure that we continue to deliver reliable, reasonably priced natural gas service to our customers. The following table summarizes our recent rate cases:

Division	State	Increase (Decrease) in Annual Revenue (In thousands)	Effective Date
<i>2007 Rate Case Filings:</i>			
Kentucky/Mid-States	Kentucky ⁽¹⁾	\$ 5,500	8/1/07
Mid-Tex	Texas ⁽²⁾	4,793	4/1/07
Kentucky/Mid-States	Missouri ⁽³⁾	—	3/4/07
Kentucky/Mid-States	Tennessee	(6,072)	12/15/06
Total 2007 Rate Case Filings		<u>\$ 4,221</u>	
<i>2006 Rate Case Filings:</i>			
Kentucky/Mid-States	Georgia	\$ 409	11/22/05
Mississippi	Mississippi	(600)	10/1/05
Total 2006 Rate Case Filings		<u>\$ (191)</u>	

See footnotes on the following page.

- (1) In February 2005, the Attorney General of the State of Kentucky filed a complaint with the Kentucky Public Service Commission (KPSC) alleging that our rates were producing revenues in excess of reasonable levels. In June 2007, the KPSC issued an order dismissing the case. In December 2006, the Company filed a rate application for an increase in base rates. Additionally, we proposed to implement a process to review our rates annually and to collect the bad debt portion of gas costs directly rather than through the base rate. In July 2007, the KPSC approved a settlement we had reached with the Attorney General for an increase in annual revenues of \$5.5 million effective August 1, 2007.
- (2) In March 2007, the RRC issued an order, which increased the Mid-Tex Division's annual revenues by approximately \$4.8 million beginning April 2007 and established a permanent WNA based on 10-year average weather effective for the months of November through April of each year. The RRC also approved a cost allocation method that eliminated a subsidy received from industrial and transportation customers and increased the revenue responsibility for residential and commercial customers. However, the order also required an immediate refund of amounts collected from our 2003 — 2005 GRIP filings of approximately \$2.9 million and reduced our total return to 7.903 percent from 8.258 percent, based on a capital structure of 48.1 percent equity and 51.9 percent debt with a return on equity of 10 percent.
- (3) The Missouri Commission issued an order in March 2007 approving a settlement with rate design changes, including revenue decoupling through the recovery of all non-gas cost revenues through fixed monthly charges and no rate increase.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the years ended September 30, 2007, 2006 and 2005:

<u>Division</u>	<u>Jurisdiction</u>	<u>Rate Activity</u>	<u>Increase (Decrease) in Revenue (In thousands)</u>	<u>Effective Date</u>
<i>2007 Other Rate Activity:</i>				
Mid-Tex	Texas	GRIP Refund	\$(2,887)	4/1/07
Colorado-Kansas	Kansas	Ad Valorem Tax	<u>1,528</u>	1/1/07
2007 Other Rate Activity			<u>\$(1,359)</u>	
<i>2006 Other Rate Activity:</i>				
Colorado-Kansas	Kansas	Ad Valorem Tax	<u>\$ 1,565</u>	1/1/06
2006 Other Rate Activity			<u>\$ 1,565</u>	

In December 2006, the Louisiana Public Service Commission issued a staff report allowing the deferral of \$4.3 million in operating and maintenance expenses in our Louisiana Division to allow recovery of all incremental operation and maintenance expense incurred in fiscal 2005 and 2006 in connection with our Hurricane Katrina recovery efforts.

In September 2006, our Mid-Tex Division filed its annual gas cost reconciliation with the RRC. The filing reflects approximately \$24 million in refunds of amounts that were overcollected from customers between July 2005 and June 2006. The Mid-Tex Division received approval to refund these amounts over a six-month period, which began in November 2006. The ruling had no impact on the gross profit for the Mid-Tex Division.

In May 2007, our Mid-Tex Division filed a 36-month gas contract review filing. This filing is mandated by prior RRC orders and covers the prudence of gas purchases made from November 2003 through October 2006, which total approximately \$2.7 billion. An agreed-upon procedural schedule has been filed with the RRC, which established a hearing schedule beginning in December 2007.

In August 2007, our Colorado-Kansas Division agreed with the Colorado Office of Consumer Counsel and the staff of the Colorado Public Utility Commission to issue a one-time credit to our Colorado customers of \$1.1 million on customer bills in January 2008.

Other Regulation

Each of our natural gas distribution divisions is 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 gas distribution facilities. In addition, our distribution 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 substantially comply with and are operated in substantial conformity with applicable safety and environmental statutes and regulations. There are no administrative nor 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 in Tennessee, Iowa and Missouri.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act, gas transportation services through our Atmos Pipeline — Texas assets “on behalf of” interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC.

Competition

Although our natural gas 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 and agricultural 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. However, higher gas prices, coupled with the electric utilities’ marketing efforts, have increased competition for residential and commercial customers. In addition, AEM competes with other natural gas brokers in obtaining natural gas supplies for our customers.

Employees

At September 30, 2007, we had 4,653 employees, consisting of 4,526 employees in our regulated operations and 127 employees in our nonregulated 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, that we file with or furnish to the Securities and Exchange Commission (SEC) are available free of charge at our website, www.atmosenergy.com, 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, Robert W. Best, has certified to the New York Stock Exchange that he was not aware of any violation by the Company of NYSE corporate governance listing standards. The Board of Directors has also periodically updated the charters for each of its Audit, Human Resources and Nominating and Corporate Governance Committees. All of the foregoing documents are posted on the Corporate Governance page of our website. We will also provide copies of such information 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 factors, many of which are not within our control. Although we have tried to discuss key risk factors below, please be aware that other risks may prove to be important in the future. These factors include the following:

We are subject to regulation by each state in which we operate that affect our operations and financial results.

Our natural gas distribution and regulated transmission and storage businesses are subject to various regulated returns on our rate base in each jurisdiction in which we operate. We monitor the allowed rates of return and our effectiveness in earning such rates and initiate rate proceedings or operating changes as we believe are needed. In addition, in the normal course of the regulatory environment, assets may be placed in service and historical test periods established before rate cases can be filed that could result in an adjustment of our returns. Once rate cases are filed, regulatory bodies have the authority to suspend implementation of the new rates while studying the cases. Because of this process, we must 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”. In addition, rate cases involve a risk of rate reduction, because once rates have been approved, they are still subject to challenge for their reasonableness by appropriate regulatory authorities. Our debt and equity financings are also subject to approval by regulatory bodies in several states, which could limit our ability to take advantage of favorable market conditions.

Our business could also be affected by deregulation initiatives, including the development of unbundling initiatives in the natural gas industry. Unbundling is the separation of the provision and pricing of local distribution gas services into discrete components. It typically focuses on the separation of the distribution and gas supply components and the resulting opening of the regulated components of sales services to alternative unregulated suppliers of those services. Although we believe that our enhanced technology and distribution system infrastructures have positively positioned us, we cannot provide assurance that there would be no significant adverse effect on our business should unbundling or further deregulation of the natural gas distribution service business occur.

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

Our risk management operations are subject to market risks beyond our control including market liquidity, commodity price volatility and counterparty creditworthiness.

Although we maintain a risk management policy, we may not be able to completely offset the price risk associated with volatile gas prices or the risk in our natural gas marketing and pipeline and storage segments, which could lead to volatility in our earnings. Physical trading also introduces price risk on any net open positions at the end of each trading day, as well as volatility resulting from intra-day fluctuations of gas prices and the potential for daily price movements between the time natural gas is purchased or sold for future delivery and the time the related purchase or sale is hedged. Although we manage our business to maintain no

open positions, there are times when limited net open positions related to our physical storage may occur on a short-term basis. The determination of our net open position as of the end of any particular trading day requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of such day may increase if the assumptions are not realized, we review these assumptions as part of our daily monitoring activities. Net open positions may increase volatility in our financial condition or results of operations if market prices move in a significantly favorable or unfavorable manner because the timing of the recognition of profits or losses on the hedges for financial accounting purposes usually do not match up with the timing of the economic profits or losses on the item being hedged. This volatility may occur with a resulting increase or decrease in earnings or losses, even though the expected profit margin is essentially unchanged from the date the transactions were consummated. Further, if the local physical markets in which we trade do not move consistently with the NYMEX futures market, we could experience increased volatility in the financial results of our natural gas marketing and pipeline and storage segments.

Our natural gas marketing and pipeline, storage and other segments manage margins and limit risk exposure on the sale of natural gas inventory or the offsetting fixed-price purchase or sale commitments for physical quantities of natural gas through the use of a variety of financial derivatives. However, contractual limitations could adversely affect our ability to withdraw gas from storage, which could cause us to purchase gas at spot prices in a rising market to obtain sufficient volumes to fulfill customer contracts. We could also realize financial losses on our efforts to limit risk as a result of volatility in the market prices of the underlying commodities or if a counterparty fails to perform under a contract. In addition, adverse changes in the creditworthiness of our counterparties could limit the level of trading activities with these parties and increase the risk that these parties may not perform under a contract.

We are also subject to interest rate risk on our commercial paper borrowings. In recent years, we have been operating in a relatively low interest-rate environment with both short and long-term interest rates being relatively low compared to historical interest rates. However, in the last three years, the Federal Reserve has taken actions that have generally resulted in increases in short-term interest rates. Future increases in interest rates could adversely affect our future financial results.

The concentration of our distribution, pipeline and storage operations in the State of Texas has increased the exposure of our operations and financial results to economic conditions and regulatory decisions in Texas.

As a result of our acquisition of the distribution, pipeline and storage operations of TXU Gas in October 2004, over 50 percent of our natural gas distribution customers and most of our pipeline and storage assets and operations are located in the State of Texas. This concentration of our business in Texas means that our operations and financial results are subject to greater impact than before from changes in the Texas economy in general and regulatory decisions by state and local regulatory authorities.

Adverse weather conditions could affect our operations.

Beginning in the 2006-2007 winter heating season, we have had weather-normalized rates for over 90 percent of our residential and commercial meters, which has substantially mitigated the adverse effects of warmer-than-normal weather for meters in those service areas. However, our natural gas distribution and regulated transmission and storage operating results may continue to vary somewhat with the actual temperatures during the winter heating season. *In addition, sustained cold weather could adversely affect our natural gas marketing operations as we may be required to purchase gas at spot rates in a rising market to obtain sufficient volumes to fulfill some customer contracts.*

The execution of our business plan could be affected by an inability to access capital markets.

We rely upon access to both short-term and long-term capital markets to satisfy our liquidity requirements. Adverse changes in the economy or these markets, the overall health of the industries in which we

operate and changes to our credit ratings could limit access to these markets, increase our cost of capital or restrict the execution of our business plan.

Our long-term debt is currently rated as "investment grade" by Standard & Poor's Corporation (S&P), Moody's Investors Services, Inc. (Moody's) and Fitch Ratings, Ltd. (Fitch), the three credit rating agencies that rate our long-term debt securities. There can be no assurance that these rating agencies will maintain investment grade ratings for our long-term debt. If we were to lose our investment-grade rating, the commercial paper markets and the commodity derivatives markets could become unavailable to us. This would increase our borrowing costs for working capital and reduce the borrowing capacity of our gas marketing affiliate. In addition, if our commercial paper ratings were lowered, it would increase the cost of commercial paper financing and could reduce or eliminate our ability to access the commercial paper markets. If we were unable to issue commercial paper at reasonable rates, we would likely borrow under our bank credit facilities to meet our working capital needs, which would likely increase the cost of our working capital financing.

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

Inflation has caused increases in some of our operating expenses and has required assets to be replaced at higher costs. We have a process in place to continually review the adequacy of our natural gas distribution gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates. Historically, we have been able to budget and control operating expenses and investments within the amounts authorized to be collected in rates and intend to continue to do so. However, the ability to control expenses is an important factor that could influence future results.

Rapid increases in the price of purchased gas, which has occurred in recent years, 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.

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

We must continually build additional capacity in our natural gas distribution system to maintain the growth in the number of our customers. The cost of adding this capacity may be affected by a number of factors, including the general state of the economy and weather. Our cash flows from operations generally are sufficient to supply funding for all our capital expenditures including the financing of the costs of new construction along with capital expenditures necessary to maintain our existing natural gas system. Due to the timing of these cash flows and capital expenditures, we often must fund at least a portion of these costs through borrowing funds from third party lenders, the cost of which is dependent on the interest rates at the time. This in turn may limit our ability to connect new customers to our system due to constraints on the amount of funds we can invest in our infrastructure.

Our operations are subject to increased competition.

In the residential and commercial customer markets, our natural gas 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 as a result, our customer growth slows, reducing our ability to make capital expenditures, 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 and agricultural customers, 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 regulated transmission and storage operations currently face limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, competition may increase if new intrastate pipelines are constructed near our existing facilities.

The cost of providing pension and postretirement health care benefits is subject to changes in pension fund values, changing demographics and actuarial assumptions and may have a material adverse effect on our financial results.

We provide a cash-balance pension plan and postretirement healthcare benefits to eligible full-time employees. Our costs of providing such benefits is subject to changes in the market value of our pension fund assets, 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, and various actuarial calculations and assumptions. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates and interest rates and other factors. These differences may result in a significant impact on the amount of pension expense or other postretirement benefit costs recorded in future periods.

We are subject to environmental regulations which could adversely affect our operations or financial results.

We are 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 legal requirements 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. Such revised or new regulations could result in increased compliance costs or additional operating restrictions which could adversely affect our business, financial condition and results of operations.

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

Our natural gas distribution business involves a number of hazards and operating risks that cannot be completely avoided, such as leaks, accidents and operational problems, which could cause loss of human life, as well as substantial financial losses resulting from property damage, damage to the environment and to our operations. We do have liability and property insurance coverage in place for many of these hazards and risks. However, because our pipeline, storage and distribution 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 insurance, our financial position and results of operations could be adversely affected.

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 be more limited, which could increase the risk that an event could adversely affect future financial results.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Distribution, transmission and related assets

At September 30, 2007, our natural gas distribution segment owned an aggregate of 76,362 miles of underground distribution and transmission mains throughout our gas distribution systems. These mains are located on easements or rights-of-way which generally provide for perpetual use. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Our regulated transmission and storage segment owned 6,290 miles of gas transmission and gathering lines and our pipeline, storage and other segment owned 73 miles of gas transmission and gathering 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:

State	Usable Capacity (Mcf)	Cushion Gas (Mcf) ⁽¹⁾	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
<i>Natural Gas Distribution Segment</i>				
Kentucky	4,442,696	6,322,283	10,764,979	109,100
Kansas	3,239,000	2,300,000	5,539,000	45,000
Mississippi	2,211,894	2,442,917	4,654,811	48,000
Georgia	450,000	50,000	500,000	30,000
<i>Total</i>	10,343,590	11,115,200	21,458,790	232,100
<i>Regulated Transmission and Storage Segment — Texas</i>				
<i>Pipeline, Storage and Other Segment</i>				
Kentucky	3,492,900	3,295,000	6,787,900	71,000
Louisiana	438,583	300,973	739,556	56,000
<i>Total</i>	3,931,483	3,595,973	7,527,456	127,000
Total	<u>53,403,548</u>	<u>27,839,198</u>	<u>81,242,746</u>	<u>1,594,100</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 pipelines serving us to supplement our proprietary storage capacity. The following table summarizes our contracted storage capacity:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity (MMBtu) ⁽¹⁾
<i>Natural Gas Distribution Segment</i>			
	Colorado-Kansas Division	4,237,243	108,232
	Kentucky/Mid-States Division	15,302,867	287,831
	Louisiana Division	2,689,695	163,692
	Mississippi Division	4,033,649	168,039
	West Texas Division	<u>1,225,000</u>	<u>56,000</u>
<i>Total</i>		27,488,454	783,794
<i>Natural Gas Marketing Segment</i>	Atmos Energy Marketing, LLC	11,874,654	271,167
<i>Pipeline, Storage and Other Segment</i>	Trans Louisiana Gas Pipeline, Inc.	<u>1,050,000</u>	<u>60,000</u>
Total Contracted Storage Capacity		<u><u>40,413,108</u></u>	<u><u>1,114,961</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.

Other facilities

Our natural gas distribution segment owns and operates one propane peak shaving plant with a total capacity of approximately 180,000 gallons that can produce an equivalent of approximately 3,300 Mcf daily.

Offices

Our administrative offices and corporate headquarters are consolidated in a leased facility in Dallas, Texas. We also maintain field offices throughout our distribution system, the majority of which are located in leased facilities. Our nonregulated operations are headquartered in Houston, Texas, with offices in Houston and other locations, primarily in leased facilities.

ITEM 3. Legal Proceedings

See Note 13 to the consolidated financial statements.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2007.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of September 30, 2007, 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>
Robert W. Best	60	10	Chairman, President and Chief Executive Officer
Kim R. Cocklin	56	1	Senior Vice President, Utility Operations
Louis P. Gregory	52	7	Senior Vice President and General Counsel
Mark H. Johnson	48	6	Senior Vice President, Nonutility Operations and President, Atmos Energy Marketing, LLC
Wynn D. McGregor	54	19	Senior Vice President, Human Resources
John P. Reddy	54	9	Senior Vice President and Chief Financial Officer

Robert W. Best was named Chairman of the Board, President and Chief Executive Officer in March 1997.

Kim R. Cocklin joined the Company in June 2006 as Senior Vice President, Utility Operations. Prior to joining the Company, Mr. Cocklin served as Senior Vice President, General Counsel and Chief Compliance Officer of Piedmont Natural Gas Company from February 2003 to May 2006. Prior to joining Piedmont, Mr. Cocklin was with Williams Gas Pipeline from 1995 to January 2003, where he served in various capacities, including serving as Vice President for rates, regulatory and business development for all of the Williams Gas pipelines from 2001 to January 2003.

Louis P. Gregory was named Senior Vice President and General Counsel in September 2000.

Mark H. Johnson was named Senior Vice President, Nonutility Operations in April 2006 and President of Atmos Energy Holdings, Inc., and Atmos Energy Marketing, LLC, in April 2005. Mr. Johnson previously served the Company as Vice President, Nonutility Operations from October 2005 to March 2006 and as Executive Vice President of Atmos Energy Marketing from October 2003 to March 2005. Mr. Johnson joined Atmos Energy Marketing's predecessor, Woodward Marketing, L.L.C., in 1992 as Vice President of Marketing and Operations and was later promoted to Senior Vice President of Marketing for the Midwest and Gulf Coast through September 2003.

Wynn D. McGregor was named Senior Vice President, Human Resources in October 2005. He previously served the Company as Vice President, Human Resources from January 1994 to September 2005.

John P. Reddy was named Senior Vice President and Chief Financial Officer in September 2000.

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 high and low sale prices and dividends paid per share of our common stock for fiscal 2007 and 2006 are listed below. The high and low prices listed are the closing NYSE quotes, as reported on the NYSE composite tape, for shares of our common stock:

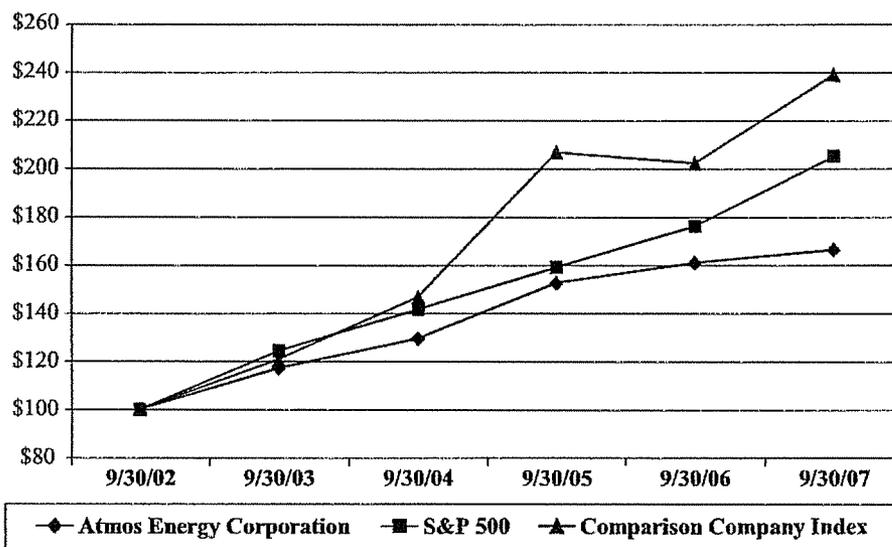
	2007			2006		
	High	Low	Dividends Paid	High	Low	Dividends Paid
Quarter ended:						
December 31	\$33.01	\$28.45	\$.320	\$28.36	\$25.79	\$.315
March 31	33.00	30.63	.320	27.00	26.10	.315
June 30	33.11	29.38	.320	27.91	26.00	.315
September 30	30.66	26.47	<u>.320</u>	29.11	27.96	<u>.315</u>
			<u>\$1.28</u>			<u>\$1.26</u>

Dividends are payable at the discretion of our Board of Directors out of legally available funds and are also subject to restriction under the terms of our First Mortgage Bond agreement. See Note 6 to the consolidated financial statements. The Board of Directors typically declares dividends in the same fiscal quarter in which they are paid. The number of record holders of our common stock on October 31, 2007 was 22,912. 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 2007 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 Standard and Poor's 500 Stock Index and the cumulative total return of a customized peer company group, the Comparison Company Index, which is comprised of utility 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, 2002 in our common stock, the S&P 500 Index and in the common stock of the companies in the 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
and Comparison Company Index**



	Cumulative Total Return					
	9/30/02	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07
Atmos Energy Corporation	100.00	117.25	129.58	152.04	160.99	166.39
S&P 500 Index	100.00	124.40	141.65	159.01	176.17	205.13
Comparison Company Index	100.00	120.89	146.79	206.79	202.30	239.05

The Comparison Company Index contains a hybrid group of utility companies, primarily natural gas distribution companies, recommended by a global management consulting firm and approved by the Board of Directors. The companies included in the index are AGL Resources Inc., CenterPoint Energy Resources Corporation, CMS Energy Corporation, Equitable Resources, Inc., Nicor Inc., NiSource Inc., ONEOK Inc., Piedmont Natural Gas Company, Inc., Questar Corporation, Vectren Corporation and WGL Holdings, Inc. KeySpan Corporation is no longer included in the index since it was acquired by National Grid plc in August 2007; Peoples Energy Corporation is no longer included in the index since it was acquired by WPS Resources, Inc. to form Integrys Energy Group, Inc. in February 2007.

The following table sets forth the number of securities authorized for issuance under our equity compensation plans at September 30, 2007.

	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:			
Long-Term Incentive Plan	920,841	\$22.54	2,730,192
Total equity compensation plans approved by security holders . . .	920,841	22.54	2,730,192
Equity compensation plans not approved by security holders . . .	—	—	—
Total	<u>920,841</u>	<u>\$22.54</u>	<u>2,730,192</u>

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.

	Year Ended September 30				
	2007 ⁽¹⁾	2006 ⁽¹⁾	2005 ⁽²⁾	2004 ⁽³⁾	2003 ⁽⁴⁾
	(In thousands, except per share data and ratios)				
Results of Operations					
Operating revenues	\$5,898,431	\$6,152,363	\$4,961,873	\$2,920,037	\$2,799,916
Gross profit	1,250,082	1,216,570	1,117,637	562,191	534,976
Operating expenses ⁽¹⁾	851,446	833,954	768,982	368,496	347,136
Operating income	398,636	382,616	348,655	193,695	187,840
Miscellaneous income ⁽³⁾	9,184	881	2,021	9,507	2,191
Interest charges	145,236	146,607	132,658	65,437	63,660
Income before income taxes and cumulative effect of accounting change	262,584	236,890	218,018	137,765	126,371
Cumulative effect of accounting change, net income tax benefit	—	—	—	—	(7,773)
Income tax expense	94,092	89,153	82,233	51,538	46,910
Net income	\$ 168,492	\$ 147,737	\$ 135,785	\$ 86,227	\$ 71,688
Weighted average diluted shares outstanding	87,745	81,390	79,012	54,416	46,496
Diluted net income per share	\$ 1.92	\$ 1.82	\$ 1.72	\$ 1.58	\$ 1.54
Cash flows from operations	547,095	311,449	386,944	270,734	49,541
Cash dividends paid per share	\$ 1.28	\$ 1.26	\$ 1.24	\$ 1.22	\$ 1.20
Total natural gas distribution throughput (MMcf)	427,869	393,995	411,134	246,033	247,965
Total regulated transmission and storage transportation volumes (MMcf)	505,493	410,505	373,879	—	—
Total natural gas marketing sales volumes (MMcf)	370,668	283,962	238,097	222,572	225,961
Financial Condition					
Net property, plant and equipment ⁽⁵⁾	\$3,836,836	\$3,629,156	\$3,374,367	\$1,722,521	\$1,624,394
Working capital ⁽⁵⁾	149,217	(1,616)	151,675	283,310	16,248
Total assets ⁽⁵⁾⁽⁶⁾	5,896,917	5,719,547	5,653,527	2,912,627	2,625,495
Short-term debt, inclusive of current maturities of long-term debt	154,430	385,602	148,073	5,908	127,940
Capitalization:					
Shareholders' equity	1,965,754	1,648,098	1,602,422	1,133,459	857,517
Long-term debt (excluding current maturities)	2,126,315	2,180,362	2,183,104	861,311	862,500
Total capitalization	4,092,069	3,828,460	3,785,526	1,994,770	1,720,017
Capital expenditures	392,435	425,324	333,183	190,285	159,439
Financial Ratios					
Capitalization ratio ⁽⁶⁾	46.3%	39.1%	40.7%	56.7%	46.4%
Return on average shareholders' equity ⁽⁷⁾	8.8%	8.9%	9.0%	9.1%	9.9%

See footnotes on the following page.

- (1) Financial results for 2007 and 2006 include a \$6.3 million and a \$22.9 million pre-tax loss for the impairment of certain assets.
- (2) Financial results for 2005 include the results of the Mid-Tex Division and the Atmos Pipeline — Texas Division from October 1, 2004, the date of acquisition.
- (3) Financial results for 2004 include a \$5.9 million pre-tax gain on the sale of our interest in U.S. Propane, L.P. and Heritage Propane Partners, L.P.
- (4) Financial results for fiscal 2003 include the results of MVG from December 3, 2002, the date of acquisition.
- (5) Beginning in 2004, we reclassified our regulatory cost of removal obligation from accumulated depreciation to a liability. These reclassifications did not impact our financial position, results of operations or cash flows as of and for the year ended September 30, 2003.
- (6) The capitalization ratio is calculated by dividing shareholders' equity by the sum of total capitalization and short-term debt, inclusive of current maturities of long-term debt. Beginning in 2004 we reclassified our original issue discount costs from deferred charges and other assets to long-term debt. This reclassification did not materially impact our capitalization or our capitalization ratio as of September 30, 2003.
- (7) The return on average shareholders' equity is calculated by dividing current year net income by the average of shareholders' equity for the previous five quarters.

The following table presents a condensed income statement by segment for the year ended September 30, 2007.

	Year Ended September 30, 2007					
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	Consolidated
	(In thousands)					
Operating revenues from external parties	\$3,358,147	\$ 84,344	\$2,432,280	\$23,660	\$ —	\$5,898,431
Intersegment revenues	<u>618</u>	<u>78,885</u>	<u>719,050</u>	<u>9,740</u>	<u>(808,293)</u>	<u>—</u>
	3,358,765	163,229	3,151,330	33,400	(808,293)	5,898,431
Purchased gas cost	<u>2,406,081</u>	<u>—</u>	<u>3,047,019</u>	<u>792</u>	<u>(805,543)</u>	<u>4,648,349</u>
Gross profit	952,684	163,229	104,311	32,608	(2,750)	1,250,082
Operating expenses	<u>731,497</u>	<u>83,399</u>	<u>29,271</u>	<u>10,373</u>	<u>(3,094)</u>	<u>851,446</u>
Operating income	221,187	79,830	75,040	22,235	344	398,636
Miscellaneous income	8,945	2,105	6,434	8,173	(16,473)	9,184
Interest charges	<u>121,626</u>	<u>27,917</u>	<u>5,767</u>	<u>6,055</u>	<u>(16,129)</u>	<u>145,236</u>
Income before income taxes	108,506	54,018	75,707	24,353	—	262,584
Income tax expense	<u>35,223</u>	<u>19,428</u>	<u>29,938</u>	<u>9,503</u>	<u>—</u>	<u>94,092</u>
Net income	<u>\$ 73,283</u>	<u>\$ 34,590</u>	<u>\$ 45,769</u>	<u>\$14,850</u>	<u>\$ —</u>	<u>\$ 168,492</u>
Capital expenditures	<u>\$ 327,442</u>	<u>\$ 59,276</u>	<u>\$ 1,069</u>	<u>\$ 4,648</u>	<u>\$ —</u>	<u>\$ 392,435</u>

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: regulatory trends and decisions, including deregulation initiatives and the impact of rate proceedings before various state regulatory commissions; market risks beyond our control affecting our risk management activities including market liquidity, commodity price volatility, increasing interest rates and counterparty creditworthiness; the concentration of our distribution, pipeline and storage operations in one state; adverse weather conditions; our ability to continue to access the capital markets; the effects of inflation and changes in the availability and prices of natural gas, including the volatility of natural gas prices; the capital-intensive nature of our distribution business, increased competition from energy suppliers and alternative forms of energy; increased costs of providing pension and postretirement health care benefits; the impact of environmental regulations on our business; the inherent hazards and risks involved in operating our distribution business, natural disasters, terrorist activities or other events, and other risks and uncertainties discussed herein, especially in Item 1A above, 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 AND ESTIMATES

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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived

assets. Our critical accounting policies are reviewed by the Audit Committee quarterly. Actual results may differ from estimates.

Regulation — Our natural gas distribution and regulated transmission 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 regulated operations are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) 71, *Accounting for the Effects of Certain Types of Regulation*. This statement requires cost-based, rate-regulated entities that meet certain criteria to reflect the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions in their financial statements. We record regulatory assets for costs that have been deferred for which 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. 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 they can be recovered through rates. Discontinuing the application of SFAS 71 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. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations. The impact of regulation on our natural gas distribution operations may be affected by decisions of the regulatory authorities or the issuance of new regulations.

Revenue recognition — Sales of natural gas to our natural gas distribution customers are billed on a monthly cycle basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for natural gas distribution segment revenues whereby revenues applicable 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. Revenue is recognized in our regulated transmission and storage segment as the services are provided.

On occasion, we are permitted to implement new rates that have not been formally approved by our regulatory authorities and are subject to refund. As permitted by SFAS No. 71, 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.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility company's non-gas costs. These mechanisms are commonly utilized when regulatory authorities recognize a particular type of expense, such as purchased gas costs, that (i) is subject to significant price fluctuations compared to the utility company's other costs, (ii) represents a large component of the utility company's cost of service and (iii) is generally outside the control of the gas utility company. There is no gross profit generated through purchased gas adjustments, but they provide a dollar-for-dollar offset to increases or decreases in utility gas costs. Although substantially all natural gas distribution sales to our customers fluctuate with the cost of gas that we purchase, our gross profit is generally not affected by fluctuations in the cost of gas as a result of the purchased gas adjustment mechanism. The effects of these purchased gas adjustment mechanisms are recorded as deferred gas costs on our balance sheet.

Energy trading contracts resulting in the delivery of a commodity in which we are the principal in the transaction are recorded as natural gas marketing sales or purchases at the time of physical delivery. Realized gains and losses from the settlement of financial instruments that do not result in physical delivery related to our natural gas marketing energy trading contracts are included as a component of natural gas marketing revenues.

Operating revenues for our pipeline, storage and other segment are recognized in the period in which actual volumes are transported and storage services are provided.

Allowance for doubtful accounts — We record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect based upon our collections experiences and our assessment of our customers' inability or reluctance to pay. However, if circumstances change, our estimate of the recoverability of accounts receivable could be different. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Derivatives and hedging activities — Our natural gas distribution segment uses a combination of physical storage and financial derivatives to partially insulate our natural gas distribution customers against gas price volatility during the winter heating season. These financial derivatives have not been designated as hedges pursuant to SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. Accordingly, they are recorded at fair value. However, because the costs associated with and the gains and losses arising from these financial derivatives are included in our purchased gas adjustment mechanisms, changes in the fair value of these financial derivatives are initially recorded as a component of deferred gas costs and recognized in the consolidated statement of income as a component of purchased gas costs when the related costs are recovered through our rates in accordance with SFAS 71. Accordingly, there is no earnings impact to our natural gas distribution segment as a result of the use of financial derivatives.

Our natural gas marketing and pipeline, storage and other segments are exposed to commodity price risk associated with our natural gas inventories, and, in our natural gas marketing segment, on our fixed-price contracts. We manage this risk through a combination of physical storage and financial derivatives, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Option contracts provide the right, but not the requirement, to buy or sell the commodity at a fixed price. Swap contracts require receipt of payment for the commodity based on the difference between a fixed price and the market price on the settlement date. The use of these contracts is subject to our risk management policies, which are monitored for compliance daily.

We have designated the natural gas inventory held by Atmos Energy Marketing and Atmos Pipeline and Storage, LLC as the hedged item in a fair-value hedge. This inventory is 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 revenue in the period of change. The derivatives associated with this natural gas inventory have been designated as fair value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in the period of change. The difference in the spot price used to value our physical inventory (Gas Daily) and the forward price used to value the related fair-value hedges (NYMEX) are reported as a component of revenue and can result in volatility in our reported net income. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges.

We recognize revenue and the associated carrying value of the inventory (inclusive of storage costs) as purchased gas costs in our consolidated statement of income when we sell the gas and deliver it out of the storage facility. Over time, we expect gains and losses on the sale of storage gas inventory to be offset by gains and losses on the fair-value hedges, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

We have elected to treat our fixed-price forward contracts as normal purchases and sales and have designated the associated derivative contracts as cash flow hedges of anticipated transactions. Accordingly, unrealized gains and losses on these open derivative contracts are recorded as a component of accumulated other comprehensive income, and are recognized in earnings as a component of revenue when the hedged volumes are sold. Hedge ineffectiveness, to the extent incurred, is reported as a component of revenue.

Additionally, our natural gas marketing segment utilizes storage swaps and futures to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. Although the purpose of these instruments is to either reduce basis or other risks or lock in arbitrage opportunities, these derivative

instruments have not been designated as hedges pursuant to SFAS 133. Accordingly, these derivative instruments are recorded at fair value with all changes in fair value included in revenue.

In addition to mitigating commodity price risk, we periodically manage our exposure to interest rate changes by entering into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings. We have designated each of our previously executed Treasury lock agreements as a cash flow hedge of an anticipated transaction at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the Treasury lock agreements are recorded as a component of accumulated other comprehensive income. The realized gain or loss recognized upon settlement of the Treasury lock agreement is initially recorded as a component of accumulated other comprehensive income and is recognized as a component of interest expense over the life of the related financing arrangement.

The fair value of all of our financial derivatives is determined through a combination of prices actively quoted on national exchanges, prices provided by other external sources and prices based on models and other valuation methods. Changes in the valuation of our financial derivatives primarily result from changes in market prices, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions, each of which directly affect the estimated fair value of our derivatives. We believe the market prices and models used to value these derivatives 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.

Impairment assessments — We perform impairment assessments of our goodwill, intangible assets subject to amortization and long-lived assets. We currently have no indefinite-lived intangible assets.

We annually evaluate our goodwill balances for impairment during our second fiscal quarter or as impairment indicators arise. We use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. We have determined our reporting units to be each of our natural gas distribution divisions and wholly-owned subsidiaries. Goodwill is allocated to the reporting units responsible for the acquisition that gave rise to the goodwill. The discounted cash flow calculations used to assess goodwill impairment 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.

We annually assess whether the cost of our intangible assets subject to amortization or other long-lived assets is recoverable or that the remaining useful lives may warrant revision. We perform this assessment more frequently when specific events or circumstances have occurred that suggest the recoverability of the cost of the intangible and other long-lived assets is at risk.

When such events or circumstances are present, we assess the recoverability of these assets by determining whether the carrying value will be recovered through expected future cash flows from the operating division or subsidiary to which these assets relate. These cash flow projections consider various factors such as the timing of the future cash flows and the discount rate and are based upon the best information available at the time the estimate is made. Changes in these factors could materially affect the cash flow projections and result in the recognition of an impairment charge. An impairment charge is recognized as the difference between the carrying amount and the fair value if the sum of the undiscounted cash flows is less than the carrying value of the related asset.

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. We review the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities annually based upon a June 30 measurement date. 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.

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 Moody's Aa bond index, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with a high quality corporate bond spot rate curve.

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 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 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 cost is not affected. Rather, this gain or loss reduces or increases future pension or postretirement plan cost over a period of approximately ten to twelve years.

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.

Actual changes in the fair market value of plan assets and differences between the actual return on plan assets and the expected return on plan assets could have a material effect on the amount of pension cost ultimately recognized. A 0.25 percent change in our discount rate would impact our pension and postretirement cost by approximately \$0.9 million. A 0.25 percent change in our expected rate of return would impact our pension and postretirement cost by approximately \$0.9 million.

RESULTS OF OPERATIONS

Overview

Atmos Energy Corporation is involved in the distribution, marketing and transportation of natural gas. Accordingly, our results of operations are impacted by the demand for natural gas, particularly during the winter heating season, and the volatility of the natural gas markets. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either lower net income or net losses during the period from April through September of each year. As a result of the seasonality of the natural gas industry, our second fiscal quarter has historically been our most critical earnings quarter with an average of approximately 63 percent of our consolidated net income having been earned in the second quarter during the three most recently completed fiscal years. Additionally, the seasonality of this industry impacts the levels of accounts receivable, accounts payable, gas stored underground and short-term debt balances we report at various time of the fiscal year.

Consolidated Results

The following table presents our consolidated financial highlights for the fiscal years ended September 30, 2007, 2006 and 2005.

	For the Year Ended September 30		
	2007	2006	2005
	(In thousands, except per share data)		
Operating revenues	\$5,898,431	\$6,152,363	\$4,961,873
Gross profit	1,250,082	1,216,570	1,117,637
Operating expenses	851,446	833,954	768,982
Operating income	398,636	382,616	348,655
Miscellaneous income	9,184	881	2,021
Interest charges	145,236	146,607	132,658
Income before income taxes	262,584	236,890	218,018
Income tax expense	94,092	89,153	82,233
Net income	\$ 168,492	\$ 147,737	\$ 135,785
Earnings per diluted share	\$ 1.92	\$ 1.82	\$ 1.72

Historically, our regulated operations arising from our natural gas distribution operations and, beginning in fiscal 2005, from our Atmos Pipeline — Texas division, contributed 65 to 85 percent of our consolidated net income. However, in recent years, this contribution has declined due to the growth of our nonregulated natural gas marketing and pipeline and storage businesses coupled with lower natural gas distribution income. Regulated operations contributed 64 percent, 54 percent and 80 percent to our consolidated net income for fiscal years 2007, 2006 and 2005. Our consolidated net income during the last three fiscal years was earned across our business segments as follows:

	For the Year Ended September 30		
	2007	2006	2005
	(In thousands)		
Natural gas distribution segment	\$ 73,283	\$ 53,002	\$ 81,117
Regulated transmission and storage segment	34,590	26,547	27,582
Natural gas marketing segment	45,769	58,566	23,404
Pipeline, storage and other segment	14,850	9,622	3,682
Net income	<u>\$168,492</u>	<u>\$147,737</u>	<u>\$135,785</u>

The following table segregates our consolidated net income and diluted earnings per share between our regulated and nonregulated operations:

	For the Year Ended September 30		
	2007	2006	2005
	(In thousands, except per share data)		
Regulated operations	\$107,873	\$ 79,549	\$108,699
Nonregulated operations	60,619	68,188	27,086
Consolidated net income	<u>\$168,492</u>	<u>\$147,737</u>	<u>\$135,785</u>
Diluted EPS from regulated operations	\$ 1.23	\$ 0.98	\$ 1.38
Diluted EPS from nonregulated operations	0.69	0.84	0.34
Consolidated diluted EPS	<u>\$ 1.92</u>	<u>\$ 1.82</u>	<u>\$ 1.72</u>

The 14 percent year-over-year increase in net income during fiscal 2007 reflects improvements across all business segments. Results from our regulated operations reflect the net favorable impact of various ratemaking rulings in our natural gas distribution segment, including the implementation of WNA in our Mid-

Tex and Louisiana Divisions coupled with increased throughput and incremental gross profit margins from our North Side Loop and other pipeline compression projects completed in fiscal 2006. The decrease in net income from our nonregulated operations primarily reflects the impact of a less volatile natural gas market, which reduced delivered gas margins despite a 31 percent increase in sales volumes. However, our nonregulated operations benefited from higher asset optimization margins, primarily in the pipeline, storage and other segment.

The nine percent year-over-year increase in net income during fiscal 2006 primarily reflects strong results in our nonregulated operations, partially offset by a decrease in our regulated operations. The net income from our nonregulated operations reflect the favorable impact of a volatile natural gas market, which provided increased opportunities to maximize delivered gas margins. Our nonregulated results were also favorably impacted by recording unrealized gains during fiscal 2006 compared to recording unrealized losses in fiscal 2005. The decrease in net income from our regulated operations primarily reflects the adverse effects on our natural gas distribution segment of weather (adjusted for WNA) that was 13 percent warmer than normal, the adverse effect of Hurricane Katrina on our Louisiana Division and a non-recurring, noncash charge to impair our West Texas Division irrigation assets.

Other key financial and significant events for the year ended September 30, 2007 include the following:

- In December 2006, we filed a \$900 million shelf registration statement with the SEC that replaced our previously existing shelf registration statement. Upon completion of the filing of this registration statement, we received net proceeds of approximately \$192 million through the issuance of approximately 6.3 million shares of common stock. The net proceeds received were used to repay a portion of our then-existing short-term debt balance.
- In June 2007, we received net proceeds of approximately \$247 million from the issuance of senior notes. The net proceeds received, together with \$53 million of available cash, were used to repay our \$300 million unsecured floating rate senior notes, which were redeemed on July 15, 2007.
- Our total-debt-to-capitalization ratio at September 30, 2007 was 53.7 percent compared with 60.9 percent at September 30, 2006, primarily reflecting the \$50 million reduction in long-term debt and lower short-term debt balances as of September 30, 2007.
- For the year ended September 30, 2007, we generated \$547.1 million in operating cash flow compared with \$311.4 million for the year ended September 30, 2006, primarily reflecting the favorable impact of increased earnings, increased sales volumes attributable to colder weather during the period and lower natural gas prices.
- Capital expenditures decreased to \$392.4 million during the year ended September 30, 2007 from \$425.3 million in the prior year. The decrease primarily reflects the absence of capital spending for the North Side Loop and other compression projects completed in fiscal 2006.
- In March 2007, the Texas Railroad Commission issued an order in our Mid-Tex Division's rate case, which prospectively increased annual revenues by approximately \$4.8 million and established a permanent WNA based upon a 10-year average effective for the months of November through April. However, the ruling also reduced the Mid-Tex Division's total return to 7.903 percent from 8.258 percent and required a \$2.9 million refund, inclusive of interest, of amounts collected from our calendar 2003 — 2005 GRIP filings.

See the following discussion regarding the results of operations for each of our business operating segments.

Year ended September 30, 2007 compared with year ended September 30, 2006

Natural Gas Distribution Segment

The primary factors that impact the results of our natural gas distribution operations are our ability to earn our authorized rates of return, the cost of natural gas, 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 by reducing or eliminating regulatory lag and, ultimately, separating the recovery of our approved margins 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 and recent ratemaking initiatives in more detail.

One example of our recent ratemaking initiatives involves the substantial separation of the recovery of our margins from seasonal weather patterns. Prior to fiscal 2007, seasonal weather patterns significantly impacted our natural gas distribution results. The rate design in our two most weather-sensitive jurisdictions, the Louisiana and Mid-Tex divisions, which represent approximately 60 percent of our natural gas distribution residential and commercial meters, provided for limited weather protection. During fiscal 2006, we received WNA in these jurisdictions, beginning with the 2006-2007 winter heating season. WNA substantially offsets the effects of weather that is above or below normal by allowing us to increase the base rate portion of customers' bills when weather is warmer than normal and to decrease the base rate when weather is colder than normal. Accordingly, gross profit margin in our service areas covered by WNA should be based substantially on the amount of gross profit that would result from normal weather, despite actual weather conditions that may be either warmer or colder than normal. After receiving WNA in our Louisiana and Mid-Tex divisions, we have weather protection for over 90 percent of our residential and commercial meters, which should substantially reduce the volatility in this segment's operating results.

Our natural gas distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe gross profit is a better indicator of our financial performance than revenues. However, gross profit in our Texas and Mississippi service areas include franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the tax expense as a component of taxes, other than income. Although changes in revenue-related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income. Timing differences exist between the recognition of revenue for franchise fees collected from our customers and the recognition of expense of franchise taxes. The effect of these timing differences can be significant in periods of volatile gas prices, particularly in our Mid-Tex Division. These timing differences may favorably or unfavorably affect net income; however, these amounts should offset over time with no permanent impact on net income.

Higher gas costs may also 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. Finally, higher gas costs, as well as competitive factors in the industry and general economic conditions may cause customers to conserve or use alternative energy sources.

Review of Financial and Operating Results

Financial and operational highlights for our natural gas distribution segment for the year ended September 30, 2007 and 2006 are presented below.

	For the Year Ended September 30	
	2007	2006
	(In thousands, unless otherwise noted)	
Gross profit	\$952,684	\$925,057
Operating expenses	<u>731,497</u>	<u>723,163</u>
Operating income	221,187	201,894
Miscellaneous income	8,945	9,506
Interest charges	<u>121,626</u>	<u>126,489</u>
Income before income taxes	108,506	84,911
Income tax expense	<u>35,223</u>	<u>31,909</u>
Net income	<u>\$ 73,283</u>	<u>\$ 53,002</u>
Natural gas distribution sales volumes — MMcf	297,327	272,033
Natural gas distribution transportation volumes — MMcf	<u>130,542</u>	<u>121,962</u>
Total natural gas distribution throughput — MMcf	<u>427,869</u>	<u>393,995</u>
Heating degree days		
Actual (weighted average)	2,879	2,527
Percent of normal	100%	87%
Consolidated natural gas distribution average transportation revenue per		
Mcf	\$ 0.45	\$ 0.50
Consolidated natural gas distribution average cost of gas per Mcf sold		
	\$ 8.09	\$ 10.02

The following table shows our operating income by natural gas distribution division for the fiscal years ended September 30, 2007 and 2006. The presentation of our natural gas distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	2007		2006	
	Operating Income (Loss)	Heating Degree Days Percent of Normal ⁽¹⁾	Operating Income	Heating Degree Days Percent of Normal ⁽¹⁾
(In thousands, except degree day information)				
Colorado-Kansas	\$ 22,392	104%	\$ 22,524	99%
Kentucky/Mid-States	42,161	97%	49,893	98%
Louisiana	44,193	105%	27,772	78%
Mid-Tex	68,574	100%	71,703	72%
Mississippi	23,225	101%	23,276	102%
West Texas	21,036	99%	2,215	100%
Other	<u>(394)</u>	—	<u>4,511</u>	—
Total	<u>\$221,187</u>	100%	<u>\$201,894</u>	87%

⁽¹⁾ Adjusted for service areas that have weather-normalized operations. For service areas that have weather normalized operations, normal degree days are used instead of actual degree days in computing the total number of heating degree days.

The \$27.6 million increase in natural gas distribution gross profit primarily reflects a nine percent increase in throughput and the impact of having WNA coverage for more than 90 percent of our residential and commercial customers, which increased gross profit by \$38.6 million. Included in this amount was a \$10.8 million increase associated with the implementation of WNA in our Mid-Tex and Louisiana Divisions beginning with the 2006-2007 winter heating season.

As a result of the Mid-Tex rate case, our gas distribution gross profit increased by \$5.4 million compared to the prior year. This increase was partially offset by a decrease in Mid-Tex transportation revenue as the rate case reduced the transportation rates for certain customer classes. The Mid-Tex rate case also required the refund of \$2.9 million collected under GRIP, which reduced gross profit in the current year.

Favorable regulatory activity in the current year increased gross profit by \$24.4 million, primarily due to an \$11.8 million increase in GRIP-related recoveries and a \$10.2 million increase from our Rate Stabilization Clause (RSC) filings in our Louisiana service areas. These increases were partially offset by an \$11.6 million decrease in gross profit associated with regulatory rulings in our Tennessee, Louisiana and Virginia jurisdictions.

Offsetting these increases in gross profit was a reduction in revenue-related taxes. Due to a significant decline in the cost of gas in the current-year period compared with the prior-year period, franchise and state gross receipts taxes included in gross profit decreased approximately \$1.7 million; however, franchise and state gross receipts tax expense recorded as a component of taxes, other than income decreased \$5.4 million, which resulted in a \$3.7 million increase in operating income when compared with the prior-year period.

Natural gas distribution gross profit also reflects a \$7.5 million accrual for estimated unrecoverable gas costs. The remaining decrease in gross profit primarily is attributable to lower irrigation margins and a reduction in pass-through surcharges used to recover various costs as these costs were fully recovered by the end of fiscal 2006 and during fiscal 2007.

Operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense, taxes, other than income, and impairment of long-lived assets, increased to \$731.5 million for the year ended September 30, 2007 from \$723.2 million for the year ended September 30, 2006.

Operation and maintenance expense, excluding the provision for doubtful accounts, increased \$22.4 million, primarily due to increased employee and other administrative costs. These increases include the personnel and other operating costs associated with the transfer of our gas supply function from our pipeline, storage and other segment to our natural gas distribution segment effective January 1, 2007. Partially offsetting these increases was the deferral of \$4.3 million of operation and maintenance expense in our Louisiana Division resulting from the Louisiana Public Service Commission's ruling to allow recovery of all incremental operation and maintenance expense incurred in fiscal 2005 and 2006 in connection with our Hurricane Katrina recovery efforts.

The provision for doubtful accounts decreased \$0.8 million to \$19.8 million for the year ended September 30, 2007. The decrease primarily was attributable to reduced collection risk as a result of lower natural gas prices. In the natural gas distribution segment, the average cost of natural gas for the year ended September 30, 2007 was \$8.09 per Mcf, compared with \$10.02 per Mcf for the year ended September 30, 2006.

Depreciation and amortization expense increased \$12.7 million for the year ended September 30, 2007 compared with the prior-year period. The increase was primarily attributable to increases in assets placed in service during fiscal 2007. Additionally, the increase was partially attributable to the absence in the current-year period of a \$2.8 million reduction in depreciation expense recorded in the prior-year period arising from the Mississippi Public Service Commission's decision to allow certain deferred costs in our rate base.

Operating expenses for the year ended September 30, 2007 included a \$3.3 million noncash charge associated with the write-off of costs for software that will no longer be used. Fiscal 2006 results included a \$22.9 million noncash charge to impair the West Texas Division irrigation properties.

Interest charges

Interest charges allocated to the natural gas distribution segment for the year ended September 30, 2007 decreased to \$121.6 million from \$126.5 million for the year ended September 30, 2006. The decrease primarily was attributable to lower average outstanding short-term debt balances in the current-year period compared with the prior-year period.

Regulated Transmission and Storage Segment

Our regulated transmission and storage segment consists of the regulated pipeline and storage operations of the Atmos Pipeline — Texas Division. The Atmos Pipeline — Texas Division transports natural gas to our Mid-Tex Division and third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary in the pipeline industry including parking arrangements, lending and sales of inventory on hand.

Similar to our natural gas distribution segment, our regulated transmission and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our service areas. Further, as the Atmos Pipeline — Texas Division operations supply all of the natural gas for our Mid-Tex Division, the results of this segment are highly dependent upon the natural gas requirements of the Mid-Tex Division. Finally, as a regulated pipeline, the operations of the Atmos Pipeline — Texas Division may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

Review of Financial and Operating Results

Financial and operational highlights for our regulated transmission and storage segment for the years ended September 30, 2007 and 2006 are presented below.

	For the Year Ended September 30	
	2007	2006
	(In thousands, unless otherwise noted)	
Mid-Tex transportation	\$ 77,090	\$ 69,925
Third-party transportation	65,158	56,813
Storage and park and lend services	9,374	8,047
Other	<u>11,607</u>	<u>6,348</u>
Gross profit	163,229	141,133
Operating expenses	<u>83,399</u>	<u>77,807</u>
Operating income	79,830	63,326
Miscellaneous income (expense)	2,105	(153)
Interest charges	<u>27,917</u>	<u>22,787</u>
Income before income taxes	54,018	40,386
Income tax expense	<u>19,428</u>	<u>13,839</u>
Net income	<u>\$ 34,590</u>	<u>\$ 26,547</u>
Pipeline transportation volumes — MMcf	<u>505,493</u>	<u>410,505</u>

The \$22.1 million increase in gross profit primarily is attributable to a 23 percent increase in throughput due to colder weather in the current year and incremental volumes from the North Side Loop and other compression projects. These activities increased gross profit by \$16.2 million, of which, \$10.8 million was associated with our North Side Loop and other compression projects completed in fiscal 2006. Increases in gross profit also include a \$3.1 million increase from rate adjustments resulting from our 2005 GRIP filing, a

\$2.1 million increase from the sale of excess gas inventory and a \$2.0 million increase from new or renegotiated blending and capacity enhancement contracts.

Operating expenses increased to \$83.4 million for the year ended September 30, 2007 from \$77.8 million for the year ended September 30, 2006 due to higher administrative and other operating costs primarily associated with the North Side Loop and other compression projects that were completed in fiscal 2006.

Interest charges

Interest charges allocated to the pipeline and storage segment for the year ended September 30, 2007 increased to \$27.9 million from \$22.8 million for the year ended September 30, 2006. The increase was attributable to the use of updated allocation factors for fiscal 2007. These factors are reviewed and updated on an annual basis.

Natural Gas Marketing Segment

Our natural gas marketing segment aggregates and purchases gas supply, arranges transportation and/or storage logistics and ultimately delivers gas to our customers at competitive prices. To facilitate this process, we utilize proprietary and customer-owned transportation and storage assets to provide the various services our customers request, including furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of derivative products. As a result, revenues and gross profit from this segment arise from the types of commercial transactions we have structured with our customers and include the value we extract by optimizing the storage and transportation capacity we own or control as well as revenues for services we perform.

To optimize the storage and transportation capacity we own or control, we participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers by identifying the lowest cost alternative within the natural gas supplies, transportation and markets to which we have access. Additionally, we engage in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We purchase physical natural gas and then sell financial contracts at favorable prices to lock in gross profit margins. Through the use of transportation and storage services and derivative contracts, we seek to capture gross profit margin through the arbitrage of pricing differences in various locations and by recognizing pricing differences that occur over time.

AEM continually manages its net physical position to enhance the future economic profit it captured when an original transaction was executed. Therefore, AEM may change its scheduled injection and withdrawal plans from one time period to another based on market conditions or adjust the amount of storage capacity it holds on a discretionary basis in an effort to achieve this objective.

The natural gas inventory used in our natural gas marketing storage activities is marked to market at the end of each month based upon the Gas Daily index with changes in fair value recognized as unrealized gains and losses in the period of change. We use derivatives, designated as fair value hedges, to hedge this natural gas inventory. These derivatives are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains and losses in the period of change. The changes between the spreads between the forward natural gas prices used to value the financial hedges designated against our physical inventory and the market (spot) prices used to value our physical storage result in the unrealized margins reported as a part of our storage activities until the underlying physical gas is cycled and the related financial derivatives are settled.

AEM also uses derivative instruments to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original physical inventory hedge and to insulate and protect the economic value within its storage and marketing activities. Changes in fair value associated with these financial

instruments are recognized as unrealized gains and losses within AEM's storage and marketing activities until they are settled.

Review of Financial and Operating Results

Financial and operational highlights for our natural gas marketing segment for the years ended September 30, 2007 and 2006 are presented below. Gross profit margin for our natural gas marketing segment consists primarily of margins earned from the delivery of gas and related services requested by our customers; and asset optimization activities, which are derived from the utilization of our managed proprietary and third party storage and transportation assets to capture favorable arbitrage spreads through natural gas trading activities.

Unrealized margins represent the unrealized gains or losses on the derivative contracts used by our natural gas marketing segment to manage commodity price risk as described above. These margins fluctuate based upon changes in the spreads between the physical and forward natural gas prices. Generally, if the physical/financial spread narrows, we will record unrealized gains or lower unrealized losses. If the physical/financial spread widens, we will record unrealized losses or lower unrealized gains. The magnitude of the unrealized gains and losses is also contingent upon the levels of our net physical position at the end of the reporting period.

	For the Year Ended September 30	
	2007	2006
	(In thousands, unless otherwise noted)	
Delivered gas	\$ 57,054	\$ 87,236
Asset optimization	28,827	26,225
Unrealized margins	18,430	17,166
Gross profit	104,311	130,627
Operating expenses	29,271	28,392
Operating income	75,040	102,235
Miscellaneous income	6,434	2,598
Interest charges	5,767	8,510
Income before income taxes	75,707	96,323
Income tax expense	29,938	37,757
Net income	\$ 45,769	\$ 58,566
Natural gas marketing sales volumes — MMcf	370,668	283,962
Net physical position (Bcf)	12.3	14.5

The \$26.3 million decrease in our natural gas marketing segment's gross profit primarily reflects lower delivered gas margins, partially offset by higher asset optimization margins.

Delivered gas margins decreased \$30.2 million compared with the prior-year period. This decrease reflects the impact of a less volatile market, which reduced opportunities to take advantage of pricing differences between hubs, partially offset by a 31 percent increase in sales volumes attributable to successful execution of our marketing strategies and colder weather in the current fiscal year compared with the prior year.

Asset optimization margins increased \$2.6 million compared with the prior-year period. The increase reflects greater cycled storage volumes during the current-year period, partially offset by an increase in storage fees and park and loan fees which reduced the arbitrage spreads available.

Operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes other than income taxes, increased to \$29.3 million for the

year ended September 30, 2007 from \$28.4 million for the year ended September 30, 2006. The increase in operating expense primarily was attributable to an increase in employee and other administrative costs.

Miscellaneous income

Miscellaneous income increased to \$6.4 million for the year ended September 30, 2007 from \$2.6 million for the year ended September 30, 2006. The increase primarily was attributable to increased investment income earned on overnight investments during the current-year period combined with increased interest income earned on our margin account associated with increased margin requirements during the current year.

Interest charges

Interest charges for the year ended September 30, 2007 decreased to \$5.8 million from \$8.5 million for the year ended September 30, 2006. The decrease was attributable to lower borrowing requirements during the current-year period.

Economic Gross Profit

AEM monitors the impacts of its asset optimization efforts by estimating the gross profit that it captured through the purchase and sale of physical natural gas and the associated financial derivatives. The reconciliation below of the economic gross profit, combined with the effect of unrealized gains or losses recognized in accordance with generally accepted accounting principles in the financial statements in prior periods, is presented to provide a measure of the potential gross profit from asset optimization that could occur in future periods if AEM's optimization efforts are executed as planned. We consider this measure of potential gross profit a non-GAAP financial measure as it is calculated using both forward-looking and historical financial information. The following table presents AEM's economic gross profit and its potential gross profit for the last three fiscal years.

<u>Period Ending</u>	<u>Net Physical Position</u> (Bcf)	<u>Economic Gross Profit</u> (In millions)	<u>Associated Net Unrealized Gain (Loss)</u> (In millions)	<u>Potential Gross Profit</u> (In millions)
September 30, 2007	12.3	\$40.8	\$ 10.8	\$30.0
September 30, 2006	14.5	\$60.0	\$(16.0)	\$76.0
September 30, 2005	6.9	\$13.1	\$(14.8)	\$27.9

As of September 30, 2007, based upon AEM's derivatives position and inventory withdrawal schedule, the economic gross profit was \$40.8 million. This amount is reduced by \$10.8 million of net unrealized gains recorded in the financial statements as of September 30, 2007 that will reverse when the inventory is withdrawn and the accompanying financial derivatives are settled. Therefore, the potential gross profit was \$30.0 million. This potential gross profit amount will not result in an equal increase in future net income as AEM will incur additional storage and other operational expenses and increased income taxes to realize this amount.

The economic gross profit is based upon planned injection and withdrawal schedules, and the realization of the economic gross profit is contingent upon the execution of this plan, weather and other execution factors. Since AEM actively manages and optimizes its portfolio to enhance the future profitability of its storage position, it may change its scheduled injection and withdrawal plans from one time period to another based on market conditions. Therefore, we cannot ensure that the economic gross profit or the potential gross profit calculated as of September 30, 2007 will be fully realized in the future or in what time period. Further, if we experience operational or other issues which limit our ability to optimally manage our stored gas positions, our earnings could be adversely impacted.

Pipeline, Storage and Other Segment

Our pipeline, storage and other segment primarily consists of the operations of Atmos Pipeline and Storage, LLC (APS), Atmos Energy Services, LLC (AES) and Atmos Power Systems, Inc., which are each wholly-owned by AEH.

APS owns or has an interest in underground storage fields in Kentucky and Louisiana. We use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods. Additionally, beginning in fiscal 2006, APS initiated activities in the natural gas gathering business. As of September 30, 2007, these activities were limited in nature.

AES, through December 31, 2006, provided natural gas management services to our natural gas distribution operations, other than the Mid-Tex Division. These services included aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our natural gas distribution service areas at competitive prices. Effective January 1, 2007, these activities were moved to our shared services function included in our natural gas distribution segment. AES continues to provide limited services to our natural gas distribution divisions, and the revenues AES receives are equal to the costs incurred to provide those services.

Through Atmos Power Systems, Inc., we have constructed electric peaking power-generating plants and associated facilities and lease these plants through lease agreements that are accounted for as sales under generally accepted accounting principles.

Results for this segment are primarily impacted by seasonal weather patterns and volatility in the natural gas markets. Additionally, this segment's results include an unrealized component as APS hedges its risk associated with its asset optimization activities.

Review of Financial and Operating Results

Financial and operational highlights for our pipeline, storage and other segment for the years ended September 30, 2007 and 2006 are presented below.

	For the Year Ended September 30	
	2007	2006
	(In thousands, unless otherwise noted)	
Storage and transportation services	\$15,968	\$11,841
Asset optimization	10,751	3,387
Other	3,792	5,916
Unrealized margins	<u>2,097</u>	<u>3,350</u>
Gross profit	32,608	24,494
Operating expenses	<u>10,373</u>	<u>9,570</u>
Operating income	22,235	14,924
Miscellaneous income	8,173	6,858
Interest charges	<u>6,055</u>	<u>6,512</u>
Income before income taxes	24,353	15,270
Income tax expense	<u>9,503</u>	<u>5,648</u>
Net income	<u>\$14,850</u>	<u>\$ 9,622</u>
Pipeline transportation volumes — MMcf	<u>4,150</u>	<u>5,439</u>

Gross profit increased \$8.1 million primarily due to APS' ability to capture more favorable arbitrage spreads from its asset optimization activities, an increase in asset optimization contracts and increased transportation margins.

Operating expenses increased to \$10.4 million for the year ended September 30, 2007 from \$9.6 million for the year ended September 30, 2006 primarily due to a \$3.0 million noncash charge associated with the write-off of costs associated with a natural gas gathering project. This increase was partially offset by a decrease in employee and other administrative costs associated with the transfer of gas supply operations from the pipeline, storage and other segment to our natural gas distribution segment effective January 1, 2007.

Miscellaneous income

Miscellaneous income increased to \$8.2 million for the year ended September 30, 2007 from \$6.9 million for the year ended September 30, 2006. The increase was primarily attributable to \$2.1 million received from leasing certain mineral interests coupled with an increase in interest income recorded in the pipeline, storage and other segment.

Interest charges

Interest charges allocated to the pipeline, storage and other segment for the year ended September 30, 2007 decreased to \$6.1 million from \$6.5 million for the year ended September 30, 2006. The decrease was attributable to the use of updated allocation factors for fiscal 2007. These factors are reviewed and updated on an annual basis.

Year ended September 30, 2006 compared with year ended September 30, 2005

Natural Gas Distribution Segment

Financial and operational highlights for our natural gas distribution segment for the fiscal years ended September 30, 2006 and 2005 are presented below.

	For the Year Ended September 30	
	2006	2005
	<i>(In thousands, unless otherwise noted)</i>	
Gross profit	\$925,057	\$907,366
Operating expenses	<u>723,163</u>	<u>671,001</u>
Operating income	201,894	236,365
Miscellaneous income	9,506	6,776
Interest charges	<u>126,489</u>	<u>112,382</u>
Income before income taxes	84,911	130,759
Income tax expense	<u>31,909</u>	<u>49,642</u>
Net income	<u>\$ 53,002</u>	<u>\$ 81,117</u>
Natural gas distribution sales volumes — MMcf	272,033	296,283
Natural gas distribution transportation volumes — MMcf	<u>121,962</u>	<u>114,851</u>
Total natural gas distribution throughput — MMcf	<u>393,995</u>	<u>411,134</u>
Heating degree days		
Actual (weighted average)	2,527	2,587
Percent of normal	87%	89%
Consolidated natural gas distribution average transportation revenue per Mcf	\$ 0.50	\$ 0.51
Consolidated natural gas distribution average cost of gas per Mcf sold	\$ 10.02	\$ 7.41

The following table shows our operating income by natural gas distribution division for the fiscal years ended September 30, 2006 and 2005. The presentation of our natural gas distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	2006		2005	
	Operating Income	Heating Degree Days Percent of Normal ⁽¹⁾	Operating Income	Heating Degree Days Percent of Normal ⁽¹⁾
(In thousands, except degree day information)				
Colorado-Kansas	\$ 22,524	99%	\$ 25,157	99%
Kentucky/Mid-States	49,893	98%	54,344	96%
Louisiana	27,772	78%	24,819	78%
Mid-Tex	71,703	72%	84,965	80%
Mississippi	23,276	102%	19,045	96%
West Texas	2,215	100%	27,520	99%
Other	4,511	—	515	—
Total	<u>\$201,894</u>	87%	<u>\$236,365</u>	89%

⁽¹⁾ Adjusted for service areas that have weather-normalized operations. For service areas that have weather normalized operations, normal degree days are used instead of actual degree days in computing the total number of heating degree days.

Natural gas distribution gross profit increased to \$925.1 million for the year ended September 30, 2006 from \$907.4 million for the year ended September 30, 2005. Total throughput for our natural gas distribution business was 394.0 Bcf during the current year compared to 411.1 Bcf in the prior year.

The increase in natural gas distribution gross profit, despite lower throughput, primarily reflects higher franchise fees and state gross receipts taxes, which are paid by customers and have no permanent effect on net income. Additionally, margins increased approximately \$14.0 million due to rate increases received from our fiscal 2005 and fiscal 2004 GRIP filings and the recognition of \$3.3 million that had been previously deferred in Louisiana following the LPSC's ratification of our agreement in May 2006. These increases were partially offset by approximately \$22.9 million due to the impact of significantly warmer than normal weather, particularly in our Mid-Tex and Louisiana divisions. For the year ended September 30, 2006, weather was 13 percent warmer than normal, as adjusted for jurisdictions with weather-normalized operations and two percent warmer than the prior year. In the Mid-Tex and Louisiana Divisions, which did not have weather-normalized rates during the 2005-2006 winter heating season, weather was 28 percent and 22 percent warmer than normal.

Additionally, natural gas distribution gross profit decreased approximately \$2.9 million compared with the prior year in the Louisiana Division due to the impact of Hurricane Katrina. Service has been restored in some areas affected by the storm; however, it is likely that service will not be restored to all of the affected service areas. As more fully described under Ratemaking Activity, we implemented new rates in September 2006 that reflect the impact of Hurricane Katrina.

Operating expenses increased to \$723.2 million for the year ended September 30, 2006 from \$671.0 million for the year ended September 30, 2005. The increase reflects a \$13.3 million increase in taxes, other than income, primarily related to franchise fees and state gross receipts taxes, both of which are calculated as a percentage of revenue, and are paid by our customers as a component of their monthly bills. Although these amounts are included as a component of revenue in accordance with our tariffs, timing differences between when these amounts are billed to our customers and when we recognize the associated expense may affect net income favorably or unfavorably on a temporary basis. However, there is no permanent effect on net income.

Operation and maintenance expense, excluding the provision for doubtful accounts, increased \$7.8 million primarily due to higher employee costs associated with increased headcount to fill positions that were previously outsourced to a third party, higher medical and dental claims and increased pension and

postretirement costs resulting from changes in the assumptions used to determine our fiscal 2006 costs. Increased line locate, telecommunication and facilities costs also contributed to the overall increase. These increases were partially offset by a reduction in third-party costs for outsourced administrative and meter reading functions that were in-sourced during fiscal 2006. Operation and maintenance expense for the year ended September 30, 2006 was also favorably impacted by the absence of \$2.1 million of merger and integration cost amortization associated with the merger of United Cities Gas Company in July 1997, as these costs were fully amortized by December 2004.

The provision for doubtful accounts increased \$3.1 million to \$20.6 million for the year ended September 30, 2006, compared with \$17.5 million in the prior year. The increase was primarily attributable to increased collection risk associated with higher natural gas prices. In the natural gas distribution segment, the average cost of natural gas for the year ended September 30, 2006 was \$10.02 per Mcf, compared with \$7.41 per Mcf for the year ended September 30, 2005.

Additionally, during the first quarter of fiscal 2006, the MPSC, in connection with the modification of our rate design, decided to allow the recovery of \$2.8 million in deferred costs, which it had originally disallowed in its September 2004 decision. This charge was originally recorded in fiscal 2004. This ruling decreased our depreciation expense during the year ended September 30, 2006. This decrease was offset by increased depreciation expense associated with the placement of various capital projects into service during the fiscal year.

Operating expenses were also impacted by a \$22.9 million noncash charge to impair our West Texas Division's irrigation assets. During the fiscal 2006 fourth quarter, we determined that, as a result of declining irrigation sales primarily associated with our agricultural customers' shift from gas-powered pumps to electric pumps, the West Texas Division's irrigation assets would not be able to generate sufficient future cash flows from operations to recover the net investment in these assets. Therefore, the entire net book value was written off. We will continue to operate these assets until we determine a plan for these assets as we are obligated to provide natural gas services to certain customers served by these assets. We are currently evaluating an opportunity to sell these assets in the first quarter of fiscal 2008. We do not expect the outcome of this potential transaction to materially affect our results of operations.

As a result of the aforementioned factors, our natural gas distribution segment operating income for the year ended September 30, 2006 decreased to \$201.9 million from \$236.4 million for the year ended September 30, 2005.

Miscellaneous income

Miscellaneous income for the year ended September 30, 2006 was \$9.5 million compared to miscellaneous income of \$6.8 million for the year ended September 30, 2005. This increase was primarily attributable to increased interest income on intercompany borrowings to our natural gas marketing segment to fund its working capital needs. This increase was partially offset by a \$3.3 million charge recorded during the fiscal 2006 second quarter associated with an adverse ruling in Tennessee related to the calculation of a performance-based rate mechanism associated with gas purchases.

Interest charges

Interest charges allocated to the natural gas distribution segment for the year ended September 30, 2006 increased to \$126.5 million from \$112.4 million for the year ended September 30, 2005. The increase was attributable to higher average outstanding short-term debt balances to fund natural gas purchases at significantly higher prices coupled with an approximate 200 basis point increase in the interest rate on our \$300 million unsecured floating rate Senior Notes due 2007 due to an increase in the three-month LIBOR rate. These increases were partially offset by \$4.8 million of interest savings arising from the early payoff of \$72.5 million of our First Mortgage Bonds in June 2005.

Regulated Transmission and Storage Segment

Financial and operational highlights for our regulated transmission and storage segment for the years ended September 30, 2006 and 2005 are presented below.

	For the Year Ended September 30	
	2006	2005
	(In thousands, unless otherwise noted)	
Mid-Tex transportation	\$ 69,925	\$ 70,089
Third-party transportation	56,813	44,348
Storage and park and lend services	8,047	4,235
Other	6,348	19,362
Gross profit	141,133	138,034
Operating expenses	77,807	72,194
Operating income	63,326	65,840
Miscellaneous income (expense)	(153)	150
Interest charges	22,787	23,344
Income before income taxes	40,386	42,646
Income tax expense	13,839	15,064
Net income	\$ 26,547	\$ 27,582
Pipeline transportation volumes — MMcf	<u>410,505</u>	<u>373,879</u>

Gross profit increased to \$141.1 million for the year ended September 30, 2006 from \$138.0 million for the year ended September 30, 2005. Total pipeline transportation volumes were 581.3 Bcf during the year ended September 30, 2006, compared with 554.5 Bcf for the prior year. Excluding intersegment transportation volumes, total pipeline transportation volumes were 410.5 Bcf during the current year compared with 373.9 Bcf in the prior year.

The increase in gross profit was primarily attributable to increased third-party throughput and ancillary service margins. The increase in third-party transportation margins was primarily attributable to increases in the electric-generation market due to the warmer than normal temperatures during the summer of 2006, increased demand for through-system transportation services due to a widening of pricing differentials between the pipeline's hubs and the impact of Atmos Pipeline — Texas' North Side Loop and other compression projects that were placed into service in June 2006. Storage and parking and lending services on Atmos Pipeline — Texas also increased during fiscal 2006 as a result of the widening of pricing differentials between the pipeline's hubs, which increased the attractiveness of storing gas on the pipeline and our ability to obtain improved margins for these services. The increases on Atmos Pipeline — Texas' system were partially offset by a decrease in margins earned from intercompany transportation services to our Mid-Tex Division due to the significantly warmer than normal weather experienced during fiscal 2006. Additionally, these increases were partially offset by the absence of inventory sales of \$3.0 million realized in the prior year.

Operating expenses increased to \$77.8 million for the year ended September 30, 2006 from \$72.2 million for the year ended September 30, 2005 due to higher employee benefit costs associated with an increase in headcount, increased pension and postretirement costs resulting from changes in the assumptions used to determine our fiscal 2006 costs, higher facilities costs and higher pipeline integrity costs.

As a result of the aforementioned factors, our regulated transmission and storage segment operating income for the year ended September 30, 2006 decreased to \$63.3 million from \$65.8 million for the year ended September 30, 2005.

Natural Gas Marketing Segment

Financial and operational highlights for our natural gas marketing segment for the years ended September 30, 2006 and 2005 are presented below.

	For the Year Ended September 30	
	2006	2005
	(In thousands, unless otherwise noted)	
Delivered gas	\$ 87,236	\$ 59,971
Asset optimization	26,225	28,008
Unrealized margins	<u>17,166</u>	<u>(26,006)</u>
Gross profit	130,627	61,973
Operating expenses	<u>28,392</u>	<u>20,988</u>
Operating income	102,235	40,985
Miscellaneous income	2,598	771
Interest charges	<u>8,510</u>	<u>3,405</u>
Income before income taxes	96,323	38,351
Income tax expense	<u>37,757</u>	<u>14,947</u>
Net income	<u>\$ 58,566</u>	<u>\$ 23,404</u>
Natural gas marketing sales volumes — MMcf	<u>283,962</u>	<u>238,097</u>
Net physical position (Bcf)	<u>14.5</u>	<u>6.9</u>

The \$68.7 million increase in our natural gas marketing segment's gross profit reflects increased delivered gas margins and increased unrealized margins partially offset by a decrease in asset optimization margins.

Delivered gas margins increased \$27.3 million during fiscal 2006 as a result of increased sales volumes resulting from focusing our marketing efforts on higher margin opportunities partially offset by warmer-than-normal weather across our market areas. The increase in gas delivery margins also reflected our ability to successfully capture increased per unit margins in certain market areas that experienced higher market volatility.

Asset optimization margins decreased \$1.8 million primarily due to the realization of less favorable arbitrage spreads during the current year period compared with the prior year, coupled with increased storage fees.

The favorable unrealized margin variance primarily was due to a favorable movement during the year ended September 30, 2006 in the forward natural gas prices associated with financial derivatives used in our gas delivery activities, a narrowing of the physical/forward spreads during fiscal 2006 and positive basis ineffectiveness on our financial derivatives. These results were magnified by a 7.6 Bcf increase in our net physical position at September 30, 2006 compared to the prior year.

Operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes other than income taxes, increased to \$28.4 million for the year ended September 30, 2006 from \$21.0 million for the year ended September 30, 2005. The increase in operating expense primarily was attributable to an increase in personnel costs due to increased headcount and an increase in regulatory compliance costs.

The improved gross profit margin partially offset by higher operating expenses resulted in an increase in our natural gas marketing segment operating income to \$102.2 million for the year ended September 30, 2006 compared with operating income of \$41.0 million for the year ended September 30, 2005.

Interest charges

Interest charges allocated to the natural gas marketing segment for the year ended September 30, 2006 increased to \$8.5 million from \$3.4 million for the year ended September 30, 2005. The increase was attributable to higher average outstanding debt balances to fund natural gas purchases at significantly higher prices.

Pipeline, Storage and Other Segment

Financial and operational highlights for our pipeline, storage and other segment for the years ended September 30, 2006 and 2005 are presented below.

	For the Year Ended September 30	
	2006	2005
	(In thousands, unless otherwise noted)	
Storage and transportation services	\$11,841	\$11,539
Asset optimization	3,387	1,613
Other	5,916	5,324
Unrealized margins	<u>3,350</u>	<u>(4,730)</u>
Gross profit	24,494	13,746
Operating expenses	<u>9,570</u>	<u>8,482</u>
Operating income	14,924	5,264
Miscellaneous income	6,858	4,455
Interest charges	<u>6,512</u>	<u>3,457</u>
Income before income taxes	15,270	6,262
Income tax expense	<u>5,648</u>	<u>2,580</u>
Net income	<u>\$ 9,622</u>	<u>\$ 3,682</u>
Pipeline transportation volumes — MMcf	<u>5,439</u>	<u>5,580</u>

Gross profit increased to \$24.5 million for the year ended September 30, 2006 from \$13.7 million for the year ended September 30, 2005. The increase in gross profit was primarily attributable to increased unrealized gains recorded during fiscal 2006 as favorable movements in the forward natural gas prices used to value the financial hedges designated against the physical inventory underlying these contracts resulted in an unrealized gain compared with an unrealized loss in the prior year. Additionally, APS recorded increased margins from its asset optimization activities due to its ability to capture more favorable arbitrage spreads.

Operating expenses increased to \$9.6 million for the year ended September 30, 2006 from \$8.5 million for the year ended September 30, 2005 due to higher employee and other administrative costs.

As a result of the aforementioned factors, our pipeline, storage and other segment operating income for the year ended September 30, 2006 increased to \$14.9 million from \$5.3 million for the year ended September 30, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Our internally generated funds and borrowings under our credit facilities and commercial paper program generally provide the liquidity needed to fund our working capital, capital expenditures and other cash needs. Additionally, from time to time, we raise funds from the public debt and equity capital markets through our existing shelf registration statement to fund our liquidity needs.

Cash Flows

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

Cash flows from operating activities

Year-over-year changes in our operating cash flows are primarily attributable to working capital changes within our natural gas distribution segment resulting from the impact of the price of natural gas and the timing of customer collections, payments for natural gas purchases, deferred gas cost recoveries and weather.

For the year ended September 30, 2007, we generated operating cash flow of \$547.1 million compared with \$311.4 million in fiscal 2006 and \$386.9 million in fiscal 2005. The significant factors impacting our operating cash flow for the last three fiscal years are summarized below.

Year ended September 30, 2007

Fiscal 2007 operating cash flows reflect the favorable timing of payments for accounts payable and accrued liabilities, which increased operating cash flow by \$107.6 million. Additionally, improved management of our deferred gas cost balances increased operating cash flow by \$125.2 million. Finally, increased net income and other favorable working capital changes contributed to the increase in operating cash flow. Partially offsetting these increases in operating cash flow was a decrease in customer collections of \$84.8 million due to the decrease in the price of natural gas during the current year.

Year ended September 30, 2006

Fiscal 2006 operating cash flows reflect the adverse impact of significantly higher natural gas prices. Year-over-year, unfavorable timing of payments for accounts payable and other accrued liabilities reduced operating cash flow by \$523.0 million. Partially offsetting these outflows were higher customer collections (\$245.1 million) and reduced payments for natural gas inventories (\$102.1 million). Additionally, favorable movements in the market indices used to value our natural gas marketing segment risk management assets and liabilities reduced the amount that we were required to deposit in a margin account and therefore favorably affected operating cash flow by \$126.3 million.

Year ended September 30, 2005

Fiscal 2005 operating cash flows reflect the effects of a \$49.6 million increase in net income and effective working capital management partially offset by higher natural gas prices. Working capital management efforts, which affected the timing of payments for accounts payable and other accrued liabilities, favorably affected operating cash flow by \$354.1 million. However, these efforts were partially offset by reduced cash flow generated from accounts receivable changes by \$168.9 million, primarily attributable to higher natural gas prices, and an increase in our natural gas inventories attributable to a 13 percent year-over-year increase in natural gas prices coupled with increased natural gas inventory levels, which reduced operating cash flow by \$81.8 million. Operating cash flow was also adversely impacted by unfavorable movements in the indices used to value our natural gas marketing segment risk management assets and liabilities, which resulted in a net liability for the segment. Accordingly, under the terms of the associated derivative contracts, we were required to deposit \$81.0 million into a margin account.

Cash flows from investing activities

In recent years, a substantial portion of our cash resources has been used to fund acquisitions and growth projects, our ongoing construction program and improvements to information systems. Our ongoing construction program enables us to provide natural gas distribution services to our existing customer base, expand our natural gas distribution services into new markets, enhance the integrity of our pipelines and, more recently, expand our intrastate pipeline network. In executing our current rate strategy, we are directing discretionary

capital spending to jurisdictions that permit us to earn a return on our investment timely. Currently, our Mid-Tex, Louisiana, Mississippi and West Texas natural gas distribution divisions and our Atmos Pipeline — Texas Division have rate designs that provide the opportunity to include in their rate base approved capital costs on a periodic basis without being required to file a rate case.

For the year ended September 30, 2007, we incurred \$392.4 million for capital expenditures compared with \$425.3 million for the year ended September 30, 2006 and \$333.2 million for the year ended September 30, 2005. The decrease in capital expenditures in fiscal 2007 primarily reflects the absence of capital expenditures associated with our North Side Loop and other pipeline compression projects, which were completed during the fiscal 2006 third quarter. Our cash used for investing activities for the year ended September 30, 2005 reflects the \$1.9 billion cash paid for the TXU Gas acquisition, including related transaction costs and expenses.

Cash flows from financing activities

For the year ended September 30, 2007, our financing activities used \$159.3 million in cash compared with \$155.3 million and \$1.7 billion provided for the years ended September 30, 2006 and 2005. Our significant financing activities for the years ended September 30, 2007, 2006 and 2005 are summarized as follows:

- In December 2006, we raised net proceeds of approximately \$192 million from the sale of approximately 6.3 million shares of common stock, including the underwriters' exercise of their overallotment option of 0.8 million shares, under a shelf registration statement filed with the SEC in December 2006. The net proceeds from this issuance were used to reduce our then-existing short-term debt balance.
- In June 2007, we issued \$250 million of 6.35% Senior Notes due 2017. The effective interest rate of this offering, inclusive of all debt issue costs, was 6.45 percent. After giving effect to the settlement of our \$100 million Treasury lock agreement in June 2007, the effective rate on these senior notes was reduced to 6.26 percent. We used the net proceeds of \$247 million, together with \$53 million of available cash, to repay our \$300 million unsecured floating rate senior notes, which were redeemed on July 15, 2007.
- During the years ended September 30, 2006 and 2005, we increased our borrowings under our short-term facilities by \$237.6 million and \$144.8 million whereas during the year ended September 30, 2007, we repaid a net \$213.2 million under our short-term facilities. Net borrowings under our short-term facilities during fiscal 2006 and 2005 reflect the impact of seasonal natural gas purchases and the effect of higher natural gas prices.
- We repaid \$303.2 million of long-term debt during the year ended September 30, 2007, compared with \$3.3 million during the year ended September 30, 2006 and \$103.4 million during the year ended September 30, 2005. Fiscal 2005 payments reflected the repayment of \$72.5 million of our First Mortgage Bonds. In connection with this repayment we paid a \$25.0 million make-whole premium in accordance with the terms of the agreements and accrued interest of approximately \$1.0 million.
- During the year ended September 30, 2007, we paid \$111.7 million in cash dividends compared with dividend payments of \$102.3 million and \$99.0 million for the years ended September 30, 2006 and 2005. The increase in dividends paid over the prior-year period reflects the increase in our dividend rate from \$1.26 per share during fiscal 2006 to \$1.28 per share during fiscal 2007, combined with a 7.6 million increase in shares outstanding due to share issuances in connection with our December 2006 equity offering and new share issuances under our various plans.
- In October 2004, we sold a total of 16.1 million shares of common stock, including the underwriters' exercise of their overallotment option, generating net proceeds of approximately \$382 million. Additionally, we issued \$1.39 billion of senior unsecured debt. The net proceeds from these issuances, combined with the net proceeds of \$235.7 million from a July 2004 common stock offering were used to finance the acquisition of our Mid-Tex and Atmos Pipeline — Texas divisions and settle Treasury lock agreements, into which we entered to fix the Treasury yield component of the interest cost of financing associated with \$875 million of the \$1.39 billion long-term debt we issued.

In addition to the December 2006 equity offering described above, during the year ended September 30, 2007 we issued 0.9 million shares of common stock which generated net proceeds of \$24.9 million. In addition, we granted 0.4 million shares of common stock under our 1998 Long-Term Incentive Plan to directors, officers and other participants in the plan. The following table shows the number of shares issued for the years ended September 30, 2007, 2006 and 2005:

	<u>For the Year Ended September 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Shares issued:			
Direct stock purchase plan	325,338	387,833	450,212
Retirement savings plan	422,646	442,635	441,350
1998 Long-term incentive plan	511,584	366,905	745,788
Long-term stock plan for Mid-States Division	—	300	—
Outside directors stock-for-fee plan	2,453	2,442	2,341
December 2006 Offering	6,325,000	—	—
October 2004 Offering	—	—	16,100,000
Total shares issued	<u>7,587,021</u>	<u>1,200,115</u>	<u>17,739,691</u>

Credit Facilities

As of September 30, 2007, we had a total of approximately \$1.5 billion of credit facilities, comprised of three short-term committed credit facilities totaling \$918 million, one uncommitted credit facility totaling \$25 million and, through AEM, a second uncommitted credit facility that can provide up to \$580 million. Borrowings under our uncommitted credit facilities are made on a when-and-as-needed basis at the discretion of the banks. Our credit capacity and the amount of unused borrowing capacity are affected by the seasonal nature of the natural gas business and our short-term borrowing requirements, which are typically highest during colder winter months. Our working capital needs can vary significantly due to changes in the price of natural gas charged by suppliers and the increased gas supplies required to meet customers' needs during periods of cold weather.

As of September 30, 2007, the amount available to us under our credit facilities, net of outstanding letters of credit, was \$908.8 million. We believe these credit facilities, combined with our operating cash flows will be sufficient to fund our working capital needs. These facilities are described in further detail in Note 6 to the consolidated financial statements.

Shelf Registration

On December 4, 2006, we filed a registration statement with the SEC to issue, from time to time, up to \$900 million in common stock and/or debt securities available for issuance, including approximately \$401.5 million of capacity carried over from our prior shelf registration statement filed with the SEC in August 2004.

In December 2006, we sold approximately 6.3 million shares of common stock in an equity offering under the registration statement and used the net proceeds to reduce short-term debt. In June 2007, we issued \$250 million of 6.35% Senior Notes due 2017 in a debt offering under the registration statement. The net proceeds of approximately \$247 million, together with \$53 million of available cash, were used to repay our \$300 million unsecured floating rate senior notes in July 2007.

After these issuances, we have approximately \$450 million of availability remaining under the registration statement. However, due to certain restrictions imposed by one state regulatory commission on our ability to issue securities under the registration statement, we now have remaining and available for issuance a total of approximately \$100 million of equity securities, \$50 million of senior debt securities and \$300 million of subordinated debt securities. In addition, due to restrictions imposed by another state regulatory commission, if the credit ratings on our senior unsecured debt were to fall below investment grade from either Standard &

Poor's Corporation (BBB-), Moody's Investors Services, Inc. (Baa3) or Fitch Ratings, Ltd. (BBB-), our ability to issue any type of debt securities under the registration statement would be suspended until an investment grade rating from all three credit rating agencies was achieved.

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 debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities and funding status. In addition, the rating agencies consider qualitative factors such as consistency of our earnings over time, the quality of our management and business strategy, the risks associated with our regulated and nonregulated businesses and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by three rating agencies: Standard & Poor's Corporation (S&P), Moody's Investors Services, Inc. (Moody's) and Fitch Ratings, Ltd. (Fitch). Our current debt ratings are all considered investment grade and are as follows:

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Unsecured senior long-term debt	BBB	Baa3	BBB+
Commercial paper	A-2	P-3	F-2

Currently, with respect to our unsecured senior long-term debt, Moody's and Fitch maintain their stable outlook and S&P maintains its positive outlook. None of our ratings is currently under review.

A credit rating is not a recommendation to buy, sell or hold securities. The highest investment grade credit rating for S&P is AAA, Moody's is Aaa and Fitch is AAA. The lowest investment grade credit rating for S&P is BBB-, Moody's is Baa3 and Fitch is BBB-. Our credit ratings may be revised or withdrawn at any time by the rating agencies, and each rating should be evaluated independent 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, 2007. Our debt covenants are described in Note 6 to the consolidated financial statements.

Capitalization

The following table presents our capitalization as of September 30, 2007 and 2006:

	<u>September 30</u>			
	<u>2007</u>		<u>2006</u>	
	(In thousands, except percentages)			
Short-term debt	\$ 150,599	3.5%	\$ 382,416	9.1%
Long-term debt	2,130,146	50.2%	2,183,548	51.8%
Shareholders' equity	<u>1,965,754</u>	<u>46.3%</u>	<u>1,648,098</u>	<u>39.1%</u>
Total capitalization, including short-term debt	<u>\$4,246,499</u>	<u>100.0%</u>	<u>\$4,214,062</u>	<u>100.0%</u>

Total debt as a percentage of total capitalization, including short-term debt, was 53.7 percent and 60.9 percent at September 30, 2007 and 2006. The decrease in the debt to capitalization ratio primarily reflects the favorable impact of our December 2006 equity offering and the reduction in short-term and long-term debt as of September 30, 2007. Our ratio of total debt to capitalization is typically greater during the winter heating season as we make additional short-term borrowings to fund natural gas purchases and meet our working capital requirements. We intend to maintain our capitalization ratio in a target range of 50 to 55 percent

through cash flow generated from operations, continued issuance of new common stock under our Direct Stock Purchase Plan and Retirement Savings Plan and access to the equity capital markets.

Contractual Obligations and Commercial Commitments

The following table provides information about contractual obligations and commercial commitments at September 30, 2007.

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years (In thousands)	3-5 Years	More Than 5 Years
Contractual Obligations					
Long-term debt ⁽¹⁾	\$2,133,693	\$ 3,831	\$403,416	\$365,065	\$1,361,381
Short-term debt ⁽¹⁾	150,599	150,599	—	—	—
Interest charges ⁽²⁾	1,060,034	119,628	223,250	169,198	547,958
Gas purchase commitments ⁽³⁾	729,380	430,416	266,951	19,092	12,921
Capital lease obligations ⁽⁴⁾	2,344	362	602	372	1,008
Operating leases ⁽⁴⁾	171,405	16,923	30,957	28,247	95,278
Demand fees for contracted storage ⁽⁵⁾	20,811	13,823	6,642	346	—
Demand fees for contracted transportation ⁽⁶⁾	27,705	4,265	7,009	6,968	9,463
Derivative obligations ⁽⁷⁾	21,629	21,339	290	—	—
Postretirement benefit plan contributions ⁽⁸⁾	145,562	12,006	20,195	25,531	87,830
Total contractual obligations	\$4,463,162	\$773,192	\$959,312	\$614,819	\$2,115,839

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

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

⁽³⁾ Gas purchase commitments were determined based upon contractually determined volumes at prices estimated based upon the index specified in the contract, adjusted for estimated basis differentials and contractual discounts as of September 30, 2007.

⁽⁴⁾ See Note 14 to the consolidated financial statements.

⁽⁵⁾ Represents third party contractual demand fees for contracted storage in our natural gas marketing and pipeline, storage and other segments. Contractual demand fees for contracted storage for our natural gas distribution segment are excluded as these costs are fully recoverable through our purchase gas adjustment mechanisms.

⁽⁶⁾ Represents third party contractual demand fees for transportation in our natural gas marketing segment.

⁽⁷⁾ Represents liabilities for natural gas commodity derivative contracts that were valued as of September 30, 2007. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the derivative contracts are settled.

⁽⁸⁾ Represents expected contributions to our postretirement benefit plans.

AEM has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2007, AEM was committed to purchase 80.4 Bcf within one year, 38.1 Bcf within one to three years and 1.4 Bcf after three years under indexed contracts. AEM was committed to purchase 2.4 Bcf within one year and 0.1 Bcf within one to three years under fixed price contracts with prices ranging from \$5.69 to \$9.85 per Mcf.

With the exception of our Mid-Tex Division, our natural gas distribution segment maintains 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 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 prices. The estimated commitments under these contract terms as of September 30, 2007 are reflected in the table above.

Risk Management Activities

We conduct risk management activities through our natural gas distribution, natural gas marketing and pipeline, storage and other segments. In our natural gas distribution segment, 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 our natural gas marketing and pipeline, storage and other segments, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial derivatives, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. To the extent our inventory cost and actual sales and actual purchases do not correlate with the changes in the market indices we use in our hedges, we could experience ineffectiveness or the hedges may no longer meet the accounting requirements for hedge accounting, resulting in the derivatives being treated as mark to market instruments through earnings.

We record our derivatives 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 derivative. Substantially all of our derivative financial instruments are valued using external market quotes and indices. The following table shows the components of the change in fair value of our natural gas distribution and natural gas marketing derivative contract activities for the year ended September 30, 2007 (in thousands):

	<u>Natural Gas Distribution</u>	<u>Natural Gas Marketing</u>
Fair value of contracts at September 30, 2006	\$(27,209)	\$15,003
Contracts realized/settled	(27,824)	(9,215)
Fair value of new contracts	(8,883)	—
Other changes in value	<u>42,863</u>	<u>21,020</u>
Fair value of contracts at September 30, 2007	<u>\$(21,053)</u>	<u>\$26,808</u>

The fair value of our natural gas distribution and natural gas marketing derivative contracts at September 30, 2007, is segregated below by time period and fair value source.

<u>Source of Fair Value</u>	<u>Fair Value of Contracts at September 30, 2007</u>				<u>Total Fair Value</u>
	<u>Maturity in Years</u>				
	<u>Less Than 1</u>	<u>1-3</u>	<u>4-5</u>	<u>Greater Than 5</u>	
	(In thousands)				
Prices actively quoted	\$1,304	\$6,072	\$—	\$—	\$ 7,376
Prices based on models and other valuation methods	<u>(794)</u>	<u>(827)</u>	<u>—</u>	<u>—</u>	<u>(1,621)</u>
Total Fair Value	<u>\$ 510</u>	<u>\$5,245</u>	<u>\$—</u>	<u>\$—</u>	<u>\$ 5,755</u>

Pension and Postretirement Benefits Obligations

Net Periodic Pension and Postretirement Benefit Costs

For the fiscal year ended September 30, 2007, our total net periodic pension and other benefits costs was \$48.6 million, compared with \$50.0 million and \$36.4 million for the years ended September 30, 2006 and 2005. These costs relating to our natural gas distribution operations are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our gas distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

The decrease in total net periodic pension and other benefits cost during fiscal 2007 compared with fiscal 2006 primarily reflects changes in assumptions we made during our annual pension plan valuation completed June 30, 2006. The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. In the period leading up to our June 30, 2006 measurement date, these interest rates were increasing, which resulted in a 130 basis point increase in our discount rate used to determine our fiscal 2007 net periodic and post-retirement cost to 6.30 percent. This increase had the effect of decreasing the present value of our plan liabilities and associated expenses. This favorable impact was partially offset by the unfavorable impact of reducing the expected return on our pension plan assets by 25 basis points to 8.25 percent, which has the effect of increasing our pension and postretirement benefit cost.

The increase in total net periodic pension and other benefits cost during fiscal 2006 compared with the prior year primarily reflects changes in assumptions we made during our annual pension plan valuation completed June 30, 2005. The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. In the period leading up to our June 30, 2005 measurement date, these interest rates were declining, which resulted in a 125 basis point reduction in our discount rate to 5.0 percent. This reduction increased the present value of our plan liabilities and associated expenses. Additionally, we reduced the expected return on our pension plan assets by 25 basis points to 8.5 percent, which also increased our pension and postretirement benefit cost.

Pension and Postretirement Plan Funding

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. 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 2007, we did not contribute to our pension plans. During fiscal 2006, we voluntarily contributed \$2.9 million to the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees. That contribution achieved a desired level of funding by satisfying the minimum funding requirements while maximizing the tax deductible contribution for this plan for plan year 2005. During fiscal 2005, we voluntarily contributed \$3.0 million to the Master Trust to maintain the level of funding we desire relative to our accumulated benefit obligation. We made the contribution because declining high yield corporate bond yields in the period leading up to our June 30, 2005 measurement date resulted in an increase in the present value of our plan liabilities.

We contributed \$11.8 million, \$10.9 million and \$10.0 million to our postretirement benefits plans for the years ended September 30, 2007, 2006 and 2005. The contributions represent the portion of the postretirement costs we are responsible for under the terms of our plan and minimum funding required by state regulatory commissions.

Outlook for Fiscal 2008

Market conditions as of the June 30, 2007 valuation date were similar to market conditions as of our June 30, 2006 measurement date. Therefore, we maintained the discount rate for determining our fiscal 2008 pension and benefit costs at 6.3 percent and the expected return on our pension plan assets at 8.25 percent. Accordingly, we expect our fiscal 2008 pension and postretirement medical costs to be materially the same as fiscal 2007.

We are not required to make a minimum funding contribution to our pension plans during fiscal 2008; nor, at this time, do we intend to make voluntary contributions during 2008. However, we anticipate contributing approximately \$12 million to our postretirement medical plans during fiscal 2008.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the Plan are subject to change, depending upon the actuarial value of plan assets and the

determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts are impacted by actual investment returns, changes in interest rates and changes in the demographic composition of the participants in the plan.

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 results from our portfolio of debt and equity instruments that we issue to provide financing and liquidity for our business activities.

We conduct risk management activities through both our natural gas distribution and natural gas marketing segments. In our natural gas distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to protect us and our customers against unusually large winter period gas price increases. In our natural gas marketing segment, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial derivatives including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Our risk management activities and related accounting treatment are described in further detail in Note 5 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

Natural gas distribution segment

We purchase natural gas for our natural gas distribution operations. Substantially all of the costs of gas purchased for natural gas distribution operations are recovered from our customers through purchased gas adjustment mechanisms. However, our natural gas distribution operations have commodity price risk exposure to fluctuations in spot natural gas prices related to purchases for sales to our nonregulated energy services customers at fixed prices.

For our natural gas distribution segment, we use a sensitivity analysis to estimate commodity price risk. For purposes of this analysis, we estimate commodity price risk by applying a hypothetical 10 percent increase in the portion of our gas costs related to fixed-price nonregulated sales. Based on these projected nonregulated gas sales, a hypothetical 10 percent increase in fixed prices based upon the September 30, 2007 three month market strip, would increase our purchased gas cost by approximately \$0.5 million in fiscal 2008.

Natural gas marketing and pipeline, storage and other segments

Our natural gas marketing segment is also exposed to risks associated with changes in the market price of natural gas. For our natural gas marketing segment, we use a sensitivity analysis to estimate commodity price risk. For purposes of this analysis, we estimate commodity price risk by applying a \$0.50 change in the forward NYMEX price to our net open position (including existing storage and related financial contracts) at the end of each period. Based on AEH's net open position (including existing storage and related financial contracts) at September 30, 2007 of 0.2 Bcf, a \$0.50 change in the forward NYMEX price would have had a \$0.1 million impact on our consolidated net income.

Changes in the difference between the indices used to mark to market our physical inventory (Gas Daily) and the related fair-value hedge (NYMEX) can result in volatility in our reported net income; but, over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the fair-value hedges. Based upon our net physical position at September 30, 2007 and assuming our hedges would still

qualify as highly effective, a \$0.50 change in the difference between the Gas Daily and NYMEX indices would impact our reported net income by approximately \$4.3 million.

Additionally, these changes could cause us to recognize a risk management liability, which would require us to place cash into an escrow account to collateralize this liability position. This, in turn, would reduce the amount of cash we would have on hand to fund our working capital needs.

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 have increased by approximately \$2.7 million during 2007.

We also assess market risk for our fixed rate long-term obligations. We estimate market risk for our long-term obligations as the potential increase in fair value resulting from a hypothetical one percent decrease in interest rates associated with these debt instruments. Fair value is estimated using a discounted cash flow analysis. Assuming this one percent hypothetical decrease, the fair value of our long-term obligations would have increased by approximately \$156.3 million.

As of September 30, 2007, we were not engaged in other activities that would cause exposure to the risk of material earnings or cash flow loss due to changes in interest rates or market commodity prices.

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 on consolidated financial statements	63
Financial statements and supplementary data:	
Consolidated balance sheets at September 30, 2007 and 2006	64
Consolidated statements of income for the years ended September 30, 2007, 2006 and 2005	65
Consolidated statements of shareholders' equity for the years ended September 30, 2007, 2006 and 2005	66
Consolidated statements of cash flows for the years ended September 30, 2007, 2006 and 2005	67
Notes to consolidated financial statements	68
Selected Quarterly Financial Data (Unaudited)	116
Financial statement schedule for the years ended September 30, 2007, 2006 and 2005	
Schedule II. Valuation and Qualifying Accounts	124

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 ON
CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation as of September 30, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2007. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the financial information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Atmos Energy Corporation's internal control over financial reporting as of September 30, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 27, 2007 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Dallas, Texas
November 27, 2007

ATMOS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30	
	2007	2006
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	\$5,326,621	\$5,026,478
Construction in progress	69,449	74,830
	5,396,070	5,101,308
Less accumulated depreciation and amortization	1,559,234	1,472,152
Net property, plant and equipment	3,836,836	3,629,156
Current assets		
Cash and cash equivalents	60,725	75,815
Cash held on deposit in margin account	—	35,647
Accounts receivable, less allowance for doubtful accounts of \$16,160 in 2007 and \$13,686 in 2006	380,133	374,629
Gas stored underground	515,128	461,502
Other current assets	112,909	169,952
Total current assets	1,068,895	1,117,545
Goodwill and intangible assets	737,692	738,521
Deferred charges and other assets	253,494	234,325
	\$5,896,917	\$5,719,547
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at \$.005 per share); 200,000,000 shares authorized; issued and outstanding; 2007 — 89,326,537 shares, 2006 — 81,739,516 shares	\$ 447	\$ 409
Additional paid-in capital	1,700,378	1,467,240
Accumulated other comprehensive loss	(16,198)	(43,850)
Retained earnings	281,127	224,299
Shareholders' equity	1,965,754	1,648,098
Long-term debt	2,126,315	2,180,362
Total capitalization	4,092,069	3,828,460
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued liabilities	355,255	345,108
Other current liabilities	409,993	388,451
Short-term debt	150,599	382,416
Current maturities of long-term debt	3,831	3,186
Total current liabilities	919,678	1,119,161
Deferred income taxes	370,569	306,172
Regulatory cost of removal obligation	271,059	261,376
Deferred credits and other liabilities	243,542	204,378
	\$5,896,917	\$5,719,547

See accompanying notes to consolidated financial statements

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30		
	2007	2006	2005
	(In thousands, except per share data)		
Operating revenues			
Natural gas distribution segment	\$3,358,765	\$3,650,591	\$3,103,140
Regulated transmission and storage segment	163,229	141,133	142,952
Natural gas marketing segment	3,151,330	3,156,524	2,106,278
Pipeline, storage and other segment	33,400	25,574	15,639
Intersegment eliminations	<u>(808,293)</u>	<u>(821,459)</u>	<u>(406,136)</u>
	5,898,431	6,152,363	4,961,873
Purchased gas cost			
Natural gas distribution segment	2,406,081	2,725,534	2,195,774
Regulated transmission and storage segment	—	—	4,918
Natural gas marketing segment	3,047,019	3,025,897	2,044,305
Pipeline, storage and other segment	792	1,080	1,893
Intersegment eliminations	<u>(805,543)</u>	<u>(816,718)</u>	<u>(402,654)</u>
	4,648,349	4,935,793	3,844,236
Gross profit	1,250,082	1,216,570	1,117,637
Operating expenses			
Operation and maintenance	463,373	433,418	416,281
Depreciation and amortization	198,863	185,596	178,005
Taxes, other than income	182,866	191,993	174,696
Impairment of long-lived assets	6,344	22,947	—
Total operating expenses	<u>851,446</u>	<u>833,954</u>	<u>768,982</u>
Operating income	398,636	382,616	348,655
Miscellaneous income, net	9,184	881	2,021
Interest charges	<u>145,236</u>	<u>146,607</u>	<u>132,658</u>
Income before income taxes	262,584	236,890	218,018
Income tax expense	<u>94,092</u>	<u>89,153</u>	<u>82,233</u>
Net income	<u>\$ 168,492</u>	<u>\$ 147,737</u>	<u>\$ 135,785</u>
Per share data			
Basic net income per share	<u>\$ 1.94</u>	<u>\$ 1.83</u>	<u>\$ 1.73</u>
Diluted net income per share	<u>\$ 1.92</u>	<u>\$ 1.82</u>	<u>\$ 1.72</u>
Weighted average shares outstanding:			
Basic	<u>86,975</u>	<u>80,731</u>	<u>78,508</u>
Diluted	<u>87,745</u>	<u>81,390</u>	<u>79,012</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 Loss	Retained Earnings	Total
	Number of Shares	Stated Value				
	(In thousands, except share data)					
Balance, September 30, 2004	62,799,710	\$314	\$1,005,644	\$(14,529)	\$ 142,030	\$1,133,459
Comprehensive income:						
Net income	—	—	—	—	135,785	135,785
Unrealized holding gains on investments, net	—	—	—	1,528	—	1,528
Treasury lock agreements, net	—	—	—	(2,714)	—	(2,714)
Cash flow hedges, net	—	—	—	12,374	—	12,374
Total comprehensive income						146,973
Cash dividends (\$1.24 per share)	—	—	—	—	(98,978)	(98,978)
Common stock issued:						
Public offering	16,100,000	80	381,271	—	—	381,351
Direct stock purchase plan	450,212	3	12,486	—	—	12,489
Retirement savings plan	441,350	2	11,767	—	—	11,769
1998 Long-term incentive plan	745,788	4	14,116	—	—	14,120
Employee stock-based compensation	—	—	1,175	—	—	1,175
Outside directors stock-for-fee plan	2,341	—	64	—	—	64
Balance, September 30, 2005	80,539,401	403	1,426,523	(3,341)	178,837	1,602,422
Comprehensive income:						
Net income	—	—	—	—	147,737	147,737
Unrealized holding gains on investments, net	—	—	—	882	—	882
Treasury lock agreements, net	—	—	—	3,442	—	3,442
Cash flow hedges, net	—	—	—	(44,833)	—	(44,833)
Total comprehensive income						107,228
Cash dividends (\$1.26 per share)	—	—	—	—	(102,275)	(102,275)
Common stock issued:						
Direct stock purchase plan	387,833	2	10,391	—	—	10,393
Retirement savings plan	442,635	2	11,918	—	—	11,920
1998 Long-term incentive plan	366,905	2	8,976	—	—	8,978
Long-term stock plan for Mid-States Division	300	—	5	—	—	5
Employee stock-based compensation	—	—	9,361	—	—	9,361
Outside directors stock-for-fee plan	2,442	—	66	—	—	66
Balance, September 30, 2006	81,739,516	409	1,467,240	(43,850)	224,299	1,648,098
Comprehensive income:						
Net income	—	—	—	—	168,492	168,492
Unrealized holding gains on investments, net	—	—	—	1,241	—	1,241
Treasury lock agreements, net	—	—	—	6,288	—	6,288
Cash flow hedges, net	—	—	—	20,123	—	20,123
Total comprehensive income						196,144
Cash dividends (\$1.28 per share)	—	—	—	—	(111,664)	(111,664)
Common stock issued:						
Public offering	6,325,000	32	191,881	—	—	191,913
Direct stock purchase plan	325,338	2	9,866	—	—	9,868
Retirement savings plan	422,646	2	12,929	—	—	12,931
1998 Long-term incentive plan	511,584	2	7,547	—	—	7,549
Employee stock-based compensation	—	—	10,841	—	—	10,841
Outside directors stock-for-fee plan	2,453	—	74	—	—	74
Balance, September 30, 2007	89,326,537	\$447	\$1,700,378	\$(16,198)	\$ 281,127	\$1,965,754

See accompanying notes to consolidated financial statements

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2007	2006	2005
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 168,492	\$ 147,737	\$ 135,785
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of long-lived assets	6,344	22,947	—
Depreciation and amortization:			
Charged to depreciation and amortization	198,863	185,596	178,005
Charged to other accounts	192	371	791
Deferred income taxes	62,121	86,178	12,669
Stock-based compensation	11,934	10,234	3,901
Debt financing costs	10,852	11,117	9,258
Other	(1,516)	(2,871)	(1,637)
Changes in assets and liabilities:			
(Increase) decrease in cash held on deposit in margin account . .	35,647	45,309	(80,956)
(Increase) decrease in accounts receivable	(6,407)	78,407	(166,692)
Increase in gas stored underground	(53,626)	(10,695)	(112,796)
(Increase) decrease in other current assets	75,221	(52,449)	(56,828)
Decrease in deferred charges and other assets	23,506	28,614	30,059
Increase (decrease) in accounts payable and accrued liabilities . .	(8,428)	(116,060)	224,375
Increase (decrease) in other current liabilities	13,381	(113,977)	218,715
Increase (decrease) in deferred credits and other liabilities	10,519	(9,009)	(7,705)
Net cash provided by operating activities	547,095	311,449	386,944
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(392,435)	(425,324)	(333,183)
Acquisitions, net of cash received	—	—	(1,916,696)
Other, net	(10,436)	(5,767)	(2,131)
Net cash used in investing activities	(402,871)	(431,091)	(2,252,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	(213,242)	237,607	144,809
Net proceeds from issuance of long-term debt	247,217	—	1,385,847
Settlement of Treasury lock agreements	4,750	—	(43,770)
Repayment of long-term debt	(303,185)	(3,264)	(103,425)
Cash dividends paid	(111,664)	(102,275)	(98,978)
Issuance of common stock	24,897	23,273	37,183
Net proceeds from equity offering	191,913	—	381,584
Net cash provided by (used in) financing activities	(159,314)	155,341	1,703,250
Net increase (decrease) in cash and cash equivalents	(15,090)	35,699	(161,816)
Cash and cash equivalents at beginning of year	75,815	40,116	201,932
Cash and cash equivalents at end of year	<u>\$ 60,725</u>	<u>\$ 75,815</u>	<u>\$ 40,116</u>

See accompanying notes to consolidated financial statements

ATMOS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Atmos Energy Corporation (“Atmos” or “the Company”) and its subsidiaries are engaged primarily in the regulated natural gas distribution and transmission and storage businesses as well as certain other nonregulated businesses. Through our natural gas distribution business, we distribute natural gas through sales and transportation arrangements to approximately 3.2 million residential, commercial, public-authority and industrial customers through our six regulated natural gas distribution divisions, in the service areas described below:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas, Missouri ⁽²⁾
Atmos Energy Kentucky/Mid-States Division ⁽¹⁾	Georgia ⁽²⁾ , Illinois ⁽²⁾ , Iowa ⁽²⁾ , Kentucky, Missouri ⁽²⁾ , Tennessee, Virginia ⁽²⁾
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⁾ Effective October 1, 2006, the Kentucky and Mid-States Divisions were combined.

⁽²⁾ Denotes locations where we have more limited service areas.

In addition, we transport natural gas for others through our distribution system. Our natural gas distribution business is subject to federal and state regulation and/or regulation by local authorities in each of the states in which the 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 regulated transmission and storage segment includes the regulated operations of our Atmos Pipeline — Texas Division, a division of the Company. The Atmos Pipeline — Texas Division transports natural gas to our Atmos Energy Mid-Tex Division and to third parties, and manages five underground storage reservoirs in Texas.

Our nonregulated businesses operate in 22 states and include our natural gas marketing operations and our pipeline, storage and other operations. These businesses are operated through various wholly-owned subsidiaries of Atmos Energy Holdings, Inc. (AEH), which is wholly-owned by the Company based in Houston, Texas.

Our natural gas marketing operations are managed by Atmos Energy Marketing, LLC (AEM), which is wholly-owned by AEH. AEM provides a variety of natural gas management services to municipalities, natural gas utility systems and industrial natural gas customers, primarily in the southeastern and midwestern states and to our Colorado-Kansas, Kentucky/Mid-States and Louisiana divisions. These services consist primarily of furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of derivative instruments.

Our pipeline, storage and other business includes the nonregulated operations of Atmos Pipeline and Storage, LLC (APS), Atmos Energy Services, LLC (AES) and Atmos Power Systems, Inc., which are wholly-owned by AEH. Through APS, we own or have an interest in underground storage fields in Kentucky and Louisiana. We also use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods. Through December 31, 2006, AES provided natural gas management services to our natural gas distribution operations, other than the Mid-Tex Division. These

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

services included aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our natural gas distribution service areas at competitive prices. Effective January 1, 2007, our shared services function began providing these services to our natural gas distribution operations. AES continues to provide limited services to our natural gas distribution divisions, and the revenues AES receives are equal to the costs incurred to provide those services. Through Atmos Power Systems, Inc., we have constructed electric peaking power-generating plants and associated facilities and lease these plants through lease agreements that are accounted for as sales under generally accepted accounting principles.

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.

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, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes, asset retirement obligation, impairment of long-lived assets, risk management and trading activities and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results could differ from those estimates.

Regulation — Our natural gas distribution and regulated transmission 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. Regulated operations are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*. This statement requires 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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS --- (Continued)

We record regulatory assets as a component of other current assets and deferred charges and other assets for costs that have been deferred for which future recovery through customer rates is considered probable. Regulatory liabilities are recorded either on the face of the balance sheet or as a component of current liabilities, deferred income taxes or deferred credits and other liabilities when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Significant regulatory assets and liabilities as of September 30, 2007 and 2006 included the following:

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	\$ 59,022	\$ —
Merger and integration costs, net	7,996	8,644
Deferred gas costs	14,797	44,992
Environmental costs	1,303	1,234
Rate case costs	10,989	10,579
Deferred franchise fees	796	1,311
Other	<u>10,719</u>	<u>9,055</u>
	<u>\$105,622</u>	<u>\$ 75,815</u>
Regulatory liabilities:		
Deferred gas costs	\$ 84,043	\$ 68,959
Regulatory cost of removal obligation	295,241	276,490
Deferred income taxes, net	165	235
Other	<u>7,503</u>	<u>10,825</u>
	<u>\$386,952</u>	<u>\$356,509</u>

Currently authorized rates do not include a return on certain of our merger and integration costs; however, we recover the amortization of these costs. Merger and integration costs, net, are generally amortized on a straight-line basis over estimated useful lives ranging up to 20 years. During the fiscal years ended September 30, 2007, 2006 and 2005, we recognized \$0.3 million, \$0.5 million and \$2.3 million in amortization expense related to these costs.

Revenue recognition — Sales of natural gas to our natural gas distribution customers are billed on a monthly cycle basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for natural gas distribution segment revenues whereby revenues applicable 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. Revenue is recognized in our regulated transmission and storage segment as the services are provided.

On occasion, we are permitted to implement new rates that have not been formally approved by our state regulatory commissions and are subject to refund. As permitted by SFAS No. 71, 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.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas cost through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility company's non-gas costs. There is no gross profit generated through purchased gas

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

adjustments, but they provide a dollar-for-dollar offset to increases or decreases in natural gas distribution gas costs. The effects of these purchased gas adjustment mechanisms are recorded as deferred gas costs on our balance sheet.

Energy trading contracts resulting in the delivery of a commodity where we are the principal in the transaction are recorded as natural gas marketing sales or purchases at the time of physical delivery. Realized gains and losses from the settlement of financial instruments that do not result in physical delivery related to our natural gas marketing energy trading contracts and unrealized gains and losses from changes in the market value of open contracts are included as a component of natural gas marketing revenues. For the years ended September 30, 2007, 2006 and 2005, we included unrealized gains (losses) on open contracts of \$18.4 million, \$17.2 million and (\$26.0) million as a component of natural gas marketing revenues.

Operating revenues for our pipeline, storage and other segment are recognized in the period in which actual volumes are transported and storage services are provided.

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

Cash held on deposit in margin account — Cash held on deposit in margin account consists of deposits made to collateralize certain financial derivatives purchased in support of our risk management activities. Under the terms of these derivative contracts, when the fair value of financial instruments held represents a net liability position, we are required to deposit cash into a margin account.

Accounts receivable and allowance for doubtful accounts — Accounts receivable consist of natural gas sales to residential, commercial, industrial, municipal, agricultural and other customers. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collections experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be different. 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 natural gas distribution operations and natural gas held by our natural gas marketing and other nonregulated subsidiaries to conduct their operations. The average cost method is used for all our natural gas distribution divisions, except for certain jurisdictions in the Kentucky/Mid-States Division, where it is valued on the first-in first-out method basis, in accordance with regulatory requirements. The average gas cost method is also used for our regulated transmission and storage segment. Our natural gas marketing and pipeline, storage and other segments utilize the average cost method; however, most of this inventory is hedged and is therefore at fair value at the end of each month. 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.

Regulated 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 represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service. Interest expense of \$3.0 million, \$3.6 million and \$2.5 million was capitalized in 2007, 2006 and 2005.

Major renewals, including replacement pipe, and betterments that are recoverable under our regulatory rate base are capitalized while the costs of maintenance and repairs that are not recoverable through rates are

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 over the estimated useful lives of the assets. 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 3.9 percent, 3.9 percent and 4.0 percent for the years ended September 30, 2007, 2006 and 2005.

Nonregulated property, plant and equipment — Nonregulated 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 ranging from 3 to 42 years.

Asset retirement obligations — SFAS 143, *Accounting for Asset Retirement Obligations* and FIN 47, *Accounting for Conditional Asset Retirement Obligations* require that 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, 2007 and 2006, we had recorded asset retirement obligations of \$9.0 million and \$15.1 million. Additionally, we recorded \$2.9 million and \$4.8 million of asset retirement costs 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 storage wells. However, we have not recognized an asset retirement obligation associated with our storage wells because there is not sufficient industry history to reasonably estimate the fair value of this obligation.

Impairment of long-lived assets — We periodically 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.

During fiscal 2007, we recorded a \$6.3 million charge associated with the write-off of approximately \$3.0 million of costs related to a nonregulated natural gas gathering project and approximately \$3.3 million of obsolete software costs. During the fourth quarter of fiscal 2006, we determined that, as a result of declining irrigation sales primarily associated with our agricultural customers' shift from gas-powered pumps to electric pumps, the West Texas Division's irrigation assets would not be able to generate sufficient future cash flows from operations to recover the net investment in these assets. Therefore, we recorded a \$22.9 million charge to impairment to write off the entire net book value. We will continue to operate these irrigation assets until we determine a plan for these assets as we are obligated to provide natural gas services to certain customers served by these assets.

Goodwill and intangible assets — We annually evaluate our goodwill balances for impairment during our second fiscal quarter or more frequently as impairment indicators arise. We use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. These calculations are

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

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.

Intangible assets are amortized over their useful lives of 10 years. These assets are reviewed for impairment as impairment indicators arise. 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. To date, no impairment has been recognized.

Marketable securities — As of September 30, 2007 and 2006, all of our marketable securities were classified as available-for-sale securities based upon the criteria of SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*. In accordance with that standard, these securities are reported at market value with unrealized gains and losses shown as a component of accumulated other comprehensive income (loss). We regularly evaluate the performance of these investments on a fund by fund basis for impairment, taking into consideration the fund's purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related fund is written down to its estimated fair value.

Derivatives and hedging activities — Our derivative and hedging activities are tailored to the segment to which they relate. We record our derivatives as a component of risk management assets and liabilities, which are classified as current or noncurrent other assets or liabilities based upon the anticipated settlement date of the underlying derivative.

The fair value of all of our financial derivatives is determined through a combination of prices actively quoted on national exchanges, prices provided by other external sources and prices based on models and other valuation methods. Changes in the valuation of our financial derivatives primarily result from changes in market prices, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions, each of which directly affect the estimated fair value of our derivatives. We believe the market prices and models used to value these derivatives 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.

Natural Gas Distribution Segment

In our natural gas distribution segment, we use a combination of physical storage and financial derivatives to partially insulate our natural gas distribution customers against gas price volatility during the winter heating season. These financial derivatives have not been designated as hedges pursuant to SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. Accordingly, they are recorded at fair value. However, because the costs associated with and the gains and losses arising from these financial derivatives are included in our purchased gas adjustment mechanisms, changes in the fair value of these financial derivatives are initially recorded as a component of deferred gas costs and recognized in the consolidated statement of income as a component of purchased gas cost when the related costs are recovered through our rates in accordance with SFAS 71. Accordingly, there is no earnings impact to our natural gas distribution segment as a result of the use of financial derivatives.

Natural Gas Marketing Segment

Our natural gas marketing risk management activities are conducted through AEM. AEM is exposed to risks associated with changes in the market price of natural gas, and we manage our exposure to the risk of

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

natural gas price changes through a combination of physical storage and financial derivatives, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Option contracts provide the right, but not the requirement, to buy or sell the commodity at a fixed price. Swap contracts require receipt of payment for the commodity based on the difference between a fixed price and the market price on the settlement date. The use of these contracts is subject to our risk management policies, which are monitored for compliance daily.

We participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers. Additionally, we engage in natural gas storage transactions in which we seek to find and profit from pricing differences that occur over time. We purchase physical natural gas and then sell financial contracts at favorable prices to lock in gross profit margins. Through the use of transportation and storage services and derivatives, we are able to capture gross profit margin through the arbitrage of pricing differences in various locations and by recognizing pricing differences that occur over time. Over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the derivatives, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

We have designated the natural gas inventory held by our natural gas marketing segment as the hedged item in a fair-value hedge. This inventory is 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 revenue in the period of change. The derivatives associated with this natural gas inventory have been designated as fair value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in the period of change. The difference in the spot price used to value our physical inventory (Gas Daily) and the forward price used to value the related fair-value hedges (NYMEX) are reported as a component of revenue and can result in volatility in our reported net income. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges.

We recognize revenue and the associated carrying value of the inventory (inclusive of storage costs) as purchased gas cost in our consolidated statement of income when we sell the gas and deliver it out of the storage facility. Over time, we expect gains and losses on the sale of storage gas inventory to be offset by gains and losses on the fair-value hedges, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

We have elected to treat our fixed-price forward contracts as normal purchases and sales and have designated the associated derivative contracts as cash flow hedges of anticipated transactions. Accordingly, unrealized gains and losses on these open derivative contracts are recorded as a component of accumulated other comprehensive income, and are recognized in earnings as a component of revenue when the hedged volumes are sold. Hedge ineffectiveness, to the extent incurred, is reported as a component of revenue.

Additionally, our natural gas marketing segment utilizes storage swaps and futures to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. Although the purpose of these instruments is to either reduce basis or other risks or lock in arbitrage opportunities, these derivative instruments have not been designated as hedges pursuant to SFAS 133. Accordingly, these derivative instruments are recorded at fair value with all changes in fair value included in revenue.

Gains and losses recognized in the income statement from hedge ineffectiveness primarily result from basis risk and from differences between the timing of the settlement of physical contracts and the settlement of the related hedge, that is referred to below as timing ineffectiveness. The following summarizes the gains and losses recognized in the income statement for the years ended September 30, 2007, 2006 and 2005.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	For the Year Ended September 30		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands)		
Basis ineffectiveness:			
Fair value basis ineffectiveness	\$ 783	\$15,476	\$(1,685)
Cash flow basis ineffectiveness	<u>2,330</u>	<u>7,392</u>	<u>(1,093)</u>
Total basis ineffectiveness	3,113	22,868	(2,778)
Timing ineffectiveness:			
Fair value timing ineffectiveness	<u>(5,677)</u>	<u>4,393</u>	<u>(2,177)</u>
Total hedge ineffectiveness	<u>\$(2,564)</u>	<u>\$27,261</u>	<u>\$(4,955)</u>

Additionally, we have a policy which allows for the use of master netting agreements with significant counterparties that allow us to offset gains and losses arising from derivative instruments that may be settled in cash and/or gains and losses arising from derivative instruments that may 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.

Pipeline, Storage and Other Segment

We have designated the natural gas inventory held by Atmos Pipeline and Storage, LLC as the hedged item in a fair-value hedge. This inventory is 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 revenue in the period of change. The derivatives associated with this natural gas inventory have been designated as fair value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in the period of change. The difference in the spot price used to value our physical inventory (Gas Daily) and the forward price used to value the related fair-value hedges (NYMEX) are reported as a component of revenue and can result in volatility in our reported net income. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges.

We recognize revenue and the associated carrying value of the inventory (inclusive of storage costs) as purchased gas cost in our consolidated statement of income when we sell the gas and deliver it out of the storage facility. Over time, we expect gains and losses on the sale of storage gas inventory to be offset by gains and losses on the fair-value hedges, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

In our pipeline, storage and other segment, actual hedge ineffectiveness arising from the timing of settlement of physical contracts and the settlement of the derivative instruments resulted in a loss of approximately \$0.5 million and \$4.7 million for the years ended September 30, 2007 and 2006 and a gain of approximately \$5.2 million for the year ended September 30, 2005.

Treasury Activities

In addition to mitigating commodity price risk, we periodically manage our exposure to interest rate changes by entering into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings. We have designated our previously executed Treasury lock agreements as a cash flow hedge of an anticipated transaction at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the Treasury lock agreements are recorded as a component of accumulated other comprehensive income. The realized gain or loss recognized upon settlement of the

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Treasury lock agreement is initially recorded as a component of accumulated other comprehensive income and is recognized as a component of interest expense over the life of the related financing arrangement.

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. We review the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities annually based upon a June 30 measurement date. 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.

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 Moody's Aa bond index, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with a high quality corporate bond spot rate curve.

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 in making 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 reduces or increases future pension or postretirement plan cost over a period of approximately ten to twelve years.

We estimate the assumed health care cost trend rate used in determining our 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 our annual review of our participant census information as of the measurement date.

Income taxes — Income taxes are provided 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 current and 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.

Stock-based compensation plans — We maintain the 1998 Long-Term Incentive Plan that provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, performance-based restricted stock units and stock units to officers, division presidents and other key employees. Non-employee directors are also eligible to receive stock-based compensation under the 1998 Long-Term Incentive Plan. The objectives of this plan include attracting and retaining the best personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire our common stock.

On October 1, 2005, we adopted SFAS 123 (revised), *Share-Based Payment* (SFAS 123(R)) using the modified prospective method. We recorded a \$0.4 million charge associated with the adoption, which was recorded as a component of operation and maintenance expense. In accordance with SFAS 123(R), we measure

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the cost of employee services received in exchange for stock options and similar awards based on the grant-date fair value of the award and recognize this cost in the income statement on a straight-line basis over the period during which an employee is required to provide service in exchange for the award.

Prior to October 1, 2005, we accounted for these plans under the intrinsic-value method described in APB Opinion 25, as permitted by SFAS 123. Under this method, no compensation cost for stock options was recognized for stock-option awards granted at or above fair-market value. Awards of restricted stock were valued at the market price of the Company's common stock on the date of grant. The unearned compensation was amortized as a component of operation and maintenance expense over the vesting period of the restricted stock. Had compensation expense for our stock-based awards been recognized as prescribed by SFAS 123, our net income and earnings per share for the year ended September 30, 2005 would have been impacted as shown in the following table:

	<u>Year Ended September 30, 2005</u> (In thousands, except per share data)
Net income — as reported	\$135,785
Restricted stock compensation expense included in income, net of tax	2,431
Total stock-based employee compensation expense determined under fair-value-based method for all awards, net of taxes	<u>(3,161)</u>
Net income — pro forma	<u>\$135,055</u>
Earnings per share:	
Basic earnings per share — as reported	<u>\$ 1.73</u>
Basic earnings per share — pro forma	<u>\$ 1.72</u>
Diluted earnings per share — as reported	<u>\$ 1.72</u>
Diluted earnings per share — pro forma	<u>\$ 1.71</u>

Accumulated other comprehensive loss — Accumulated other comprehensive loss, net of tax, as of September 30, 2007 and 2006 consisted of the following unrealized gains (losses):

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Unrealized holding gains on investments	\$ 2,807	\$ 1,566
Treasury lock agreements	(14,252)	(20,540)
Cash flow hedges	<u>(4,753)</u>	<u>(24,876)</u>
	<u>\$(16,198)</u>	<u>\$(43,850)</u>

Recent accounting pronouncements — In February 2007, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. This new standard permits an entity to measure certain financial assets and financial liabilities at fair value. The objective of the standard is to improve financial reporting by allowing entities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis. The fair value option is irrevocable, unless a new election date occurs. The provisions of this standard will be effective October 1,

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2008. We do not anticipate this standard will materially impact our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements required under other accounting pronouncements but does not change existing guidance as to whether or not an instrument is carried at fair value. We will be required to apply the provisions of SFAS 157 beginning October 1, 2008. We are currently evaluating the impact this standard may have on our financial position, results of operations and cash flows.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by establishing standards for measurement and recognition in financial statements of positions taken by an entity in its income tax returns. This interpretation also provides guidance on removing income tax assets and liabilities from the balance sheet, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties, accounting for income taxes in interim periods and income tax disclosures. We will adopt the provisions of FIN 48 beginning October 1, 2007. The adoption of this standard will not have a material impact on our financial position, results of operations or cash flows.

3. Acquisitions

In October 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. The purchase price for the TXU Gas acquisition was approximately \$1.9 billion (after closing adjustments and before transaction costs and expenses), which we paid in cash. We did not assume any indebtedness of TXU Gas in connection with the acquisition. The purchase was accounted for as an asset purchase. We funded the purchase price for the TXU Gas acquisition with approximately \$235.7 million in net proceeds from our offering of approximately 9.9 million shares of common stock, which we completed in July 2004, and approximately \$1.7 billion in net proceeds from our issuance in October 2004 of commercial paper backstopped by a senior unsecured revolving credit agreement, which we entered into in September 2004 to provide bridge financing for the TXU Gas acquisition. In October 2004, we paid off the outstanding commercial paper used to fund the acquisition through the issuance of senior unsecured notes in October 2004, which generated net proceeds of approximately \$1.39 billion, and the sale of 16.1 million shares of common stock in October 2004, which generated net proceeds of \$381.6 million.

At closing of the acquisition, TXU Gas and some of its affiliates entered into transitional services agreements with us to provide call center, meter reading, customer billing, collections, information reporting, software, accounting, treasury, administrative and other services to the Mid-Tex Division. Some of these services were outsourced by TXU Gas to Capgemini Energy L.P. However, in November 2004, we entered into an agreement with Capgemini Energy L.P. whereby we assumed the operations of the Waco, Texas call center in April 2005 and purchased from Capgemini Energy L.P. all of the related call center assets in October 2005. The remaining transitional services agreements expired in September 2005 and were not renewed as we in-sourced all of these functions, effective October 2005.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Goodwill and Intangible Assets

Goodwill and intangible assets were comprised of the following as of September 30, 2007 and 2006.

	September 30	
	2007	2006
	(In thousands)	
Goodwill.....	\$734,976	\$735,369
Intangible assets	2,716	3,152
Total.....	\$737,692	\$738,521

The following presents our goodwill balance allocated by segment and changes in the balance for the year ended September 30, 2007:

	Natural Gas Distribution Segment	Regulated Transmission and Storage Segment	Natural Gas Marketing Segment	Pipeline, Storage and Other Segment	Total
	(In thousands)				
Balance as of September 30, 2006. . .	\$567,221	\$133,437	\$24,282	\$10,429	\$735,369
Deferred tax adjustments on prior acquisitions ⁽¹⁾	554	(947)	—	—	(393)
Balance as of September 30, 2007. . .	\$567,775	\$132,490	\$24,282	\$10,429	\$734,976

⁽¹⁾ During the preparation of the fiscal 2007 tax provision, we adjusted certain deferred taxes recorded in connection with acquisitions in fiscal 2001 and fiscal 2004, which resulted in a decrease to goodwill and net deferred tax liabilities of \$0.4 million.

Information regarding our intangible assets is reflected in the following table. As of September 30, 2007 and 2006, we had no indefinite-lived intangible assets.

	Useful Life (Years)	September 30, 2007			September 30, 2006		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
		(In thousands)					
Customer contracts	10	\$6,926	\$(4,210)	\$2,716	\$6,754	\$(3,602)	\$3,152

The following table presents actual amortization expense recognized during 2007 and an estimate of future amortization expense based upon our intangible assets at September 30, 2007.

Amortization expense (in thousands):

Actual for the fiscal year ending September 30, 2007	\$608
Estimated for the fiscal year ending:	
September 30, 2008	623
September 30, 2009	623
September 30, 2010	623
September 30, 2011	623
September 30, 2012	38

5. Derivative Instruments and Hedging Activities

We conduct risk management activities through both our natural gas distribution and natural gas marketing segments. These activities are described in more detail in Note 2. Also, as discussed in Note 2, we

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

record our derivatives 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 derivative.

The following table shows the fair values of our risk management assets and liabilities by segment at September 30, 2007 and 2006:

	<u>Natural Gas Distribution</u>	<u>Natural Gas Marketing</u> (In thousands)	<u>Total</u>
September 30, 2007:			
Assets from risk management activities, current	\$ —	\$21,849	\$ 21,849
Assets from risk management activities, noncurrent	—	5,535	5,535
Liabilities from risk management activities, current	(21,053)	(286)	(21,339)
Liabilities from risk management activities, noncurrent	<u>—</u>	<u>(290)</u>	<u>(290)</u>
Net assets (liabilities)	<u>\$(21,053)</u>	<u>\$26,808</u>	<u>\$ 5,755</u>
September 30, 2006:			
Assets from risk management activities, current	\$ —	\$12,553	\$ 12,553
Assets from risk management activities, noncurrent	—	6,186	6,186
Liabilities from risk management activities, current	(27,209)	(3,460)	(30,669)
Liabilities from risk management activities, noncurrent	<u>—</u>	<u>(276)</u>	<u>(276)</u>
Net assets (liabilities)	<u>\$(27,209)</u>	<u>\$15,003</u>	<u>\$(12,206)</u>

Natural Gas Distribution Hedging Activities

We use a combination of physical storage, fixed physical contracts and fixed financial contracts to partially insulate us and our customers against gas price volatility during the winter heating season. For the 2006-2007 heating season, we hedged approximately 49 percent of our anticipated winter flowing gas requirements at a weighted average cost of approximately \$8.56 per Mcf.

Our natural gas distribution hedging activities also includes the fair value of our treasury lock agreements which are described in further detail below.

Nonregulated Hedging Activities

For the year ended September 30, 2007, the change in the deferred hedging position in accumulated other comprehensive loss was attributable to decreases in future commodity prices relative to the commodity prices stipulated in the derivative contracts totaling \$10.9 million and the recognition of \$31.0 million in net deferred hedging losses in net income when the derivatives matured according to their terms. The net deferred hedging losses associated with open cash flow hedges remain subject to market price fluctuations until the positions are either settled under the terms of the hedge contracts or terminated prior to settlement. Substantially all of the deferred hedging loss as of September 30, 2007 is expected to be recognized in net income within the next fiscal year.

Under our risk management policies, we seek to match our financial derivative positions to our physical storage positions as well as our expected current and future sales and purchase obligations to maintain no open positions at the end of each trading day. The determination of our net open position as of any day, however, requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of each day may increase if the assumptions are not realized, we review these assumptions as part of our daily monitoring activities. We can also be affected by intraday fluctuations of gas prices, since

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the price of natural gas purchased or sold for future delivery earlier in the day may not be hedged until later in the day. At times, limited net open positions related to our existing and anticipated commitments may occur. At the close of business on September 30, 2007, AEH had a net open position (including existing storage) of 0.2 Bcf.

Treasury Activities

In fiscal 2004, we entered into four Treasury lock agreements to fix the Treasury yield component of the interest cost of financing associated with the-then anticipated issuance of \$875 million of long-term debt issued in October 2004 in connection with the permanent financing for our TXU Gas acquisition. These Treasury lock agreements were settled in October 2004 with a net \$43.8 million payment to the counterparties.

In March 2007, we entered into a Treasury lock agreement to fix the Treasury yield component of the interest cost associated with \$100 million of our \$250 million 6.35% Senior Notes issued in June 2007 (the Senior Notes Offering). This Treasury lock agreement was settled in June 2007, and resulted in the receipt of \$2.9 million from the counterparties.

Since we designated these Treasury lock agreements as cash flow hedges of an anticipated transaction, the gains and losses realized upon settlement were initially recorded as a component of accumulated other comprehensive loss and are being recognized as a component of interest expense over the life of the associated notes from the date of settlement.

The following table presents our hedging transactions that were recorded to other comprehensive income (loss), net of taxes during the years ended September 30, 2007 and 2006.

	<u>Year Ended September 30</u>	
	<u>2007</u>	<u>2006</u>
	<u>(In thousands)</u>	
<i>Increase (decrease) in fair value:</i>		
Treasury lock agreements	\$ 2,945	\$ —
Forward commodity contracts	(10,861)	(51,014)
<i>Recognition of (gains) losses in earnings due to settlements:</i>		
Treasury lock agreements	3,343	3,442
Forward commodity contracts	<u>30,984</u>	<u>6,181</u>
Total other comprehensive income (loss) from hedging, net of tax ⁽¹⁾	<u>\$ 26,411</u>	<u>\$(41,391)</u>

⁽¹⁾ Utilizing an income tax rate of approximately 38 percent comprised of the effective rates in each taxing jurisdiction.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following amounts, net of deferred taxes, represent the expected recognition into earnings for our derivative instruments, based upon the fair values of these derivatives as of September 30, 2007:

	<u>Treasury Lock Agreements</u>	<u>Forward Contracts</u>	<u>Total</u>
	(In thousands)		
2008.....	\$ (3,147)	\$(4,636)	\$ (7,783)
2009.....	(3,147)	(138)	(3,285)
2010.....	(1,828)	20	(1,808)
2011.....	(1,709)	1	(1,708)
2012.....	(1,709)	—	(1,709)
Thereafter.....	<u>(2,712)</u>	<u>—</u>	<u>(2,712)</u>
Total.....	<u>\$(14,252)</u>	<u>\$(4,753)</u>	<u>\$(19,005)</u>

6. Debt

Long-term debt

Long-term debt at September 30, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
	(In thousands)	
Unsecured floating rate Senior Notes, due July 2007.....	\$ —	\$ 300,000
Unsecured 4.00% Senior Notes, due 2009.....	400,000	400,000
Unsecured 7.375% Senior Notes, due 2011.....	350,000	350,000
Unsecured 10% Notes, due 2011.....	2,303	2,303
Unsecured 5.125% Senior Notes, due 2013.....	250,000	250,000
Unsecured 4.95% Senior Notes, due 2014.....	500,000	500,000
Unsecured 6.35% Senior Notes, due 2017.....	250,000	—
Unsecured 5.95% Senior Notes, due 2034.....	200,000	200,000
Medium term notes		
Series A, 1995-2, 6.27%, due 2010.....	10,000	10,000
Series A, 1995-1, 6.67%, due 2025.....	10,000	10,000
Unsecured 6.75% Debentures, due 2028.....	150,000	150,000
First Mortgage Bonds Series P, 10.43% due 2013.....	7,500	8,750
Rental property, propane and other term notes due in installments through 2013.....	<u>3,890</u>	<u>5,825</u>
Total long-term debt.....	2,133,693	2,186,878
Less:		
Original issue discount on unsecured senior notes and debentures.....	(3,547)	(3,330)
Current maturities.....	<u>(3,831)</u>	<u>(3,186)</u>
	<u>\$2,126,315</u>	<u>\$2,180,362</u>

In August 2004, we filed a registration statement with the Securities and Exchange Commission (SEC) under which we could issue, from time to time, up to \$2.2 billion in new common stock and/or debt. In October 2004, we sold 16.1 million common shares under the registration statement, generating net proceeds of \$382.5 million before other offering costs. Additionally, we issued senior unsecured debt under the

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

registration statement consisting of \$1.4 billion in Senior Notes with due dates ranging from 2007 to 2034. The net proceeds from the sale of these senior notes were \$1.39 billion.

The net proceeds from the October 2004 common stock and senior notes offerings, combined with the net proceeds from our July 2004 offering were used to pay off \$1.7 billion in outstanding commercial paper backstopped by a senior unsecured revolving credit agreement, which we entered into in September 2004 for bridge financing for the TXU Gas acquisition. Also, as a result of this refinancing in October 2004, we canceled the senior unsecured revolving credit facility.

On December 4, 2006, we filed a registration statement with the SEC to issue, from time to time, up to \$900 million in common stock and/or debt securities available for issuance, including approximately \$401.5 million of capacity carried over from our prior shelf registration statement filed with the SEC in August 2004. As discussed in Note 7, in December 2006, we sold approximately 6.3 million shares of common stock under the new registration statement.

On June 14, 2007, we closed a senior notes offering. The effective interest rate on these notes is 6.26 percent after giving effect to the \$100 million Treasury lock discussed in Note 5. The net proceeds of approximately \$247 million, together with \$53 million of available cash, were used to repay our \$300 million unsecured floating rate senior notes on July 15, 2007.

As of September 30, 2007, we had approximately \$450 million of availability remaining under the registration statement. However, due to certain restrictions placed by one state regulatory commission on our ability to issue securities under the registration statement, we now have remaining and available for issuance a total of approximately \$100 million of equity securities, \$50 million of senior debt securities and \$300 million of subordinated debt securities. In addition, due to restrictions imposed by another state regulatory commission, if the credit ratings on our senior unsecured debt were to fall below investment grade from either Standard & Poor's Corporation (BBB-), Moody's Investors Services, Inc. (Baa3) or Fitch Ratings, Ltd. (BBB-), our ability to issue any type of debt securities under the registration statement would be suspended until an investment grade rating from any of the three credit rating agencies was achieved.

Short-term debt

At September 30, 2007 and 2006, there was \$150.6 million and \$379.3 million outstanding under our commercial paper program. In addition, at September 30, 2006, there was \$3.1 million outstanding under our bank credit facilities. There were no amounts outstanding under our bank credit facilities at September 30, 2007. As of September 30, 2007, our commercial paper had maturities of less than three months, with interest rates ranging from 5.75 percent to 6.00 percent.

Credit facilities

We maintain both committed and uncommitted credit facilities. Borrowings under our uncommitted credit facilities are made on a when-and-as-needed basis at the discretion of the bank. Our credit capacity and the amount of unused borrowing capacity are affected by the seasonal nature of the natural gas business and our short-term borrowing requirements, which are typically highest during colder winter months. Our working capital needs can vary significantly due to changes in the price of natural gas charged by suppliers and the increased gas supplies required to meet customers' needs during periods of cold weather.

Committed credit facilities

As of September 30, 2007, we had three short-term committed revolving credit facilities totaling \$918 million. The first facility is a five-year unsecured facility, expiring December 2011, for \$600 million that bears interest at a base rate or at the LIBOR rate for the applicable interest period, plus from 0.30 percent to 0.75 percent, based on the Company's credit ratings, and serves as a backup liquidity facility for our

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$600 million commercial paper program. At September 30, 2007, there was \$150.6 million outstanding under our commercial paper program.

We have a second unsecured facility in place which is a 364-day facility for \$300 million that bears interest at a base rate or the LIBOR rate for the applicable interest period, plus from 0.30 percent to 0.75 percent, based on the Company's credit ratings. This facility was replaced by another 364-day facility in November 2007 with no material changes to its terms and pricing. At September 30, 2007, there were no borrowings under this facility.

We have a third unsecured facility in place for \$18 million that bears interest at the Federal Funds rate plus 0.5 percent. This facility expired in March 2007 and was renewed for one year with no material changes to its terms and pricing. At September 30, 2007, there were no borrowings outstanding under this facility.

The availability of funds under our 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 our revolving credit 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, 2007, our total-debt-to-total-capitalization ratio, as defined, was 56 percent. In addition, both the interest margin over the Eurodollar rate and the fee that we pay on unused amounts under our revolving credit facilities are subject to adjustment depending upon our credit ratings. The revolving credit facilities each contain the same limitation with respect to our total-debt to-total capitalization ratio.

Uncommitted credit facilities

AEM has a \$580 million uncommitted demand working capital credit facility. On March 30, 2007, AEM and the banks in the facility amended the facility, primarily to extend it to March 31, 2008. Borrowings under the credit facility can be made either as revolving loans or offshore rate loans. Revolving loan borrowings will bear interest at a floating rate equal to a base rate defined as the higher of (i) 0.50 percent per annum above the Federal Funds rate or (ii) the lender's prime rate plus 0.25 percent. Offshore rate loan borrowings will bear interest at a floating rate equal to a base rate based upon LIBOR for the applicable interest period plus an applicable margin, ranging from 1.25 percent to 1.625 percent per annum, depending on the excess tangible net worth of AEM, as defined in the credit facility. Borrowings drawn down under letters of credit issued by the banks will bear interest at a floating rate equal to the base rate, as defined above, plus an applicable margin, which will range from 1.00 percent to 1.875 percent per annum, depending on the excess tangible net worth of AEM and whether the letters of credit are swap-related standby letters of credit.

AEM is required by the financial covenants in the credit facility to maintain a maximum ratio of total liabilities to tangible net worth of 5 to 1, along with minimum levels of net working capital ranging from \$20 million to \$120 million. Additionally, AEM must maintain a minimum tangible net worth ranging from \$21 million to \$121 million, and must not have a maximum cumulative loss from for the most recent 12 month accounting period exceeding \$4 million to \$23 million, depending on the total amount of borrowing elected from time to time by AEM. At September 30, 2007, AEM's ratio of total liabilities to tangible net worth, as defined, was 1.29 to 1.

At September 30, 2007, there were no borrowings outstanding under this credit facility. However, at September 30, 2007, AEM letters of credit totaling \$78.2 million had been issued under the facility, which reduced the amount available by a corresponding amount. The amount available under this credit facility is also limited by various covenants, including covenants based on working capital. Under the most restrictive covenant, the amount available to AEM under this credit facility was \$121.8 million at September 30, 2007. This line of credit is collateralized by substantially all of the assets of AEM and is guaranteed by AEH.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We also have an unsecured short-term uncommitted credit line for \$25 million that is used for working capital and letter-of-credit purposes. There were no borrowings under this uncommitted credit facility at September 30, 2007, but letters of credit reduced the amount available by \$5.4 million. This uncommitted line is renewed or renegotiated at least annually with varying terms, and we pay no fee for the availability of the line. Borrowings under this line are made on a when-and-as-available basis at the discretion of the bank.

AEH, the parent company of AEM, has an intercompany uncommitted demand credit facility with the Company which bears interest at the rate of AEM's \$580 million uncommitted demand working capital credit facility plus 0.25 percent. Effective May 1, 2007, the intercompany credit facility was increased from \$100 million to \$200 million. Applicable state regulatory commissions have approved this facility through December 31, 2008. At September 30, 2007, there were no borrowings under this facility.

In June 2007, the Company entered into a \$200 million intercompany uncommitted revolving credit facility and promissory note with AEH. The new facility bears interest at the lesser of (i) LIBOR plus 0.20 percent or (ii) the marginal borrowing rate available to the Company on any such date under its commercial paper program. Applicable state regulatory commissions have approved this facility through December 31, 2008. At September 30, 2007, there was \$36.7 million outstanding under this facility.

In addition, to supplement its \$580 million credit facility, AEM has an intercompany uncommitted demand credit facility with AEH, which bears interest at LIBOR plus 2.75 percent. Effective May 1, 2007, this intercompany credit facility was increased from \$120 million to \$175 million. Any outstanding amounts under this facility are subordinated to AEM's \$580 million uncommitted demand credit facility. At September 30, 2007, there was \$30.0 million outstanding under this facility.

Debt Covenants

We have other covenants in addition to those described above. Our Series P First Mortgage Bonds contain provisions that allow us to prepay the outstanding balance in whole at any time, after November 2007, subject to a prepayment premium. The First Mortgage Bonds provide for certain cash flow requirements and restrictions on additional indebtedness, sale of assets and payment of dividends. Under the most restrictive of such covenants, cumulative cash dividends paid after December 31, 1985 may not exceed the sum of accumulated net income for periods after December 31, 1985 plus \$9.0 million. At September 30, 2007 approximately \$260.2 million of retained earnings was unrestricted with respect to the payment of dividends.

As of September 30, 2007, a portion of the Kentucky/Mid-States Division utility plant assets, totaling \$413.4 million, was subject to a lien under the Indenture of Mortgage of the Series P First Mortgage Bonds.

We were in compliance with all of our debt covenants as of September 30, 2007. If we do not comply with our debt covenants, we may be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions. Our public debt indentures relating to our senior notes and debentures, as well as 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. In addition, AEM's credit agreement contains a cross-default provision whereby AEM would be in default if it defaults on other indebtedness, as defined, by at least \$250 thousand in the aggregate. Additionally, this agreement contains a provision that would limit the amount of credit available if the Company was downgraded below an S&P rating of BBB and a Moody's rating of Baa2.

Except as described above, we have no triggering events in our debt instruments that are tied to changes in specified credit ratings or stock price, nor have we entered into any transactions that would require us to issue equity based on our credit rating or other triggering events.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Based on the borrowing rates currently available to us for debt with similar terms and remaining average maturities, the fair value of long-term debt at September 30, 2007 and 2006 is estimated, using discounted cash flow analysis, to be \$2,026.6 million and \$2,053.9 million.

Maturities of long-term debt at September 30, 2007 were as follows (in thousands):

2008	\$ 3,831
2009	2,035
2010	401,381
2011	361,381
2012	3,684
Thereafter	<u>1,361,381</u>
	<u>\$2,133,693</u>

7. Shareholders' Equity

Stock Issuances

During the years ended September 30, 2007, 2006 and 2005 we issued 7,587,021, 1,200,115 and 17,739,691 shares of common stock.

On December 13, 2006, we completed the public offering of 6,325,000 shares of our common stock including the underwriters' exercise of their overallotment option of 825,000 shares. The offering was priced at \$31.50 per share and generated net proceeds of approximately \$192 million. We used the net proceeds from this offering to reduce short-term debt.

Shareholder Rights Plan

In November 1997, our Board of Directors declared a dividend distribution of one right for each outstanding share of our common stock to shareholders of record at the close of business on May 10, 1998. Each right entitles the registered holder to purchase from us a one-tenth share of our common stock at a purchase price of \$8.00 per share, subject to adjustment. The description and terms of the rights are set forth in a rights agreement between us and the rights agent.

Subject to exceptions specified in the rights agreement, the rights will separate from our common stock and a distribution date will occur upon the earlier of:

- ten business days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15 percent or more of the outstanding shares of our common stock, other than as a result of repurchases of stock by us or specified inadvertent actions by institutional or other shareholders;
- ten business days, or such later date as our Board of Directors shall determine, following the commencement of a tender offer or exchange offer that would result in a person or group having acquired, or obtained the right to acquire, beneficial ownership of 15 percent or more of the outstanding shares of our common stock; or
- ten business days after our Board of Directors shall declare any person to be an adverse person within the meaning of the rights plan.

The rights expire on May 10, 2008, unless extended prior thereto by our board of directors or earlier if redeemed by us. The rights will not have any voting rights. The exercise price payable and the number of shares of our common stock or other securities or property issuable upon exercise of the rights are subject to

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

adjustment from time to time to prevent dilution. We issue rights when we issue our common stock until the rights have separated from the common stock. After the rights have separated from the common stock, we may issue additional rights if the board of directors deems such issuance to be necessary or appropriate. The rights have “anti-takeover” effects and may cause substantial dilution to a person or entity that attempts to acquire us on terms not approved by our board of directors except pursuant to an offer conditioned upon a substantial number of rights being acquired. The rights should not interfere with any merger or other business combination approved by our board of directors because, prior to the time that the rights become exercisable or transferable, we can redeem the rights at \$.01 per right.

Other Agreements

In connection with our Mississippi Valley Gas Company acquisition in December 2002, we issued shares of common stock under an exemption from registration under the Securities Act of 1933, as amended. In the transaction, we entered into a registration rights agreement with the former stockholders of Mississippi Valley Gas Company that required us, on no more than two occasions, and with some limitations, to file a registration statement under the Securities Act within 60 days of their request for an offering designed to achieve a wide distribution of shares through underwriters selected by us. We also granted rights to these shareholders, subject to some limitations, to participate in future registered offerings of our securities until December 3, 2005. No registration rights issued to the former stockholders of MVG, as discussed above, were exercised prior to the expiration of the registration rights agreement on December 3, 2005. The former stockholders of MVG also agreed, for up to five years from the closing of the acquisition, or until December 3, 2007, and with some exceptions, not to sell or transfer shares representing more than 1 percent of our total outstanding voting securities to any person or group or any shares to a person or group who would hold more than 9.9 percent of our total outstanding voting securities after the sale or transfer. This restriction, and other agreed restrictions on the ability of these shareholders to acquire additional shares, participate in proxy solicitations or act to seek control, may be deemed to have an “anti-takeover” effect.

8. Stock and Other Compensation Plans

Stock-Based Compensation Plans

Total stock-based compensation expense was \$11.9 million, \$10.2 million and \$3.9 million for the years ended September 30, 2007, 2006 and 2005, primarily related to restricted stock costs.

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, 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 personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock. We are authorized to grant awards for up to a maximum of 6.5 million shares of common stock under this plan subject to certain adjustment provisions. As of September 30, 2007, non-qualified stock options, bonus stock, time-lapse restricted stock, performance-based restricted stock units and stock units had been issued under this plan, and 2,730,192 shares were available for future issuance. The option price of the stock options issued under this plan is equal to the market price of our stock at the date of grant. These stock options expire 10 years from the date of the grant and vest annually over a service period ranging from one to three years.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock Plans

As noted above, the LTIP provides for discretionary awards of restricted stock to help attract, retain and reward employees and non-employee directors of Atmos 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 associated expense is recognized ratably over the vesting period. The following summarizes information regarding the restricted stock issued under the plan:

	2007		2006		2005	
	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year . . .	746,776	\$26.49	592,490	\$25.32	345,519	\$23.72
Granted	485,260	30.85	440,016	26.80	294,834	26.78
Vested	(271,075)	26.12	(265,546)	24.42	(36,106)	21.97
Forfeited	<u>(12,244)</u>	<u>28.51</u>	<u>(20,184)</u>	<u>26.95</u>	<u>(11,757)</u>	<u>24.70</u>
Nonvested at end of year	<u>948,717</u>	<u>\$28.95</u>	<u>746,776</u>	<u>\$26.49</u>	<u>592,490</u>	<u>\$25.32</u>

As of September 30, 2007, there was \$16.1 million of total unrecognized compensation cost related to nonvested restricted shares granted under the LTIP. That cost is expected to be recognized over a weighted-average period of 1.8 years. The fair value of restricted stock vested during the years ended September 30, 2007, 2006 and 2005 was \$7.1 million, \$6.5 million and \$0.8 million.

Stock Option Plan

We used the Black-Scholes pricing model to estimate the fair value of each option granted with the following weighted average assumptions for 2006 and 2005. No stock options were granted in 2007.

Valuation Assumptions ⁽¹⁾	Year Ended September 30	
	2006	2005
Expected Life (years) ⁽²⁾	7	7
Interest rate ⁽³⁾	4.6%	4.2%
Volatility ⁽⁴⁾	20.3%	21.3%
Dividend yield	4.8%	4.8%

⁽¹⁾ Beginning on October 1, 2005, the date of adoption of SFAS 123(R), forfeitures have been estimated based on historical experience. Prior to the date of adoption, forfeitures were recorded as they occurred.

⁽²⁾ The expected life of stock options is estimated based on historical experience.

⁽³⁾ The interest rate is based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

⁽⁴⁾ The volatility is estimated based on historical and current stock data for the Company.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of activity for grants of stock options under the LTIP follows:

	2007		2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year . . .	1,017,152	\$22.57	964,704	\$22.20	1,492,177	\$22.10
Granted	—	—	93,196	26.19	23,432	25.95
Exercised	(92,071)	22.84	(40,582)	22.21	(547,907)	22.08
Forfeited	(4,240)	23.11	(166)	21.23	(2,998)	22.81
Outstanding at end of year ⁽¹⁾	<u>920,841</u>	<u>\$22.54</u>	<u>1,017,152</u>	<u>\$22.57</u>	<u>964,704</u>	<u>\$22.20</u>
Exercisable at end of year ⁽²⁾	<u>908,332</u>	<u>\$22.49</u>	<u>991,778</u>	<u>\$22.48</u>	<u>798,574</u>	<u>\$22.22</u>

⁽¹⁾ The weighted-average remaining contractual life for outstanding options was 4.4 years, 5.4 years, and 6.0 years for fiscal years 2007, 2006 and 2005. The aggregate intrinsic value of outstanding options was \$3.3 million, \$3.7 million and \$3.5 million for fiscal years 2007, 2006 and 2005.

⁽²⁾ The weighted-average remaining contractual life for exercisable options was 4.3 years, 5.3 years, and 5.7 years for fiscal years 2007, 2006 and 2005. The aggregate intrinsic value of exercisable options was \$3.3 million, \$3.6 million and \$2.9 million for fiscal years 2007, 2006 and 2005.

Information about outstanding and exercisable options under the LTIP, as of September 30, 2007, is reflected in the following tables:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$15.65 to \$20.24	62,833	2.4	\$15.66	62,833	\$15.66
\$20.25 to \$22.99	496,525	4.8	\$21.87	496,525	\$21.87
\$23.00 to \$26.19	361,483	4.2	\$24.65	348,974	\$24.60
\$15.65 to \$26.19	<u>920,841</u>	4.4	\$22.54	<u>908,332</u>	\$22.49

	Year Ended September 30		
	2007	2006	2005
	(In thousands, except per share data)		
Grant date weighted average fair value per share	—	\$3.74	\$ 3.69
Net cash proceeds from stock option exercises	\$2,103	\$ 901	\$12,097
Income tax benefit from stock option exercises	\$ 296	\$ 78	\$ 1,303
Total intrinsic value of options exercised	\$ 347	\$ 143	\$ 1,983

As of September 30, 2007, there was less than \$0.1 million of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over a weighted-average period of 0.5 years.

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

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.

Outside Directors Stock-For-Fee Plan

In November 1994, the Board adopted the Outside Directors Stock-for-Fee Plan which was approved by our shareholders in February 1995 and was amended and restated in November 1997. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

In November 1998, the Board of Directors adopted the Equity Incentive and Deferred Compensation Plan for Non-Employee Directors which was approved by our shareholders in February 1999. This plan amended the Atmos Energy Corporation Deferred Compensation Plan for Outside Directors adopted by the Company in May 1990 and replaced the pension payable under our Retirement Plan for Non-Employee Directors. The plan provides non-employee directors of Atmos with the opportunity to defer receipt, until retirement, of compensation for services rendered to the Company, invest deferred compensation into either a cash account or a stock account and to receive an annual grant of share units for each year of service on the Board.

Other Discretionary Compensation Plans

We created the Variable Pay Plan in fiscal 1999 for our regulated segments' 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 objectives for a given year. 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.

We implemented our Annual Incentive Plan in October 2001 to give the employees in our nonregulated segments an opportunity to share in the success of the nonregulated operations. The plan is based upon the net earnings of the nonregulated operations and has minimum and maximum thresholds. The plan must meet the minimum threshold in order for the plan to be funded and distributed to employees. We monitor the progress toward the achievement of the thresholds throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded.

9. Retirement and Post-Retirement Employee Benefit Plans

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

Effective September 30, 2007, we adopted the provisions of SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. The new standard makes a significant change to the existing rules by requiring recognition in the

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

balance sheet of the overfunded or underfunded positions of defined benefit pension and other postretirement plans, along with a corresponding noncash, after-tax adjustment to stockholders' equity. Additionally, this standard requires that the measurement date must correspond to the fiscal year end balance sheet date. However the measurement date provision of this standard may be adopted as late as fiscal 2009 for the Company. This standard does not change how net periodic pension and postretirement cost or the projected benefit obligation is determined.

The incremental effect of applying SFAS 158 on individual line items in our balance as of September 30, 2007 is as follows:

	Before Application of SFAS 158	Adjustments (In thousands)	After Application of SFAS 158
Deferred charges and other assets	\$ 219,059	\$34,435	\$ 253,494
Total assets	5,862,482	34,435	5,896,917
Current liabilities	\$ 915,278	\$ 4,400	\$ 919,678
Deferred credits and other liabilities	213,507	30,035	243,542
Total capitalization and liabilities	5,862,482	34,435	5,896,917

As a rate regulated entity, we recover our pension costs in our rates. Therefore, the amounts that have not yet been recognized in net periodic pension cost that would have been recorded as a component of accumulated other comprehensive loss, net of tax under SFAS 158 have been recorded as a regulatory asset as a component of deferred charges and other assets and are comprised of the following:

	September 30, 2007 (In thousands)
Unrecognized transition obligation	\$ 9,642
Unrecognized prior service cost	(3,478)
Unrecognized actuarial loss	<u>52,858</u>
	<u>\$59,022</u>

Defined Benefit Plans

Employee Pension Plans

As of September 30, 2007, we maintained two defined benefit plans: the Atmos Energy Corporation Pension Account Plan (the Plan) and the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees (the Union Plan) (collectively referred to as the Plans). The Plans 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 substantially all employees of Atmos. 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).

The Plan also provides for an additional annual allocation based upon a participant's age as of January 1, 1999 for those participants who were participants in the prior pension plans. The Plan will credit this additional allocation each year through December 31, 2008. In addition, at the end of each year, a participant's

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

account will be credited with interest on the employee's prior year account balance. A special grandfather benefit also applies through December 31, 2008, for participants who were at least age 50 as of January 1, 1999, and who were participants in one of the prior plans on December 31, 1998. Participants fully vest in their account balances after five years of service and may choose to receive their account balances as a lump sum or an annuity.

The Union Plan is a defined benefit plan that covers substantially all full-time union employees in our Mississippi Division. Under this plan, benefits are based upon years of benefit service and average final earnings. Participants vest in the plan after five years and will receive their benefit in 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. 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 2007, we were not required to make a minimum funding contribution and we made no other contributions to the Plans. During fiscal 2006, we voluntarily contributed \$2.9 million to the Union Plan. That contribution achieved a desired level of funding by satisfying the minimum funding requirements while maximizing the tax deductible contribution for this plan for plan year 2005. During fiscal 2005, we voluntarily contributed \$3.0 million to the Master Trust to maintain the level of funding we desire relative to our accumulated benefit obligation. We made the contribution because declining high yield corporate bond yields in the period leading up to our June 30, 2005 measurement date resulted in an increase in the present value of our plan liabilities. We are not required to make a minimum funding contribution during fiscal 2008 nor do we anticipate making any voluntary contributions during fiscal 2008.

We manage the Master Trust's assets with the objective of achieving a rate of return net of inflation of approximately four percent per year. We make investment decisions and evaluate performance 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 allocation policy.

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, 2007 and 2006.

<u>Security Class</u>	<u>Targeted Allocation Range</u>	<u>Actual Allocation September 30</u>	
		<u>2007</u>	<u>2006</u>
Domestic equities	45%-55%	44.9%	44.3%
International equities	10%-20%	15.2%	15.6%
Fixed income	10%-30%	20.1%	18.8%
Company stock	0%-10%	8.5%	9.2%
Other assets	5%-15%	9.6%	10.7%
Cash and equivalents	0%-10%	1.7%	1.4%

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At September 30, 2007 and 2006, the Plan held 1,169,700 shares of our common stock, which represented 8.5 percent and 9.2 percent of total Master Trust assets. These shares generated dividend income for the Plan of approximately \$1.5 million during fiscal 2007 and 2006.

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 June 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 Plans were determined as of June 30, 2007 and 2006 and the actuarial assumptions used to determine the net periodic pension cost for the Plans were determined as of June 30, 2006, 2005 and 2004. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2007	2006	2007	2006	2005
Discount rate	6.30%	6.30%	6.30%	5.00%	6.25%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%
Expected return on plan assets	8.25%	8.25%	8.25%	8.50%	8.75%

The following table presents the Plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2007 and 2006.

	2007	2006
	(In thousands)	
Accumulated benefit obligation	<u>\$325,574</u>	<u>\$316,078</u>
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$326,464	\$359,924
Service cost	13,090	13,465
Interest cost	20,396	17,932
Actuarial loss (gain)	4,034	(36,748)
Benefits paid	<u>(28,403)</u>	<u>(28,109)</u>
Benefit obligation at end of year	335,581	326,464
Change in plan assets:		
Fair value of plan assets at beginning of year	362,714	355,939
Actual return on plan assets	54,762	32,005
Employer contributions	—	2,879
Benefits paid	<u>(28,403)</u>	<u>(28,109)</u>
Fair value of plan assets at end of year	<u>389,073</u>	<u>362,714</u>
Reconciliation:		
Funded status	53,492	36,250
Unrecognized prior service cost	—	(4,980)
Unrecognized net loss	—	65,646
Net amount recognized	<u>\$ 53,492</u>	<u>\$ 96,916</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic pension cost for the Plans for 2007, 2006 and 2005 is recorded as operating expense and included the following components:

	<u>Year Ended September 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands)		
Components of net periodic pension cost:			
Service cost	\$ 13,090	\$ 13,465	\$ 10,401
Interest cost	20,396	17,932	19,412
Expected return on assets	(24,357)	(25,598)	(27,541)
Amortization of prior service cost	(838)	(959)	(1,028)
Recognized actuarial loss	<u>8,253</u>	<u>10,469</u>	<u>6,276</u>
Net periodic pension cost	<u>\$ 16,544</u>	<u>\$ 15,309</u>	<u>\$ 7,520</u>

Supplemental Executive Benefits Plans

We have a nonqualified Supplemental Executive Benefits Plan which provides additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company who were employed on or before August 12, 1998. In addition, in August 1998, we adopted the Supplemental Executive Retirement Plan which covers all employees who become officers or division presidents after August 12, 1998 or any other employees selected by our Board of Directors at its discretion.

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental executive benefit plans annually based upon a June 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 June 30, 2007 and 2006 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of June 30, 2006, 2005 and 2004. These assumptions are presented in the following table:

	<u>Pension Liability</u>		<u>Pension Cost</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Discount rate	6.30%	6.30%	6.30%	5.00%	6.25%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
	<u>(In thousands)</u>	
Accumulated benefit obligation	\$ 86,976	\$ 79,209
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 87,499	\$ 97,941
Service cost	2,981	3,001
Interest cost	5,585	4,955
Actuarial loss (gain)	719	(14,618)
Benefits paid	<u>(4,434)</u>	<u>(3,780)</u>
Benefit obligation at end of year	92,350	87,499
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	4,434	3,780
Benefits paid	<u>(4,434)</u>	<u>(3,780)</u>
Fair value of plan assets at end of year	—	—
Reconciliation:		
Funded status	(92,350)	(87,499)
Unrecognized prior service cost	—	1,684
Unrecognized net loss	—	<u>22,927</u>
Accrued pension cost	<u>\$(92,350)</u>	<u>\$(62,888)</u>

Assets for the supplemental plans are held in separate rabbi trusts and comprise the following:

	<u>Cost</u>	<u>Unrealized Holding Gain</u>	<u>Market Value</u>
	<u>(In thousands)</u>		
As of September 30, 2007:			
Domestic equity mutual funds	\$32,781	\$2,793	\$35,574
Foreign equity mutual funds	<u>4,618</u>	<u>1,855</u>	<u>6,473</u>
	<u>\$37,399</u>	<u>\$4,648</u>	<u>\$42,047</u>
As of September 30, 2006:			
Domestic equity mutual funds	\$30,562	\$1,099	\$31,661
Foreign equity mutual funds	<u>5,975</u>	<u>1,542</u>	<u>7,517</u>
	<u>\$36,537</u>	<u>\$2,641</u>	<u>\$39,178</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At September 30, 2007, we maintained an investment in one domestic bond fund that was in an unrealized loss position as of September 30, 2007. Information concerning unrealized losses for our supplemental plan assets follows:

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
	<u>(In thousands)</u>			
Domestic bond fund	<u>\$—</u>	<u>\$—</u>	<u>\$16,124</u>	<u>\$269</u>

Because this fund is only used to fund the supplemental plans, we evaluate investment performance over a long-term horizon. Based upon our intent and ability to hold this investment, our ability to direct the source of the payments in order to maximize the life of the portfolio, the improved investment returns in the last year and the fact that this fund continues to receive good ratings from mutual fund rating companies, we do not consider this impairment to be other-than-temporary as of September 30, 2007.

Net periodic pension cost for the supplemental plans for 2007, 2006 and 2005 is recorded as operating expense and included the following components:

	<u>Year Ended September 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<u>(In thousands)</u>		
Components of net periodic pension cost:			
Service cost	\$ 2,981	\$ 3,001	\$2,144
Interest cost	5,585	4,955	4,658
Amortization of transition asset	—	—	4
Amortization of prior service cost	1,020	1,022	1,022
Recognized actuarial loss	<u>1,482</u>	<u>2,789</u>	<u>1,290</u>
Net periodic pension cost	<u>\$11,068</u>	<u>\$11,767</u>	<u>\$9,118</u>

Supplemental Disclosures For Defined Benefit Plans with Accumulated Benefit Obligations in Excess of Plan Assets

The following summarizes key information for our defined benefit plans with accumulated benefit obligations in excess of plan assets. For fiscal 2007 and 2006 the accumulated benefit obligation for our supplemental plans exceeded the fair value of plan assets.

	<u>Supplemental Plans</u>	
	<u>2007</u>	<u>2006</u>
	<u>(In thousands)</u>	
Projected Benefit Obligation	\$92,350	\$87,499
Accumulated Benefit Obligation	86,976	79,209
Fair Value of Plan Assets	—	—

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 years:

	<u>Pension Plans</u>	<u>Supplemental Plans</u>
	(In thousands)	
2008	\$ 27,486	\$ 4,512
2009	28,080	4,794
2010	29,184	5,685
2011	29,200	5,647
2012	29,600	5,630
2013-2017	157,622	32,129

Postretirement Benefits

At September 30, 2007, we sponsored 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 of this cost.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. 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 \$12.0 million to our postretirement benefits plan during fiscal 2008.

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 money market funds, equity mutual funds, fixed income funds and a balanced fund. The following table presents asset allocation information for the postretirement benefit plan assets as of September 30, 2007 and 2006.

<u>Security Class</u>	<u>Actual Allocation September 30</u>	
	<u>2007</u>	<u>2006</u>
Diversified investment fund ⁽¹⁾	98.4%	100%
Cash and cash equivalents	1.6%	—

⁽¹⁾ This fund invests in a diversified portfolio of common stocks, preferred stocks and fixed income securities. It may invest up to 75 percent of assets in common stocks and convertible securities.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a June 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 June 30, 2007 and 2006 and the actuarial assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of June 30, 2006, 2005 and 2004. The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2007	2006	2007	2006	2005
Discount rate	6.30%	6.30%	6.30%	5.00%	6.25%
Expected return on plan assets	5.00%	5.20%	5.20%	5.30%	5.30%
Initial trend rate	8.00%	8.00%	8.00%	9.00%	10.00%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2010	2010	2010	2010	2010

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2007 and 2006.

	2007	2006
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 160,901	\$ 170,930
Service cost	11,228	13,083
Interest cost	10,561	8,840
Plan participants' contributions	3,605	1,340
Actuarial loss (gain)	470	(22,657)
Benefits paid	(11,305)	(10,695)
Subsidy payments	<u>125</u>	<u>60</u>
Benefit obligation at end of year	175,585	160,901
Change in plan assets:		
Fair value of plan assets at beginning of year	44,800	39,843
Actual return on plan assets	6,371	3,703
Employer contributions	11,899	10,609
Plan participants' contributions	3,605	1,340
Benefits paid	<u>(11,305)</u>	<u>(10,695)</u>
Fair value of plan assets at end of year	<u>55,370</u>	<u>44,800</u>
Reconciliation:		
Funded status	(120,215)	(116,101)
Unrecognized transition obligation	—	11,154
Unrecognized prior service cost	—	33
Unrecognized net loss	—	<u>3,060</u>
Accrued postretirement cost	<u>\$(120,215)</u>	<u>\$(101,854)</u>

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

Net periodic postretirement cost for 2007, 2006 and 2005 is recorded as operating expense and included the components presented below.

	Year Ended September 30		
	2007	2006	2005
	(In thousands)		
Components of net periodic postretirement cost:			
Service cost	\$11,228	\$13,083	\$ 9,968
Interest cost	10,561	8,840	9,369
Expected return on assets	(2,388)	(2,187)	(2,070)
Amortization of transition obligation	1,512	1,511	1,511
Amortization of prior service cost	33	361	386
Recognized actuarial loss	—	1,280	622
Net periodic postretirement cost	\$20,946	\$22,888	\$19,786

Assumed health care cost trend rates have a significant effect on the amounts reported for the plan. A one-percentage point change in assumed health care cost trend rates would have the following effects on the latest actuarial calculations:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(In thousands)	
Effect on total service and interest cost components	\$ 3,771	\$ (3,113)
Effect on postretirement benefit obligation	\$20,396	\$(17,178)

We are currently recovering other postretirement benefits costs through our regulated rates under SFAS 106 accrual accounting in substantially all of our service areas. Other postretirement benefits costs have been specifically addressed in rate orders in each jurisdiction served by our Kentucky/Mid-States Division and our Mississippi Division or have been included in a rate case and not disallowed. Management believes that accrual accounting in accordance with SFAS 106 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.

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 years:

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
	(In thousands)			
2008	\$12,006	\$ 2,712	\$155	\$ 14,873
2009	9,475	3,090	163	12,728
2010	10,720	3,459	171	14,350
2011	12,129	3,861	87	16,077
2012	13,402	4,254	—	17,656
2013-2017	87,830	27,712	—	115,542

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

Defined Contribution Plans

As of September 30, 2007, we maintained three defined contribution benefit plans: the Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan), the Atmos Energy Corporation Savings Plan for MVG Union Employees (the Union 401K Plan) and the Atmos Energy Marketing, LLC 401K Profit-Sharing Plan (the AEM 401K Profit-Sharing Plan).

The Retirement Savings Plan covers substantially all regulated employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Participants may elect a salary reduction ranging from a minimum of one percent 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. We match 100 percent of a participant's contributions, limited to four percent of the participant's salary, in our common stock. However, participants have the option to immediately transfer this matching contribution into other funds held within the plan. Participants are eligible to receive matching contributions after completing one year of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions.

The Union 401K Plan covers substantially all Mississippi Division employees who are members of the International Chemical Workers Union Council, United Food and Commercial Workers Union International (the Union) and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Employees of the Union automatically become participants of the Union 401K plan on the date of union employment. We match 50 percent of a participant's contribution, limited to six percent of the participant's eligible contribution. Participants are also permitted to take out loans against their accounts subject to certain restrictions.

Matching contributions to the Retirement Savings Plan and the Union 401K Plan are expensed as incurred and amounted to \$8.3 million, \$7.0 million, and \$5.7 million for 2007, 2006 and 2005. The Board of Directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code of 1986 and applicable regulations of the Internal Revenue Service. No discretionary contributions were made for 2007, 2006 or 2005. At September 30, 2007 and 2006, the Retirement Savings Plan held 3.1 percent and 3.2 percent of our outstanding common stock.

The AEM 401K Profit-Sharing Plan covers substantially all AEM employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Participants may elect a salary reduction ranging from a minimum of one percent 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. The Company may elect to make safe harbor contributions up to 3 percent of the employee's salary which vest immediately. The Company may also make discretionary profit sharing contributions to the AEM 401K Profit-Sharing Plan. Participants become fully vested in the discretionary profit-sharing contributions after three years of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. Discretionary contributions to the AEM 401K Profit-Sharing Plan are expensed as incurred and amounted to \$0.8 million, \$0.8 million and \$0.6 million for 2007, 2006 and 2005.

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

10. Details of Selected Consolidated Balance Sheet Captions

The following tables provide additional information regarding the composition of certain of our balance sheet captions.

Accounts receivable

Accounts receivable was comprised of the following at September 30, 2007 and 2006:

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Billed accounts receivable	\$325,721	\$321,279
Unbilled revenue	44,913	44,607
Other accounts receivable	<u>25,659</u>	<u>22,429</u>
Total accounts receivable	396,293	388,315
Less: allowance for doubtful accounts	<u>(16,160)</u>	<u>(13,686)</u>
Net accounts receivable	<u>\$380,133</u>	<u>\$374,629</u>

Other current assets

Other current assets as of September 30, 2007 and 2006 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Assets from risk management activities	\$ 21,849	\$ 12,553
Deferred gas cost	14,797	44,992
Taxes receivable	33,002	56,034
Current deferred tax asset	4,664	18,943
Prepaid expenses	16,510	16,379
Current portion of leased assets receivable	2,973	2,973
Materials and supplies	5,563	6,088
Other	<u>13,551</u>	<u>11,990</u>
Total	<u>\$112,909</u>	<u>\$169,952</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, 2007 and 2006:

	September 30	
	2007	2006
	(In thousands)	
Production plant	\$ 12,578	\$ 12,563
Storage plant	149,164	118,902
Transmission plant	909,582	863,882
Distribution plant	3,627,729	3,404,220
General plant	560,400	541,852
Intangible plant	67,168	85,059
	5,326,621	5,026,478
Construction in progress	69,449	74,830
	5,396,070	5,101,308
Less: accumulated depreciation and amortization	(1,559,234)	(1,472,152)
Net property, plant and equipment	\$ 3,836,836	\$ 3,629,156

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2007 and 2006 were comprised of the following accounts.

	September 30	
	2007	2006
	(In thousands)	
Pension plan assets in excess of plan obligations	\$ 55,785	\$ 96,916
Marketable securities	42,047	39,178
Long-term receivable on leased assets	13,467	16,440
Regulatory assets	90,825	30,823
Deferred financing costs	39,866	42,673
Assets from risk management activities	5,535	6,186
Other	5,969	2,109
Total	\$253,494	\$234,325

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

Other current liabilities

Other current liabilities as of September 30, 2007 and 2006 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Customer deposits	\$ 83,833	\$102,555
Accrued employee costs	35,188	27,276
Deferred gas costs	84,043	68,959
Accrued interest	51,523	54,892
Liabilities from risk management activities	21,339	30,669
Taxes payable	50,288	50,673
Pension and postretirement obligations	13,250	8,850
Regulatory cost of removal accrual	24,182	15,114
Other	46,347	29,463
Total	<u>\$409,993</u>	<u>\$388,451</u>

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2007 and 2006 were comprised of the following accounts.

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Postretirement obligations	\$111,365	\$ 93,004
Retirement plan obligations	90,243	62,888
Customer advances for construction	18,173	17,481
Deferred revenue	2,783	4,049
Regulatory liabilities	7,503	10,825
Asset retirement obligation	8,966	15,070
Other	4,509	1,061
Total	<u>\$243,542</u>	<u>\$204,378</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Earnings Per Share

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands, except per share data)		
Net income	<u>\$168,492</u>	<u>\$147,737</u>	<u>\$135,785</u>
Denominator for basic income per share — weighted average common shares	86,975	80,731	78,508
Effect of dilutive securities:			
Restricted and other shares	620	551	360
Stock options	<u>150</u>	<u>108</u>	<u>144</u>
Denominator for diluted income per share — weighted average common shares	<u>87,745</u>	<u>81,390</u>	<u>79,012</u>
Net income per share — basic	<u>\$ 1.94</u>	<u>\$ 1.83</u>	<u>\$ 1.73</u>
Net income per share — diluted	<u>\$ 1.92</u>	<u>\$ 1.82</u>	<u>\$ 1.72</u>

There were no out-of-the-money options excluded from the computation of diluted earnings per share for the year ended September 30, 2007, 2006 and 2005.

12. Income Taxes

The components of income tax expense from continuing operations for 2007, 2006 and 2005 were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands)		
Current			
Federal	\$22,616	\$ 838	\$61,508
State	9,810	2,623	8,569
Deferred			
Federal	56,349	77,154	11,453
State	5,772	9,024	1,217
Investment tax credits	<u>(455)</u>	<u>(486)</u>	<u>(514)</u>
	<u>\$94,092</u>	<u>\$89,153</u>	<u>\$82,233</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2007, 2006 and 2005 are set forth below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<u>(In thousands)</u>		
Tax at statutory rate of 35%	\$91,904	\$82,912	\$76,306
Common stock dividends deductible for tax reporting	(1,233)	(1,180)	(1,088)
Depreciation/amortization	(4,727)	—	—
Tax exempt income	(1,890)	—	—
State taxes (net of federal benefit)	10,253	7,570	6,361
Other, net	<u>(215)</u>	<u>(149)</u>	<u>654</u>
Income tax expense	<u>\$94,092</u>	<u>\$89,153</u>	<u>\$82,233</u>

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, 2007 and 2006 are presented below:

	<u>2007</u>	<u>2006</u>
	<u>(In thousands)</u>	
Deferred tax assets:		
Costs expensed for book purposes and capitalized for tax purposes	\$ 15,047	\$ 6,469
Accruals not currently deductible for tax purposes	11,097	7,709
Customer advances	6,906	6,643
Nonqualified benefit plans	33,111	26,337
Postretirement benefits	40,984	37,558
Treasury lock agreement	8,735	12,589
Unamortized investment tax credit	506	680
Regulatory liabilities	966	1,460
Tax net operating loss and credit carryforwards	2,505	5,623
Gas cost adjustments	—	19,434
Other, net	<u>3,976</u>	<u>4,525</u>
Total deferred tax assets	123,833	129,027
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(426,772)	(364,438)
Pension funding	(30,557)	(37,188)
Gas cost adjustments	(12,547)	—
Regulatory assets	(1,131)	(1,695)
Cost capitalized for book purposes and expensed for tax purposes	(5,184)	(1,618)
Difference between book and tax on mark to market accounting	(11,766)	(9,536)
Other, net	<u>(1,781)</u>	<u>(1,781)</u>
Total deferred tax liabilities	<u>(489,738)</u>	<u>(416,256)</u>
Net deferred tax liabilities	<u>\$(365,905)</u>	<u>\$(287,229)</u>
SFAS No. 109 deferred credits for rate regulated entities	<u>\$ 2,541</u>	<u>\$ 2,687</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have tax carryforwards related to state net operating losses amounting to \$2.5 million. Depending on the jurisdiction in which the net operating loss was generated, the state net operating losses will begin to expire between 2012 and 2027.

The Internal Revenue Service is currently conducting a routine examination of our fiscal 2002, 2003 and 2004 tax returns. We believe all material tax items which relate to the years under audit have been properly accrued.

13. Commitments and Contingencies

Litigation

Colorado-Kansas Division

We are a defendant in a lawsuit originally filed by Quinque Operating Company, Tom Boles and Robert Ditto in September 1999 in the District Court of Stevens County, Kansas against more than 200 companies in the natural gas industry. The plaintiffs, who purport to represent a class of royalty owners, allege that the defendants have underpaid royalties on gas taken from wells situated on non-federal and non-Indian lands in Kansas, predicated upon allegations that the defendants' gas measurements were inaccurate. The plaintiffs have not specifically alleged an amount of damages. We are also a defendant, along with over 50 other companies in the natural gas industry, in another proposed class action lawsuit filed in the same court by Will Price, Tom Boles and The Cooper Clarke Foundation in May 2003 involving similar allegations. We believe that the plaintiffs' claims are lacking in merit and we intend to vigorously defend these actions. While the results cannot be predicted with certainty, we believe the final outcome of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows. We were also a defendant in another lawsuit entitled *In Re Natural Gas Royalties Qui Tam Litigation*, involving similar allegations filed in June 1997 in the United States District Court for the District of Colorado, which was later transferred to the United States District Court for the District of Wyoming, where it was consolidated with approximately 50 additional lawsuits in October 1999. In October 2006, the District Court granted the defendants' motion to dismiss this lawsuit for lack of subject matter jurisdiction. The plaintiffs have appealed this dismissal order, which has yet to be ruled on by the United States Court of Appeals for the Tenth Circuit.

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

Environmental Matters

Former Manufactured Gas Plant Sites

We are the owner or previous owner of former manufactured gas plant sites in Johnson City and Bristol, Tennessee, Keokuk, Iowa, and Hannibal, Missouri, which were used to supply gas prior to the availability of natural gas. The gas manufacturing process resulted in certain byproducts and residual materials, including coal tar. The manufacturing process used by our predecessors was an acceptable and satisfactory process at the time such operations were being conducted.

Under current environmental protection laws and regulations, we may be responsible for response actions with respect to such materials if response actions are necessary. We have taken removal actions with respect to the sites that have been approved by the applicable regulatory authorities in Tennessee, Iowa and Missouri.

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

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

expenditures related to such response actions will either be recovered through rates, shared with other parties or are adequately covered by insurance.

Purchase Commitments

AEM has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2007, AEM was committed to purchase 80.4 Bcf within one year, 38.1 Bcf within one to three years and 1.4 Bcf after three years under indexed contracts. AEM is committed to purchase 2.4 Bcf within one year and 0.1 Bcf within one to three years under fixed price contracts with prices ranging from \$5.69 to \$9.85 per Mcf. Purchases under these contracts totaled \$2,065.1 million, \$2,124.3 million and \$1,421.2 million for 2007, 2006 and 2005.

Our natural gas distribution divisions, except for our Mid-Tex Division, 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 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 prices. The estimated commitments under these contracts as of September 30, 2007 are as follows (in thousands):

2008	\$430,416
2009	163,302
2010	103,649
2011	9,460
2012	9,632
Thereafter	<u>12,921</u>
	<u>\$729,380</u>

14. Leases

Leasing Operations

Atmos Power Systems, Inc. constructs electric peaking power-generating plants and associated facilities and enters into agreements to either lease or sell these plants. We completed a sales-type lease transaction for one distributed electric generation plant in 2001 and a second sales-type lease transaction in 2003. In connection with these lease transactions, as of September 30, 2007 and 2006, we had receivables of \$16.4 million and \$19.4 million and recognized income of \$1.5 million, \$1.7 million and \$1.6 million for fiscal years 2007, 2006 and 2005. The future minimum lease payments to be received for each of the five succeeding years are as follows:

	Minimum Lease Receipts
	(In thousands)
2008	\$ 2,973
2009	2,973
2010	2,973
2011	2,973
2012	2,973
Thereafter	<u>1,575</u>
Total minimum lease receipts	<u>\$16,440</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Capital and Operating Leases

We have entered into non-cancelable operating leases for office and warehouse space used in our operations. The remaining lease terms range from one to 20 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Renewal options exist for certain of these leases. We have also entered into capital leases for division offices and operating facilities. Property, plant and equipment included amounts for capital leases of \$4.6 million and \$5.8 million at September 30, 2007 and 2006. Accumulated depreciation for these capital leases totaled \$3.2 million and \$4.2 million at September 30, 2007 and 2006. Depreciation expense for these assets is included in consolidated depreciation expense on the consolidated statement of income.

The related future minimum lease payments at September 30, 2007 were as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
	(In thousands)	
2008.....	\$ 362	\$ 16,923
2009.....	311	16,028
2010.....	291	14,929
2011.....	186	14,200
2012.....	186	14,047
Thereafter.....	<u>1,008</u>	<u>95,278</u>
Total minimum lease payments.....	2,344	<u>\$171,405</u>
Less amount representing interest.....	<u>986</u>	
Present value of net minimum lease payments.....	<u>\$1,358</u>	

Consolidated lease and rental expense amounted to \$11.3 million, \$11.4 million and \$9.5 million for fiscal 2007, 2006 and 2005.

15. 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 natural gas distribution segment is mitigated by the large number of individual customers and diversity in our customer base. The credit risk for our other segments is not significant.

Customer diversification also helps mitigate AEM's exposure to credit risk. AEM maintains credit policies with respect to its counterparties that it believes minimizes overall credit risk. Where appropriate, such policies include the evaluation of a prospective counterparty's financial condition, collateral requirements and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. AEM also monitors the financial condition of existing counterparties on an ongoing basis. Customers not meeting minimum standards are required to provide adequate assurance of financial performance.

AEM maintains a provision for credit losses based upon factors surrounding the credit risk of customers, historical trends and other information. We believe, based on our credit policies and our provisions for credit

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

losses, that our financial position, results of operations and cash flows will not be materially affected as a result of nonperformance by any single counterparty.

AEM's estimated credit exposure is monitored in terms of the percentage of its customers, including affiliate customers, that are rated as investment grade versus non-investment grade. Credit exposure is defined as the total of (1) accounts receivable, (2) delivered, but unbilled physical sales and (3) mark-to-market exposure for sales and purchases. Investment grade determinations are set internally by AEM's credit department, but are primarily based on external ratings provided by Moody's Investors Service Inc. (Moody's) and/or Standard & Poor's Corporation (S&P). For non-rated entities, the default rating for municipalities is investment grade, while the default rating for non-guaranteed industrials and commercials is non-investment grade. The following table shows the percentages related to the investment ratings as of September 30, 2007 and 2006.

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Investment grade	53%	40%
Non-investment grade	<u>47%</u>	<u>60%</u>
Total	<u>100%</u>	<u>100%</u>

The following table presents our derivative counterparty credit exposure by operating segment based upon the unrealized fair value of our derivative contracts that represent assets as of September 30, 2007. Investment grade counterparties have minimum credit ratings of BBB-, assigned by Standard & Poor's Rating Group; or Baa3, assigned by Moody's Investor Service. Non-investment grade counterparties are composed of counterparties that are below investment grade or that have not been assigned an internal investment grade rating due to the short-term nature of the contracts associated with that counterparty. This category is composed of numerous smaller counterparties, none of which is individually significant.

	<u>Natural Gas Distribution Segment⁽¹⁾</u>	<u>Natural Gas Marketing Segment</u> (In thousands)	<u>Consolidated</u>
Investment grade counterparties	\$—	\$26,684	\$26,684
Non-investment grade counterparties	—	<u>700</u>	<u>700</u>
	<u>\$—</u>	<u>\$27,384</u>	<u>\$27,384</u>

⁽¹⁾ Counterparty risk for our natural gas distribution segment is minimized because hedging gains and losses are passed through to our customers.

16. Supplemental Cash Flow Disclosures

Supplemental disclosures of cash flow information for 2007, 2006 and 2005 are presented below.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
		(In thousands)	
Cash paid for interest	\$151,616	\$149,031	\$103,418
Cash paid for income taxes	\$ 8,939	\$ 77,265	\$ 51,490

There were no significant noncash investing and financing transactions during fiscal 2007, 2006 and 2005. All cash flows and noncash activities related to our commodity derivatives are considered as operating activities.

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

17. Segment Information

Atmos Energy Corporation and its subsidiaries are engaged primarily in the regulated natural gas distribution, transmission and storage business as well as other nonregulated businesses. We distribute natural gas through sales and transportation arrangements to approximately 3.2 million residential, commercial, public authority and industrial customers through our six regulated natural gas distribution divisions, which cover service areas located in 12 states. In addition, we transport natural gas for others through our distribution system.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local distribution companies and industrial customers located in 22 states. Additionally, we provide natural gas transportation and storage services to certain of our natural gas distribution operations and to third parties.

Through August 31, 2007, our operations were divided into four segments:

- The *utility segment*, which included our regulated natural gas distribution and related sales operations,
- The *natural gas marketing segment*, which included a variety of nonregulated natural gas management services,
- The *pipeline and storage segment*, which included our regulated and nonregulated natural gas transmission and storage services and
- The *other nonutility segment*, which included all of our other nonregulated nonutility operations.

During the fourth quarter of fiscal 2007, we completed a series of organizational changes and began reporting the results of our operations under the following new segments, effective September 1, 2007:

- The *natural gas distribution segment*, formerly referred to as the utility segment, includes our regulated natural gas distribution and related sales operations.
- The *regulated transmission and storage segment* includes the regulated pipeline and storage operations of the Atmos Pipeline — Texas Division. These operations were previously included in the pipeline and storage segment.
- The *natural gas marketing segment* remains unchanged and includes a variety of nonregulated natural gas management services.
- The *pipeline, storage and other segment* is primarily comprised of our nonregulated natural gas transmission and storage services, which were previously included in the pipeline and storage segment.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers in differing regulatory environments. Although our natural gas distribution segment operations are geographically dispersed, they are reported as a single segment as each natural gas distribution division has similar economic characteristics. 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. Interest expense is allocated pro rata to each segment based upon our net investment in each segment. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

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

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

	Year Ended September 30, 2007					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
Operating revenues from external parties	\$3,358,147	\$ 84,344	\$2,432,280	\$23,660	\$ —	\$5,898,431
Intersegment revenues	618	78,885	719,050	9,740	(808,293)	—
	3,358,765	163,229	3,151,330	33,400	(808,293)	5,898,431
Purchased gas cost	2,406,081	—	3,047,019	792	(805,543)	4,648,349
Gross profit	952,684	163,229	104,311	32,608	(2,750)	1,250,082
Operating expenses						
Operation and maintenance	379,175	56,231	26,480	4,581	(3,094)	463,373
Depreciation and amortization	177,188	18,565	1,536	1,574	—	198,863
Taxes, other than income	171,845	8,603	1,255	1,163	—	182,866
Impairment of long-lived assets	3,289	—	—	3,055	—	6,344
Total operating expenses	731,497	83,399	29,271	10,373	(3,094)	851,446
Operating income	221,187	79,830	75,040	22,235	344	398,636
Miscellaneous income	8,945	2,105	6,434	8,173	(16,473)	9,184
Interest charges	121,626	27,917	5,767	6,055	(16,129)	145,236
Income before income taxes	108,506	54,018	75,707	24,353	—	262,584
Income tax expense	35,223	19,428	29,938	9,503	—	94,092
Net income	<u>\$ 73,283</u>	<u>\$ 34,590</u>	<u>\$ 45,769</u>	<u>\$14,850</u>	<u>\$ —</u>	<u>\$ 168,492</u>
Capital expenditures	<u>\$ 327,442</u>	<u>\$ 59,276</u>	<u>\$ 1,069</u>	<u>\$ 4,648</u>	<u>\$ —</u>	<u>\$ 392,435</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2006					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
Operating revenues from external parties	\$3,649,851	\$ 69,582	\$2,418,856	\$14,074	\$ —	\$6,152,363
Intersegment revenues	740	71,551	737,668	11,500	(821,459)	—
	3,650,591	141,133	3,156,524	25,574	(821,459)	6,152,363
Purchased gas cost	2,725,534	—	3,025,897	1,080	(816,718)	4,935,793
Gross profit	925,057	141,133	130,627	24,494	(4,741)	1,216,570
Operating expenses						
Operation and maintenance	357,519	51,577	22,223	7,077	(4,978)	433,418
Depreciation and amortization	164,493	18,012	1,834	1,257	—	185,596
Taxes, other than income	178,204	8,218	4,335	1,236	—	191,993
Impairment of long-lived assets	22,947	—	—	—	—	22,947
Total operating expenses	723,163	77,807	28,392	9,570	(4,978)	833,954
Operating income	201,894	63,326	102,235	14,924	237	382,616
Miscellaneous income (expense)	9,506	(153)	2,598	6,858	(17,928)	881
Interest charges	126,489	22,787	8,510	6,512	(17,691)	146,607
Income before income taxes	84,911	40,386	96,323	15,270	—	236,890
Income tax expense	31,909	13,839	37,757	5,648	—	89,153
Net income	<u>\$ 53,002</u>	<u>\$ 26,547</u>	<u>\$ 58,566</u>	<u>\$ 9,622</u>	<u>\$ —</u>	<u>\$ 147,737</u>
Capital expenditures	<u>\$ 307,742</u>	<u>\$114,873</u>	<u>\$ 909</u>	<u>\$ 1,800</u>	<u>\$ —</u>	<u>\$ 425,324</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2005					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
Operating revenues from external parties	\$3,102,041	\$ 72,863	\$1,783,926	\$ 3,043	\$ —	\$4,961,873
Intersegment revenues	1,099	70,089	322,352	12,596	(406,136)	—
	3,103,140	142,952	2,106,278	15,639	(406,136)	4,961,873
Purchased gas cost	2,195,774	4,918	2,044,305	1,893	(402,654)	3,844,236
Gross profit	907,366	138,034	61,973	13,746	(3,482)	1,117,637
Operating expenses						
Operation and maintenance	346,594	48,649	18,444	6,277	(3,683)	416,281
Depreciation and amortization	159,497	15,281	1,896	1,331	—	178,005
Taxes, other than income	164,910	8,264	648	874	—	174,696
Total operating expenses	671,001	72,194	20,988	8,482	(3,683)	768,982
Operating income	236,365	65,840	40,985	5,264	201	348,655
Miscellaneous income	6,776	150	771	4,455	(10,131)	2,021
Interest charges	112,382	23,344	3,405	3,457	(9,930)	132,658
Income before income taxes	130,759	42,646	38,351	6,262	—	218,018
Income tax expense	49,642	15,064	14,947	2,580	—	82,233
Net income	\$ 81,117	\$ 27,582	\$ 23,404	\$ 3,682	\$ —	\$ 135,785
Capital expenditures	\$ 300,574	\$ 31,374	\$ 649	\$ 586	\$ —	\$ 333,183

The following table summarizes our revenues by products and services for the year ended September 30.

	2007	2006	2005
	(In thousands)		
Natural gas distribution revenues:			
Gas sales revenues:			
Residential	\$1,982,801	\$2,068,736	\$1,791,172
Commercial	970,949	1,061,783	869,722
Industrial	195,060	276,186	229,649
Agricultural	28,023	40,664	27,889
Public authority and other	86,275	103,936	86,853
Total gas sales revenues	3,263,108	3,551,305	3,005,285
Transportation revenues	59,195	61,475	58,897
Other gas revenues	35,844	37,071	37,859
Total natural gas distribution revenues	3,358,147	3,649,851	3,102,041
Regulated transmission and storage revenues	84,344	69,582	72,863
Natural gas marketing revenues	2,432,280	2,418,856	1,783,926
Pipeline, storage and other revenues	23,660	14,074	3,043
Total operating revenues	\$5,898,431	\$6,152,363	\$4,961,873

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance sheet information at September 30, 2007 and 2006 by segment is presented in the following tables:

	September 30, 2007					Consolidated
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	
	(In thousands)					
ASSETS						
Property, plant and equipment, net	\$3,251,144	\$531,921	\$ 7,850	\$ 45,921	\$ —	\$3,836,836
Investment in subsidiaries	396,474	—	(2,096)	—	(394,378)	—
Current assets						
Cash and cash equivalents	28,881	—	31,703	141	—	60,725
Cash held on deposit in margin account	—	—	—	—	—	—
Assets from risk management activities	—	—	26,783	12,947	(17,881)	21,849
Other current assets	643,353	20,065	337,169	76,731	(90,997)	986,321
Intercompany receivables	536,985	—	—	114,300	(651,285)	—
Total current assets	1,209,219	20,065	395,655	204,119	(760,163)	1,068,895
Intangible assets	—	—	2,716	—	—	2,716
Goodwill	567,775	132,490	24,282	10,429	—	734,976
Noncurrent assets from risk management activities	—	—	5,535	—	—	5,535
Deferred charges and other assets . .	227,869	4,898	1,279	13,913	—	247,959
	<u>\$5,652,481</u>	<u>\$689,374</u>	<u>\$435,221</u>	<u>\$274,382</u>	<u>\$(1,154,541)</u>	<u>\$5,896,917</u>
CAPITALIZATION AND LIABILITIES						
Shareholders' equity	\$1,965,754	\$ 88,719	\$107,090	\$200,665	\$ (396,474)	\$1,965,754
Long-term debt	2,125,007	—	—	1,308	—	2,126,315
Total capitalization	4,090,761	88,719	107,090	201,973	(396,474)	4,092,069
Current liabilities						
Current maturities of long-term debt	1,250	—	—	2,581	—	3,831
Short-term debt	187,284	—	30,000	—	(66,685)	150,599
Liabilities from risk management activities	21,053	—	18,167	—	(17,881)	21,339
Other current liabilities	519,642	6,394	186,792	53,297	(22,216)	743,909
Intercompany payables	—	550,184	101,101	—	(651,285)	—
Total current liabilities	729,229	556,578	336,060	55,878	(758,067)	919,678
Deferred income taxes	326,518	40,565	(8,925)	12,411	—	370,569
Noncurrent liabilities from risk management activities	—	—	290	—	—	290
Regulatory cost of removal obligation	271,059	—	—	—	—	271,059
Deferred credits and other liabilities	234,914	3,512	706	4,120	—	243,252
	<u>\$5,652,481</u>	<u>\$689,374</u>	<u>\$435,221</u>	<u>\$274,382</u>	<u>\$(1,154,541)</u>	<u>\$5,896,917</u>

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

	September 30, 2006					
	Natural Gas Distribution	Regulated Transmission and Storage	Natural Gas Marketing	Pipeline, Storage and Other	Eliminations	Consolidated
	(In thousands)					
ASSETS						
Property, plant and equipment, net . . .	\$3,083,301	\$492,566	\$ 7,531	\$ 45,758	\$ —	\$3,629,156
Investment in subsidiaries	281,143	—	(2,155)	—	(278,988)	—
Current assets						
Cash and cash equivalents	8,738	—	45,481	21,596	—	75,815
Cash held on deposit in margin account	—	—	35,647	—	—	35,647
Assets from risk management activities	—	—	13,164	19,040	(19,651)	12,553
Other current assets	714,472	14,281	261,435	20,163	(16,821)	993,530
Intercompany receivables	602,809	—	—	33,942	(636,751)	—
Total current assets	<u>1,326,019</u>	<u>14,281</u>	<u>355,727</u>	<u>94,741</u>	<u>(673,223)</u>	<u>1,117,545</u>
Intangible assets	—	—	3,152	—	—	3,152
Goodwill	567,221	133,437	24,282	10,429	—	735,369
Noncurrent assets from risk management activities						
Deferred charges and other assets . . .	204,617	5,353	1,315	16,854	—	228,139
	<u>\$5,462,301</u>	<u>\$645,637</u>	<u>\$396,042</u>	<u>\$167,787</u>	<u>\$(952,220)</u>	<u>\$5,719,547</u>
CAPITALIZATION AND LIABILITIES						
Shareholders' equity	\$1,648,098	\$ 54,128	\$139,863	\$ 87,152	\$(281,143)	\$1,648,098
Long-term debt	2,176,473	—	—	3,889	—	2,180,362
Total capitalization	3,824,571	54,128	139,863	91,041	(281,143)	3,828,460
Current liabilities						
Current maturities of long-term debt	1,250	—	—	1,936	—	3,186
Short-term debt	382,416	—	—	—	—	382,416
Liabilities from risk management activities	27,209	—	22,500	531	(19,571)	30,669
Other current liabilities	473,101	6,942	183,077	54,516	(14,746)	702,890
Intercompany payables	—	561,086	75,665	—	(636,751)	—
Total current liabilities	<u>883,976</u>	<u>568,028</u>	<u>281,242</u>	<u>56,983</u>	<u>(671,068)</u>	<u>1,119,161</u>
Deferred income taxes	297,821	19,534	(25,777)	14,594	—	306,172
Noncurrent liabilities from risk management activities						
Regulatory cost of removal obligation	261,376	—	—	—	—	261,376
Deferred credits and other liabilities	194,557	3,947	434	5,164	—	204,102
	<u>\$5,462,301</u>	<u>\$645,637</u>	<u>\$396,042</u>	<u>\$167,787</u>	<u>\$(952,220)</u>	<u>\$5,719,547</u>

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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>
	(In thousands, except per share data)			
Fiscal year 2007:				
Operating revenues				
Natural gas distribution	\$ 964,244	\$1,461,033	\$ 548,251	\$ 385,237
Regulated transmission and storage	39,872	46,068	36,707	40,582
Natural gas marketing	711,694	795,041	854,167	790,428
Pipeline, storage and other	11,333	14,077	2,073	5,917
Intersegment eliminations	<u>(124,510)</u>	<u>(240,637)</u>	<u>(223,046)</u>	<u>(220,100)</u>
	1,602,633	2,075,582	1,218,152	1,002,064
Gross profit	375,592	428,686	228,016	217,788
Operating income	171,160	209,012	7,731	10,733
Net income (loss)	81,261	106,505	(13,360)	(5,914)
Net income (loss) per basic share	\$ 0.98	\$ 1.21	\$ (0.15)	\$ (0.07)
Net income (loss) per diluted share	\$ 0.97	\$ 1.20	\$ (0.15)	\$ (0.07)
Fiscal year 2006:				
Operating revenues				
Natural gas distribution	\$1,405,010	\$1,447,620	\$ 402,044	\$ 395,917
Regulated transmission and storage	35,970	36,463	34,126	34,574
Natural gas marketing	1,101,845	818,629	562,447	673,603
Pipeline, storage and other	5,460	10,631	3,149	6,334
Intersegment eliminations	<u>(264,465)</u>	<u>(279,497)</u>	<u>(138,523)</u>	<u>(138,974)</u>
	2,283,820	2,033,846	863,243	971,454
Gross profit	346,590	405,403	204,500	260,077
Operating income	149,697	180,833	4,803	47,283
Net income (loss)	71,027	88,796	(18,145)	6,059
Net income (loss) per basic share	\$ 0.88	\$ 1.10	\$ (0.22)	\$ 0.07
Net income (loss) per diluted share	\$ 0.88	\$ 1.10	\$ (0.22)	\$ 0.07

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 have established disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit to the United States Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Under the supervision and with the participation of our management, including our Chairman, President and Chief Executive Officer ("Principal Executive Officer") and our Senior Vice President and Chief Financial Officer ("Principal Financial Officer"), we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Act. Based on this evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2007 in ensuring that information required to be disclosed by us in this Annual Report on Form 10-K was 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 (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, 2007.

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

/s/ ROBERT W. BEST
Robert W. Best
Chairman, President and Chief Executive Officer

/s/ JOHN P. REDDY
John P. Reddy
Senior Vice President and Chief Financial Officer

November 27, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Atmos Energy Corporation

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Atmos Energy Corporation'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Atmos Energy Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of September 30, 2007 and 2006, and the related statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30 2007 of Atmos Energy Corporation and our report dated November 27, 2007 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Dallas, Texas
November 27, 2007

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, 2007 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 compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference from the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 6, 2008. Information regarding executive officers is included in Part I of this Annual Report on Form 10-K.

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 from the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 6, 2008.

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". 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 under "Corporate Governance".

ITEM 11. *Executive Compensation*

Incorporated herein by reference from the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 6, 2008.

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 from the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 6, 2008. 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*

Incorporated herein by reference from the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 6, 2008.

ITEM 14. *Principal Accountant Fees and Services*

Incorporated herein by reference from the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 6, 2008.

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*

The exhibits listed in the accompanying Exhibits Index are filed as part of this Form 10-K. The exhibits numbered 10.7(a) through 10.14(e) are management contracts or compensatory plans or arrangements.

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/ JOHN P. REDDY
 John P. Reddy
 Senior Vice President
 and Chief Financial Officer

Date: November 29, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Robert W. Best and John P. Reddy, 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:

<u>/s/ ROBERT W. BEST</u> Robert W. Best	Chairman, President and Chief Executive Officer	November 29, 2007
<u>/s/ JOHN P. REDDY</u> John P. Reddy	Senior Vice President and Chief Financial Officer	November 29, 2007
<u>/s/ F.E. MEISENHEIMR</u> F.E. Meisenheimr	Vice President and Controller (Principal Accounting Officer)	November 29, 2007
<u>/s/ TRAVIS W. BAIN, II</u> Travis W. Bain, II	Director	November 29, 2007
<u>/s/ DAN BUSBEE</u> Dan Busbee	Director	November 29, 2007
<u>/s/ RICHARD W. CARDIN</u> Richard W. Cardin	Director	November 29, 2007
<u>/s/ RICHARD W. DOUGLAS</u> Richard W. Douglas	Director	November 29, 2007
<u>/s/ THOMAS J. GARLAND</u> Thomas J. Garland	Director	November 29, 2007
<u>/s/ RICHARD K. GORDON</u> Richard K. Gordon	Director	November 29, 2007
<u>/s/ THOMAS C. MEREDITH</u> Thomas C. Meredith	Director	November 29, 2007
<u>/s/ PHILLIP E. NICHOL</u> Phillip E. Nichol	Director	November 29, 2007
<u>/s/ NANCY K. QUINN</u> Nancy K. Quinn	Director	November 29, 2007

<u>/s/ STEPHEN R. SPRINGER</u> Stephen R. Springer	Director	November 29, 2007
<u>/s/ CHARLES K. VAUGHAN</u> Charles K. Vaughan	Director	November 29, 2007
<u>/s/ RICHARD WARE II</u> RICHARD WARE II	Director	November 29, 2007

ATMOS ENERGY CORPORATION
Valuation and Qualifying Accounts
Three Years Ended September 30, 2007

	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>Charged to Cost & Expenses</u>	<u>Charged to Other Accounts</u>		
2007					
Allowance for doubtful accounts	\$13,686	\$19,718	\$ —	\$17,244 ⁽²⁾	\$16,160
2006					
Allowance for doubtful accounts	\$15,613	\$21,819	\$ —	\$23,746 ⁽²⁾	\$13,686
2005					
Allowance for doubtful accounts	\$ 7,214	\$20,293	\$4,563 ⁽¹⁾	\$16,457 ⁽²⁾	\$15,613

⁽¹⁾ Represents allowance for doubtful accounts recorded in connection with the TXU Gas acquisition.

⁽²⁾ Uncollectible accounts written off.

EXHIBITS INDEX

Item 14.(a)(3)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
	<i>Plan of Reorganization</i>	
2.1(a)	Agreement and Plan of Merger and Reorganization dated as of September 21, 2001, by and among Atmos Energy Corporation, Mississippi Valley Gas Company and the Shareholders Named on the Signature Pages hereto	Exhibit 2.2 to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
2.1(b)	Agreement and Plan of Merger by and between TXU Gas Company and LSG Acquisition Corporation dated June 17, 2004	Exhibit 2.1 to Form 8-K dated June 17, 2004 (File No. 1-10042)
2.1(c)	Amendment No. 1 to Merger Agreement, dated as of September 30, 2004, by and between LSG Acquisition Corporation and TXU Gas Company LP	Exhibit 2.1 to Form 8-K dated September 30, 2004 (File No. 1-10042)
	<i>Articles of Incorporation and Bylaws</i>	
3.1	Amended and Restated Articles of Incorporation of Atmos Energy Corporation (as of February 9, 2005)	Exhibit 3(I) to Form 10-Q dated March 31, 2005 (File No. 1-10042)
3.2	Amended and Restated Bylaws of Atmos Energy Corporation (as of May 2, 2007)	Exhibit 3.1 to Form 8-K dated May 2, 2007 (File No. 1-10042)
	<i>Instruments Defining Rights of Security Holders</i>	
4.1	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit (4)(b) to Form 10-K for fiscal year ended September 30, 1988 (File No. 1-10042)
4.2(a)	Rights Agreement, dated as of November 12, 1997, between the Company and BankBoston, N.A., as Rights Agent	Exhibit 4.1 to Form 8-K dated November 12, 1997 (File No. 1-10042)
4.2(b)	First Amendment to Rights Agreement dated as of August 11, 1999, between the Company and BankBoston, N.A., as Rights Agent	Exhibit 2 to Form 8-A, Amendment No. 1, dated August 12, 1999 (File No. 1-10042)
4.2(c)	Second Amendment to Rights Agreement dated as of February 13, 2002, between the Company and EquiServe Trust Company, N.A., fka BankBoston, N.A., as Rights Agent	Exhibit 4 to Form 10-Q for quarter ended December 31, 2001 (File No. 1-10042)
4.3(a)	Registration Rights Agreement, dated as of December 3, 2002, by and among Atmos Energy Corporation and the Shareholders of Mississippi Valley Gas Company	Exhibit 99.2 to Form 8-K/A, dated December 3, 2002 (File No. 1-10042)
4.3(b)	Standstill Agreement, dated as of December 3, 2002, by and among Atmos Energy Corporation and the Shareholders of Mississippi Valley Gas Company	Exhibit 99.3 to Form 8-K/A, dated December 3, 2002 (File No. 1-10042)
4.4(a)	Indenture of Mortgage, dated as of July 15, 1959, from United Cities Gas Company to First Trust of Illinois, National Association, and M.J. Kruger, as Trustees, as amended and supplemented through December 1, 1992 (the Indenture of Mortgage through the 20th Supplemental Indenture)	Exhibit to Registration Statement of United Cities Gas Company on Form S-3 (File No. 33-56983)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
4.4(b)	Twenty-First Supplemental Indenture dated as of February 5, 1997 by and among United Cities Gas Company and Bank of America Illinois and First Trust National Association and Russell C. Bergman supplementing Indenture of Mortgage dated as of July 15, 1959	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
4.4(c)	Twenty-Second Supplemental Indenture dated as of July 29, 1997 by and among Atmos Energy Corporation and First Trust National Association and Russell C. Bergman supplementing Indenture of Mortgage dated as of July 15, 1959	Exhibit 4.10(c) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.5(a)	Indenture between United Cities Gas Company and Bank of America Illinois, as Trustee dated as of November 15, 1995	Exhibit 4.11(a) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.5(b)	First Supplemental Indenture between Atmos Energy Corporation and Bank of America Illinois, as Trustee dated as of July 29, 1997	Exhibit 4.11(b) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.6	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)
4.7	Indenture between Atmos Energy Corporation, as Issuer, and SunTrust Bank, Trustee dated as of May 22, 2001	Exhibit 99.3 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.8	Indenture dated as of June 14, 2007, between Atmos Energy Corporation and U.S. Bank, National Association, as Trustee	Exhibit 4.1 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.9(a)	Debenture Certificate for the 6¼% Debentures due 2028	Exhibit 99.2 to Form 8-K dated July 22, 1998 (File No. 1-10042)
4.9(b)	Global Security for the 7¼% Senior Notes due 2011	Exhibit 99.2 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.9(c)	Global Security for the 5¼% Senior Notes due 2013	Exhibit 10(2)(c) to Form 10-K for the year ended September 30, 2004 (File No. 1-10042)
4.9(d)	Global Security for the 4.00% Senior Notes due 2009	Exhibit 10(2)(e) to Form 10-K for the year ended September 30, 2004 (File No. 1-10042)
4.9(e)	Global Security for the 4.95% Senior Notes due 2014	Exhibit 10(2)(f) to Form 10-K for the year ended September 30, 2004 (File No. 1-10042)
4.9(f)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for the year ended September 30, 2004 (File No. 1-10042)
4.9(g)	Global Security for the 6.35% Senior Notes due 2017	Exhibit 4.2 to Form 8-K dated June 11, 2007 (File No. 1-10042)
	<i>Material Contracts</i>	
10.1	Guaranty of Atmos Energy Corporation dated June 17, 2004	Exhibit 10.2 to Form 8-K dated June 17, 2004 (File No. 1-10042)
10.2(a)	Transitional Services Agreement, dated as of October 1, 2004, by and between Atmos Energy Corporation and TXU Gas Company LP	Exhibit 10.1 to Form 8-K dated September 30, 2004 (File No. 1-10042)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
10.2(b)	Transitional Services Agreement, dated as of October 1, 2004, by and between Atmos Energy Corporation, Oncor Utility Solutions (Texas) Company and TXU Electric Delivery Company	Exhibit 10.2 to Form 8-K dated September 30, 2004 (File No. 1-10042)
10.2(c)	Transitional Services Agreement, dated as of October 1, 2004, by and between Atmos Energy Corporation and TXU Business Services Company (Exhibit A to Schedule 2 containing listing of employee credit and procurement cards is omitted, to be supplementally furnished to the Commission upon request)	Exhibit 10.3 to Form 8-K dated September 30, 2004 (File No. 1-10042)
10.2(d)	Transitional Access Agreement, dated as of October 1, 2004, by and among Atmos Energy Corporation and TXU Energy Retail Company LP, TXU Business Services Company, TXU Properties Company and TXU Electric Delivery Company	Exhibit 10.4 to Form 8-K dated September 30, 2004 (File No. 1-10042)
10.3	Pipeline Construction and Operating Agreement, dated November 30, 2005, by and between Atmos-Pipeline Texas, a division of Atmos Energy Corporation, a Texas and Virginia corporation and Energy Transfer Fuel, LP, a Delaware limited partnership	Exhibit 10.1 to Form 8-K dated November 30, 2005 (File No. 1-10042)
10.4	Revolving Credit Agreement (5 Year Facility), dated as of December 15, 2006, among Atmos Energy Corporation, SunTrust Bank, as Administrative Agent, Wachovia Bank, N.A. as Syndication Agent and Bank of America, N.A., JPMorgan Chase Bank, N.A., and the Royal Bank of Scotland plc as Co-Documentation Agents, and the lenders from time to time parties thereto	Exhibit 10.1 to Form 8-K dated December 15, 2006 (File No. 1-10042)
10.5(a)	Uncommitted Second Amended and Restated Credit Agreement, dated to be effective March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 30, 2005 (File No. 1-10042)
10.5(b)	First Amendment, dated as of November 28, 2005, to the Uncommitted Second Amended and Restated Credit Agreement, dated to be effective March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale, and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated November 28, 2005 (File No. 1-10042)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
10.5(c)	Second Amendment, dated as of March 31, 2006, to the Uncommitted Second Amended and Restated Credit Agreement, dated to be effective March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 31, 2006 (File No. 1-10042)
10.5(d)	Third Amendment, dated as of March 30, 2007, to the Uncommitted Second Amended and Restated Credit Agreement, dated as of March 30, 2005, among Atmos Energy Marketing, LLC, Fortis Capital Corp., BNP Paribas, Societe Generale and the other financial institutions which may become parties thereto	Exhibit 10.1 to Form 8-K dated March 30, 2007 (File No. 1-10042)
10.6	Revolving Credit Agreement (364 Day Facility), dated as of November 1, 2007, among Atmos Energy Corporation, SunTrust Bank, as Administrative Agent, Wachovia Bank, N.A., as Syndication Agent and Bank of America, N.A., JPMorgan Chase Bank, N.A., and the Royal Bank of Scotland, Plc as Co-Documentation Agents, and the lenders from time to time parties thereto <i>Executive Compensation Plans and Arrangements</i>	Exhibit 10.1 to Form 8-K dated November 1, 2007 (File No. 1-10042)
10.7(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement — Tier I	Exhibit 10.21(b) to Form 10-K for fiscal year ended September 30, 1998 (File No. 1-10042)
10.7(b)*	Form of Amendment No. One to the Atmos Energy Corporation Change in Control Severance Agreement, Tier I	Exhibit 10.1 to Form 8-K dated May 9, 2006 (File No. 1-10042)
10.7(c)*	Form of Atmos Energy Corporation Change in Control Severance Agreement — Tier II	Exhibit 10.21(c) to Form 10-K for fiscal year ended September 30, 1998 (File No. 1-10042)
10.7(d)*	Form of Amendment No. One to the Atmos Energy Corporation Change in Control Severance Agreement, Tier II	Exhibit 10.2 to Form 8-K dated May 9, 2006 (File No. 1-10042)
10.8(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)
10.8(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)
10.9(a)*	Description of Financial and Estate Planning Program	Exhibit 10.25(b) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.9(b)*	Description of Sporting Events Program	Exhibit 10.26(c) to Form 10-K for fiscal year ended September 30, 1993 (File No. 1-10042)
10.10(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 12, 1998	Exhibit 10.26 to Form 10-K for fiscal year ended September 30, 1998 (File No. 1-10042)
10.10(b)*	Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan, Effective Date August 12, 1998	Exhibit 10.32 to Form 10-K for fiscal year ended September 30, 1998 (File No. 1-10042)

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
10.10(c)*	Amendment No. One to the Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan, Effective Date January 1, 1999	Exhibit 10.2 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.10(d)*	Amendment No. Two to the Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan (Effective Date: August 12, 1998)	Exhibit 10.1 to Form 10-Q for quarter ended March 31, 2007 (File No. 1-10042)
10.10(e)*	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(f)*	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)
10.11(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	Exhibit C to Definitive Proxy Statement on Schedule 14A filed December 30, 1998 (File No. 1-10042)
10.13*	Atmos Energy Corporation Outside Directors Stock-for-Fee Plan (Amended and Restated as of November 12, 1997)	Exhibit 10.28 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.14(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated February 9, 2007)	Exhibit 10.2 to Form 10-Q for quarter ended March 31, 2007 (File No. 1-10042)
10.14(b)*	Form of Non-Qualified Stock Option Agreement under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 10.16(b) to Form 10-K for fiscal year ended September 30, 2005 (File No. 1-10042)
10.14(c)*	Form of Award Agreement of Restricted Stock With Time-Lapse Vesting under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.14(d)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.14(e)*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated February 9, 2007)	Exhibit 10.3 to Form 10-Q for quarter ended March 31, 2007 (File No. 1-10042)
12	Statement of computation of ratio of earnings to fixed charges <i>Other Exhibits, as indicated</i>	
21	Subsidiaries of the registrant	
23.1	Consent of independent registered public accounting firm, Ernst & Young LLP	

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number or Incorporation by Reference to</u>
24	Power of Attorney	Signature page of Form 10-K for fiscal year ended September 30, 2007
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications **	

* 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.

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 4, 2009
 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))
-
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Item 2.02. Results of Operations and Financial Condition.

On Tuesday, August 4, 2009, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the third quarter of the 2009 fiscal year, which ends September 30, 2009, and that certain of its officers would discuss such financial results in a conference call on Wednesday, August 5, 2009 at 8:00 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 Web site 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 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release dated August 4, 2009 (furnished under Item 2.02)

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 4, 2009

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release dated August 4, 2009 (furnished under Item 2.02)

Exhibit 99.1



News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the
Fiscal 2009 Third Quarter and Nine Months; Reaffirms Fiscal 2009 Guidance**

DALLAS (August 4, 2009)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2009 third quarter and nine months ended June 30, 2009.

- Fiscal 2009 third quarter net income was \$2.0 million, or \$0.02 per diluted share, compared with a net loss of \$6.6 million, or \$0.07 per diluted share in the prior-year quarter.
- Consolidated results include noncash, unrealized mark-to-market net gains of \$7.0 million, or \$0.08 per diluted share for the third quarter of fiscal 2009, compared with net gains of \$14.3 million, or \$0.16 per diluted share for the prior-year quarter.
- Atmos Energy reaffirms its fiscal 2009 earnings guidance to be in the previously announced range of \$2.05 to \$2.15 per diluted share.

For the nine months ended June 30, 2009, net income was \$206.9 million, or \$2.26 per diluted share, compared with net income of \$178.7 million, or \$1.99 per diluted share for the same period last year. Net income for the current nine months includes the positive impact of net one-time adjustments of \$17.3 million, or \$0.19 per diluted share. For the current nine-month period, regulated operations contributed \$176.8 million of net income, or \$1.93 per diluted share, and nonregulated operations contributed \$30.1 million of net income, or \$0.33 per diluted share. Nonregulated operations include noncash, unrealized mark-to-market net losses of \$9.9 million, or \$0.11 per diluted share for the nine months ended June 30, 2009, compared with net gains of \$8.7 million, or \$0.10 per diluted share for the prior-year period.

“The seasonality of our distribution business typically results in a loss in our fiscal third and fourth quarters” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. “However, we experienced solid improvement in both our regulated transmission and storage and nonregulated natural gas marketing segments this quarter, while continuing to control our operating expenses. These results position us well for the remainder of our fiscal year,” Best concluded.

Results for the 2009 Third Quarter Ended June 30, 2009

Natural gas distribution gross profit decreased \$8.2 million to \$191.7 million for the fiscal 2009 third quarter, compared with \$199.9 million in the prior-year quarter, before intersegment eliminations. This decrease reflects a \$5.4 million net reduction in margins in the Mid-Tex Division primarily from rate design changes implemented earlier in the fiscal year that decreased the base customer charge and increased the volumetric charge. Additionally, a five percent decrease in consolidated consumption reduced gross profit by \$3.5 million. These decreases were partially offset by a \$3.3 million increase in rates principally in the Louisiana, Kansas and Georgia service areas.

Regulated transmission and storage gross profit increased \$3.0 million to \$49.3 million for the three months ended June 30, 2009, compared with \$46.3 million for the same period last year, before intersegment eliminations. This increase is due primarily to a \$3.5 million increase in demand-based charges and a \$1.1 million increase in revenues resulting from filings under the Texas Gas Reliability Infrastructure Program (GRIP). These increases were partially offset by a \$0.7 million decrease due to a seven percent decrease in consolidated throughput, due principally to a decline in Barnett Shale activity, industrial demand and electric generation demand.

Natural gas marketing gross profit increased \$17.6 million to \$15.0 million for the fiscal 2009 third quarter, compared with a \$2.6 million loss for the fiscal 2008 third quarter, before intersegment eliminations. This increase is due principally to a \$23.0 million quarter-over-quarter increase in Atmos Energy Marketing's (AEM) realized storage and trading margins. In both quarters, AEM elected to defer physical storage withdrawals into future periods to increase the potential gross profit associated with these positions. This election resulted in the planned recognition of asset optimization losses which were lower in the current quarter than the prior-year quarter. Realized delivered gas margins increased \$5.4 million, primarily due to basis gains which increased per-unit margins, coupled with a two percent increase in consolidated sales volumes compared to the same period one year ago. These increases were partially offset by a \$10.7 million decrease in unrealized margins due to lower volatility between current cash prices and forward natural gas prices experienced on AEM's net physical position during the current quarter.

Consolidated operation and maintenance expense for the third quarter of fiscal 2009 was \$110.9 million, compared with \$117.8 million for the third quarter last year. Excluding the provision for doubtful accounts, operation and maintenance expense for the current quarter decreased \$5.6 million, compared with the prior-year quarter. The decrease is due primarily to lower pipeline maintenance, fuel and legal costs, partially offset by increased employee wages and benefits.

The provision for doubtful accounts was \$1.6 million for the three months ended June 30, 2009, compared with \$2.9 million for the same period last year. The \$1.3 million decrease primarily reflects the impact of recent rate design changes in certain jurisdictions, which allow for the recovery of the gas cost portion of uncollectible accounts and a 58 percent quarter-over-quarter decline in the average cost of gas.

Results for the third quarter included a \$3.3 million noncash charge to impair certain available-for-sale investments based on the company's belief that the decline in the fair value of these investments would not recover within a reasonable period of time.

Interest charges for the three months ended June 30, 2009, were \$41.5 million, compared with \$33.5 million for the same period last year. The \$8.0 million quarter-over-quarter increase is due primarily to the effect of the company's March 2009 issuance of \$450 million 8.50% senior notes to redeem \$400 million 4.00% senior notes in April 2009.

Results for the Nine Months Ended June 30, 2009

Natural gas distribution gross profit increased \$26.4 million to \$857.1 million for the nine months ended June 30, 2009, compared with \$830.7 million in the prior-year period, before intersegment eliminations. This increase is due largely to a net \$35.1 million increase in rates, primarily in the company's Mid-Tex, Louisiana and West Texas service areas, the reversal of a \$7.0 million accrual for estimated uncollectible gas costs recorded in a prior year and a \$7.8 million increase due to a non-recurring update to the estimate for gas delivered to customers but not yet billed, resulting from base rate changes in several jurisdictions. These increases in gross profit were partially offset by an \$18.8 million decrease as a result of a four percent reduction in consolidated distribution throughput primarily associated with lower residential, commercial and industrial consumption and warmer weather in the Colorado service area, which does not have weather-normalized rates.

Regulated transmission and storage gross profit increased \$20.5 million to \$163.3 million for the nine months ended June 30, 2009, compared with \$142.8 million for the same period last year, before intersegment eliminations. This increase is due primarily to an \$11.0 million increase in demand-based charges, higher per-unit margins earned on through-system deliveries of \$7.5 million, a \$2.9 million gain associated with the routine sale of excess inventory and a \$3.8 million increase in revenues resulting from filings under GRIP. These increases were partially offset by a \$4.2 million decrease due to a reduction in transportation volumes to the company's Mid-Tex Division, as a result of warmer weather and a seven percent decrease in consolidated throughput, due principally to a decline in Barnett Shale activity, industrial demand and electric generation demand.

Natural gas marketing gross profit increased \$8.9 million to \$68.6 million for the fiscal 2009 nine-month period, compared with \$59.7 million for the prior-year period, before intersegment eliminations. This increase primarily reflects a \$30.6 million period-over-period increase from AEM's storage and trading activities primarily from the recognition in the first quarter of fiscal 2009 of storage withdrawal gains that AEM had captured during fiscal 2008, as a result of deferring storage withdrawals and rolling the associated financial instruments to forward months during the third quarter of fiscal 2008. Additionally, delivered gas margins increased \$2.7 million primarily as a result of basis gains, which increased per-unit margins and more than offset a five percent period-over-period decrease in consolidated sales volumes. These increases were partially offset by a \$24.4 million decrease in unrealized margins due to the impact of widening spreads between current cash prices and forward natural gas prices experienced on AEM's net physical position.

Pipeline, storage and other gross profit increased \$8.3 million to \$27.2 million for the nine months ended June 30, 2009, compared with \$18.9 million for the same period last year, before intersegment eliminations. The increase was due principally to larger realized gains from the settlement of financial positions associated with storage and trading activities, basis gains earned from utilizing leased pipeline capacity and higher margins earned under asset management plans during the current-year period compared with the prior-year period. These increases were partially offset by increased unrealized losses, due primarily to the widening of the spreads between current cash prices and forward natural gas prices.

Consolidated operation and maintenance expense for the nine months ended June 30, 2009, was \$365.3 million, compared with \$359.1 million for the prior-year period. Excluding the provision for doubtful accounts, operation and maintenance expense for the current nine-month period was \$358.4 million, compared with \$349.8 million for the prior-year period. The \$8.6 million increase resulted from higher pipeline maintenance costs and an increase in employee wages and benefits costs, partially offset by lower fuel costs.

The provision for doubtful accounts was \$6.9 million for the nine months ended June 30, 2009, compared with \$9.3 million for the same period last year. The \$2.4 million decrease primarily reflects the impact of recent rate design changes in certain jurisdictions, which allow for the recovery of the gas cost portion of uncollectible accounts and an 18 percent decline in the average cost of gas.

Results for the nine months ended June 30, 2009, included a \$5.4 million noncash charge to impair certain available-for-sale investments based on the company's belief that the decline in the fair value of these investments would not recover within a reasonable period of time.

Interest charges for the nine months ended June 30, 2009, were \$116.0 million, compared with \$103.8 million for the nine months ended June 30, 2008. The \$12.2 million period-over-period increase primarily reflects the effect of the company's issuance of senior notes in March 2009. The increase also reflects higher commercial paper rates, increased line of credit commitment fees and higher average short-term debt balances experienced primarily during the first quarter of fiscal 2009.

Results for the nine months ended June 30, 2009, were favorably impacted by a one-time tax benefit of \$11.3 million. The benefit arose in the second quarter after the company updated the tax rates used to record its deferred taxes.

The debt capitalization ratio at June 30, 2009, was 49.7 percent, compared with 54.6 percent at September 30, 2008, and 51.5 percent at June 30, 2008. No short-term debt was outstanding at June 30, 2009, compared with \$350.5 million at September 30, 2008, and \$113.3 million at June 30, 2008.

For the nine months ended June 30, 2009, the company generated operating cash flow of \$824.6 million, compared with \$417.4 million for the nine months ended June 30, 2008. Period over period, the \$407.2 million increase in operating cash flow is primarily due to the decline in natural gas prices in the current year as compared to one year ago, which increased operating cash flow by \$251.1 million. The increase in operating cash flow was also positively impacted by \$99.9 million due to lower cash margin requirements related to the company's natural gas marketing financial instruments and by \$49.0 million due to the favorable timing in the recovery of gas costs during the current year.

Capital expenditures increased to \$342.3 million for the nine months ended June 30, 2009, compared with \$312.9 million for the same period last year. The \$29.4 million increase primarily reflects spending for the construction of a pipeline extension in the company's regulated operations.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to expect fiscal 2009 earnings to be in the range of \$2.05 to \$2.15 per diluted share, excluding any material mark-to-market impact. Major assumptions underlying the earnings projection remain materially unchanged. Capital expenditures for fiscal 2009 remain unchanged and are expected to range from \$500 million to \$515 million.

However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2009, and changes in events or other circumstances that the company cannot currently anticipate or predict, including adverse credit market conditions, could result in earnings for fiscal 2009 that are significantly above or below this outlook. Factors that could cause such changes are described below in Forward-Looking Statements and in other company documents on file with the Securities and Exchange Commission.

Conference Call to be Webcast August 5, 2009

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2009 third quarter and first nine months on Wednesday August 5, 2009, at 8 a.m. EDT. The telephone number is 877-485-3107. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A playback of the call will be available on the Web site later that day. Atmos Energy senior leadership who will participate in the conference call include: Bob Best, chairman and chief executive officer; Kim Cocklin, president and chief operating officer; Fred Meisenheimer, senior vice president and chief financial officer; and Mark Johnson, senior vice president, nonregulated operations.

Highlights and Recent Developments

Credit Ratings Upgraded

On May 18, 2009, Moody's Investors Service raised its corporate credit rating on Atmos Energy Corporation's senior long-term debt from Baa3 to Baa2 and its commercial paper from P-3 to P-2, and changed its outlook from "positive" to "stable".

Atmos Energy Redeems Senior Notes

On April 30, 2009, Atmos Energy Corporation redeemed its \$400 million 4.00% senior notes. The senior notes were redeemed using most of the net proceeds received from its March 26, 2009 public offering of \$450 million 8.50% senior notes.

Appointment of Vice President and Controller

On May 5, 2009, Christopher T. Forsythe was promoted to vice president and controller from director of financial reporting. Mr. Forsythe reports to Fred Meisenheimer, senior vice president and chief financial officer of Atmos Energy Corporation.

This news release should be read in conjunction with the attached unaudited financial information.

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 capital markets and the other factors discussed in the company’s filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008 and in the company’s Quarterly Report on Form 10-Q for the three and six months ended March 31, 2009. 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, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights (Unaudited)
Statements of Income
 (000s except per share)

	Three Months Ended		Percentage
	June 30		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Gross Profit:			
Natural gas distribution segment	\$191,682	\$199,928	(4)%
Regulated transmission and storage segment	49,345	46,286	7%
Natural gas marketing segment	15,022	(2,631)	671%
Pipeline, storage and other segment	4,014	3,174	26%
Intersegment eliminations	(423)	(535)	21%
Gross profit	<u>259,640</u>	<u>246,222</u>	5%
Operation and maintenance expense	110,895	117,822	(6)%
Depreciation and amortization	54,181	50,356	8%
Taxes, other than income	47,577	57,335	(17)%
Asset impairment	3,304	—	100%
Total operating expenses	<u>215,957</u>	<u>225,513</u>	(4)%
Operating income	43,683	20,709	111%
Miscellaneous income	1,219	1,600	(24)%
Interest charges	<u>41,511</u>	<u>33,470</u>	24%
Income (loss) before income taxes	3,391	(11,161)	130%
Income tax expense (benefit)	1,427	(4,573)	131%
Net income (loss)	<u>\$ 1,964</u>	<u>\$ (6,588)</u>	130%
Basic net income (loss) per share	\$ 0.02	\$ (0.07)	
Diluted net income (loss) per share	\$ 0.02	\$ (0.07)	
Cash dividends per share	\$.330	\$.325	
Weighted average shares outstanding:			
Basic	91,338	89,648	
Diluted	92,002	89,648	

	Three Months Ended		Percentage
	June 30		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Summary Net Income (Loss) by Segment (000s)			
Natural gas distribution	\$ (14,941)	\$ (12,378)	(21)%
Regulated transmission and storage	12,954	10,265	26%
Natural gas marketing	2,099	(6,314)	133%
Pipeline, storage and other	1,852	1,839	1%
Consolidated net income (loss)	<u>\$ 1,964</u>	<u>\$ (6,588)</u>	130%

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)
Statements of Income
(000s except per share)

	Nine Months Ended June 30		Percentage Change
	2009	2008	
Gross Profit:			
Natural gas distribution segment	\$ 857,146	\$ 830,652	3%
Regulated transmission and storage segment	163,261	142,772	14%
Natural gas marketing segment	68,589	59,664	15%
Pipeline, storage and other segment	27,175	18,856	44%
Intersegment eliminations	(1,268)	(1,690)	25%
Gross profit	1,114,903	1,050,254	6%
Operation and maintenance expense	365,312	359,064	2%
Depreciation and amortization	160,757	147,659	9%
Taxes, other than income	150,028	153,170	(2)%
Asset impairments	5,382	—	100%
Total operating expenses	681,479	659,893	3%
Operating income	433,424	390,361	11%
Miscellaneous income (expense)	(647)	2,974	(122)%
Interest charges	116,035	103,803	12%
Income before income taxes	316,742	289,532	9%
Income tax expense	109,812	110,783	(1)%
Net income	<u>\$ 206,930</u>	<u>\$ 178,749</u>	16%
Basic net income per share	\$ 2.28	\$ 2.00	
Diluted net income per share	\$ 2.26	\$ 1.99	
Cash dividends per share	\$.990	\$.975	
Weighted average shares outstanding:			
Basic	90,940	89,281	
Diluted	91,590	89,937	

	Nine Months Ended June 30		Percentage Change
	2009	2008	
Summary Net Income by Segment (000s)			
Natural gas distribution	\$ 136,768	\$ 113,442	21%
Regulated transmission and storage	40,080	35,336	13%
Natural gas marketing	16,022	19,565	(18)%
Pipeline, storage and other	14,060	10,406	35%
Consolidated net income	<u>\$ 206,930</u>	<u>\$ 178,749</u>	16%

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets
(000s)

	<u>June 30,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>
Net property, plant and equipment	\$4,339,364	\$4,136,859
Cash and cash equivalents	125,735	46,717
Accounts receivable, net	241,582	477,151
Gas stored underground	317,275	576,617
Other current assets	<u>111,420</u>	<u>184,619</u>
Total current assets	796,012	1,285,104
Goodwill and intangible assets	738,615	739,086
Deferred charges and other assets	<u>222,039</u>	<u>225,650</u>
	<u>\$6,096,030</u>	<u>\$6,386,699</u>
Shareholders' equity	\$2,191,520	\$2,052,492
Long-term debt	<u>2,169,395</u>	<u>2,119,792</u>
Total capitalization	4,360,915	4,172,284
Accounts payable and accrued liabilities	221,968	395,388
Other current liabilities	422,200	460,372
Short-term debt	—	350,542
Current maturities of long-term debt	<u>131</u>	<u>785</u>
Total current liabilities	644,299	1,207,087
Deferred income taxes	510,901	441,302
Deferred credits and other liabilities	<u>579,915</u>	<u>566,026</u>
	<u>\$6,096,030</u>	<u>\$6,386,699</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows
(000s)

	Nine Months Ended June 30	
	2009	2008
Cash flows from operating activities		
Net income	\$ 206,930	\$ 178,749
Depreciation and amortization	160,817	147,765
Deferred income taxes	62,658	77,864
Changes in assets and liabilities	371,180	236
Other	23,009	12,767
Net cash provided by operating activities	<u>824,594</u>	<u>417,381</u>
Cash flows from investing activities		
Capital expenditures	(342,326)	(312,878)
Other, net	(6,094)	(4,303)
Net cash used in investing activities	<u>(348,420)</u>	<u>(317,181)</u>
Cash flows from financing activities		
Net decrease in short-term debt	(366,449)	(35,721)
Net proceeds from issuance of long-term debt	445,623	—
Settlement of Treasury lock agreement	1,938	—
Repayment of long-term debt	(407,287)	(9,945)
Cash dividends paid	(90,909)	(87,821)
Issuance of common stock	19,928	19,063
Net cash used in financing activities	<u>(397,156)</u>	<u>(114,424)</u>
Net increase (decrease) in cash and cash equivalents	79,018	(14,224)
Cash and cash equivalents at beginning of period	46,717	60,725
Cash and cash equivalents at end of period	<u>\$ 125,735</u>	<u>\$ 46,501</u>

Statistics

	Three Months Ended June 30		Nine Months Ended June 30	
	2009	2008	2009	2008
Consolidated natural gas distribution throughput (MMcf as metered)	69,678	73,483	352,081	367,297
Consolidated regulated transmission and storage transportation volumes (MMcf)	141,556	152,450	400,699	429,758
Consolidated natural gas marketing sales volumes (MMcf)	84,162	82,122	282,443	298,351
Natural gas distribution meters in service	3,210,325	3,205,456	3,210,325	3,205,456
Natural gas distribution average cost of gas	\$4.87	\$11.53	\$7.18	\$8.77
Natural gas marketing net physical position (Bcf)	20.0	17.5	20.0	17.5

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**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 5, 2009

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)

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 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

- (c) On May 5, 2009, Christopher T. Forsythe, director, financial reporting of Atmos Energy, was appointed by the Board of Directors as vice president and controller, effective May 5, 2009. Mr. Forsythe, 37, joined Atmos Energy in June 2003 and was promoted to director, financial reporting in September 2003. Before joining the company, he was a senior manager with PricewaterhouseCoopers LLP in the firm's audit and business advisory services group, where he began his career upon graduation from Baylor University in 1993. Like all other employees of Atmos Energy, Mr. Forsythe is an "at will" employee of the company and therefore does not have an employment agreement. However, Mr. Forsythe will participate in all applicable incentive, benefit, change in control and other executive compensation plans. Mr. Forsythe has not received any grant or award under any company plan, contract or arrangement in connection with his appointment. A copy of the news release issued on May 5, 2009 announcing Mr. Forsythe's appointment is filed herewith as Exhibit 99.1 and is incorporated herein into this Item 5.02 by reference.
- (d) On May 6, 2009, Robert C. Grable was elected to the Board of Directors of the Company, effective May 6, 2009, with his term expiring at the 2010 annual meeting of shareholders on February 3, 2010. The Board of Directors also appointed Mr. Grable to serve as a member of the Audit Committee and Human Resources Committee, also effective May 6, 2009. Mr. Grable will participate in all applicable compensation and benefit plans offered by the company to its directors. Mr. Grable has not received any grant or award under any company plan, contract or arrangement in connection with his election. A copy of a news release issued on May 6, 2009 announcing Mr. Grable's election to the Board of Directors is filed herewith as Exhibit 99.2 and is incorporated herein into this Item 5.02 by reference.

Item 9.01. Financial Statements and Exhibits.

- (d) Exhibits.

- 99.1 News Release issued by Atmos Energy Corporation dated May 5, 2009
- 99.2 News Release issued by Atmos Energy Corporation dated May 6, 2009

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, 2009

By: /s/ LOUIS P. GREGORY

Louis P. Gregory
Senior Vice President and General Counsel

3

 INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release issued by Atmos Energy Corporation dated May 5, 2009
99.2	News Release issued by Atmos Energy Corporation dated May 6, 2009

4

Exhibit 99.1**News Release**

Media Contact:
Gerald Hunter 972-855-3116

Analysts Contact:
Susan Giles 972-855-3729

**Atmos Energy Corporation Promotes
Christopher T. Forsythe to Vice President and Controller**

DALLAS (May 5, 2009)—Atmos Energy Corporation (NYSE: ATO) said today it has promoted Christopher T. Forsythe from director, financial reporting, to vice president and controller. He succeeds Fred E. Meisenheimer, who was named senior vice president and chief financial officer in February.

“Chris has done a tremendous job over the past six years while heading up our financial reporting function,” said Meisenheimer. “We are fortunate to have such a talented and respected individual to take over as controller of the company.”

Forsythe, 37, joined Atmos Energy in June 2003 and was promoted to director, financial reporting, in September 2003. Before joining Atmos Energy, he was a senior manager with PricewaterhouseCoopers LLP in the firm’s audit and business advisory services group, where he began his career after graduating from Baylor University in 1993. Forsythe holds Bachelor of Business Administration degrees in accounting and management information systems. He is a member of the Texas Society of Certified Public Accountants.

Atmos Energy Corporation, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

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Exhibit 99.2**News Release**

Media Contact:
Gerald Hunter 972-855-3116

Analysts Contact:
Susan Giles 972-855-3729

**Atmos Energy Corporation Elects
Robert C. Grable to Board of Directors**

DALLAS (May 6, 2009)—Atmos Energy Corporation (NYSE: ATO) said today it has elected Robert C. Grable to its board of directors, increasing the board’s size to 14 directors. He will serve on the board’s Audit Committee and Human Resources Committee.

Grable is a partner at Kelly Hart & Hallman LLP and one of seven founding members of the firm, which was established in 1979 in Fort Worth. He heads the firm's energy practice group and is board certified in oil, gas and mineral law by the Texas Board of Legal Specialization. From 1991 to 1992, he served as chairman of the Oil, Gas and Energy Resources Law Section of the State Bar of Texas.

"Bob Grable has not only a stellar legal background, but also an encyclopedic knowledge of the oil and gas industry—from domestic production and royalty rights to foreign offshore concessions and international governmental relations," said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. "We look forward to adding his counsel and experience to our board."

In his law practice, Grable represents clients mainly in litigation and administrative hearings that involve the petroleum industry. He has represented independent producers, major oil companies, pipelines and royalty owners in a variety of litigation in state and federal trial and appellate courts as well as before state and federal administrative agencies. He is counsel of record in more than 30 appellate decisions, including five significant oil and gas opinions of the Texas Supreme Court, in all of which he represented the prevailing party. He also has represented clients in Europe and the Middle East in international oil and gas operations.

Grable earned a bachelor's degree from Southern Methodist University and graduated with high honors from The University of Texas School of Law. He was a member of the Order of the Coif and Chancellors, an associate editor of the Texas Law Review and Grand Chancellor of his class. From 1972 to 1974, he served on active duty as a lieutenant in the Judge Advocate General's Corps of the United States Navy.

He currently is president and a trustee of The University of Texas Law School Foundation, a member of the McDonald Observatory and Astronomy Board of Visitors at The University of Texas at Austin and a member of The University of Texas Development Board and Chancellor's Council Executive Committee. He is a former chairman and member of the management committee of the Texas Ballet Theater.

Grable has been listed in the prestigious "Best Lawyers in America" since 1995. He speaks frequently about issues in oil, gas and mineral law and has authored numerous papers in the field. He and his wife, Marty, reside in Fort Worth, where they are active in their church and a number of social organizations. They have two grown children.

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

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2

**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 30, 2009

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))
-
-

Item 2.02. Results of Operations and Financial Condition.

On Thursday, April 30, 2009, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the second quarter of the 2009 fiscal year, which ends September 30, 2009, and that certain of its officers would discuss such financial results in a conference call on Friday, May 1, 2009 at 10:00 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 Web site 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 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release dated April 30, 2009 (furnished under Item 2.02)

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 30, 2009

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated April 30, 2009 (furnished under Item 2.02)

Exhibit 99.1**News Release****Analysts and Media Contact:**

Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the
Fiscal 2009 Second Quarter and Six Months; Reaffirms Fiscal 2009 Guidance**

DALLAS (April 30, 2009)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2009 second quarter and six months ended March 31, 2009.

- Fiscal 2009 second quarter net income was \$129.0 million, or \$1.41 per diluted share, compared with net income of \$111.5 million, or \$1.24 per diluted share in the prior-year quarter.
- Consolidated results include noncash, unrealized mark-to-market net losses of \$3.3 million, or \$0.04 per diluted share for the second quarter of fiscal 2009, compared with net losses of \$24.2 million, or \$0.27 per diluted share for the prior-year quarter.
- Net income for the second quarter of fiscal 2009 includes the positive impact of a one-time tax benefit of \$11.3 million, or \$0.12 per diluted share.
- Regulated operations contributed \$121.0 million of net income, or \$1.32 per diluted share in the fiscal 2009 second quarter, compared with \$100.9 million of net income, or \$1.12 per diluted share in the same period last year.
- Nonregulated operations contributed \$8.0 million of net income in the fiscal 2009 second quarter, or \$0.09 per diluted share, compared with \$10.6 million of net income, or \$0.12 per diluted share, in the prior-year quarter.
- Atmos Energy still expects fiscal 2009 earnings to be in the previously announced range of \$2.05 to \$2.15 per diluted share.

For the six months ended March 31, 2009, net income was \$205.0 million, or \$2.24 per diluted share, compared with net income of \$185.3 million, or \$2.06 per diluted share for the same period last year. Net income for the current six months includes the positive impact of a one-time tax benefit of \$11.3 million, or \$0.12 per diluted share. For the current six-month period, regulated operations contributed \$178.9 million of net income, or \$1.96 per diluted share, and nonregulated operations contributed \$26.1 million of net income, or \$0.28 per diluted share. Nonregulated operations include noncash, unrealized mark-to-market net losses of \$16.9 million, or \$0.19 per diluted share for the six months ended March 31, 2009, compared with net losses of \$5.3 million, or \$0.06 per diluted share for the prior-year period.

“The rate and regulatory enhancements achieved in recent years have allowed our core regulated operations the ability to provide relatively stable and predictable results, in spite of declining volumes driven by the downturn in the economy,” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. Also, the company’s credit and liquidity positions remain strong in the midst of this economic uncertainty. We are optimistic that Atmos Energy will continue to deliver our annual earnings growth goal of between 4 to 6 percent, on average.”

Results for the 2009 Second Quarter Ended March 31, 2009

Natural gas distribution gross profit increased \$9.6 million to \$367.1 million for the fiscal 2009 second quarter, compared with \$357.5 million in the prior-year quarter, before intersegment eliminations. This increase reflects a net \$21.9 million increase in rates, primarily in the company’s Mid-Tex, Louisiana and West Texas service areas and the reversal of a \$7.0 million accrual for estimated unrecoverable gas costs recorded in a prior year. These increases were partially offset by an \$8.9 million decrease in revenue-related taxes due to lower gas costs and a \$13.5 million decrease as a result of lower residential and commercial consumption and warmer weather in the Colorado service area, which does not have weather-normalized rates.

Regulated transmission and storage gross profit increased \$7.8 million to \$59.2 million for the three months ended March 31, 2009, compared with \$51.4 million for the three months ended March 31, 2008, before intersegment eliminations. This increase is due primarily to higher per-unit margins earned on through-system deliveries of \$3.6 million, an increase in demand-based charges of \$3.3 million, a \$2.9 million gain associated with the routine sale of excess inventory and a \$1.4 million increase in revenues resulting from filings under the Texas Gas Reliability Infrastructure Program (GRIP). These increases were partially offset by a \$4.1 million decrease due to a reduction in transportation volumes to the company’s Mid-Tex Division, as a result of warmer weather and a 13 percent decrease in consolidated throughput, due primarily to a decline in Barnett Shale activity, industrial demand and electric generation demand.

Natural gas marketing gross profit increased \$7.2 million to \$23.5 million for the fiscal 2009 second quarter, compared with \$16.3 million for the fiscal 2008 second quarter, before intersegment eliminations. This increase is due principally to a \$40.0 million quarter-over-quarter increase in Atmos Energy Marketing’s (AEM) unrealized margins primarily as a result of lower volatility between current cash prices and forward natural gas prices experienced on its net physical position during the current quarter. This increase was partially offset by a \$29.8 million decrease in margins realized from AEM’s storage and trading activities. As a result of falling current cash prices during the quarter, AEM elected to defer physical storage withdrawals into future periods and inject gas into storage. As a result, AEM realized lower storage withdrawal gains in the current quarter. In the prior-year quarter, AEM withdrew gas storage and recognized the associated gains. Finally, delivered gas margins decreased \$3.0 million, primarily as a result of a 13 percent decrease in consolidated sales volumes.

Pipeline, storage and other gross profit increased \$0.9 million to \$10.6 million for the three months ended March 31, 2009, compared with \$9.7 million for the same period last year, before intersegment eliminations. The increase was attributable primarily to larger realized gains from the settlement of financial positions associated with storage and trading activities and basis gains earned from utilizing leased pipeline capacity. These increases were essentially offset by lower margins earned in the current quarter under asset management plans and increased unrealized losses, due principally to a widening of the spreads between current cash prices and forward natural gas prices.

Results for the quarter ended March 31, 2009, were favorably impacted by a one-time tax benefit of \$11.3 million. The benefit arose in the current quarter after the company updated the tax rates used to record its deferred taxes.

Results for the Six Months Ended March 31, 2009

Natural gas distribution gross profit increased \$34.8 million to \$665.5 million for the six months ended March 31, 2009, compared with \$630.7 million in the prior-year period, before intersegment eliminations. This increase is due largely to a net \$37.2 million increase in rates, primarily in the company's Mid-Tex, Louisiana and West Texas service areas, the reversal of the aforementioned \$7.0 million accrual for uncollectible gas costs and an \$8.3 million increase due to a non-recurring update to the estimate for gas delivered to customers but not yet billed, resulting from base rate changes in several jurisdictions recorded in the first quarter of fiscal 2009. These increases were partially offset by a \$9.2 million decrease in revenue-related taxes due to lower gas costs and a \$14.8 million decrease as a result of a 4 percent reduction in residential and commercial consumption, partially due to warmer weather in the Colorado service area, which does not have weather-normalized rates.

Regulated transmission and storage gross profit increased \$17.4 million to \$113.9 million for the six months ended March 31, 2009, compared with \$96.5 million for the same period last year, before intersegment eliminations. This increase is due primarily to higher per-unit margins earned on through-system deliveries of \$7.6 million, a \$6.4 million increase in demand-based charges, a \$2.9 million gain associated with the routine sale of excess inventory and a \$2.7 million increase in revenues resulting from filings under GRIP. These increases were partially offset by a \$3.4 million decrease due to a reduction in transportation volumes to the company's Mid-Tex Division, as a result of warmer weather and a 7 percent decrease in consolidated throughput, due principally to a decline in Barnett Shale activity, industrial demand and electric generation demand.

Natural gas marketing gross profit decreased \$8.7 million to \$53.6 million for the fiscal 2009 six-month period, compared with \$62.3 million for the prior-year period, before intersegment eliminations. This decrease primarily reflects a \$13.7 million period-over-period decrease in AEM's unrealized margins, due principally to greater volatility between current cash prices and forward natural gas prices experienced on AEM's net physical storage position in the current period. Additionally, delivered gas margins decreased \$2.7 million primarily as a result of an 8 percent decrease in consolidated sales volumes. These decreases were partially offset by a \$7.7 million increase in margins realized from AEM's storage and trading activities primarily resulting from the recognition in the first quarter of fiscal 2009 of storage withdrawal gains that AEM had captured during fiscal 2008, as a result of deferring storage withdrawals and rolling the associated financial instruments to forward months.

Pipeline, storage and other gross profit increased \$7.5 million to \$23.2 million for the six months ended March 31, 2009, compared with \$15.7 million for the same period last year, before intersegment eliminations. The increase was due principally to larger realized gains from the settlement of financial positions associated with storage and trading activities, basis gains earned from utilizing leased pipeline capacity and higher margins earned under asset management plans during the current-year period compared with the prior-year period. These increases were partially offset by increased unrealized losses, due primarily to the widening of the spreads between current cash prices and forward natural gas prices.

Consolidated operation and maintenance expense for the six months ended March 31, 2009, was \$256.5 million, compared with \$241.2 million for the prior-year period. Excluding the provision for doubtful accounts, operation and maintenance expense for the current six-month period was \$251.2 million, compared with \$234.8 million for the prior-year period. The \$16.4 million increase resulted from higher pipeline maintenance costs, legal costs and employee wages and benefits costs.

The provision for doubtful accounts was \$5.3 million for the six months ended March 31, 2009, compared with \$6.4 million for the same period last year. The \$1.1 million decrease primarily reflects the impact of recent rate design changes, which allow for the recovery of the gas cost portion of uncollectible accounts and a decline in the average cost of gas.

Interest charges for the six months ended March 31, 2009, were \$74.5 million, compared with \$70.3 million for the six months ended March 31, 2008. The \$4.2 million period-over-period increase reflects higher commercial paper rates, increased line of credit commitment fees and higher average short-term debt balances experienced primarily during the first quarter of fiscal 2009.

Results for the six months ended March 31, 2009, were favorably impacted by a one-time tax benefit of \$11.3 million. The benefit arose after the company updated the tax rates used to record its deferred taxes in the second quarter.

The debt capitalization ratio at March 31, 2009, was 54.1 percent, compared with 54.6 percent at September 30, 2008, and 50.0 percent at March 31, 2008. The debt capitalization ratio at March 31, 2009, includes an incremental amount of \$450 million of senior notes issued in March 2009. The net proceeds of approximately \$446 million were used to redeem the company's \$400 million 4.00% senior notes on April 30, 2009, which were due October 15, 2009. Had these senior notes been repaid as of March 31, 2009, the debt capitalization ratio would have been 49.9 percent. No short-term debt was outstanding at March 31, 2009 (other than the \$400 million 4% senior notes that were called on March 30, 2009 for redemption on April 30, 2009) and March 31, 2008, while short-term debt was \$350.5 million at September 30, 2008.

For the six months ended March 31, 2009, Atmos Energy generated operating cash flow of \$614.6 million from operating activities compared with \$479.2 million for the six months ended March 31, 2008. Period over period, the \$135.4 million increase was attributable primarily to the favorable impact on the company's working capital of the decline in natural gas prices in the current year compared to the prior-year period which increased operating cash flow by \$61.2 million, coupled with a \$51.9 million increase due to the favorable timing in the recovery of gas costs during the current year.

Capital expenditures increased to \$221.3 million for the six months ended March 31, 2009, compared with \$198.7 million for the same period last year. The \$22.6 million increase is due principally to spending for a nonregulated storage project and the construction of a pipeline extension in the company's regulated operations.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to expect fiscal 2009 earnings to be in the range of \$2.05 to \$2.15 per diluted share, excluding any material mark-to-market impact. Major assumptions underlying the earnings projection remain materially unchanged. Capital expenditures for fiscal 2009 are expected to range from \$500 million to \$515 million.

However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2009, and changes in events or other circumstances that the company cannot currently anticipate or predict, including adverse credit market conditions, could result in earnings for fiscal 2009 that are significantly above or below this outlook. Factors that could cause such changes are described below in Forward-Looking Statements and in other company documents on file with the Securities and Exchange Commission.

Atmos Energy continues to have reasonably economical access to the commercial paper market and believes it has sufficient liquidity to support its operating and capital spending plans. Amounts available to the company under existing and new credit facilities coupled with operating cash flow should provide the necessary liquidity to fund the company's common stock dividend, working capital needs and capital expenditures for fiscal 2009.

Conference Call to be Webcast May 1, 2009

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2009 second quarter and first six months on Friday, May 1, 2009, at 10 a.m. EDT. The telephone number is 800-218-0204. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A playback of the call will be available on the Web site later that day. Atmos Energy senior leadership who will participate in the conference call include: Bob Best, chairman and chief executive officer; Kim Cocklin, president and chief operating officer; Fred Meisenheimer, senior vice president, chief financial officer and controller; and Mark Johnson, senior vice president, nonregulated operations.

Highlights and Recent Developments

Atmos Energy Completes Successful Senior Note Offering

On March 26, 2009, Atmos Energy completed the public offering of \$450 million of 8.50% senior notes due 2019. The company used most of the net proceeds of this offering of approximately \$446 million to redeem the company's \$400 million 4.00% senior notes on April 30, 2009.

AEM Committed Revolving Credit Facility Increased

On April 1, 2009, Atmos Energy Marketing, LLC amended its existing \$375 million committed revolving credit facility to increase the borrowing base to \$450 million. The amended credit facility will expire on December 29, 2009.

This news release should be read in conjunction with the attached unaudited financial information.

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 capital markets and the other factors discussed in the company’s filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008 and in the company’s Quarterly Report on Form 10-Q for the three months ended December 31, 2008. 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, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights (Unaudited)

	<u>Three Months Ended</u> <u>March 31</u>		Percentage
	<u>2009</u>	<u>2008</u>	<u>Change</u>
<u>Statements of Income</u> (000s except per share)			
Gross Profit:			
Natural gas distribution segment	\$367,080	\$357,524	3%
Regulated transmission and storage segment	59,234	51,440	15%
Natural gas marketing segment	23,544	16,332	44%
Pipeline, storage and other segment	10,616	9,684	10%
Intersegment eliminations	(423)	(586)	28%
Gross profit	460,051	434,394	6%
Operation and maintenance expense	121,740	120,053	1%
Depreciation and amortization	53,450	48,790	10%
Taxes, other than income	58,314	54,408	7%
Total operating expenses	233,504	223,251	5%
Operating income	226,547	211,143	7%
Miscellaneous income (expense)	(1,565)	1,467	(207)%
Interest charges	35,533	33,516	6%
Income before income taxes	189,449	179,094	6%
Income tax expense	60,446	67,560	(11)%
Net income	<u>\$129,003</u>	<u>\$111,534</u>	<u>16%</u>
Basic net income per share	\$ 1.42	\$ 1.25	
Diluted net income per share	\$ 1.41	\$ 1.24	
Cash dividends per share	\$.330	\$.325	
Weighted average shares outstanding:			
Basic	90,895	89,314	
Diluted	91,567	89,990	
<u>Summary Net Income by Segment (000s)</u>			
Natural gas distribution	\$101,576	\$ 85,656	19%
Regulated transmission and storage	19,465	15,224	28%
Natural gas marketing	3,348	5,279	(37)%
Pipeline, storage and other	4,614	5,375	(14)%
Consolidated net income	<u>\$129,003</u>	<u>\$111,534</u>	<u>16%</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Statements of Income</u> (000s except per share)	<u>Six Months Ended</u> <u>March 31</u>		<u>Percentage</u>
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Gross Profit:			
Natural gas distribution segment	\$665,464	\$630,724	6%
Regulated transmission and storage segment	113,916	96,486	18%
Natural gas marketing segment	53,567	62,295	(14)%
Pipeline, storage and other segment	23,161	15,682	48%
Intersegment eliminations	(845)	(1,155)	27%
Gross profit	<u>855,263</u>	<u>804,032</u>	<u>6%</u>
Operation and maintenance expense	256,495	241,242	6%
Depreciation and amortization	106,576	97,303	10%
Taxes, other than income	102,451	95,835	7%
Total operating expenses	<u>465,522</u>	<u>434,380</u>	<u>7%</u>
Operating income	389,741	369,652	5%
Miscellaneous income (expense)	(1,866)	1,374	(236)%
Interest charges	74,524	70,333	6%
Income before income taxes	313,351	300,693	4%
Income tax expense	108,385	115,356	(6)%
Net income	<u>\$204,966</u>	<u>\$185,337</u>	<u>11%</u>
Basic net income per share	\$ 2.26	\$ 2.08	
Diluted net income per share	\$ 2.24	\$ 2.06	
Cash dividends per share	\$.66	\$.65	
Weighted average shares outstanding:			
Basic	90,637	89,133	
Diluted	91,311	89,817	

<u>Summary Net Income by Segment (000s)</u>	<u>Six Months Ended</u> <u>March 31</u>		<u>Percentage</u>
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Natural gas distribution	\$151,709	\$125,820	21%
Regulated transmission and storage	27,126	25,071	8%
Natural gas marketing	13,923	25,879	(46)%
Pipeline, storage and other	12,208	8,567	43%
Consolidated net income	<u>\$204,966</u>	<u>\$185,337</u>	<u>11%</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u> (000s)	<u>March 31,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>
Net property, plant and equipment	\$4,263,192	\$4,136,859
Cash and cash equivalents	482,085	46,717
Accounts receivable, net	531,749	477,151
Gas stored underground	327,288	576,617
Other current assets	<u>137,433</u>	<u>184,619</u>
Total current assets	1,478,555	1,285,104
Goodwill and intangible assets	738,772	739,086
Deferred charges and other assets	<u>205,242</u>	<u>225,650</u>
	<u>\$6,685,761</u>	<u>\$6,386,699</u>
Shareholders' equity	\$2,178,494	\$2,052,492
Long-term debt	<u>2,169,141</u>	<u>2,119,792</u>
Total capitalization	4,347,635	4,172,284
Accounts payable and accrued liabilities	472,078	395,388
Other current liabilities	413,764	460,372
Short-term debt	—	350,542
Current maturities of long-term debt	<u>400,225</u>	<u>785</u>
Total current liabilities	1,286,067	1,207,087
Deferred income taxes	466,868	441,302
Deferred credits and other liabilities	<u>585,191</u>	<u>566,026</u>
	<u>\$6,685,761</u>	<u>\$6,386,699</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Statements of Cash Flows</u> (000s)	<u>Six Months Ended</u> <u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Net income	\$ 204,966	\$ 185,337
Depreciation and amortization	106,597	97,370
Deferred income taxes	97,892	72,277
Changes in assets and liabilities	191,533	117,355
Other	13,634	6,853
Net cash provided by operating activities	<u>614,622</u>	<u>479,192</u>
Cash flows from investing activities		
Capital expenditures	(221,330)	(198,722)
Other, net	(3,925)	(3,132)
Net cash used in investing activities	<u>(225,255)</u>	<u>(201,854)</u>
Cash flows from financing activities		
Net decrease in short-term debt	(353,468)	(150,582)
Net proceeds from issuance of long-term debt	446,188	—
Settlement of Treasury lock agreement	1,938	—
Repayment of long-term debt	(625)	(2,253)
Cash dividends paid	(60,446)	(58,431)
Issuance of common stock	12,414	12,839
Net cash provided by (used in) financing activities	<u>46,001</u>	<u>(198,427)</u>
Net increase in cash and cash equivalents	435,368	78,911
Cash and cash equivalents at beginning of period	46,717	60,725
Cash and cash equivalents at end of period	<u>\$ 482,085</u>	<u>\$ 139,636</u>

<u>Statistics</u>	<u>Three Months Ended</u> <u>March 31</u>		<u>Six Months Ended</u> <u>March 31</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Consolidated natural gas distribution throughput (MMcf as metered)	156,621	175,298	282,403	293,814
Consolidated regulated transmission and storage transportation volumes (MMcf)	123,285	141,108	259,143	277,308
Consolidated natural gas marketing sales volumes (MMcf)	104,973	120,023	198,281	216,229
Natural gas distribution meters in service	3,223,769	3,221,195	3,223,769	3,221,195
Natural gas distribution average cost of gas	\$7.10	\$8.59	\$7.61	\$8.26
Natural gas marketing net physical position (Bcf)	21.9	20.7	21.9	20.7

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**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 30, 2009
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))
-

Item 2.02. Results of Operations and Financial Condition.

On Thursday, April 30, 2009, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the second quarter of the 2009 fiscal year, which ends September 30, 2009, and that certain of its officers would discuss such financial results in a conference call on Friday, May 1, 2009 at 10:00 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 Web site 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 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release dated April 30, 2009 (furnished under Item 2.02)

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 30, 2009

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated April 30, 2009 (furnished under Item 2.02)

Exhibit 99.1**News Release**

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the
 Fiscal 2009 Second Quarter and Six Months; Reaffirms Fiscal 2009 Guidance**

DALLAS (April 30, 2009)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2009 second quarter and six months ended March 31, 2009.

- Fiscal 2009 second quarter net income was \$129.0 million, or \$1.41 per diluted share, compared with net income of \$111.5 million, or \$1.24 per diluted share in the prior-year quarter.
- Consolidated results include noncash, unrealized mark-to-market net losses of \$3.3 million, or \$0.04 per diluted share for the second quarter of fiscal 2009, compared with net losses of \$24.2 million, or \$0.27 per diluted share for the prior-year quarter.
- Net income for the second quarter of fiscal 2009 includes the positive impact of a one-time tax benefit of \$11.3 million, or \$0.12 per diluted share.
- Regulated operations contributed \$121.0 million of net income, or \$1.32 per diluted share in the fiscal 2009 second quarter, compared with \$100.9 million of net income, or \$1.12 per diluted share in the same period last year.
- Nonregulated operations contributed \$8.0 million of net income in the fiscal 2009 second quarter, or \$0.09 per diluted share, compared with \$10.6 million of net income, or \$0.12 per diluted share, in the prior-year quarter.
- Atmos Energy still expects fiscal 2009 earnings to be in the previously announced range of \$2.05 to \$2.15 per diluted share.

For the six months ended March 31, 2009, net income was \$205.0 million, or \$2.24 per diluted share, compared with net income of \$185.3 million, or \$2.06 per diluted share for the same period last year. Net income for the current six months includes the positive impact of a one-time tax benefit of \$11.3 million, or \$0.12 per diluted share. For the current six-month period, regulated operations contributed \$178.9 million of net income, or \$1.96 per diluted share, and nonregulated operations contributed \$26.1 million of net income, or \$0.28 per diluted share. Nonregulated operations include noncash, unrealized mark-to-market net losses of \$16.9 million, or \$0.19 per diluted share for the six months ended March 31, 2009, compared with net losses of \$5.3 million, or \$0.06 per diluted share for the prior-year period.

“The rate and regulatory enhancements achieved in recent years have allowed our core regulated operations the ability to provide relatively stable and predictable results, in spite of declining volumes driven by the downturn in the economy,” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. Also, the company’s credit and liquidity positions remain strong in the midst of this economic uncertainty. We are optimistic that Atmos Energy will continue to deliver our annual earnings growth goal of between 4 to 6 percent, on average.”

Results for the 2009 Second Quarter Ended March 31, 2009

Natural gas distribution gross profit increased \$9.6 million to \$367.1 million for the fiscal 2009 second quarter, compared with \$357.5 million in the prior-year quarter, before intersegment eliminations. This increase reflects a net \$21.9 million increase in rates, primarily in the company’s Mid-Tex, Louisiana and West Texas service areas and the reversal of a \$7.0 million accrual for estimated unrecoverable gas costs recorded in a prior year. These increases were partially offset by an \$8.9 million decrease in revenue-related taxes due to lower gas costs and a \$13.5 million decrease as a result of lower residential and commercial consumption and warmer weather in the Colorado service area, which does not have weather-normalized rates.

Regulated transmission and storage gross profit increased \$7.8 million to \$59.2 million for the three months ended March 31, 2009, compared with \$51.4 million for the three months ended March 31, 2008, before intersegment eliminations. This increase is due primarily to higher per-unit margins earned on through-system deliveries of \$3.6 million, an increase in demand-based charges of \$3.3 million, a \$2.9 million gain associated with the routine sale of excess inventory and a \$1.4 million increase in revenues resulting from filings under the Texas Gas Reliability Infrastructure Program (GRIP). These increases were partially offset by a \$4.1 million decrease due to a reduction in transportation volumes to the company’s Mid-Tex Division, as a result of warmer weather and a 13 percent decrease in consolidated throughput, due primarily to a decline in Barnett Shale activity, industrial demand and electric generation demand.

Natural gas marketing gross profit increased \$7.2 million to \$23.5 million for the fiscal 2009 second quarter, compared with \$16.3 million for the fiscal 2008 second quarter, before intersegment eliminations. This increase is due principally to a \$40.0 million quarter-over-quarter increase in Atmos Energy Marketing’s (AEM) unrealized margins primarily as a result of lower volatility between current cash prices and forward natural gas prices experienced on its net physical position during the current quarter. This increase was partially offset by a \$29.8 million decrease in margins realized from AEM’s storage and trading activities. As a result of falling current cash prices during the quarter, AEM elected to defer physical storage withdrawals into future periods and inject gas into storage. As a result, AEM realized lower storage withdrawal gains in the current quarter. In the prior-year quarter, AEM withdrew gas storage and recognized the associated gains. Finally, delivered gas margins decreased \$3.0 million, primarily as a result of a 13 percent decrease in consolidated sales volumes.

Pipeline, storage and other gross profit increased \$0.9 million to \$10.6 million for the three months ended March 31, 2009, compared with \$9.7 million for the same period last year, before intersegment eliminations. The increase was attributable primarily to larger realized gains from the settlement of financial positions associated with storage and trading activities and basis gains earned from utilizing leased pipeline capacity. These increases were essentially offset by lower margins earned in the current quarter under asset management plans and increased unrealized losses, due principally to a widening of the spreads between current cash prices and forward natural gas prices.

Results for the quarter ended March 31, 2009, were favorably impacted by a one-time tax benefit of \$11.3 million. The benefit arose in the current quarter after the company updated the tax rates used to record its deferred taxes.

Results for the Six Months Ended March 31, 2009

Natural gas distribution gross profit increased \$34.8 million to \$665.5 million for the six months ended March 31, 2009, compared with \$630.7 million in the prior-year period, before intersegment eliminations. This increase is due largely to a net \$37.2 million increase in rates, primarily in the company's Mid-Tex, Louisiana and West Texas service areas, the reversal of the aforementioned \$7.0 million accrual for uncollectible gas costs and an \$8.3 million increase due to a non-recurring update to the estimate for gas delivered to customers but not yet billed, resulting from base rate changes in several jurisdictions recorded in the first quarter of fiscal 2009. These increases were partially offset by a \$9.2 million decrease in revenue-related taxes due to lower gas costs and a \$14.8 million decrease as a result of a 4 percent reduction in residential and commercial consumption, partially due to warmer weather in the Colorado service area, which does not have weather-normalized rates.

Regulated transmission and storage gross profit increased \$17.4 million to \$113.9 million for the six months ended March 31, 2009, compared with \$96.5 million for the same period last year, before intersegment eliminations. This increase is due primarily to higher per-unit margins earned on through-system deliveries of \$7.6 million, a \$6.4 million increase in demand-based charges, a \$2.9 million gain associated with the routine sale of excess inventory and a \$2.7 million increase in revenues resulting from filings under GRIP. These increases were partially offset by a \$3.4 million decrease due to a reduction in transportation volumes to the company's Mid-Tex Division, as a result of warmer weather and a 7 percent decrease in consolidated throughput, due principally to a decline in Barnett Shale activity, industrial demand and electric generation demand.

Natural gas marketing gross profit decreased \$8.7 million to \$53.6 million for the fiscal 2009 six-month period, compared with \$62.3 million for the prior-year period, before intersegment eliminations. This decrease primarily reflects a \$13.7 million period-over-period decrease in AEM's unrealized margins, due principally to greater volatility between current cash prices and forward natural gas prices experienced on AEM's net physical storage position in the current period. Additionally, delivered gas margins decreased \$2.7 million primarily as a result of an 8 percent decrease in consolidated sales volumes. These decreases were partially offset by a \$7.7 million increase in margins realized from AEM's storage and trading activities primarily resulting from the recognition in the first quarter of fiscal 2009 of storage withdrawal gains that AEM had captured during fiscal 2008, as a result of deferring storage withdrawals and rolling the associated financial instruments to forward months.

Pipeline, storage and other gross profit increased \$7.5 million to \$23.2 million for the six months ended March 31, 2009, compared with \$15.7 million for the same period last year, before intersegment eliminations. The increase was due principally to larger realized gains from the settlement of financial positions associated with storage and trading activities, basis gains earned from utilizing leased pipeline capacity and higher margins earned under asset management plans during the current-year period compared with the prior-year period. These increases were partially offset by increased unrealized losses, due primarily to the widening of the spreads between current cash prices and forward natural gas prices.

Consolidated operation and maintenance expense for the six months ended March 31, 2009, was \$256.5 million, compared with \$241.2 million for the prior-year period. Excluding the provision for doubtful accounts, operation and maintenance expense for the current six-month period was \$251.2 million, compared with \$234.8 million for the prior-year period. The \$16.4 million increase resulted from higher pipeline maintenance costs, legal costs and employee wages and benefits costs.

The provision for doubtful accounts was \$5.3 million for the six months ended March 31, 2009, compared with \$6.4 million for the same period last year. The \$1.1 million decrease primarily reflects the impact of recent rate design changes, which allow for the recovery of the gas cost portion of uncollectible accounts and a decline in the average cost of gas.

Interest charges for the six months ended March 31, 2009, were \$74.5 million, compared with \$70.3 million for the six months ended March 31, 2008. The \$4.2 million period-over-period increase reflects higher commercial paper rates, increased line of credit commitment fees and higher average short-term debt balances experienced primarily during the first quarter of fiscal 2009.

Results for the six months ended March 31, 2009, were favorably impacted by a one-time tax benefit of \$11.3 million. The benefit arose after the company updated the tax rates used to record its deferred taxes in the second quarter.

The debt capitalization ratio at March 31, 2009, was 54.1 percent, compared with 54.6 percent at September 30, 2008, and 50.0 percent at March 31, 2008. The debt capitalization ratio at March 31, 2009, includes an incremental amount of \$450 million of senior notes issued in March 2009. The net proceeds of approximately \$446 million were used to redeem the company's \$400 million 4.00% senior notes on April 30, 2009, which were due October 15, 2009. Had these senior notes been repaid as of March 31, 2009, the debt capitalization ratio would have been 49.9 percent. No short-term debt was outstanding at March 31, 2009 (other than the \$400 million 4% senior notes that were called on March 30, 2009 for redemption on April 30, 2009) and March 31, 2008, while short-term debt was \$350.5 million at September 30, 2008.

For the six months ended March 31, 2009, Atmos Energy generated operating cash flow of \$614.6 million from operating activities compared with \$479.2 million for the six months ended March 31, 2008. Period over period, the \$135.4 million increase was attributable primarily to the favorable impact on the company's working capital of the decline in natural gas prices in the current year compared to the prior-year period which increased operating cash flow by \$61.2 million, coupled with a \$51.9 million increase due to the favorable timing in the recovery of gas costs during the current year.

Capital expenditures increased to \$221.3 million for the six months ended March 31, 2009, compared with \$198.7 million for the same period last year. The \$22.6 million increase is due principally to spending for a nonregulated storage project and the construction of a pipeline extension in the company's regulated operations.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to expect fiscal 2009 earnings to be in the range of \$2.05 to \$2.15 per diluted share, excluding any material mark-to-market impact. Major assumptions underlying the earnings projection remain materially unchanged. Capital expenditures for fiscal 2009 are expected to range from \$500 million to \$515 million.

However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2009, and changes in events or other circumstances that the company cannot currently anticipate or predict, including adverse credit market conditions, could result in earnings for fiscal 2009 that are significantly above or below this outlook. Factors that could cause such changes are described below in Forward-Looking Statements and in other company documents on file with the Securities and Exchange Commission.

Atmos Energy continues to have reasonably economical access to the commercial paper market and believes it has sufficient liquidity to support its operating and capital spending plans. Amounts available to the company under existing and new credit facilities coupled with operating cash flow should provide the necessary liquidity to fund the company's common stock dividend, working capital needs and capital expenditures for fiscal 2009.

Conference Call to be Webcast May 1, 2009

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2009 second quarter and first six months on Friday, May 1, 2009, at 10 a.m. EDT. The telephone number is 800-218-0204. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A playback of the call will be available on the Web site later that day. Atmos Energy senior leadership who will participate in the conference call include: Bob Best, chairman and chief executive officer; Kim Cocklin, president and chief operating officer; Fred Meisenheimer, senior vice president, chief financial officer and controller; and Mark Johnson, senior vice president, nonregulated operations.

Highlights and Recent Developments

Atmos Energy Completes Successful Senior Note Offering

On March 26, 2009, Atmos Energy completed the public offering of \$450 million of 8.50% senior notes due 2019. The company used most of the net proceeds of this offering of approximately \$446 million to redeem the company's \$400 million 4.00% senior notes on April 30, 2009.

AEM Committed Revolving Credit Facility Increased

On April 1, 2009, Atmos Energy Marketing, LLC amended its existing \$375 million committed revolving credit facility to increase the borrowing base to \$450 million. The amended credit facility will expire on December 29, 2009.

This news release should be read in conjunction with the attached unaudited financial information.

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 capital markets and the other factors discussed in the company’s filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008 and in the company’s Quarterly Report on Form 10-Q for the three months ended December 31, 2008. 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, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights (Unaudited)

	Three Months Ended March 31		Percentage
	2009	2008	Change
Statements of Income			
(000s except per share)			
Gross Profit:			
Natural gas distribution segment	\$367,080	\$357,524	3%
Regulated transmission and storage segment	59,234	51,440	15%
Natural gas marketing segment	23,544	16,332	44%
Pipeline, storage and other segment	10,616	9,684	10%
Intersegment eliminations	(423)	(586)	28%
Gross profit	460,051	434,394	6%
Operation and maintenance expense	121,740	120,053	1%
Depreciation and amortization	53,450	48,790	10%
Taxes, other than income	58,314	54,408	7%
Total operating expenses	233,504	223,251	5%
Operating income	226,547	211,143	7%
Miscellaneous income (expense)	(1,565)	1,467	(207)%
Interest charges	35,533	33,516	6%
Income before income taxes	189,449	179,094	6%
Income tax expense	60,446	67,560	(11)%
Net income	<u>\$129,003</u>	<u>\$111,534</u>	<u>16%</u>
Basic net income per share	\$ 1.42	\$ 1.25	
Diluted net income per share	\$ 1.41	\$ 1.24	
Cash dividends per share	\$.330	\$.325	
Weighted average shares outstanding:			
Basic	90,895	89,314	
Diluted	91,567	89,990	
Summary Net Income by Segment (000s)			
Three Months Ended March 31			
Percentage			
	2009	2008	Change
Natural gas distribution	\$101,576	\$ 85,656	19%
Regulated transmission and storage	19,465	15,224	28%
Natural gas marketing	3,348	5,279	(37)%
Pipeline, storage and other	4,614	5,375	(14)%
Consolidated net income	<u>\$129,003</u>	<u>\$111,534</u>	<u>16%</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

	Six Months Ended March 31		Percentage
	2009	2008	Change
Statements of Income			
(000s except per share)			
Gross Profit:			
Natural gas distribution segment	\$665,464	\$630,724	6%
Regulated transmission and storage segment	113,916	96,486	18%
Natural gas marketing segment	53,567	62,295	(14)%
Pipeline, storage and other segment	23,161	15,682	48%
Intersegment eliminations	(845)	(1,155)	27%
Gross profit	855,263	804,032	6%
Operation and maintenance expense	256,495	241,242	6%
Depreciation and amortization	106,576	97,303	10%
Taxes, other than income	102,451	95,835	7%
Total operating expenses	465,522	434,380	7%
Operating income	389,741	369,652	5%
Miscellaneous income (expense)	(1,866)	1,374	(236)%
Interest charges	74,524	70,333	6%
Income before income taxes	313,351	300,693	4%
Income tax expense	108,385	115,356	(6)%
Net income	<u>\$204,966</u>	<u>\$185,337</u>	<u>11%</u>
Basic net income per share	\$ 2.26	\$ 2.08	
Diluted net income per share	\$ 2.24	\$ 2.06	
Cash dividends per share	\$.66	\$.65	
Weighted average shares outstanding:			
Basic	90,637	89,133	
Diluted	91,311	89,817	
Summary Net Income by Segment (000s)			
Six Months Ended March 31			
Percentage			
	2009	2008	Change
Natural gas distribution	\$151,709	\$125,820	21%
Regulated transmission and storage	27,126	25,071	8%
Natural gas marketing	13,923	25,879	(46)%
Pipeline, storage and other	12,208	8,567	43%
Consolidated net income	<u>\$204,966</u>	<u>\$185,337</u>	<u>11%</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

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Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

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Net income	\$ 204,966	\$ 185,337
Depreciation and amortization	106,597	97,370
Deferred income taxes	97,892	72,277
Changes in assets and liabilities	191,533	117,355
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Net decrease in short-term debt	(353,468)	(150,582)
Net proceeds from issuance of long-term debt	446,188	—
Settlement of Treasury lock agreement	1,938	—
Repayment of long-term debt	(625)	(2,253)
Cash dividends paid	(60,446)	(58,431)
Issuance of common stock	12,414	12,839
Net cash provided by (used in) financing activities	<u>46,001</u>	<u>(198,427)</u>
Net increase in cash and cash equivalents	435,368	78,911
Cash and cash equivalents at beginning of period	46,717	60,725
Cash and cash equivalents at end of period	<u>\$ 482,085</u>	<u>\$ 139,636</u>

<u>Statistics</u>	<u>Three Months Ended</u> <u>March 31</u>		<u>Six Months Ended</u> <u>March 31</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Consolidated natural gas distribution throughput (MMcf as metered)	156,621	175,298	282,403	293,814
Consolidated regulated transmission and storage transportation volumes (MMcf)	123,285	141,108	259,143	277,308
Consolidated natural gas marketing sales volumes (MMcf)	104,973	120,023	198,281	216,229
Natural gas distribution meters in service	3,223,769	3,221,195	3,223,769	3,221,195
Natural gas distribution average cost of gas	\$7.10	\$8.59	\$7.61	\$8.26
Natural gas marketing net physical position (Bcf)	21.9	20.7	21.9	20.7

###

**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 26, 2009
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))

Item 1.01. Entry into a Material Definitive Agreement.

On March 26, 2009, Atmos Energy Corporation (“Atmos Energy”) completed a public offering of \$450,000,000 aggregate principal amount of its 8.50% Senior Notes due 2019 (the “Notes”). Atmos Energy received net proceeds from the offering, after the underwriting discount and estimated offering expenses, of approximately \$446 million. The Notes were issued pursuant to an indenture dated as of March 26, 2009 (the “Indenture”) between Atmos Energy and U.S. Bank National Association, as trustee and are represented by a global security executed by Atmos Energy on March 26, 2009 (the “Global Security”). The Notes are unsecured obligations ranking equally with all of Atmos Energy’s existing and future senior indebtedness and senior in right of payment to any future indebtedness that is subordinated to the Notes. The Notes bear interest at an annual rate of 8.50%, payable by Atmos Energy on March 15 and September 15 of each year, beginning on September 15, 2009, and mature on March 15, 2019. Atmos Energy may redeem the Notes 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) to, among other things, (i) create 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 foregoing summaries are qualified in their entirety by reference to the text of the Indenture and the Global Security, which are filed as Exhibits 4.1 and 4.2 to this Current Report on Form 8-K, respectively, and which are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

See Index to Exhibits attached hereto.

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 26, 2009

By: /s/ LOUIS P. GREGORY

Louis P. Gregory
Senior Vice President
and General Counsel

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
4.1	Indenture dated as of March 26, 2009, between Atmos Energy Corporation and U.S. Bank National Association, as Trustee
4.2	Global Security for the 8.50% Senior Notes due 2019

EXHIBIT 4.1

ATMOS ENERGY CORPORATION,

Issuer,

to

U.S. BANK NATIONAL ASSOCIATION,

Trustee

Indenture

Dated as of March 26, 2009

Debt Securities

Reconciliation and tie between Trust Indenture Act
of 1939 and Indenture, dated as of March 26, 2009

Trust Indenture Act Section	Indenture Section
§ 310(a)(1)	608
(a)(2)	608
(b)	604, 607, 609(d)(1)
§ 311(a)	101(2), 604, 613
(b)	101(2), 604, 613
§ 312(c)	701
§ 313	702
§ 314(a)	703
(a)(4)	1004
(c)(1)	102
(c)(2)	102
(e)	101 (“Opinion of Counsel”), 102
§ 315(b)	601
§ 316(a)(last sentence)	101 (“Outstanding”)
(a)(1)(A)	512
(a)(1)(B)	513
(b)	508
(c)	104(d)
§ 317(a)(1)	503
(a)(2)	504
(b)	1003
§ 318(a)	107

TABLE OF CONTENTS

ARTICLE ONE DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION	<u>Page</u>
SECTION 101. <u>Definitions</u>	1
“Act”	2
“Additional Amounts”	2
“Affiliate”	2
“Attributable Debt”	2
“Authenticating Agent”	2
“Authorized Newspaper”	2
“Authorized Officer”	2
“Bankruptcy Law”	3
“Board of Directors”	3
“Board Resolution”	3
“Book-Entry Security”	3
“Business Day”	3
“Capital Stock”	3
“Commission”	3
“Company”	3
“Company Request” or “Company Order”	3
“Consolidated Net Tangible Assets”	3
“Corporate Trust Office”	4
“corporation”	4
“covenant defeasance”	4
“Custodian”	4
“Default”	4
“Defaulted Interest”	4
“defeasance”	4
“Definitive Security”	4
“Depository”	4
“Euroclear”	4
“Event of Default”	4
“Exchange Act”	4
“Extension Notice” and “Extension Period”	4
“Final Maturity”	4
“Funded Indebtedness”	4
“generally accepted accounting principles” or “GAAP”	4
“Global Securities”	5
“Government Obligations”	5
“guarantee”	5
“Holder”	5
“incorporated provision”	5
“Indebtedness”	5

Note: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

	<u>Page</u>
"Indenture"	5
"Indexed Security"	6
"interest"	6
"Interest Payment Date"	6
"Lien"	6
"mandatory sinking fund payment"	6
"Maturity"	6
"Non-Recourse Indebtedness"	6
"Officers' Certificate"	7
"Opinion of Counsel"	7
"Option to Elect Repayment"	7
"Optional Reset Date"	7
"optional sinking fund payment"	7
"Original Issue Discount Security"	7
"Original Stated Maturity"	7
"Outstanding"	7
"Participants"	8
"Paying Agent"	8
"Person"	8
"Place of Payment"	9
"Predecessor Security"	9
"Principal Property"	9
"Redemption Date"	9
"Redemption Price"	9
"Regular Record Date"	9
"Repayment Date"	9
"Repayment Price"	9
"Reset Notice"	9
"Restricted Securities"	9
"Restricted Subsidiary"	9
"Sale and Leaseback Transaction"	9
"Securities"	10
"Security Register" and "Security Registrar"	10
"Special Record Date"	10
"Stated Maturity"	10
"Subsequent Interest Period"	10
"Subsidiary"	10
"Trust Indenture Act" or "TIA"	10
"Trustee"	10
"Trustee Payments"	10
"United States"	10
"United States person"	11
"Vice President"	11
"Yield to Maturity"	11
SECTION 102. Compliance Certificates and Opinions	11
SECTION 103. Form of Documents Delivered to Trustee	12

	<u>Page</u>
SECTION 104. Acts of Holders	12
SECTION 105. Notices, Etc. to Trustee and Company	13
SECTION 106. Notice to Holders; Waiver	13
SECTION 107. Conflict of Any Provision of Indenture with Trust Indenture Act	14
SECTION 108. Effect of Headings and Table of Contents	14
SECTION 109. Successors and Assigns	14
SECTION 110. Separability Clause	14
SECTION 111. Benefits of Indenture	15
SECTION 112. Governing Law	15
SECTION 113. Legal Holidays	15
SECTION 114. No Recourse Against Others	15
 ARTICLE TWO SECURITY FORMS 	
SECTION 201. Forms Generally	16
SECTION 202. Form of Trustee's Certificate of Authentication	16
SECTION 203. Securities Issuable in Global Form	17
SECTION 204. Form of Legend for Book-Entry Securities	17
 ARTICLE THREE THE SECURITIES 	
SECTION 301. Amount Unlimited; Issuable in Series	18
SECTION 302. Denominations	21
SECTION 303. Execution, Authentication, Delivery and Dating	21
SECTION 304. Book-Entry Securities	22
SECTION 305. Temporary Securities	24
SECTION 306. Registration, Registration of Transfer and Exchange	24
SECTION 307. Mutilated, Destroyed, Lost and Stolen Securities	26
SECTION 308. Payment of Interest; Interest Rights Preserved; Optional Interest Reset	26
SECTION 309. Optional Extension of Stated Maturity	29
SECTION 310. Persons Deemed Owners	29
SECTION 311. Cancellation	30
SECTION 312. Computation of Interest	30
SECTION 313. CUSIP Numbers	31
 ARTICLE FOUR SATISFACTION AND DISCHARGE 	
SECTION 401. Satisfaction and Discharge of Indenture	31
SECTION 402. Application of Trust Money	32

	<u>Page</u>
ARTICLE FIVE REMEDIES	
SECTION 501. Events of Default	32
SECTION 502. Acceleration of Maturity; Rescission and Annulment	34
SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee	35
SECTION 504. Trustee May File Proofs of Claim	35
SECTION 505. Trustee May Enforce Claims Without Possession of Securities	36
SECTION 506. Application of Money Collected	36
SECTION 507. Limitation on Suits	37
SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest	37
SECTION 509. Restoration of Rights and Remedies	37
SECTION 510. Rights and Remedies Cumulative	38
SECTION 511. Delay or Omission Not Waiver	38
SECTION 512. Control by Holders	38
SECTION 513. Waiver of Past Defaults	38
SECTION 514. Undertaking for Costs	39
SECTION 515. Waiver of Stay or Extension Laws	39
ARTICLE SIX THE TRUSTEE	
SECTION 601. Notice of Defaults	39
SECTION 602. Certain Rights of Trustee	40
SECTION 603. Trustee Not Responsible for Recitals or Issuance of Securities	42
SECTION 604. May Hold Securities	42
SECTION 605. Money Held in Trust	42
SECTION 606. Compensation and Reimbursement	43
SECTION 607. Conflicting Interests	43
SECTION 608. Corporate Trustee Required; Eligibility; Conflicting Interests	43
SECTION 609. Resignation and Removal; Appointment of Successor	44
SECTION 610. Acceptance of Appointment by Successor	45
SECTION 611. Merger, Conversion, Consolidation or Succession to Business	46
SECTION 612. Appointment of Authenticating Agent	46
SECTION 613. Preferential Collection of Claims Against Company	48
ARTICLE SEVEN HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY	
SECTION 701. Disclosure of Names and Addresses of Holders	48
SECTION 702. Reports by Trustee	49

	<u>Page</u>
SECTION 703. Reports by Company	49
ARTICLE EIGHT CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE	
SECTION 801. Company May Consolidate, Etc., Only on Certain Terms	49
SECTION 802. Rights and Duties of Successor Corporation	50
SECTION 803. Securities to be Secured in Certain Events	51
ARTICLE NINE SUPPLEMENTAL INDENTURES	
SECTION 901. Supplemental Indentures Without Consent of Holders	51
SECTION 902. Supplemental Indentures with Consent of Holders	52
SECTION 903. Execution of Supplemental Indentures	53
SECTION 904. Effect of Supplemental Indentures	53
SECTION 905. Conformity with Trust Indenture Act	54
SECTION 906. Reference in Securities to Supplemental Indentures	54
SECTION 907. Notice of Supplemental Indentures	54
ARTICLE TEN COVENANTS	
SECTION 1001. Payment of Principal, Premium and Interest	55
SECTION 1002. Maintenance of Office or Agency	55
SECTION 1003. Money for Security Payments to Be Held in Trust	55
SECTION 1004. Statement as to Compliance	57
SECTION 1005. Corporate Existence	57
SECTION 1006. Limitations on Liens	57
SECTION 1007. Limitation on Sale and Leaseback Transactions	59
SECTION 1008. Additional Amounts	59
SECTION 1009. Waiver of Certain Covenants	60
ARTICLE ELEVEN REDEMPTION OF SECURITIES	
SECTION 1101. Applicability of Article	60
SECTION 1102. Election to Redeem; Notice to Trustee	60
SECTION 1103. Selection by Trustee of Securities to Be Redeemed	61
SECTION 1104. Notice of Redemption	61
SECTION 1105. Deposit of Redemption Price	62
SECTION 1106. Securities Payable on Redemption Date	62
SECTION 1107. Securities Redeemed in Part	63

	<u>Page</u>
ARTICLE TWELVE SINKING FUNDS	
SECTION 1201. Applicability of Article	63
SECTION 1202. Satisfaction of Sinking Fund Payments with Securities	64
SECTION 1203. Redemption of Securities for Sinking Fund	64
ARTICLE THIRTEEN REPAYMENT AT OPTION OF HOLDERS	
SECTION 1301. Applicability of Article	65
SECTION 1302. Repayment of Securities	65
SECTION 1303. Exercise of Option	65
SECTION 1304. When Securities Presented for Repayment Become Due and Payable	66
SECTION 1305. Securities Repaid in Part	66
ARTICLE FOURTEEN DEFEASANCE AND COVENANT DEFEASANCE	
SECTION 1401. Company's Option to Effect Defeasance or Covenant Defeasance	67
SECTION 1402. Defeasance and Discharge	67
SECTION 1403. Covenant Defeasance	67
SECTION 1404. Conditions to Defeasance or Covenant Defeasance	68
SECTION 1405. Deposited Money and Government Obligations to Be Held in Trust; Other Miscellaneous Provisions	70
SECTION 1406. Reinstatement	70

INDENTURE, dated as of March 26, 2009, between Atmos Energy Corporation, a Texas and Virginia corporation (herein called the "Company"), and U.S. Bank National Association, a banking corporation with trust powers organized and existing under the laws of the State of United States, trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debt securities (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
 - (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein, and the terms "cash transaction" and "self-liquidating paper", as used in TIA Section 311, shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;
 - (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States;
-

(4) “or” is not exclusive and “including” means “including without limitation”; and

(5) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Three, are defined in that Article.

“Act”, when used with respect to any Holder, has the meaning specified in Section 104.

“Additional Amounts” has the meaning specified in Section 1008.

“Affiliate” means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Attributable Debt” means, as to any lease under which any Person is at the time liable for rent, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term, excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents, discounted from the respective due dates thereof at the rate of interest (or Yield to Maturity, in the case of Original Issue Discount Securities) borne by the then Outstanding Securities, compounded monthly.

“Authenticating Agent” means any Person appointed by the Trustee to act on behalf of the Trustee pursuant to Section 612 to authenticate Securities.

“Authorized Newspaper” means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

“Authorized Officer”, when used with respect to the Trustee, means any vice-president, assistant vice president, any assistant secretary, any assistant treasurer, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, in each case who is assigned by the Trustee to administer corporate trust matters at its Corporate Trust Office, and also means, with respect to a particular corporate trust

matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Bankruptcy Law” means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

“Board of Directors” means the Board of Directors of the Company or any duly authorized committee of such Board.

“Board Resolution” means a copy of a resolution certified by the Corporate Secretary or an Assistant Corporate Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Book-Entry Security” has the meaning specified in Section 304.

“Business Day”, means any day that, in the city of the principal Corporate Trust Office of the Trustee and in the City of New York, is neither a Saturday, Sunday, or legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close.

“Capital Stock” means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests (however designated) in stock issued by a corporation.

“Commission” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

“Company” means the Person named as the “Company” in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Company” shall mean such successor Person. To the extent necessary to comply with the requirements of the provisions of TIA Sections 310 through 317 as they are applicable to the Company, the term “Company” shall include any other obligor with respect to the Securities for the purposes of complying with such provisions.

“Company Request” or “Company Order” means a written request or order signed in the name of the Company (i) by its Chairman, Chief Executive Officer, its President or a Vice President and (ii) by its Treasurer, an Assistant Treasurer, its Corporate Secretary or an Assistant Corporate Secretary and delivered to the Trustee; provided, however, that such written request or order may be signed by any two of the officers or directors listed in clause (i) above in lieu of being signed by one of such officers or directors listed in such clause (i) and one of the officers listed in clause (ii) above.

“Consolidated Net Tangible Assets” means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting (i) all current liabilities (excluding any portion thereof constituting Funded Indebtedness) and (ii) all goodwill, trade

names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent consolidated balance sheet of the Company contained in the latest quarterly or annual report of the Company filed with the Commission under the Exchange Act and computed in accordance with generally accepted accounting principles.

“Corporate Trust Office” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office on the date of execution of this Indenture is located at U.S. Bank National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107, Attention: Corporate Trust Department.

“corporation” includes corporations, associations, partnerships, limited liability companies, companies and business trusts.

“covenant defeasance” has the meaning specified in Section 1403 hereof.

“Custodian” means any receiver, trustee, assignee, liquidator, sequestrator or similar officer under any Bankruptcy Law.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Defaulted Interest” has the meaning specified in Section 308 hereof.

“defeasance” has the meaning specified in Section 1402 hereof.

“Definitive Security” has the meaning specified in Section 304 hereof.

“Depository” has the meaning specified in Section 304.

“Euroclear” means Morgan Guaranty Trust Company of New York, Brussels Office, or its successor as operator of the Euroclear System.

“Event of Default” has the meaning specified in Section 501.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Extension Notice” and “Extension Period” shall have the meanings specified in Section 309.

“Final Maturity” has the meaning specified in Section 309.

“Funded Indebtedness” means as applied to any Person, means all Indebtedness of such Person maturing after, or renewable or extendable at the option of such Person beyond, 12 months from the date of determination.

“generally accepted accounting principles” or “GAAP” means generally accepted accounting principles in the United States.

“Global Securities” means one or more Securities evidencing all or part of the Securities to be issued as Book-Entry Securities, issued to the Depository in accordance with Section 304 and bearing the legend prescribed in Section 204.

“Government Obligations” means securities which are (i) direct obligations of the United States government or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States government, the payment of which is unconditionally guaranteed by the United States government, which, in either case, are full faith and credit obligations of the United States government payable and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest or principal of the Government Obligation evidenced by such depository receipt.

“guarantee” means, as applied to any obligation, (i) a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation or (ii) an agreement, direct or indirect, contingent or otherwise, providing assurance of the payment or performance (or payment of damages in the event of non-performance) of any part or all of such obligation, including, without limiting the foregoing, the payment of amounts drawn down by letters of credit. Notwithstanding anything herein to the contrary, a guarantee shall not include any agreement solely because such agreement creates a Lien on the assets of any Person. The amount of a guarantee shall be deemed to be the maximum amount of the obligation guaranteed for which the guarantor could be held liable under such guarantee.

“Holder” means the Person in whose name a Security is registered in the Security Register.

“incorporated provision” has the meaning specified in Section 107.

“Indebtedness” means obligations for money borrowed, evidenced by notes, bonds, debentures or other similar evidences of indebtedness.

“Indenture” means this instrument as originally executed (including all exhibits and schedules hereto) and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, and shall include the terms of particular series of Securities established as contemplated by Section 301; provided, however, that, if at any time there is more than one series of Securities issued under this instrument, “Indenture” shall mean, with respect to each such series of Securities, this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the provisions hereof applicable to such series and shall include the terms of such series of Securities

established as contemplated by Section 301, exclusive, however, of any provisions or terms which do not relate to such series, regardless of when such provisions or terms were adopted.

“Indexed Security” means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

“interest”, when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity at the rate prescribed in such Original Issue Discount Security.

“Interest Payment Date”, when used with respect to any series of Securities, means the Stated Maturity of an installment of interest on such Securities.

“Lien” means any lien, mortgage, pledge, encumbrance, charge or security interest securing Indebtedness; provided, however, that the following types of transactions will not be considered, for purposes of this definition, to result in a Lien: (i) any acquisition by the Company or any Restricted Subsidiary of any property or assets subject to any reservation or exception under the terms of which any vendor, lessor or assignor creates, reserves or excepts or has created, reserved or excepted an interest in oil, gas or any other mineral in place or the proceeds thereof, (ii) any conveyance or assignment whereby the Company or any Restricted Subsidiary conveys or assigns to any Person or Persons an interest in oil, gas or any other mineral in place or the proceeds thereof, (iii) any Lien upon any property or assets either owned or leased by the Company or any Restricted Subsidiary or in which the Company or any Restricted Subsidiary owns an interest that secures for the benefit of the Person or Persons paying the expenses of developing or conducting operations for the recovery, storage, transportation or sale of the mineral resources of such property or assets (or property or assets with which it is unitized) the payment to such Person or Persons of the Company’s or the Restricted Subsidiary’s proportionate part of such development or operating expenses, (iv) any lease classified as an operating lease under generally accepted accounting principles, (v) any hedging arrangements entered into in the ordinary course of business, including any obligation to deliver any mineral, commodity or asset in connection therewith or (vi) any guarantees by the Company of the repayment of Indebtedness of any Subsidiary or guarantees by any Subsidiary of the repayment of Indebtedness of any entity, including, but not limited to, Indebtedness of Atmos Energy Marketing, L.L.C.

“mandatory sinking fund payment” shall have the meaning specified in Section 1201.

“Maturity”, when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided whether at the Stated Maturity, by declaration of acceleration, notice of redemption, notice of option to elect repayment or otherwise.

“Non-Recourse Indebtedness” means, at any time, Indebtedness incurred after the date of the Indenture by the Company or a Restricted Subsidiary in connection with the acquisition of property or assets by the Company or a Restricted Subsidiary or the financing of

the construction of or improvements on property, whenever acquired, provided that, under the terms of such Indebtedness and under 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 the construction or improvements, including Indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to the Indebtedness or the related property or assets if the guarantee or similar undertaking has been satisfied and is no longer in effect. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the Company, any Subsidiary of the Company or any other person for (a) environmental or tax warranties and indemnities and such other representations, warranties, covenants and indemnities as are customarily required in such transactions, or (b) indemnities for and liabilities arising from fraud, misrepresentation, 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, waste and mechanics' liens or similar matters.

"Officers' Certificate" means a certificate signed by (i) the Chairman, Chief Executive Officer, the President, a Vice President or the Treasurer of the Company and (ii) the Corporate Secretary or an Assistant Corporate Secretary of the Company and delivered to the Trustee; provided, however, that such certificate may be signed by two of the officers or directors listed in clause (i) above in lieu of being signed by one of such officers or directors listed in such clause (i) and one of the officers listed in clause (ii) above.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company. Each such opinion shall include the statements provided for in TIA Section 314(e) to the extent applicable.

"Option to Elect Repayment" shall have the meaning specified in Section 1303.

"Optional Reset Date" shall have the meaning specified in Section 308.

"optional sinking fund payment" shall have the meaning specified in Section 1201.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Original Stated Maturity" shall have the meaning specified in Section 309.

"Outstanding" when used with respect to Securities means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

- (i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Securities, or portions thereof, for whose payment, purchase, redemption or repayment at the option of the Holder money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in

trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Securities, except to the extent provided in Sections 1402 and 1403, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Fourteen; and

(iv) Securities paid pursuant to Section 307 or Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that, in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, direction, consent or waiver hereunder, and for the purpose of making the calculations required by TIA Section 316, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 502, (ii) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Security pursuant to Section 301, and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which an Authorized Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Participants" has the meaning specified in Section 304.

"Paying Agent" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of (or premium, if any) or interest, if any, on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Place of Payment” means, when used with respect to the Securities of or within any series, the place or places where the principal of (and premium, if any) and interest, if any, on such Securities are payable as specified as contemplated by Sections 301 and 1002.

“Predecessor Security” of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 307 in exchange for a mutilated Security or in lieu of a destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

“Principal Property” means any natural gas distribution property located in the United States, except any property that in the opinion of the Board of Directors of the Company is not of material importance to the total business conducted by the Company and its consolidated Subsidiaries.

“Redemption Date”, when used with respect to any Security to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to this Indenture.

“Redemption Price”, when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

“Regular Record Date” for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 301.

“Repayment Date” means, when used with respect to any Security to be repaid at the option of the Holder, the date fixed for such repayment pursuant to this Indenture.

“Repayment Price” means, when used with respect to any Security to be repaid at the option of the Holder, the price at which it is to be repaid pursuant to this Indenture.

“Reset Notice” shall have the meaning specified in Section 308.

“Restricted Securities” has the meaning specified in Section 1006.

“Restricted Subsidiary” means any Subsidiary the amount of Consolidated Net Tangible Assets of which constitutes more than 10% of the aggregate amount of Consolidated Net Tangible Assets of the Company and its Subsidiaries.

“Sale and Leaseback Transaction” means any arrangement with any Person in which the Company or any Restricted Subsidiary leases any Principal Property that has been or is to be sold or transferred by the Company or the Restricted Subsidiary to such Person, other than any such arrangement involving (i) a lease for a term, including renewals at the option of the lessee, of not more than three years or classified as an operating lease under generally accepted accounting principles, (ii) leases between the Company and a Restricted Subsidiary or between Restricted Subsidiaries and (iii) leases of a Principal Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or

improvement, or the commencement of commercial operation, of the Principal Property, whichever is later.

“Securities” has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture; provided, however, that if at any time there is more than one series of Securities, “Securities” with respect to the Indenture for such series shall mean the Securities authenticated and delivered under such Indenture for such series, exclusive, however, of the Securities of any series authenticated and delivered under any other Indenture.

“Security Register” and “Security Registrar” have the respective meanings specified in Section 306.

“Special Record Date” means a date fixed by the Trustee for the payment of any Defaulted Interest pursuant to Section 308.

“Stated Maturity”, when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security representing such installment of principal or interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable, as such date may be extended pursuant to the provisions of Section 309.

“Subsequent Interest Period” shall have the meaning specified in Section 308.

“Subsidiary” of the Company means (i) a corporation, a majority of whose Capital Stock with rights, under ordinary circumstances, to elect directors is owned, directly or indirectly, at the date of determination, by the Company, by one or more Subsidiaries or by the Company and one or more Subsidiaries or (ii) any other Person (other than a corporation) in which at the date of determination the Company, one or more Subsidiaries or the Company and one or more Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs of that Person.

“Trust Indenture Act” or “TIA” means the Trust Indenture Act of 1939, as amended, and as in force at the date as of which this Indenture was executed, except as provided in Section 905.

“Trustee” means the Person named as the “Trustee” in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder; provided, however, that if at any time there is more than one such Person, “Trustee” as used with respect to the Securities of any series shall mean only the Trustee with respect to Securities of that series.

“Trustee Payments” shall have the meaning specified in Section 610.

“United States” means, unless otherwise specified with respect to any Securities pursuant to Section 301, the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

“United States person” means, unless otherwise specified with respect to any Securities pursuant to Section 301, an individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

“Vice President”, when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title “vice president”.

“Yield to Maturity” means the yield to maturity, computed at the time of issuance of a Security (or, if applicable, at the most recent redetermination of interest on such Security) and as set forth in such Security in accordance with generally accepted United States bond yield computation principles.

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers’ Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion (other than the certificates required by Section 1004) with respect to compliance with a covenant or condition provided for in this Indenture shall include:

- (1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such covenant or condition has been complied with.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of the Outstanding Securities of any series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to TIA Section 315) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) If the Company shall solicit from the Holders of Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination

of such Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding TIA Section 316(c), any such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not more than 30 days prior to the first solicitation of Holders generally in connection therewith and no later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Securities then Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Securities then Outstanding shall be computed as of such record date; provided that no such request, demand, authorization, direction, notice, consent, waiver or other Act by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act by the Holder of any Security shall bind every future Holder of the same Security or the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. Notices, Etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, an agent of any bank or the Company shall be sufficient for every purpose hereunder if made, given, furnished or delivered, in writing, to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if made, given, furnished or delivered, in writing, to the Company, addressed to it c/o 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, Attention: Treasurer, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice of any event to Holders of Securities by the Company or the Trustee, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where

notice to Holders of Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders of Securities. Any notice mailed to a Holder in the aforesaid manner shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

In case, by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impractical to mail notice of any event to Holders of Securities when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice for every purpose hereunder.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. Conflict of Any Provision of Indenture with Trust Indenture Act .

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Sections 310 to 318, inclusive, or conflicts with any provision (an "incorporated provision") required by or deemed to be included in this Indenture by operation of such TIA Sections, such imposed duties or incorporated provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents .

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns .

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause .

In case any provision in this Indenture or in any Security shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture .

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto, any Authenticating Agent, any Paying Agent, any Securities Registrar and their successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law .

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles that would apply any other law. This Indenture is subject to the provisions of the Trust Indenture Act that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

SECTION 113. Legal Holidays .

In any case where any Interest Payment Date, Redemption Date, Repayment Date, sinking fund payment date or Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, or if this Indenture provides for a time period that ends on a day that is not a Business Day, then (notwithstanding any other provision of this Indenture or of any Security other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section), (a) payment of principal (or premium, if any) or interest, if any, need not be made at such Place of Payment on such date, but such payments may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date, Repayment Date, sinking fund payment date, or at the Stated Maturity or Maturity; provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Repayment Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be, to such succeeding Business Day and (b) such time period shall be deemed to end on the next succeeding Business Day.

SECTION 114. No Recourse Against Others .

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting any of the Securities waives and releases all such liability.

ARTICLE TWO
SECURITY FORMS

SECTION 201. Forms Generally.

The Securities shall be in substantially the forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If the forms of Securities of any series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Corporate Secretary or an Assistant Corporate Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The Trustee's certificate of authentication on all Securities shall be in substantially the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved on steel-engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Securities, as evidenced by their execution of such Securities.

SECTION 202. Form of Trustee's Certificate of Authentication.

Subject to Section 612, the Trustee's certificate of authentication shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: _____

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

SECTION 203. Securities Issuable in Global Form .

When Securities of or within a series are issued in global form, as specified as contemplated by Section 301, then, any such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities of such series from time to time endorsed thereon and that the aggregate amount of Outstanding Securities of such series represented thereby may from time to time be increased or decreased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 303 or Section 305. Subject to the provisions of Section 303 and, if applicable, Section 305, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 303 or Section 305 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 102 and need not be accompanied by an Opinion of Counsel.

The provisions of the last sentence of Section 303 shall apply to any Security represented by a Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 303.

Notwithstanding the provisions of Section 308, unless otherwise specified as contemplated by Section 301, payment of principal of (and premium, if any) and interest, if any, on any Security in permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 310 and except as provided in the preceding paragraph, the Company, the Trustee and any agent of the Company and the Trustee shall treat as the Holder of such principal amount of Outstanding Securities represented by a permanent Global Security the Holder of such permanent Global Security.

SECTION 204. Form of Legend for Book-Entry Securities .

Any Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. THIS SECURITY MAY

NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

ARTICLE THREE

THE SECURITIES

SECTION 301. Amount Unlimited; Issuable in Series .

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in one or more Board Resolutions or pursuant to authority granted by one or more Board Resolutions and, subject to Section 303, set forth in, or determined in the manner provided in, an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series, any or all of the following, as applicable (each of which, if so provided, may be determined from time to time by the Company with respect to unissued Securities of the series and set forth in such Securities of the series when issued from time to time):

(1) The title of the Securities of the series (which shall distinguish the Securities of the series from all other series of Securities);

(2) Whether the Securities of the series are subject to subordination and, if so, the terms of such subordination;

(3) The aggregate principal amount of the Securities of the series, the percentage of their principal amount at which the Securities of the series shall be issued and the date or dates on which the principal of the Securities of the series shall be payable or the method by which such date or dates shall be determined or extended;

(4) The rate or rates (which may be fixed or variable) at which the Securities of the series shall bear interest, if any, and, if variable, the method by which such rate or rates shall be determined and the periods when such rate or rates will be in effect;

(5) The date or dates from which any interest shall accrue or the method by which such date or dates will be determined, the date or dates on which any interest will be payable (including the Regular Record Dates for such Interest Payment Dates) or the method by which such dates will be determined, the terms under which payment of any interest may be deferred if it may be deferred, and the basis on which any interest will be calculated if other than on the basis of a 360-day year of twelve 30-day months;

(6) The place or places, if any, other than or in addition to New York City, where the principal of (and premium, if any, on) and interest, if any, on the Securities of the series will be payable, where any Securities may be surrendered for registration of transfer, where the Securities of the series may be surrendered for exchange and where notices or demands to or upon the Company in respect of the Securities of the series may be served;

(7) The period or periods within which, the price or prices at which, and the other terms and conditions upon which, the Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option and any restrictions on the sources of funds for redemption payments (which may benefit the holders of any other securities of the Company);

(8) The obligation, if any, of the Company to redeem, purchase or repay the Securities of the series, in whole or in part, pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, the Securities of the series will be so redeemed, purchased or repaid;

(9) Whether the amount of payments of principal of (and premium, if any, on) and interest, if any, on the Securities of the series may be determined with reference to an index, formula or other method (which index, formula or method may, without limitation, be based on one or more commodities, equity indices or other indices) and the manner in which such amounts shall be determined;

(10) Any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to the Securities of the series (which Events of Default or covenants may not be consistent with the Events of Default or covenants set forth in the general provisions of this Indenture);

(11) If other than the entire principal amount thereof, the portion of the principal amount of the Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or the method by which such portion shall be determined;

(12) Any provisions in modification of, in addition to or in lieu of any provisions of Article Fourteen of this Indenture relating to defeasance and covenant defeasance that shall be applicable to the Securities of the series;

(13) Any provisions granting special rights to the Holders of the Securities of the series upon the occurrence of such events as may be specified;

(14) If other than the Trustee, the designation of any Paying Agent or Security Registrar for the Securities of the series, and the designation of any transfer or other agents or depositories for the Securities of the series;

(15) Whether the Securities of the series shall be issuable initially in temporary global form, whether any of the Securities of the series is to be issuable in permanent

global form and, if so, whether beneficial owners of interests in any Global Security may exchange such interests for Definitive Securities of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the Indenture, and, if the Securities are to be issuable as a Global Security, the identity of the depository for the Securities of the series;

(16) The person to whom any interest on any Security shall be payable, if other than the person in whose name the Securities of the series (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, or the manner in which any interest payable on a temporary Security issued in global form shall be paid (if other than as described in Section 304);

(17) The denomination or denominations in which the Securities of the series shall be issuable, if other than \$2,000 or any integral multiple of \$1,000 in excess thereof;

(18) Whether and under what circumstances the Company shall pay Additional Amounts, as contemplated by Section 1008 of this Indenture, on the Securities of the series to any Holder who is not a United States person (including any modification of the definition of such term as contained in this Indenture) in respect of any tax, assessment or governmental charge and, if so, whether the Company shall have the option to redeem the Securities of the series rather than pay such Additional Amounts (and the terms of any such option);

(19) Whether the Securities of the series will be convertible into or exchangeable for other Securities, common shares or other securities of any kind of the Company or another obligor, and, if so, the terms and conditions upon which such Securities will be so convertible or exchangeable, including the initial conversion or exchange price or rate or the method of calculation, how and when the conversion price or exchange ratio may be adjusted, whether conversion or exchange is mandatory, at the option of the holder or at the Company's option, the conversion or exchange period, and any other provision related to such securities and

(20) Any other terms, conditions, rights and preferences (or limitations on such rights and preferences) of the Securities of the series which may not be consistent with the other provisions of this Indenture.

All Securities of any one series shall be substantially identical except as may otherwise be provided in or pursuant to such Board Resolution (subject to Section 303) and set forth in such Officers' Certificate or in any such indenture supplemental hereto. Not all Securities of any one series need be issued at the same time, and, unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

If any of the terms of the series are established by action taken pursuant to one or more Board Resolutions, such Board Resolutions shall be delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 302. Denominations .

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 301. In the absence of any such provisions, the Securities of such series, other than Securities issued in global form (which may be of any denomination), shall be issuable in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof.

SECTION 303. Execution, Authentication, Delivery and Dating .

The Securities shall be executed on behalf of the Company by any one of the following: its Chairman, its Chief Executive Officer, its President or one of its Vice Presidents, and attested by one of its Vice Presidents, its Corporate Secretary or one of its Assistant Corporate Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series, executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, which order shall set forth the number of separate Securities, the principal amount of the Securities to be authenticated, the date on which the Securities are to be authenticated, the registered holders of the Securities and delivery instructions, and the Trustee in accordance with such Company Order shall authenticate and make available for delivery such Securities. If not all the Securities of any series are to be issued at one time and if the Board Resolution, Officers' Certificate or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities and determining terms of particular Securities of such series such as interest rate, stated maturity, date of issuance and date from which interest shall accrue.

In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to TIA Sections 315(a) through 315(d)) shall be fully protected in relying upon, an Opinion of Counsel stating:

- (1) that the form or forms of such Securities have been established in conformity with the provisions of this Indenture;
- (2) that the terms of such Securities have been established in conformity with the provisions of this Indenture; and
- (3) that such Securities, when completed by appropriate insertions and executed and delivered by the Company to the Trustee for authentication in accordance with this Indenture, authenticated and made available for delivery by the Trustee in

accordance with this Indenture and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights, to general equitable principles and to other customary qualifications.

Notwithstanding the provisions of Section 301 and of the preceding two paragraphs, if not all the Securities of any series are to be issued at one time, so long as the terms and provisions of such Securities are substantially identical to the other Securities of such series, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to the preceding two paragraphs prior to or at the time of issuance of each Security, but such documents shall be delivered prior to or at the time of issuance of the first Security of such series.

The Trustee shall not be required to authenticate and make available for delivery any such Securities if the issuance of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties, immunities, protections, privileges, indemnities and benefits under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee and the Trustee shall not be liable to the Company for any failure to authenticate any such Securities in such circumstances.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 311 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304. Book-Entry Securities .

(a) The Securities of a series may be issuable in whole or in part in the form of one or more Global Securities ("Book-Entry Securities") deposited with, or on behalf of, a Depository (the "Depository"). In the case of Book-Entry Securities, one or more Global Securities will be issued in a denomination or aggregate denomination equal to the portion of the aggregate principal amount of Outstanding Securities of the series to be represented by such

Global Security or Global Securities. The additional provisions set forth in this Section 304 shall apply to Book-Entry Securities.

(b) Book-Entry Securities will be deposited with, or on behalf of, the Depository, and registered in the name of the Depository's nominee, for credit to the respective accounts of institutions that have accounts with the Depository or its nominee ("Participants"); provided that Book-Entry Securities purchased by Persons outside the United States may be credited to or through accounts maintained at the Depository by or on behalf of Euroclear or Clearstream International. The accounts to be credited will be designated by the underwriters or agents of such Securities or, if such Securities are offered and sold directly by the Company, by the Company. Ownership of beneficial interests in Book-Entry Securities will be limited to Persons that may hold interests through Participants.

Participants shall have no rights under this Indenture or any indenture supplemental hereto with respect to any Book-Entry Security held on their behalf by the Depository, or the Trustee as its custodian, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Book-Entry Security for all purposes whatsoever. Notwithstanding the foregoing, nothing in this Indenture or any such supplemental indenture shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between a Depository and its Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(c) Transfers of Book-Entry Securities shall be limited to transfers in whole, but not in part, to the Depository, its successors or their respective nominees. Interests of beneficial owners in Book-Entry Securities may be transferred or exchanged for Securities in fully registered, certificated form ("Definitive Securities") only if (i) the Depository notifies the Trustee in writing that the Depository is no longer willing or able to continue as Depository and a qualified successor Depository is not appointed by the Company within 60 days following such notice, (ii) the Company, at any time and in its sole discretion, determines not to have any Securities of one or more series represented by Global Securities or (iii) after the occurrence of an Event of Default with respect to such Securities, a holder of Securities notifies the Trustee in writing that it wishes to receive a Definitive Security and provides to the Trustee evidence reasonably satisfactory to the Trustee of its ownership interest in such Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of Definitive Securities equal in principal amount to such beneficial interest and registered in its name.

(d) In connection with any transfer or exchange of a portion of the beneficial interest in any Book-Entry Security to beneficial owners pursuant to paragraph (c) above, the Security Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Book-Entry Security in an amount equal to the principal amount of the beneficial interest in the Book-Entry Security to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Definitive Securities of like tenor and principal amount of authorized denominations.

(e) In connection with the transfer of Book-Entry Securities as an entirety to beneficial owners pursuant to paragraph (c) above, the Book-Entry Securities shall be deemed to be surrendered to the Trustee for cancellation and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depository in exchange for its beneficial interest in the Book-Entry Securities, an equal aggregate principal amount of Definitive Securities of like tenor of authorized denominations.

(f) The Holder of any Book-Entry Security may grant proxies and otherwise authorize any Person, including Participants and Persons that may hold interests through Participants, to take any action which a Holder is entitled to take under this Indenture or the Securities.

SECTION 305. Temporary Securities.

Pending the preparation of Definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are typewritten, printed, lithographed, engraved or otherwise produced by any combination of these methods, in any authorized denomination, substantially of the tenor of the Definitive Securities in lieu of which they are issued, in registered form and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. Such temporary Securities may be in global form.

If temporary Securities of any series are issued, the Company will cause Definitive Securities of that series to be prepared without unreasonable delay. After the preparation of Definitive Securities of such series, the temporary Securities of such series shall be exchangeable for Definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive Securities of the same series of authorized denominations. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as Definitive Securities of such series.

Until exchanged in full as hereinabove provided, the temporary Securities of any series, including temporary Global Securities (whether or not issued as Book-Entry Securities as provided in Section 304), shall in all respects be entitled to the same benefits under this Indenture as Definitive Securities of the same series and of like tenor authenticated and delivered hereunder.

SECTION 306. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register for each series of Securities (the registers maintained in such office of the Trustee and in any other office or agency designated pursuant to Section 1002 being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may

prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby initially appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Except as otherwise described in this Article Three, upon surrender for registration of transfer of any Security of any series at the office or agency of the Security Registrar in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, in each case, of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Security Registrar) be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to pay all documentary, stamp, similar issue or transfer taxes or other governmental charges that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 305, 906, 1107 or 1305 not involving any transfer.

Neither the Company nor the Security Registrar shall be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of that series under Section 1103 or 1203 and ending at the close of business on the day of the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to issue, register the transfer of or exchange any Security which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

SECTION 307. Mutilated, Destroyed, Lost and Stolen Securities .

If any mutilated Security is surrendered to the Trustee together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them and any agent of either of them harmless from any loss or liability which any of them may suffer if a Security is replaced and subsequently presented or claimed for payment, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, or, in case any such mutilated Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or an Authorized Officer of the Trustee that such Security has been acquired by a "protected purchaser" (as defined in Article 8 of the Uniform Commercial Code), the Company shall execute and upon Company Order the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the provisions of the previous two paragraphs, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to pay all documentary, stamp or similar issue or transfer taxes or other governmental charges that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series, if any, issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section 307 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 308. Payment of Interest; Interest Rights Preserved; Optional Interest Reset .

(a) Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest, if any, on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Security (or one or more Predecessor Securities) is registered at the close of business on the

Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 1002; provided, however, that each installment of interest, if any, on any Security may at the Company's option be paid by (i) mailing a check for such interest, payable to or upon the written order of the Person entitled thereto pursuant to Section 310, to the address of such Person as it appears on the Security Register or (ii) with the consent of the Trustee (if the Trustee is then serving as Paying Agent) wire transfer to an account located in the United States maintained by the payee.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such defaulted interest and, if applicable, interest on such defaulted interest (to the extent lawful) at the rate specified in the Securities of such series (such defaulted interest and, if applicable, interest thereon herein collectively called "Defaulted Interest") may be paid by the Company, at its election in each case, as provided in Subsection (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money (except as otherwise specified pursuant to Section 301 for the Securities of such series) equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given in the manner provided in Section 106, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose name the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Subsection (2).

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

(b) The provisions of this Section 308(b) may be made applicable to any series of Securities pursuant to Section 301 (with such modifications, additions or substitutions as may be specified pursuant to such Section 301). The interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) on any Security of such series may be reset by the Company on the date or dates specified on the face of such Security (each an "Optional Reset Date"). The Company may exercise such option with respect to such Security by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to an Optional Reset Date for such Security, which notice shall contain such information as may be required by the Trustee to transmit the Reset Notice (as hereinafter defined). Not later than 40 days prior to each Optional Reset Date, the Trustee shall transmit, in the manner provided for in Section 106, to the Holder of any such Security a notice (the "Reset Notice") indicating whether the Company has elected to reset the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable), and if so (i) such new interest rate (or such new spread or spread multiplier, if applicable) and (ii) the provisions, if any, for redemption during the period from such Optional Reset Date to the next Optional Reset Date or if there is no such next Optional Reset Date, to the Stated Maturity of such Security (each such period a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to the Optional Reset Date, the Company may, at its option, revoke the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) provided for in the Reset Notice and establish an interest rate (or a spread or spread multiplier used to calculate such interest rate, if applicable) that is higher than the interest rate (or the spread or spread multiplier, if applicable) provided for in the Reset Notice, for the Subsequent Interest Period by causing the Trustee to transmit, in the manner provided for in Section 106, notice of such higher interest rate (or such higher spread or spread multiplier, if applicable) to the Holder of such Security; and such notice shall be irrevocable. All Securities with respect to which the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) is reset on an Optional Reset Date, and with respect to which the Holders of such Securities have not tendered such Securities for repayment (or have validly revoked any such tender) pursuant to the next succeeding paragraph, will bear such higher interest rate (or such higher spread or spread multiplier, if applicable).

The Holder of any such Security will have the option to elect repayment by the Company of the principal of such Security on each Optional Reset Date at a price equal to the principal amount thereof plus interest accrued to such Optional Reset Date. In order to obtain repayment on an Optional Reset Date, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders except that the period for delivery or notification to the Trustee shall be at least 25 but not more than 35 days prior to such Optional Reset Date and except that, if the Holder has tendered any Security for repayment pursuant to the Reset Notice, the Holder may, by written notice to the Trustee, revoke such tender or repayment until the close of business on the tenth day (or if such day is not a Business Day, on the immediately succeeding Business Day) before such Optional Reset Date.

Subject to the foregoing provisions of this Section and Section 306, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any

other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 309. Optional Extension of Stated Maturity.

The provisions of this Section 309 may be made applicable to any series of Securities pursuant to Section 301 (with such modifications, additions or substitutions as may be specified pursuant to such Section 301). The Stated Maturity of any Security of such series may be extended at the option of the Company for the period or periods specified on the face of such Security (each an "Extension Period") up to but not beyond the date (the "Final Maturity") set forth on the face of such Security. The Company may exercise such option with respect to any Security by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to the Stated Maturity of such Security in effect prior to the exercise of such option (the "Original Stated Maturity"). If the Company exercises such option, the Trustee shall transmit, in the manner provided for in Section 106, to the Holder of such Security not later than 40 days prior to the Original Stated Maturity a notice (the "Extension Notice") indicating (i) the election of the Company to extend the Stated Maturity, (ii) the new Stated Maturity, (iii) the interest rate, if any, applicable to the Extension Period and (iv) the provisions, if any, for redemption during such Extension Period. Upon the Trustee's transmittal of the Extension Notice, the Stated Maturity of such Security shall be extended automatically and, except as modified by the Extension Notice and as described in the next paragraph, such Security will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing, not later than 20 days before the Original Stated Maturity of such Security, the Company may, at its option, revoke the interest rate provided for in the Extension Notice and establish a higher interest rate for the Extension Period by causing the Trustee to transmit, in the manner provided for in Section 106, notice of such higher interest rate to the Holder of such Security; and such notice shall be irrevocable. All Securities with respect to which the Stated Maturity is extended will bear such higher interest rate.

If the Company extends the Maturity of any Security, the Holder will have the option to elect repayment of such Security by the Company on the Original Stated Maturity at a price equal to the principal amount thereof, plus interest accrued to such date. In order to obtain repayment on the Original Stated Maturity once the Company has extended the Maturity of such Security, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders, except that the period for delivery or notification to the Trustee shall be at least 25 but not more than 35 days prior to the Original Stated Maturity and except that, if the Holder has tendered any Security for repayment pursuant to an Extension Notice, the Holder may by written notice to the Trustee revoke such tender for repayment until the close of business on the tenth day (or if such day is not a Business Day, on the immediately succeeding Business Day) before the Original Stated Maturity.

SECTION 310. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of

principal of (and premium, if any) and (subject to Sections 306 and 308) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of (i) the records relating to or payments made on account of any Participants or any beneficial ownership interests of a Security in global form, (ii) maintaining, supervising or reviewing any records maintained by any Depository or Participant or any other Person relating to such beneficial ownership interests, (iii) the delivery or timeliness of delivery of any notice to any beneficial owner of Securities which is required or permitted under the terms of this Indenture or such Securities, (iv) the selection of the beneficial owners to receive payments in the event of a partial redemption or repayment, or (v) any consent given or other action taken by the Depository or other Holder of a Security, as the registered holder thereof.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depository, as a Holder, with respect to such Global Security or impair, as between such Depository and owners of beneficial interests in such Global Security, the operation of customary practices governing the exercise of the rights of such Depository (or its nominee) as Holder of such Global Security.

SECTION 311. Cancellation.

All Securities surrendered for payment, redemption, repayment at the option of the Holder, registration of transfer or exchange or for credit against any current or future sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Securities so delivered to the Trustee shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. If the Company shall so acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures, unless by Company Order the Company shall direct that cancelled Securities be returned to it.

SECTION 312. Computation of Interest.

Interest, if any, on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 313. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) in addition to serial numbers, and, if so, the Trustee shall use such "CUSIP" numbers in addition to serial numbers in notices of repurchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a repurchase and that reliance may be placed only on the serial or other identification numbers printed on the Securities, and any such repurchase shall not be affected by any defect in or omission of such "CUSIP" numbers. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE FOUR**SATISFACTION AND DISCHARGE****SECTION 401. Satisfaction and Discharge of Indenture.**

This Indenture shall, upon Company Request, cease to be of further effect with respect to any series of Securities specified in such Company Request (except as to any surviving rights of registration of transfer or exchange of Securities of such series expressly provided for herein or pursuant hereto) and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series when

(1) either

(A) all Securities of such series theretofore authenticated and delivered have been delivered to the Trustee for cancellation; or

(B) all Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company;

(2) the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose (A) an amount of cash in U.S. dollars or (B) Government Obligations applicable to such series of Securities which through the scheduled payment of principal and interest

in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal of and premium, if any, and interest, if any, on such Securities, money in an amount, or (C) a combination of (A) and (B) in such amounts in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest, if any, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(3) the Company has delivered irrevocable instructions to the Trustee to apply the deposited cash and Government Obligations towards the payment of the Securities of such series at the Stated Maturity or Redemption Date;

(4) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to such series; and

(5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture as to such series, the obligations of the Company to the Trustee under Section 606, the obligations of the Trustee to any Authenticating Agent under Section 612 and, if money and/or Government Obligations shall have been deposited with the Trustee pursuant to subclause (B) of Subsection (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest, if any, for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events:

- (1) default in the payment of any installment of interest upon any Security of such series when it becomes due and payable, continued for 30 days; or
- (2) default in the payment of the principal of (or premium, if any, on) any Security of such series at its Maturity; or
- (3) default in the deposit of any sinking fund payment, when and as due by the terms of the Securities of such series and Article Twelve; or
- (4) failure on the part of the Company to observe or perform any other covenant or agreement contained in this Indenture (other than a covenant or agreement included in this Indenture not for the benefit of such series) for 60 days after written notice stating the Company is in breach has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of outstanding Securities of such series; or
- (5) default under any indenture or instrument under which the Company or any Restricted Subsidiary has at the time outstanding indebtedness for borrowed money or guarantees thereof in any individual instance in excess of \$25,000,000 and, if not already matured in accordance with its terms, such indebtedness has been accelerated and such acceleration is not cured within 30 days after notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of Outstanding Securities of such series; provided that, if, prior to the entry of judgment in favor of the Trustee for payment of the Securities of such series, the default under such indenture or instrument has been remedied by the Company or such Restricted Subsidiary, or waived by the holders of such indebtedness, then the Event of Default under this Indenture will be deemed likewise to have been remedied or waived; or
- (6) the entry of a decree or order by court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under the Bankruptcy Law or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or
- (7) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by the Company to the institution of bankruptcy or insolvency proceedings against it, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Law or any other applicable federal or state law, or the consent by the Company to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of the property of the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due; or

(8) any other Event of Default provided for the benefit of Securities of such series.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If any Event of Default described in Section 501 with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of at least 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series and all accrued interest thereon to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified portion thereof) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company, and the Trustee, may rescind and annul such declaration and its consequences if:

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(1) all overdue interest, if any, on all Outstanding Securities of that series,

(2) all unpaid principal of (and premium, if any, on) any Outstanding Securities of that series which has become due otherwise than by such declaration of acceleration, and interest on such unpaid principal (and premium, if any) at the rate or rates prescribed therefor in such Securities,

(3) interest upon such overdue interest at the rate or rates prescribed therefor in such Securities, and

(4) all sums paid or advanced by the Trustee for such series hereunder and reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel;

(b) all Events of Default with respect to Securities of that series, other than the non-payment of principal of (or premium, if any, on) or interest, if any, on Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

- (1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or
- (2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

then the Company will, upon demand of the Trustee, pay to it for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest, if any, and interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series under this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce such rights.

SECTION 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

- (i) to file and prove a claim for the whole amount of principal (and premium, if any), or such portion of the principal amount of any series of Original Issue Discount Securities or Indexed Securities as may be specified in the terms of such series, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and

advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any proposal, plan of reorganization, arrangement, adjustment or composition or other similar arrangement affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Securities .

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected .

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, if any, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First : To the payment of all amounts due the Trustee under Section 606;

Second : To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest, if any, on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, if any, respectively; and

Third : The balance, if any, to the Company.

SECTION 507. Limitation on Suits .

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of at least 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of an Event of Default described in Section 501 in its own name as Trustee hereunder and such Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(3) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(4) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority or more in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of the same series, in respect of any Event of Default described in Section 501, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Holders of Securities of the same series, in respect of such Event of Default.

SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest .

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 308) interest, if any, on, such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies .

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder and

thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative .

Except as otherwise provided in Section 307, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver .

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders .

With respect to the Securities of any series, the Holders of not less than a majority in principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, related to or arising under Section 501, provided that in each case

- (1) such direction shall not be in conflict with any rule of law or with this Indenture or expose the Trustee to personal liability, and
- (2) subject to the provisions of the TIA Section 315, the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults .

Subject to Section 502, the Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past Default or Event of Default in Section 501 in respect of such series and its consequences, except a Default or Event of Default,

- (1) in respect of the payment of the principal of (or premium, if any) or interest, if any, on any Security of such series,
or

(2) in respect of a covenant or provision of such series which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of Securities of any series by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on Securities of any series on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date); provided that neither this Section 514 nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

**ARTICLE SIX
THE TRUSTEE**

SECTION 601. Notice of Defaults.

Within 90 days after the occurrence of any Default hereunder with respect to the Securities of any series of which the Trustee is deemed to have knowledge pursuant to Section

602, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, notice of such Default hereunder, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal of (or premium, if any) or interest, if any, on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the Board of Directors, the executive committee or a trust committee of directors and/or Authorized Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities of such series; and provided further that in the case of any Default or breach of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

SECTION 602. Certain Rights of Trustee .

The duties and rights of the Trustee hereunder shall be provided in TIA Sections 315(a) through 315(d) and, subject thereto,

(1) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(4) The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities of any series pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee

shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(7) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(8) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(9) The Trustee shall not be liable for any error of judgment made in good faith by an Authorized Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(10) The Trustee is not required to take notice or deemed to have notice of any Default or Event of Default hereunder, unless an Authorized Officer of the Trustee has received notice in writing of such Default or Event of Default from the Company or from the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of the series so affected, and in absence of any such notice, the Trustee may conclusively assume that no Default or Event of Default exists;

(11) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture;

(12) The Trustee's immunities and protections from liability and its rights to compensation and indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal and final payment of the Securities;

(13) The Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to any series of Securities, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Securities, other than the filing of any documents required to be filed by an indenture trustee pursuant to the Trust Indenture Act;

(14) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder;

(15) The Trustee may request that the Issuer deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded;

(16) The Trustee shall not be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss or profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action; and

(17) The Trustee shall not be required to give any note, bond or surety in respect of the execution of the trusts and powers under this Indenture.

SECTION 603. Trustee Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except for the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements to be made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 604. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 605. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 606. Compensation and Reimbursement .

The Company agrees:

- (1) to pay to the Trustee from time to time such compensation as shall be agreed to in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);
- (2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and
- (3) to indemnify each of Trustee or any predecessor Trustee for, and to hold it harmless against, any and all loss, damage, claim, liability or expense including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with any action taken, suffered or omitted by the Trustee hereunder.

As security for the performance of the obligations of the Company under this Section 606, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (or premium, if any) or interest, if any, on particular Securities.

The provisions of this Section shall survive the termination of this Indenture.

SECTION 607. Conflicting Interests .

The Trustee shall comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 608. Corporate Trustee Required; Eligibility; Conflicting Interests .

There shall at all times be a Trustee hereunder qualified or to be qualified under TIA Section 310(a)(1) and which, to the extent there is such an institution eligible and willing to serve, shall have a combined capital and surplus of at least \$50,000,000. If such Trustee publishes or files reports of condition at least annually, pursuant to law or to the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 608, the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published or filed. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 608, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 609. Resignation and Removal; Appointment of Successor .

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 610.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 610 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of not less than a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the removed Trustee may, at the expense of the Company, petition a court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of TIA Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 608 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to all Securities, or (ii) subject to TIA Section 514, the Holder of any Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any

particular series). If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with Section 610, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series to the Holders of Securities of such series in the manner provided for in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

**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 23, 2009
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))
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Item 8.01. Other Events.

On March 23, 2009, Atmos Energy Corporation (“Atmos Energy”) entered into an underwriting agreement (the “Underwriting Agreement”) with Banc of America Securities LLC, Goldman, Sachs & Co., Greenwich Capital Markets, Inc. and SunTrust Robinson Humphrey, Inc., acting on behalf of themselves individually and as representatives of the several underwriters named in the Underwriting Agreement, for the sale by Atmos Energy of \$450 million aggregate principal amount of 8.50% senior notes due 2019, in a public offering pursuant to a registration statement on Form S-3 (File No. 333-158140) and a related preliminary prospectus supplement and prospectus supplement filed with the Securities and Exchange Commission.

Atmos Energy expects to receive net proceeds, after the underwriting discount and estimated offering expenses, of approximately \$446 million. The offering of the senior notes is expected to close on March 26, 2009, subject to customary closing conditions.

The senior notes will be issued pursuant to an indenture to be dated on or about March 26, 2009 (the “Indenture”) between Atmos Energy and U.S. Bank, National Association, as trustee. The notes will be represented by a global security, a form of which is filed as an exhibit hereto and which is incorporated herein by reference.

The above description of the Indenture and the Underwriting Agreement is qualified in its entirety by reference to the form of Indenture and the Underwriting Agreement. The form of Indenture has been previously filed and the Underwriting Agreement is filed as an exhibit hereto. The form of Indenture and the Underwriting Agreement are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

See Index to Exhibits attached hereto.

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, 2009

By: /s/ LOUIS P. GREGORY

Louis P. Gregory
Senior Vice President
and General Counsel

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
1.1	Underwriting Agreement dated as of March 23, 2009
4.1	Form of Global Note for the 8.50% Senior Notes due 2019
5.1	Opinion of Gibson, Dunn & Crutcher LLP
12.1	Computation of pro forma ratio of earnings to fixed charges
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)

Exhibit 1.1

EXECUTION VERSION

ATMOS ENERGY CORPORATION
\$450,000,000 8.50% Senior Notes due 2019

UNDERWRITING AGREEMENT

March 23, 2009

BANC OF AMERICA SECURITIES LLC
 GOLDMAN, SACHS & CO.
 GREENWICH CAPITAL MARKETS, INC.
 SUNTRUST ROBINSON HUMPHREY, INC.

As Representatives of the several
 Underwriters named in Schedule I attached hereto

c/o Banc of America Securities LLC
 One Bryant Park
 New York, New York 10036

Ladies and Gentlemen:

Atmos Energy Corporation, a Texas and Virginia corporation (the “**Company**”), proposes to sell \$450,000,000 aggregate principal amount of the Company’s 8.50% Senior Notes due 2019 on the terms and conditions stated herein (the “**Securities**”). This is to confirm the agreement concerning the purchase of the Securities from the Company by the Underwriters. The Securities are to be issued pursuant to an indenture, to be dated as of March 26, 2009 (the “**Indenture**”) between the Company and U.S. Bank National Association, as trustee (the “**Trustee**”) and an officers’ certificate to be dated as of March 26, 2009 pursuant to Section 301 of the Indenture (the “**Section 301 Officers’ Certificate**”). The Securities and the Indenture are more fully described in the Prospectus (defined below).

1. *Representations, Warranties and Agreements of the Company*. The Company represents, warrants and agrees that:

- (a) A registration statement on Form S-3 (File No. 333-158140), including a base prospectus relating to the Securities (i) has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended

(the “**Securities Act**”), and the rules and regulations (the “**Rules and Regulations**”) of the Securities and Exchange Commission (the “**Commission**”) thereunder; (ii) has been filed with the Commission under the Securities Act; and (iii) is effective under the Securities Act. Copies of the Registration Statement (as defined below) have been delivered by the Company to you as the representatives (the “**Representatives**”) of the Underwriters. As used in this Agreement:

- (i) “**Applicable Time**” means 5:00 p.m. (New York City time) on the date of this Agreement;
- (ii) “**Effective Date**” means any date as of which any part of the Registration Statement became effective under the Securities Act in accordance with the Rules and Regulations;
- (iii) “**General Use Issuer Free Writing Prospectus**” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors as evidenced by its being so specified in Schedule II to this Agreement;
- (iv) “**Issuer Free Writing Prospectus**” means any “free writing prospectus” (as defined in Rule 405 of the Rules and Regulations) prepared by or on behalf of the Company or used or referred to by the Company in connection with the offering of the Securities;
- (v) “**Preliminary Prospectus**” means the base prospectus included in the Registration Statement, together with any preliminary prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations;
- (vi) “**Pricing Disclosure Package**” means, as of the Applicable Time, the most recent Preliminary Prospectus, together with any General Use Issuer Free Writing Prospectus filed or used by or on behalf of the Company on or before the Applicable Time as permitted by this Agreement;
- (vii) “**Prospectus**” means the base prospectus included in the Registration Statement, together with the final prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations; and
- (viii) “**Registration Statement**” means, the registration statement described above, as amended as of the Effective Date, including the Prospectus and all exhibits to such registration statement and any document incorporated by reference therein.

Any reference to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents incorporated by reference therein pursuant to Form S-3 under the Securities Act as of the date of such Preliminary Prospectus or the Prospectus, as the case may be. Any reference to the “**most recent Preliminary Prospectus**” shall be deemed to refer to the base prospectus included in the Registration Statement, together

with the latest preliminary prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) prior to or on the date hereof (including, for purposes hereof, any documents incorporated by reference therein prior to or on the date hereof). Any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by reference in such Preliminary Prospectus or the Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to include any annual report of the Company on Form 10-K filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the Effective Date that is incorporated by reference in the Registration Statement. The Commission has not issued any stop order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and no proceeding or examination for such purpose has been instituted or, to the knowledge of the Company, threatened by the Commission. The Commission has not notified the Company of any objection to the use of the form of the Registration Statement.

(b) At the time of filing the Registration Statement and, if applicable, at the time of the most recent amendment thereto for purposes of complying with Section 10(a)(3) of the Securities Act, the Company was a “well-known seasoned issuer” (as defined in Rule 405 of the Rules and Regulations) eligible to use Form S-3 for the offering of the Securities, including not having been an “ineligible issuer” (as defined in Rule 405 of the Rules and Regulations) at any such time. The Registration Statement is an “automatic shelf registration statement” (as defined in Rule 405 of the Rules and Regulations) and was filed not earlier than the date that is three years prior to the applicable Delivery Date (as defined in Section 4).

(c) The Registration Statement conformed and will conform in all material respects on the Effective Date and on the applicable Delivery Date, and any amendment to the Registration Statement filed after the date hereof will conform in all material respects when filed, to the requirements of the Securities Act and the Rules and Regulations. The Preliminary Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) and on the applicable Delivery Date to the requirements of the Securities Act and the Rules and Regulations. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus conformed, and any further documents so incorporated will conform, when filed with the Commission, in all material respects to the requirements of the Exchange Act, the Securities Act or the Trust Indenture Act, as applicable, and the rules and regulations of the Commission thereunder.

(d) The Registration Statement did not, as of the Effective Date, 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, *provided* that no representation or warranty is made as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(e) The Prospectus will not, as of its date and on the applicable Delivery Date, 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, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(f) The documents incorporated by reference in any Preliminary Prospectus or the Prospectus did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, 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, in the light of the circumstances under which they were made, not misleading. There are no contracts or documents which are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(g) The Pricing Disclosure Package did not, as of the Applicable Time, 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, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(h) Each Issuer Free Writing Prospectus (including, without limitation, any road show that is a free writing prospectus under Rule 433), when considered together with the Pricing Disclosure Package as of the Applicable Time, did 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, in the light of the circumstances under which they were made, not misleading.

(i) Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Securities Act and the Rules and Regulations on the date of first use, and the Company has complied with any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Securities Act and the Rules and Regulations. Each Issuer Free Writing Prospectus does not and will not conflict with the information contained in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus. The Company has not made any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representatives. The Company has retained in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations.

(j) 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 most recent Preliminary Prospectus and to enter into and perform its obligations under this Agreement, the Indenture and the Securities; 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 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**”).

(k) Each “significant subsidiary” (as such term is defined in Rule 405 of the Securities Act) of the Company (each a “**Subsidiary**” and, collectively, the “**Subsidiaries**”) (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 most recent Preliminary Prospectus and 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 where the failure so to 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 IV and the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed on Schedule III.

(l) The authorized, issued and outstanding capital stock of the Company is as set forth in each of the most recent Preliminary Prospectus and the Prospectus under the caption “Capitalization” (except for subsequent issuances, if any, pursuant to reservations, agreements, acquisitions or employee benefit plans each referred to in each of the most recent Preliminary Prospectus and the Prospectus or pursuant to the exercise of options or share unit awards, each referred to in each of the most recent Preliminary Prospectus and the Prospectus). 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; 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.

(m) 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.

(n) The Indenture has been duly qualified under the Trust Indenture Act. The Indenture has been duly authorized by the Company and, at the Delivery Date, will be duly

executed and delivered by the Company and constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally and by equitable principles of general applicability, regardless of whether such enforceability is considered in a proceeding at equity or at law. At the Delivery Date, the Section 301 Officers' Certificate will have been duly authorized, executed and delivered by the Company.

(o) The Securities have been duly authorized by the Company and, at the Delivery Date, will have been duly executed by the Company and, when authenticated, issued and delivered in the manner provided for in the Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally and by equitable principles of general applicability, regardless of whether such enforceability is considered in a proceeding at equity or at law, and will be in the form contemplated by the Pricing Disclosure Package, the Prospectus, the Indenture and the Section 301 Officers' Certificate, and will be entitled to the benefits of the Indenture.

(p) The Securities and the Indenture will conform in all material respects to the respective statements relating thereto contained in the Pricing Disclosure Package and the Prospectus and will be in substantially the respective forms filed or incorporated by reference, on or prior to the Delivery Date, as exhibits to the Registration Statement.

(q) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(r) 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 the execution, delivery and performance of this Agreement, the Indenture, the Securities 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 of the most recent Preliminary Prospectus and the Prospectus (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in each of the most recent Preliminary Prospectus and the Prospectus under the caption "Use of Proceeds") and 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 (i) the provisions of the charter, bylaws or other organizational documents of the Company or any subsidiary or (ii) 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 (ii), 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.

(s) 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.

(t) 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 most recent Preliminary 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 or the performance by the Company and its subsidiaries of its obligations hereunder.

(u) 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.

(v) There have been issued and, at the Applicable Time and the Delivery Date, there shall be in full force and effect orders or authorizations of the regulatory authorities of the States of Colorado, Georgia, Illinois, Kentucky and Virginia, authorizing the issuance and sale of the Securities 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 hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, including the due execution, delivery or performance of the Indenture and the issuance of the Securities by the Company, except such as have been already obtained or as may be required under the Securities Act or the Rules and Regulations or state securities or blue sky laws.

(w) 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.

(x) 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 Securities.

(y) 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 most recent Preliminary 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 most recent Preliminary Prospectus are in full force and effect, except as would not result in a Material Adverse Effect.

(z) The Company has not sold or issued any securities that would be integrated with the offering of the Securities contemplated by this Agreement pursuant to the Securities Act, the Rules and Regulations or the interpretations thereof by the Commission.

(aa) The financial statements of the Company included or incorporated by reference in the Registration Statement, the most recent Preliminary Prospectus 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 most recent Preliminary Prospectus and 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 most recent Preliminary Prospectus 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.

(bb) Ernst & Young LLP, who have certified financial statements and supporting schedules of the Company and its consolidated subsidiaries, whose report is incorporated by reference in the most recent Preliminary Prospectus and in the Registration Statement, who have audited the Company's internal control over financial reporting and who have delivered the initial letter referred to in Section 7(i) hereof, are registered independent public accountants as required by the Securities Act and the Rules and Regulations.

(cc) The Company and each of its subsidiaries are not, and as of the applicable Delivery Date and upon the issuance and sale of the Securities and the application of the proceeds therefrom as described under "Use of Proceeds" in the most recent Preliminary Prospectus and the Prospectus, 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).

(dd) (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.

(ee) The Company is in compliance, in all material respects, with the provisions of the Sarbanes-Oxley Act of 2002 to the extent currently applicable.

(ff) 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 which has had, and the Company does not have any knowledge of any tax deficiency which would have, a Material Adverse Effect.

(gg) 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.

(hh) 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 Preliminary Prospectus.

(ii) 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.

(jj) The Company has not distributed and, prior to the later to occur of any Delivery Date and completion of the distribution of the Securities, will not distribute any offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus to which the Representatives has consented in accordance with Section 1(i) or 5(a)(viii).

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby on the date of such certificate, to each Underwriter.

2. *Purchase of the Securities by the Underwriters.* On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell \$450,000,000 aggregate principal amount of Securities to the several Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase from the Company, at a price set forth in Schedule V, the aggregate principal amount of Securities set forth opposite that Underwriter's name in Schedule I hereto, plus any additional principal amount of Securities that such Underwriter may become obligated to purchase pursuant to Section 9 of this Agreement.

The Company shall not be obligated to deliver any of the Securities to be delivered on the Delivery Date, except upon payment for all such Securities to be purchased on such Delivery Date as provided herein.

3. *Offering of Securities by the Underwriters.* Upon authorization by the Representatives of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions to be set forth in the Prospectus.

4. *Delivery of and Payment for the Securities.* Delivery of the Securities by the Company and payment for the Securities by the several Underwriters shall be made at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representatives and the Company. This date and time is referred to as the "**Delivery Date**." Delivery of the Securities shall be made to the Representatives for the account of each Underwriter against payment by the several Underwriters through the Representatives of the

respective aggregate purchase prices, as set forth in Section 2 hereof, of the Securities being sold by the Company to or upon the order of the Company by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Securities through the facilities of the Depository Trust Company ("DTC") unless the Representatives shall otherwise instruct.

The Securities to be purchased by the Underwriters shall be in such denominations (\$1,000 or integral multiples thereof) and registered in such names as the Representatives may request in writing prior to the Delivery Date. The Securities will be made available in New York City for examination by the Underwriters not later than 10:00 A.M., New York City time, on the last business day prior to the Delivery Date.

5. Further Agreements of the Company and the Underwriters .

(a) The Company agrees:

(i) To prepare the Prospectus in a form reasonably approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Delivery Date except as provided herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment or supplement to the Registration Statement or the Prospectus has been filed and to furnish the Representatives with copies thereof; 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 and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding or examination for any such purpose, of any notice from the Commission objecting to the use of the form of the Registration Statement or any post-effective amendment thereto or of any request by the Commission for the amending or supplementing of the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(ii) To prepare a final term sheet (the "Final Term Sheet") reflecting the final terms of the Securities as set forth in Exhibit B to this Agreement, in form and substance satisfactory to the Representatives, and shall file such Final Term Sheet as an Issuer Free Writing Prospectus pursuant to Rule 433 prior to the close of business two business days after the date hereof; *provided that* the Company shall furnish the

Representatives with copies of any such Final Term Sheet a reasonable amount of time prior to such proposed filing and will not use or file any such document to which the Representatives or counsel to the Underwriters shall reasonably object.

(iii) To pay the applicable Commission filing fees relating to the Securities within the time required by Rule 456(b)(1);

(iv) To furnish promptly to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(v) To deliver promptly to the Representatives such number of the following documents as the Representatives shall reasonably request: (A) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement and the computation of per share earnings), (B) each Preliminary Prospectus, the Prospectus and any amendment or supplement thereto, (C) any Issuer Free Writing Prospectus and (D) any document incorporated by reference in any Preliminary Prospectus or the Prospectus; and, if the delivery of a prospectus is required at any time after the date hereof in connection with the offering or sale of the Securities or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an 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 when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, to notify the Representatives and, upon the Representatives' request, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus that will correct such statement or omission or effect such compliance;

(vi) To file promptly with the Commission any amendment or supplement to the Registration Statement or the Prospectus that may, in the judgment of the Company or the Representatives, be required by the Securities Act or requested by the Commission;

(vii) Prior to filing with the Commission any amendment or supplement to the Registration Statement or the Prospectus, any document incorporated by reference in the Prospectus or any amendment to any document incorporated by reference in the Prospectus, to furnish a copy thereof to the Representatives and counsel for the Underwriters and obtain the consent (not to be unreasonably withheld) of the Representatives to the filing;

(viii) Not to make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representatives.

(ix) To retain in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses not required to be filed pursuant to the Rules and Regulations and to comply with any filing requirements applicable to all Issuer Free Writing Prospectuses pursuant to the Securities Act and the Rules and Regulations; and if at any time after the date hereof any events shall have occurred as a result of which any Issuer Free Writing Prospectus, as then amended or supplemented, would conflict with the information in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or would include an 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, if for any other reason it shall be necessary to amend or supplement any Issuer Free Writing Prospectus, to notify the Representatives and, upon the Representatives' request, to file such document and to prepare and furnish without charge to each Underwriter as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Issuer Free Writing Prospectus that will correct such conflict, statement or omission or effect such compliance;

(x) As soon as practicable, to make generally available to the Company's security holders an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations;

(xi) Promptly from time to time to take such action to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Representatives may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities; *provided* that in connection therewith the Company shall not be required to (i) qualify as a foreign corporation in any jurisdiction in which it would not otherwise be required to so qualify, (ii) take any action that would subject it to service of process in any such jurisdiction or (iii) subject itself to taxation in any jurisdiction in which it would not otherwise be subject;

(xii) During the period from the date hereof to the Delivery Date, without the prior written consent of the Representatives, the Company agrees not to directly or indirectly, issue, sell, offer or contract to sell, grant any option for the sale of, or otherwise transfer or dispose of, any debt securities issued or guaranteed by the Company other than commercial paper backstopped by the Company's existing credit agreement;

(xiii) To apply the net proceeds from the sale of the Securities being sold by the Company as set forth in the Pricing Disclosure Package and to take all actions required under the indenture dated as of May 22, 2001 (the "**Senior Notes Indenture**"), between the Company and SunTrust Bank, to redeem 100% of the Senior Notes due 2009

of the Company (the “**Senior Notes**”), including delivery by the Company to the Senior Notes Trustee reasonably promptly following the Delivery Date of an irrevocable notice of redemption of 100% of the Senior Notes pursuant to the terms and requirements of the Senior Notes Indenture setting as the date of redemption of the Senior Notes a date that is at least 30 days after the date of such notice.

(xiv) To take all reasonable action necessary to enable Standard & Poor’s Rating Services, a division of McGraw Hill, Inc. (“**S&P**”), Moody’s Investors Service Inc. (“**Moody’s**”) and Fitch IBCA, Inc. (“**Fitch**”) to provide their respective credit ratings of the Securities.

(xv) To cooperate with the Underwriters and use its best efforts to permit the Securities to be eligible for clearance and settlement through the facilities of DTC.

(xvi) The Company shall deposit with the Trustee or the Payment Agent (as such term is defined in the Indenture) such funds that are sufficient to redeem all Senior Notes that are outstanding in the manner provided in the Senior Notes Indenture within the time periods required by the Senior Notes Indenture.

(b) Each Underwriter severally agrees that such Underwriter shall not include any “issuer information” (as defined in Rule 433) in any “free writing prospectus” (as defined in Rule 405) used or referred to by such Underwriter without the prior consent of the Company (any such issuer information with respect to whose use the Company has given its consent, “**Permitted Issuer Information**”); *provided* that “issuer information,” as used in this Section 5(b), shall not be deemed to include information prepared by or on behalf of such Underwriter on the basis of or derived from issuer information, provided, however, that prior to the preparation of the Final Term Sheet in accordance with Section 5(a)(ii), the Underwriters are authorized to use the information with respect to the final terms of the Securities in communications conveying information relating to the offering to investors.

6. *Expenses.* The Company agrees, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with (a) the preparation, authorization, issuance, sale and delivery of the Securities and any stamp duties or other taxes payable in that connection; (b) the preparation, printing and filing under the Securities Act of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto; (c) the distribution of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto, or any document incorporated by reference therein, all as provided in this Agreement; (d) the production and distribution of this Agreement, the Indenture, the Securities, any supplemental agreement among Underwriters, and any other related documents in connection with the offering, purchase, sale and delivery of the Securities; (e) the qualification of the Securities under the securities laws of the several jurisdictions as provided in Section 5(a)(xi) and the preparation, printing and distribution of a Blue Sky Memorandum (including related

reasonable fees and expenses of counsel to the Underwriters); (f) the investor presentations on any "road show" undertaken in connection with the marketing of the Securities, including, without limitation, expenses associated with any electronic roadshow, travel and lodging expenses of the representatives and officers of the Company and the cost of any aircraft chartered; (g) any fees payable in connection with the rating of the Securities; (h) the reasonable fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, in connection with the Indenture and the Securities and (h) all other costs and expenses incident to the performance of the obligations of the Company; *provided* that, except as provided in this Section 6 and Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Securities which they may sell and the expenses of advertising any offering of the Securities made by the Underwriters.

7. *Conditions of Underwriters' Obligations* . The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 5(i); the Company shall have complied with all filing requirements applicable to any Issuer Free Writing Prospectus, including the Final Term Sheet and any Issuer Free Writing Prospectus used or referred to after the date hereof; no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus shall have been issued and no proceeding or examination for such purpose shall have been initiated or, to the knowledge of the Company, threatened by the Commission; any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with; and the Commission shall not have notified the Company of any objection to the use of the form of the Registration Statement.

(b) Gibson, Dunn & Crutcher LLP, as counsel to the Company, shall have furnished to the Representatives its written opinion and letter, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially to the effect set forth in Exhibit B-1 .

(c) Hunton & Williams LLP, as Virginia counsel to the Company, shall have furnished to the Representatives its written opinion, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially to the effect set forth in Exhibit B-2 .

(d) Louis P. Gregory, as General Counsel to the Company, shall have furnished to the Representatives his written opinion and letter, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially to the effect set forth in Exhibit B-3 .

(e) The Trustee shall have received opinion letters, dated such Delivery Date, from Gibson, Dunn & Crutcher LLP and Hunton & Williams LLP, as the Trustee may reasonably require.

(f) The Representatives shall have received from Shearman & Sterling LLP, counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, as the Underwriters may reasonably require.

(g) At the time of execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter, in form and substance satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the most recent Preliminary Prospectus, as of a date not more than three days prior to the date hereof), 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.

(h) With respect to the letter of Ernst & Young LLP referred to in the preceding paragraph and delivered to the Representatives concurrently with the execution of this Agreement (the "initial letter"), the Company shall have furnished to the Representatives a letter (the "bring-down letter") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than three days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(i) The Company shall have furnished to the Representatives a certificate, dated such Delivery Date, of its Chief Executive Officer or its Chief Financial Officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct on and as of such Delivery Date, and the Company has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Delivery Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued; no proceedings or examination for that purpose have been instituted or, to the knowledge of such officers, threatened; and the

Commission has not notified the Company of any objection to the use of the form of the Registration Statement or any post-effective amendment thereto; and

(iii) 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 or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

(j) There has not been any change, or any development known to the Company involving a prospective change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, the effect of which is, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus; at the Delivery Date, the Securities shall be rated at least "Baa3" by Moody's, "BBB+" by S&P and "BBB+" by Fitch, and subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization" (as that term is defined by the Commission for purposes of Rule 436(g)(2) of the Rules and Regulations) and (ii) no such organization shall have publicly announced that it has placed the Company under surveillance or review, with possible negative implications, for its rating of any of the Company's debt securities.

(k) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or materially limited or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or New York, Texas or Virginia authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), in each case, as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the public offering or delivery of the Securities being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

Counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of

the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

8. *Indemnification and Contribution*. (a) The Company shall indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Securities), to which that Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, the Prospectus or in any amendment or supplement thereto, (B) any Issuer Free Writing Prospectus or in any amendment or supplement thereto or (C) any Permitted Issuer Information used or referred to in any "free writing prospectus" (as defined in Rule 405) permitted by Section 5(b) hereof used or referred to by any Underwriter or (D) any "road show" (as defined in Rule 433) not constituting an Issuer Free Writing Prospectus (a "Non-Prospectus Road Show") or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information or any Non-Prospectus Road Show, any material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Underwriter and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any such amendment or supplement thereto or in any Permitted Issuer Information or any Non-Prospectus Road Show, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 8(e). The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any director, officer, employee or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its directors, officers and employees, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage, liability or expense (including reasonable attorney's fees and expenses relating to investigating or defending or preparing to defend), joint

or several, or any action in respect thereof, to which the Company, or any such director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 8(e). The foregoing indemnity agreement is in addition to any liability that any Underwriter may otherwise have to the Company, or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; *provided, however*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, *provided, further*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided, however*, that the indemnified party shall have the right to employ such other counsel as the indemnified party may deem necessary, and the indemnifying party shall bear the reasonable legal or other expenses of such other counsel if (i) the indemnifying party shall have agreed; (ii) the indemnifying party has failed within a reasonable time to assume the defense of and retain counsel reasonably satisfactory to the indemnified party; or (iii) the named parties in any such proceeding (including any impleaded parties) include both the indemnified party and the indemnifying party, and representation of both sets of parties by the same counsel would be inappropriate due to actual or potential differing interests between them; *provided further*, however, that the indemnifying party shall not, in connection with any one such claim or action or separate but substantially similar or related claims or actions in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the legal or other expenses of more than one separate firm of attorneys (in addition to local counsel) for all of the indemnified parties, which firm shall be designated in writing by the Company or the Representatives, as applicable, and that all such legal or other expenses shall be reimbursed as

they are incurred. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, provided that such unconditional release may be subject to parallel release by a claimant or plaintiff of such indemnified party, and does not include any findings of fact or admissions of fault or culpability as to the indemnified party, or (ii) be liable for any settlement of any such action effected without its written consent, but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), 8(b), 8(c) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other, from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Securities purchased under this Agreement (before deducting expenses) received by the Company, as set forth in the table on the cover page of the Prospectus, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the aggregate principal amount of Securities purchased under this Agreement, as set forth in the table on the cover page of the Prospectus, on the other hand. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action. Notwithstanding the provisions of this Section

8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the net proceeds from the sale of the Securities underwritten by it exceeds the amount of any damages that such Underwriter has otherwise paid or become liable to pay by reason of any 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 Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Underwriters severally confirm and the Company acknowledges and agrees that the statements regarding the concession and reallowance figures and the paragraph relating to stabilization by the Underwriters appearing under the caption "Underwriting" in the most recent Preliminary Prospectus and the Prospectus constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show.

9. *Defaulting Underwriters* . If, on any Delivery Date, any Underwriter shall fail or refuse to purchase the principal amount of Securities agreed to be purchased by such Underwriter hereunder, the remaining non-defaulting Underwriters shall be obligated to purchase the principal amount of Securities that the defaulting Underwriter agreed but failed to purchase on such Delivery Date in the respective proportions which the principal amount of Securities set forth opposite the name of each remaining non-defaulting Underwriter in Schedule I hereto bears to the aggregate principal amount of Securities set forth opposite the names of all the remaining non-defaulting Underwriters in Schedule I hereto; *provided, however* , that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Securities on such Delivery Date if the aggregate principal amount of Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the aggregate principal amount of Securities to be purchased on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the principal amount of Securities that it agreed to purchase on such Delivery Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representatives who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Securities to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representatives do not elect to purchase the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase on such Delivery Date, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in, and subject to the terms of, Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule I hereto that, pursuant to this Section 9, purchases Securities that a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other Underwriters are obligated or agree to purchase the Securities of a defaulting or withdrawing Underwriter, either the Representatives or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

10. *Termination*. The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company prior to delivery of and payment for the Securities if, prior to that time, any of the events described in Sections 7(j) and 7(k) shall have occurred.

11. *Reimbursement of Underwriters' Expenses*. If the Company shall fail to tender the Securities for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition to the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled for any reason the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel)

incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Securities, and upon demand the Company shall pay the full amount thereof to the Representatives.

12. *Research Analyst Independence.* The Company acknowledges that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of their respective investment banking divisions. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company by such Underwriters' investment banking divisions. The Company acknowledges that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

13. *No Fiduciary Duty.* The Company acknowledges and agrees that in connection with this offering, sale of the Securities or any other services the Underwriters may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Underwriters: (i) no fiduciary or agency relationships between the Company and any other person, on the one hand, and the Underwriters, on the other, exist; (ii) the Underwriters are not acting as advisors, expert or otherwise, to the Company, including, without limitation, with respect to the determination of the public offering price of the Securities, and such relationship between the Company on the one hand, and the Underwriters, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Underwriters may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Underwriters and their respective affiliates may have interests that differ from those of the Company. The Company hereby waives any claims that the Company may have against the Underwriters with respect to any breach of fiduciary duty in connection with this offering.

14. *Notices, Etc.* All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail or facsimile transmission to the Representatives at Banc of America Securities LLC, One Bryant Park, NY1-100-18-03, New York, New York 10036, Attention: High Grade Transaction Management/Legal (Fax: 646-855-5958).

(b) if to the Company, shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Louis P. Gregory (Fax: 972-855-3080).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by the Representatives.

15. *Persons Entitled to Benefit of Agreement*. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, any controlling person referred to herein, the other indemnitees referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. The term "successors and assigns" shall not include a purchaser of Securities from any Underwriter merely because of such purchase.

16. *Survival*. The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

17. *Definition of the Term "Business Day"*. For purposes of this Agreement "business day" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

18. *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

19. *Counterparts*. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

20. *Headings*. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

21. *Patriot Act*. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

If the foregoing correctly sets forth the agreement among the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

ATMOS ENERGY CORPORATION

By: /s/ FRED E. MEISENHEIMER

Name: Fred E. Meisenheimer

Title: Senior Vice President, Chief Financial
Officer and Controller

Signature Page to the Underwriting Agreement

Accepted, as of the date first above written:

BANC OF AMERICA SECURITIES LLC
GOLDMAN, SACHS & CO.
GREENWICH CAPITAL MARKETS, INC.
SUNTRUST ROBINSON HUMPHREY, INC.
Acting on behalf of itself
and as the Representatives of
the several Initial Purchasers

By: Banc of America Securities LLC

By: /s/ PETER J. CARBONE

Name: Peter J. Carbone
Title: Vice President

Signature Page to the Underwriting Agreement

SCHEDULE I

Underwriters	Principal Amount of Securities
Banc of America Securities LLC	\$ 90,000,000
Goldman, Sachs & Co.	\$ 67,500,000
Greenwich Capital Markets, Inc.	\$ 67,500,000
SunTrust Robinson Humphrey, Inc.	\$ 67,500,000
BNP Paribas Securities Corp.	\$ 22,500,000
Morgan Stanley & Co. Incorporated	\$ 22,500,000
U.S. Bancorp Investments, Inc.	\$ 22,500,000
UBS Securities LLC	\$ 22,500,000
Wachovia Capital Markets, LLC	\$ 22,500,000
Calyon Securities (USA) Inc.	\$ 6,444,000
Comerica Securities, Inc.	\$ 6,426,000
Commerzbank Capital Markets Corp.	\$ 6,426,000
Lloyds TSB Bank plc	\$ 6,426,000
Mitsubishi UFJ Securities (USA), Inc.	\$ 6,426,000
Natixis Bleichroeder Inc.	\$ 6,426,000
The Williams Capital Group, L.P.	\$ 6,426,000
Total	\$ 450,000,000

Schedule I

SCHEDULE II

GENERAL USE ISSUER FREE WRITING PROSPECTUS

The General Use Issuer Free Writing Prospectus(es) included in the Disclosure Package includes each of the following:

1. Final Term Sheet dated March 23, 2009, a copy of which is attached as Exhibit A to this Agreement.

Schedule II

SCHEDULE III

LIST OF ALL SUBSIDIARIES

Atmos Energy Holdings, Inc.
Atmos Energy Marketing, LLC
Atmos Energy Services, LLC
Atmos Exploration and Production, Inc.
Atmos Gathering Company, LLC
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Blueflame Insurance Services, LTD
Egasco, LLC
Energas Energy Services Trust
Enermart Energy Services Trust
Legendary Lighting, LLC
Mississippi Energies, Inc.
Phoenix Gas Gathering Company
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
Unitary GH&C Products, LLC
WKG Storage, Inc.
Atmos-HNNG, LLC

Schedule III

SCHEDULE IV

LIST OF SIGNIFICANT SUBSIDIARIES

1. Atmos Energy Holdings, Inc.
2. Atmos Energy Marketing, LLC

Schedule IV

SCHEDULE V

PRICING TERMS

- A. The initial public offering price of the Securities shall be 99.813% of the principal amount thereof, plus accrued interest, if any, from the date of issuance.
- B. The purchase price to be paid by the Underwriters for the Securities shall be 99.163% of the principal amount thereof.
- C. The interest rate on the Securities shall be 8.50% per annum.
- D. The Securities will be redeemable, as a whole or in part, at the option of the Company, at any time or from the time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities discounted to the redemption date on a semi-annual basis at the treasury rate plus 50 basis points, plus, in the case of each clause (i) and (ii), accrued interest to the date of redemption.

Schedule V

EXHIBIT A

Filed Pursuant to Rule 433 under the Securities Act of 1933
 Registration Statement No. 333-158140
 Issuer Free Writing Prospectus, dated March 23, 2009

ATMOS ENERGY CORPORATION
8.50% Senior Notes due 2019

This Free Writing Prospectus relates only to the 8.50% Senior Notes due 2019 of Atmos Energy Corporation and should be read together with the Preliminary Prospectus Supplement dated March 23, 2009 relating to the 8.50% Senior Notes due 2019.

<u>Issuer:</u>	Atmos Energy Corporation
<u>Security Description:</u>	Senior Unsecured Notes
<u>Ratings (Moody's/S&P/Fitch):</u>	Baa3 / BBB+ / BBB+ (Review for Possible Upgrade/Stable/Stable) None of these ratings is a recommendation to buy, sell or hold the Notes. Each rating is subject to revision or withdrawal at any time and should be evaluated independently of any other rating.
<u>Principal Amount:</u>	\$450,000,000
<u>Maturity:</u>	March 15, 2019
<u>Settlement:</u>	March 26, 2009; T+3
<u>Coupon:</u>	8.50%, payable in arrears
<u>Interest Payment Dates:</u>	March 15 and September 15, commencing September 15, 2009
<u>Benchmark Treasury:</u>	2.75% due February 15, 2019
<u>Benchmark Treasury Price:</u>	100-26+
<u>Benchmark Treasury Yield:</u>	2.654%
<u>Spread to Benchmark Treasury:</u>	587.5 basis points
<u>Yield to Maturity:</u>	8.529%
<u>Initial Price to Public:</u>	99.813% per Note
<u>Redemption Provisions:</u>	The Notes may be redeemed, at the option of Atmos Energy Corporation, at any time, in whole or in part, at a redemption price equal

Exhibit A-1

to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed discounted, on a semi-annual basis, at make-whole call, plus, in each case, accrued interest to the date of redemption.

Make-Whole Call:

Make whole call at T+ 50 basis points

Net Proceeds:

\$446,233,500, before expenses and settlement of the Treasury lock agreement.

Pro Forma Ratio of Earnings to Fixed Charges:

After giving effect to the issuance of the notes, the redemption of our 4.00% Senior Notes due 2009 and the settlement of the Treasury lock agreement at the beginning of the periods, the pro forma ratio of earnings to fixed charges would have been 3.48 for the three months ended December 31, 2008 and 2.56 for the fiscal year ended September 30, 2008.

CUSIP/ISIN:

049560 AJ4
US045960AJ40

Minimum Denominations:

\$2,000 and any integral multiple of \$1,000 in excess thereof.

Joint Book-Running Managers:

Banc of America Securities LLC
Goldman, Sachs & Co.
Greenwich Capital Markets, Inc.
SunTrust Robinson Humphrey, Inc.

Senior Co-Managers:

BNP PARIBAS
Morgan Stanley
U.S. Bancorp Investments, Inc.
UBS Investment Bank
Wachovia Securities

Junior Co-Managers:

CALYON
Comerica Securities
Commerzbank Corporates & Markets
Lloyds TSB Corporate Markets
Mitsubishi UFJ Securities
Natixis Bleichroeder Inc.
The Williams Capital Group, L.P.

Exhibit A-2

Atmos Energy Corporation has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about Atmos Energy Corporation and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Banc of America Securities LLC at 1-800-294-1322, Goldman, Sachs & Co. at 1-866-471-2526, Greenwich Capital Markets, Inc. at 1-866-884-2071 or SunTrust Robinson Humphrey, Inc. at 1-800-685-4786.

Exhibit A-3

EXHIBIT B-1

FORM OF OPINIONS AND LETTER OF ISSUER'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 7(b)

1. The Company is a validly existing corporation in good standing under the laws of the State of Texas.
2. The Company has the requisite corporate power and authority to conduct its business as described in the most recent Preliminary Prospectus and the Prospectus and to execute and deliver the Underwriting Agreement and to perform its obligations thereunder.
3. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.
4. The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms. The Section 301 Officers' Certificate has been duly authorized, executed and delivered by the Company.
5. The authentication and delivery of the Securities by the Trustee are authorized and permitted by the Indenture.
6. The Securities are in the form contemplated by the Indenture, have been duly authorized, executed and delivered by the Company and, when authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of the Underwriting Agreement, will be valid and binding obligations of the Company, enforceable against the Company in accordance with their terms and will be entitled to the benefits of the Indenture.
7. Insofar as the statements in the most recent Preliminary Prospectus and the Prospectus under the caption "Description of Debt Securities" and "Description of the Notes" constitute a summary of the documents referred to therein, such statements present in all material respects an accurate summary of such documents.
8. The execution and delivery of the Underwriting Agreement, the Indenture and the Securities, the issuance and sale of the Securities to the Underwriters and the delivery of the Securities pursuant to the Underwriting Agreement do not and will not require any filing with or approval of any governmental authority or regulatory body of the States of Texas or New York or the United States of America under any law or regulation currently in effect in the States of Texas or New York or the United States of America that, in our experience, is generally applicable to the transactions in the nature of those contemplated by the Underwriting Agreement, except for such filings or approvals as have already been made or obtained under the Securities Act or as may be required under state securities or blue sky laws or with respect to regulatory matters, as to which we do not express any opinion. Other than as expressly set forth

B-1-1

in this paragraph, we do not express any opinion in this paragraph regarding federal or state securities laws.

9. The execution and delivery of the Underwriting Agreement, the Indenture and the Securities, the issuance and sale of the Securities to the Underwriters and the delivery of the Securities pursuant to the Underwriting Agreement (i) do not and will not breach the terms of any document filed or incorporated by reference as an exhibit to the Registration Statement or incorporated by reference therein (“*Material Contracts*”), (ii) do not and will not violate the charter or bylaws of the Company and (iii) do not and will not breach the terms of any outstanding order, judgment or decree of any court or other agency of the government identified to us in a certificate of the Company as constituting all orders, judgments or decrees binding on the Company, each of which is listed in Annex A hereto, in either case based solely on our review of such orders, judgments or decrees (other than orders, judgments or decrees with respect to regulatory matters, as to which we do not express any opinion).

10. The execution and delivery of the Underwriting Agreement, the Indenture and the Securities, the issuance and sale of the Securities to the Underwriters and the delivery of the Securities pursuant to the Underwriting Agreement do not and will not violate any law or regulation of the States of Texas or New York or the United States of America applicable to the Company that, in our experience, is generally applicable to transactions in the nature of those contemplated by the Underwriting Agreement. We are expressing no opinion in this paragraph on federal or state securities laws.

11. The Company is not an “investment company” that is required to be registered under the Investment Company Act of 1940, as amended (the “*Investment Company Act*”). For purposes of this paragraph, the term “investment company” has the meanings ascribed to such term in the Investment Company Act.

12. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

13. To the extent that the statements in the most recent Preliminary Prospectus and the Prospectus under “Material U.S. Federal Income Tax Considerations” purport to describe specific provisions of the Internal Revenue Code of 1986, as amended, such statements present in all material respects an accurate summary of such provisions.

We have participated in conferences with officers and other representatives and internal counsel of the Company, representatives of the independent auditors of the Company, and your representatives and counsel at which the contents of the Registration Statement, the Pricing Disclosure Package and the Prospectus and related matters were discussed. Because the purpose of our professional engagement was not to establish or confirm factual matters and because the scope of our examination of the affairs of the Company did not permit us to verify the accuracy, completeness or fairness of the statements set forth in the Registration Statement, the Pricing Disclosure Package or the Prospectus, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus except insofar as such statements specifically relate to us and except to the extent addressed in paragraphs 7 and 13 of

B-1-2

our opinion letter to you of even date. Our identification of information as being part of the Pricing Disclosure Package is for the limited purpose of making the statements set forth in this letter. We express no opinion or belief as to the conveyance of the Pricing Disclosure Package or the Prospectus or the information contained therein to investors generally or to any particular investor at any particular time or in any particular manner.

On the basis of the foregoing, and except for the financial statements (and related notes thereto) and schedules, statistical information that is found or derived from the internal accounting or financial records of the Company, information of an accounting or financial nature included or incorporated by reference therein, as to which we express no opinion or belief, no facts have come to our attention that led us 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 Rules and Regulations) or the Prospectus, as of its date, were not appropriately responsive in all material respects to the requirements of the Securities Act and the Rules and Regulations; 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, (ii) that the Pricing Disclosure Package, as of the Applicable Time, contained any untrue statement of a material fact or omitted 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 (iii) 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.

* * *

In rendering such opinion, such counsel may state that its opinion is limited to the Federal laws of the United States and the laws of the State of Texas and the State of New York.

B-1-3

EXHIBIT B-2

FORM OF OPINION OF VIRGINIA COUNSEL TO THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 7(c)

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 Preliminary Prospectus and the Prospectus and to enter into and perform its obligations under the Underwriting Agreement including without limitation, issuing the Securities.
3. Each of the Indenture and the Section 301 Officers' Certificate has been duly authorized, executed and delivered by the Company.
4. The Securities have been duly authorized, executed and delivered by the Company.

Such counsel is aware that this opinion will be relied upon by U.S. Bank National Association, as Trustee under, and in connection with the transactions contemplated by the Indenture.

* * *

In rendering such opinion, such counsel may state that its opinion is limited to the Federal laws of the United States and the laws of the Commonwealth of Virginia.

B-2-1

EXHIBIT B-3**FORM OF OPINIONS AND LETTER OF GENERAL COUNSEL OF THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 7(d)**

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 has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the most recent Preliminary Prospectus and the Prospectus and to enter into and perform its obligations under the Underwriting Agreement.
3. 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.
4. 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.
5. The authorized, issued and outstanding capital stock of the Company is as set forth in the most recent Preliminary Prospectus and the Prospectus under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the most recent Preliminary Prospectus and the Prospectus or pursuant to the exercise of options or share unit awards referred to in the most recent Preliminary Prospectus and the Prospectus); 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.
6. Each Subsidiary has been duly organized and is validly existing as an entity in good standing under the laws of the jurisdiction of its formation, has the power and authority to own, lease and operate its properties and to conduct its business as described in the most recent Preliminary Prospectus and the Prospectus and 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 where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the most recent Preliminary Prospectus and the Prospectus, 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, to the best of my knowledge, 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,

B-3-1

as the case may be, of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

7. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

8. The Indenture has been duly authorized, executed and delivered by the Company. The Section 301 Officers' Certificate has been duly authorized, executed and delivered by the Company.

9. The documents incorporated by reference in the Registration Statement, the most recent Preliminary Prospectus 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.

10. 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 affect the properties or assets thereof, except what does not result in a Material Adverse Effect, or the consummation of the transactions contemplated in the Underwriting Agreement or the performance by the Company of its obligations thereunder or which is required to be described in the most recent Preliminary Prospectus and the Prospectus that is not described as required.

11. The information in (a) the most recent Preliminary Prospectus and the Prospectus under "Business – Other Regulation," "Description of the Notes," or "Description of Debt Securities," (b) the Annual Report on Form 10-K (the "10-K") under "Item 1. – Business – Ratemaking Activity," under "Item 1. – Business – Other Regulation" or under "Item 3. – Legal Proceedings," (c) the Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008 (the "10-Q") under Part II "Item 1. – Legal Proceedings," or (d) "Note 12. – Commitments and Contingencies" to the Company's consolidated financial statements included in the 10-K or "Note 8. – Commitments and Contingencies" to the Company's consolidated financial statements included in the 10-Q, 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.

12. All descriptions in the Registration Statement, the most recent Preliminary Prospectus 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, the most recent Preliminary Prospectus or the Prospectus or to be filed as exhibits thereto other than those

B-3-2

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.

13. To the best of my knowledge, neither the Company nor any subsidiary is in violation of (i) 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, the most recent Preliminary Prospectus or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement, except with respect to (ii) above for such defaults that would not result in a Material Adverse Effect.

14. There have been issued and, as of the date hereof, are in full force and effect orders or authorizations of the regulatory authorities of Colorado, Georgia, Illinois, Kentucky and Virginia, authorizing the issuance and sale of the Securities by the Company on the terms set forth or contemplated in the Underwriting 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 Securities Act and the Rules and Regulations, 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 Underwriting Agreement, or for the offering, issuance, sale or delivery of the Securities by the Company pursuant to the Underwriting Agreement.

15. The execution, delivery and performance of the Underwriting Agreement, the Indenture and the Securities by the Company and the consummation of the transactions contemplated in the Underwriting Agreement and the Indenture and in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (including the issuance and sale of the Securities by the Company and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations under the Underwriting Agreement, the Indenture and the Securities 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.

B-3-3

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 Rules and Regulations) or the Prospectus, as of its date, were not appropriately responsive in all material respects to the requirements of the Securities Act and the Rules and Regulations; 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, (ii) that the Pricing Disclosure Package, as of the Applicable Time, contained any untrue statement of a material fact or omitted 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 (iii) 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.

Such counsel is aware that this opinion will be relied upon by U.S. Bank National Association, as Trustee under, and in connection with the transactions contemplated by the Indenture.

* * *

In rendering such opinion, such counsel may state that his opinion is limited to the Federal laws of the United States, the laws of the State of Texas and the Virginia Stock Corporation Act.

B-3-4

EXHIBIT 4.1

SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

ATMOS ENERGY CORPORATION

8.50% Senior Notes due 2019

No. 1

CUSIP NO. 049560 AJ4
ISIN NO. US045960AJ40

Atmos Energy Corporation, a Texas and Virginia corporation (herein called the "Company", which term includes any successor entity under the Indenture, hereinafter defined), for value received, hereby promises to pay to Cede & Co. or registered assigns the principal sum of FOUR HUNDRED FIFTY MILLION DOLLARS (\$450,000,000) on March 15, 2019 (the "Maturity Date"), at the office or agency of the Company referred to below, and to pay interest thereon from March 26, 2009, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on March 15 and September 15 in each year (each, an "Interest Payment Date"), commencing March 26, 2009 at 8.50% per annum until the principal hereof is paid or duly provided for.

Any payment of principal or interest required to be made on a day that is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day and no interest shall accrue as a result of such delayed payment. Interest payable on each Interest Payment Date will include interest accrued from and including March 26, 2009, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to but excluding such Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person (the "Holder") in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the March 1 or September 1 (whether or not a Business Day) next preceding such Interest Payment Date (a "Regular Record Date"). Any such interest not so punctually paid or duly provided for ("Defaulted Interest") will forthwith cease to be payable to the Holder on such Regular Record Date and either may be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest to be fixed by the Trustee (referred to herein), notice whereof shall be given to the Holder of this Security not less than ten days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in the Indenture.

For purposes of this Security, "Business Day" means any day that, in the city of the principal Corporate Trust Office of the Trustee and in the City of New York, is neither a Saturday, Sunday, or legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. So long as this Security remains in book-entry form, all payments of principal and interest will be made by the Company in immediately available funds.

Unless the certificate of authentication hereon has been duly executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

This Security is one of a duly authorized issue of securities of the Company, designated as the 8.50% Senior Notes due 2019 (the "Securities"), issued under an Indenture dated as of March 26, 2009, as it may be supplemented from time to time (referred to herein as the "Indenture"), between the Company and U.S. Bank National Association, as trustee (referred to herein as the "Trustee", which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part). A reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered, except as otherwise provided herein.

The Securities are initially limited to \$450,000,000 aggregate principal amount. The Company may, at any time, without the consent of the Holders of the Securities, create and issue additional securities having the same ranking, interest rate, maturity and other terms as the Securities. Any such additional securities shall be consolidated and form the same series of the Securities having the same terms as to status, redemption and otherwise as the Securities under the Indenture.

Events of Default. If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

Optional Redemption. The Securities will be redeemable, in whole or in part, at the Company's option, at any time at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Securities to be redeemed, or

(b) as determined by the Quotation Agent, the sum of the present values of the Remaining Scheduled Payments of principal and interest on the Securities to be redeemed discounted to the Redemption Date on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Adjusted Treasury Rate plus 50 basis points;

plus, in either case, accrued and unpaid interest on the principal amount of Securities being redeemed to the Redemption Date.

"Adjusted Treasury Rate" means, for any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

"Comparable Treasury Issue" means the United States treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be used, at the time of a selection and in accordance with customary

financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities to be redeemed.

“Comparable Treasury Price” means, for any Redemption Date, the Reference Treasury Dealer Quotation for that Redemption Date.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means Banc of America Securities LLC and its successors; provided, however, if Banc of America Securities LLC ceases to be a primary U.S. government securities dealer in New York City, the Company will replace Banc of America Securities LLC as Reference Treasury Dealer with an entity that is a primary U.S. government securities dealer in New York City.

“Reference Treasury Dealer Quotation” means, with respect to any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to the Trustee by the Reference Treasury Dealer by 5:00 p.m. on the third business day preceding the Redemption Date.

“Remaining Scheduled Payments” means, with respect to each Security to be redeemed, the remaining scheduled payments of the principal and interest on such Security that would be due after the related Redemption Date but for such redemption; provided, however, that if such Redemption Date is not an Interest Payment Date, the amount of the next succeeding scheduled interest payment on such Security will be reduced by the amount of interest accrued on such Security to such Redemption Date.

In the event that less than all of the Securities are to be redeemed at any time, selection of such Securities for redemption will be made by The Depository Trust Company (“DTC”) during any period the Securities are issued in the form of a global security registered in the name of DTC or a nominee thereof; *provided that* during any period the Securities are issued in certificated form, the selection of such Securities for redemption will be made by the Trustee by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate. A partial redemption shall not reduce the portion of the principal amount of a Security not redeemed to a principal amount of less than \$2,000. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days before the Redemption Date, to each Holder of Securities to be redeemed, at its address as shown in the Security Register. If the Securities are to be redeemed in part only, the notice of redemption that relates to such Securities shall state the portion of the principal amount thereof to be redeemed. A new Security in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon surrender for cancellation of the original Security. On and after the Redemption Date, interest will cease to accrue on Securities or portions thereof called for redemption unless the Company defaults in the payment of the Redemption Price.

Sinking Fund. This Security does not have the benefit of any sinking fund obligations.

Modification and Waivers; Obligations of the Company Absolute. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities. Certain limited amendments may be effected under the Indenture at any time by the Company and the Trustee without the consent of any Holders of the Securities. Certain other amendments affecting the Securities may only be effected under the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of not less than a majority in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all Outstanding Securities, to waive compliance by the Company with certain provisions of the Indenture affecting the Securities. Furthermore, provisions in the Indenture permit the Holders of not less than a majority in principal amount of the Outstanding Securities to waive on behalf of all of the Holders of all Outstanding Securities certain past defaults under the Indenture in respect of the Securities and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

Defeasance and Covenant Defeasance. The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company represented by this Security and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.

Authorized Denominations. The Securities are issuable only in registered form, without coupons, in minimum denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof.

Registration of Transfer or Exchange. As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. At the date of the original issuance of this Security such office or agency of the Company is maintained by U.S. Bank National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107.

As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange or redemption of Securities, but the Company may require payment of a sum sufficient to pay all documentary, stamp or similar issue or transfer taxes or other governmental charges payable in connection with any registration of transfer or exchange.

Prior to the time of due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

Defined Terms. All capitalized terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Governing Laws. This Security and the Indenture shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles that would apply any other law.

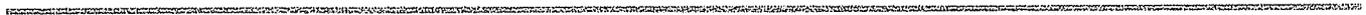
IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

ATMOS ENERGY CORPORATION

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:



TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: , 2009

U.S. Bank National Association,
as Trustee

By: _____
Authorized Officer

ASSIGNMENT FORM

To assign this Security, fill in the form below:
(I) or (we) assign and transfer this Security to

(Insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Security on the books of the Company.
The agent may substitute another to act for him.

Date: _____ Signature: _____
(sign exactly as name appears on the other side of this Security)

Signature guaranteed by: _____

EXHIBIT 5.1

[GIBSON, DUNN & CRUTCHER LLP LETTERHEAD]

March 25, 2009

(214) 698-3100
(214) 698-3400
Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240

03896-00036

Re: *Atmos Energy Corporation Public Offering of 8.50% Senior Notes due 2019*

Ladies and Gentlemen:

As counsel for Atmos Energy Corporation (the "Company"), we are familiar with the Company's Registration Statement on Form S-3 (File No. 333-158140) (the "Registration Statement") filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933 (as amended, the "Act"), and the prospectus and prospectus supplement with respect thereto, dated March 23, 2009 (together, the "Prospectus"), with respect to the proposed offering by the Company of \$450,000,000 aggregate principal amount of its 8.50% Senior Notes due 2019 (the "Notes"). The Notes will be issued pursuant to the Indenture, to be dated as of March 26, 2009 (the "Underlying Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"), as modified by an Officers' Certificate of the Company, to be dated as of March 26, 2009 (the "Officers' Certificate"), pursuant to the Underlying Indenture. All capitalized terms which are not defined herein shall have the meanings assigned to them in the Registration Statement. The Underlying Indenture, the Officers' Certificate and the Notes are referred to herein as the "Note Documents."

For the purpose of rendering this opinion, we have made such factual and legal examination as we deem necessary under the circumstances, and in that connection we have examined, among other things, originals or copies of such records of the corporate proceedings of the Company, such certificates and assurances from public officials, officers and representatives of the Company, and such other documents as we have considered necessary or appropriate for the purpose of rendering this opinion.

Atmos Energy Corporation
March 25, 2009
Page 2

In rendering the opinion expressed below, we have assumed:

(a) the genuineness of all signatures on, and the authenticity of, all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies;

(b) with respect to agreements and instruments executed by natural persons, the legal capacity and competency of such persons;

(c) the Underlying Indenture will be duly and validly executed and delivered by the Trustee and will constitute the legal, valid and binding agreement of the Trustee; and

(d) there are no agreements or understandings between or among the parties to the Note Documents that would expand, modify or otherwise affect the terms of the Note Documents or the respective rights or obligations of the parties thereunder.

On the basis of the foregoing examination, and in reliance thereon, and subject to the foregoing assumptions and the qualifications, limitations and exceptions set forth below, we are of the opinion that, when the Notes shall have been executed and authenticated as specified in the Underlying Indenture, as modified by the Officers' Certificate, and offered and sold as described in the Registration Statement and the Prospectus, the Notes will be legally issued and binding obligations of the Company.

The opinions set forth herein are subject to the following qualifications, limitations and exceptions:

A. The effectiveness of the Registration Statement under the Act will not have been terminated or rescinded.

B. We render no opinion herein as to matters involving the laws of any jurisdiction other than the State of New York and the United States of America. Our opinions set forth herein are limited to the effect of the present state of applicable laws of the State of New York and the United States of America and to the facts as they presently exist. We assume no obligation to revise or supplement our opinions should the present laws, or the interpretation thereof, be changed or to revise or supplement these opinions in respect of any circumstances or events that occur subsequent to the date hereof.

C. Our opinions set forth herein are subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium, arrangement or similar laws affecting the enforcement of creditors' rights generally (including, without limitation, the effect of statutory or other laws regarding fraudulent transfers or preferential transfers) and (ii) general principles of equity, regardless of whether a matter is considered in a proceeding in equity or at law, including, without limitation, concepts of materiality,

Atmos Energy Corporation
 March 25, 2009
 Page 3

reasonableness, good faith and fair dealing and the possible unavailability of specific performance, injunctive relief or other equitable remedies.

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 Prospectus. In giving these consents, we do not admit we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the SEC promulgated thereunder.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP

EXHIBIT 12.1

Atmos Energy Corporation
 Pro Forma Computation of Earnings to Fixed Charges

	Three Months Ended December 31, 2008		Year Ended September 30, 2008	
	Actual	As Adjusted	Actual	As Adjusted
	(Dollars in thousands)			
Income from continuing operations before provision for income taxes per statement of income	\$123,902	\$118,144	\$292,704	\$269,673
Add:				
Portion of rents representative of the interest factor	1,771	1,771	6,882	6,882
Interest on debt & amortization of debt expense	38,991	44,749	137,922	160,953
Income as adjusted	<u>\$164,664</u>	<u>\$164,664</u>	<u>\$437,508</u>	<u>\$437,508</u>
Fixed charges:				
Interest on debt & amortization of debt expense (1)	\$ 38,991	\$ 44,749	\$137,922	\$160,953
Capitalized interest (2)	718	824	2,879	3,360
Rents	5,312	5,312	20,647	20,647
Portion of rents representative of the interest factor (3)	1,771	1,771	6,882	6,882
Fixed charges (1)+(2)+(3)	<u>\$ 41,480</u>	<u>\$ 47,344</u>	<u>\$147,683</u>	<u>\$171,195</u>
Ratio of earnings to fixed charges	3.97	3.48	2.96	2.56

**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 3, 2009
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))
-
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

- (b) On February 4, 2009, following the conclusion of the 2009 annual meeting of shareholders of Atmos Energy Corporation, Dan Busbee retired from the company's Board of Directors in accordance with the Board's mandatory retirement policy, having served the company as a Board member since 1988. In connection with Mr. Busbee's retirement from the Board, he also simultaneously retired as chairman of the Audit Committee and as a member of the Executive Committee and the Human Resources Committee of the Board of Directors. A copy of the news release issued on February 4, 2009 announcing Mr. Busbee's retirement is filed herewith as Exhibit 99.1.
- (c) On February 3, 2009, Fred E. Meisenheimer, vice president, interim chief financial officer and controller of Atmos Energy, was appointed by the Board of Directors as senior vice president, chief financial officer and controller, effective February 4, 2009. Mr. Meisenheimer, 64, had served as vice president and controller of Atmos Energy from July 2000 through December 2008 and also served as interim chief financial officer beginning on January 1, 2009. Atmos Energy has not entered into any new material plan, contract or arrangement to which Mr. Meisenheimer is a party or in which he participates, or any material amendment thereto, in connection with his appointment, nor has Mr. Meisenheimer received any grant or award under any plan, contract or arrangement, in connection with his appointment. Like all other executive officers of Atmos Energy, Mr. Meisenheimer is an "at will" employee of the company and therefore does not have an employment agreement with the company. As of the effective date of his appointment, Mr. Meisenheimer's annual salary has increased to \$350,000 and he will continue to participate in all other applicable incentive, benefit, change in control and other executive compensation plans offered by the company. A copy of the news release issued on February 3, 2009 announcing Mr. Meisenheimer's appointment is filed herewith as Exhibit 99.2.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

- 99.1 News Release issued by Atmos Energy Corporation dated February 4, 2009
- 99.2 News Release issued by Atmos Energy Corporation dated February 3, 2009

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 6, 2009

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

 INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release issued by Atmos Energy Corporation dated February 4, 2009
99.2	News Release issued by Atmos Energy Corporation dated February 3, 2009

4

Exhibit 99.1

News Release



MEDIA CONTACT:
Gerald Hunter (972) 855-3116

ANALYSTS CONTACT:
Susan Giles (972) 855-3729

**Atmos Energy Announces Retirement of
Dan Busbee from Board of Directors**

DALLAS (February 4, 2009)—Atmos Energy Corporation today announced that Dan Busbee has retired from the company's board of directors effective today, following the company's annual meeting of shareholders, after more than two decades of service to the company.

Busbee first joined Atmos Energy's board in 1988. During his tenure on the Atmos Energy board, Busbee served as chairman of the audit committee for 15 years and as a member of the executive and human resources committees.

"Dan's vision, guidance and wisdom have been crucial in guiding the direction of our company as a key member of our board of directors over the last 20 years," said Robert W. Best, chairman and chief executive officer of Atmos Energy. "We are very thankful to Dan for the outstanding contributions he has made to our company and we will miss him very much."

A graduate of the Southern Methodist University Dedman School of Law, Busbee also holds an undergraduate business degree from SMU. A practicing lawyer for almost 40 years, Busbee was a lawyer and shareholder of the law firm now known as Locke Lord Bissell & Liddell. He also served as an adjunct professor of law at SMU for a number of years.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

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Exhibit 99.2

News Release



MEDIA CONTACT:
Gerald Hunter (972) 855-3116

ANALYSTS CONTACT:
Susan Giles (972) 855-3729

**Atmos Energy Promotes Fred Meisenheimer
to Senior Vice President and Chief Financial Officer**

DALLAS (February 3, 2009)—Atmos Energy Corporation (NYSE: ATO) today announced it has promoted Fred Meisenheimer from vice president and controller to senior vice president and chief financial officer. Mr. Meisenheimer has been acting as interim chief financial officer since January 1, 2009, and will continue in his role as controller.

“Fred’s contribution to Atmos Energy’s success over the past eight years has made him an invaluable member of the leadership team,” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. “We are fortunate to have such a talented and respected individual to take over as chief financial officer.”

Meisenheimer joined Atmos Energy in June 2000 as vice president and controller. Before joining Atmos Energy, Fred was controller of Vartec Telecom, a privately-held telecom services provider where he was responsible for all accounting and treasury operations. Previously, he served as assistant controller and general auditor for Oryx Energy Corporation from 1988 to 1999.

Meisenheimer earned a bachelor’s degree in accounting from Stephen F. Austin State University and an M.B.A. degree from Southern Methodist University.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

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**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 3, 2009
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))
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Item 2.02. Results of Operations and Financial Condition.

On Tuesday, February 3, 2009, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the first quarter of the 2009 fiscal year, which ends September 30, 2009, and that certain of its officers would discuss such financial results in a conference call on Wednesday, February 4, 2009 at 8:00 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 Web site 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 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release dated February 3, 2009 (furnished under Item 2.02)

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 3, 2009

By: /s/ LOUIS P. GREGORY

Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated February 3, 2009 (furnished under Item 2.02)

Exhibit 99.1**News Release**

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the Fiscal 2009 First Quarter;
 Company Affirms Fiscal 2009 Guidance**

DALLAS (February 3, 2009)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2009 first quarter ended December 31, 2008.

- Fiscal 2009 first quarter net income was \$76.0 million, or \$0.83 per diluted share, compared with net income of \$73.8 million, or \$0.82 per diluted share in the prior-year quarter.
- Consolidated results include noncash, unrealized mark-to-market net losses of \$14.2 million, or \$0.16 per diluted share for the first quarter of fiscal 2009, compared with net gains of \$18.5 million, or \$0.21 per diluted share for the prior-year quarter.
- Regulated operations contributed \$57.8 million of net income, or \$0.63 per diluted share for the fiscal 2009 first quarter, compared with \$50.0 million of net income or \$0.56 per diluted share in the prior-year quarter.
- Nonregulated operations contributed \$18.2 million of net income in the fiscal 2009 first quarter, or \$0.20 per diluted share, compared with \$23.8 million of net income or \$0.26 per diluted share for the same period last year.
- Atmos Energy affirms its fiscal 2009 earnings guidance of \$2.05 to \$2.15 per diluted share.

“Results for the first quarter of fiscal 2009 are both strong and encouraging,” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. “Our regulated gas distribution business experienced a 25 percent increase in net income from a year ago due to improvements in rate design and execution of our regulatory strategy. As anticipated, our nonregulated marketing business experienced margin growth from cycling storage gas to meet winter demand and realizing the associated economic value captured last year. Additionally, we are gratified that our efforts to strengthen the balance sheet have been recognized, as evidenced by the recent positive changes to our corporate credit ratings. We remain confident that Atmos Energy is on track to meet our goal of growing annual earnings in the 4 to 6 percent range, on average.”

Natural gas distribution gross profit increased \$25.2 million to \$298.4 million for the fiscal 2009 first quarter, compared with \$273.2 million in the prior-year quarter, before intersegment eliminations. This increase reflects a net \$15.3 million increase in rates primarily in the Mid-Tex and Louisiana divisions, a six percent increase in throughput and increased transportation margins associated with higher transportation rates and throughput. Additionally, gross profit increased \$8.1 million due to a non-recurring update to the estimate for gas delivered to customers but not yet billed, resulting from base rate changes in several jurisdictions.

Regulated transmission and storage gross profit increased \$9.7 million to \$54.7 million for the three months ended December 31, 2008, compared with \$45.0 million for the three months ended December 31, 2007, before intersegment eliminations. The increase reflects significantly higher priority reservation fees and per-unit margins earned from through-system deliveries, increased city-gate deliveries to the Mid-Tex Division and increased revenues resulting from filings under the Texas Gas Reliability Infrastructure Program (GRIP).

Natural gas marketing gross profit decreased \$16.0 million to \$30.0 million for the fiscal 2009 first quarter, compared with \$46.0 million for the fiscal 2008 first quarter, before intersegment eliminations. This decrease primarily reflects a \$53.8 million reduction in unrealized margins quarter over quarter. Storage and trading margins increased \$37.5 million compared with the prior-year quarter, primarily due to the recognition by Atmos Energy Marketing (AEM) of storage withdrawal gains captured during fiscal 2008, as a result of deferring storage withdrawals and rolling the associated financial instruments to forward months.

Pipeline, storage and other gross profit increased \$6.5 million to \$12.5 million for the three months ended December 31, 2008, compared with \$6.0 million for the three months ended December 31, 2007, before intersegment eliminations. The increase primarily reflects higher transportation margins earned under asset optimization agreements.

Consolidated operation and maintenance expense for the first quarter of fiscal 2009 was \$134.8 million, compared with \$121.2 million for the first quarter last year. Excluding the provision for doubtful accounts, operation and maintenance expense for the current quarter increased \$14.9 million compared with the prior-year quarter. The increase primarily results from higher employee wages and benefits costs and higher pipeline maintenance costs.

The provision for doubtful accounts was \$3.3 million for the three months ended December 31, 2008, compared with \$4.6 million for three months ended December 31, 2007. The \$1.3 million decrease primarily results from the Mid-Tex Division's ability to recover the gas cost portion of bad debts through the Rate Review Mechanism (RRM), which became effective November 1, 2008. In the natural gas distribution segment, the average cost of natural gas for the three months ended December 31, 2008, was \$8.28 per thousand cubic feet (Mcf), compared with \$7.73 per Mcf for the same quarter last year.

Interest charges for the three months ended December 31, 2008 were \$39.0 million, compared with \$36.8 million for the three months ended December 31, 2007. The \$2.2 million quarter-over-quarter increase reflects higher commercial paper rates, increased line of credit commitment fees and higher average short-term debt balances experienced during the current-year quarter, compared with the prior-year quarter.

The capitalization ratio at December 31, 2008, was 54.4 percent, compared with 54.6 percent at September 30, 2008, and 53.4 percent at December 31, 2007. The current portion of long-term debt includes the Company's \$400 million 4.00% unsecured senior notes, which will mature in October 2009. Short-term debt was \$360.8 million at December 31, 2008, compared to \$350.5 million at September 30, 2008, and \$202.2 million at December 31, 2007.

For the three months ended December 31, 2008, operating activities provided cash of \$150.7 million, compared with \$61.4 million for the three months ended December 31, 2007. Quarter over quarter, the increase in operating cash flow primarily reflects favorable working capital changes associated with the company's accounts receivable and natural gas inventories.

Capital expenditures increased to \$107.4 million for the current quarter, compared with \$94.2 million for the same period last year. The \$13.2 million increase primarily reflects spending for a nonregulated growth project and regulatory compliance spending in the Mid-Tex Division.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to project fiscal 2009 earnings to be in the range of \$2.05 to \$2.15 per diluted share, excluding any material mark-to-market impact. Major assumptions underlying the earnings projection remain unchanged. Capital expenditures for fiscal 2009 are expected to range from \$500 million to \$515 million.

However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2009, and changes in events or other circumstances that the company cannot currently anticipate or predict, including adverse credit market conditions, could result in earnings for fiscal 2009 that are significantly above or below this outlook. Factors that could cause such changes are described below in Forward-Looking Statements and in other company documents on file with the Securities and Exchange Commission.

Atmos Energy continues to experience marked improvement in the cost and access to the commercial paper market and believes it has sufficient liquidity to support its operating and capital spending plans. Amounts available to the company under existing and new credit facilities coupled with operating cash flow should provide the necessary liquidity to fund the company's common stock dividend, working capital needs and capital expenditures for fiscal 2009. Further, the company is evaluating alternatives to refinance its \$400 million 4.00% unsecured senior notes maturing in October 2009.

Conference Call to be Webcast February 4, 2009

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2009 first quarter on Wednesday, February 4, 2009, at 8 a.m. EST. The telephone number is 800-218-0204. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A slide presentation and a playback of the call will be available on the Web site later that day. Atmos Energy senior leadership who will participate in the conference call include: Bob Best, chairman and chief executive officer; Kim Cocklin, president and chief operating officer; Fred Meisenheimer, vice president, interim chief financial officer and controller; and Mark Johnson, senior vice president, nonregulated operations.

Other Highlights and Recent Developments**\$375 Million Committed Revolving Credit Facility**

On December 30, 2008, Atmos Energy Marketing, LLC (AEM), amended its existing \$580 million uncommitted demand working capital credit facility to convert it to a 364-day, \$375 million committed revolving credit facility. The amended credit facility also provides the ability to increase the borrowing base up to a maximum of \$450. The amended credit facility will expire on December 29, 2009.

Credit Ratings Upgraded

On December 23, 2008, Standard and Poor's Ratings Services (S&P) raised its corporate credit rating on Atmos Energy Corporation from BBB to BBB+ and said the outlook for the company is "Stable".

On January 8, 2009, Moody's Investors Service changed Atmos Energy Corporation's rating outlook to "Positive" from "Stable" and affirmed the company's ratings at Baa3.

Executive Officer Changes

On December 2, 2008, Atmos Energy announced the resignation of Pat Reddy, senior vice president and chief financial officer, effective December 31, 2008. Fred Meisenheimer, vice president and controller, has been appointed by the board of directors to serve as *interim chief financial officer*, effective January 1, 2009, until a successor is appointed.

On December 1, 2008, Charles M. Davis, Jr. was named as vice president, corporate development. Mr. Davis will be working with Atmos Energy's senior management to develop and implement a strategy to identify and evaluate internal and external growth opportunities. He reports to Kim R. Cocklin, president and chief operating officer of Atmos Energy.

This news release should be read in conjunction with the attached unaudited financial information.

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 capital markets and the other factors discussed in the company’s filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008. 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, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

	December 31,	September 30,
	<u>2008</u>	<u>2008</u>
<u>Condensed Balance Sheets</u>		
(000s)		
Net property, plant and equipment	\$4,194,748	\$4,136,859
Cash and cash equivalents	69,799	46,717
Accounts receivable, net	833,125	477,151
Gas stored underground	582,743	576,617
Other current assets	<u>197,441</u>	<u>184,619</u>
Total current assets	1,683,108	1,285,104
Goodwill and intangible assets	738,929	739,086
Deferred charges and other assets	<u>202,114</u>	<u>225,650</u>
	<u>\$6,818,899</u>	<u>\$6,386,699</u>
Shareholders' equity	\$2,078,076	\$2,052,492
Long-term debt	<u>1,719,920</u>	<u>2,119,792</u>
Total capitalization	3,797,996	4,172,284
Accounts payable and accrued liabilities	815,095	395,388
Other current liabilities	441,481	460,372
Short-term debt	360,833	350,542
Current maturities of long-term debt	<u>400,507</u>	<u>785</u>
Total current liabilities	2,017,916	1,207,087
Deferred income taxes	431,324	441,302
Deferred credits and other liabilities	<u>571,663</u>	<u>566,026</u>
	<u>\$6,818,899</u>	<u>\$6,386,699</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Statements of Cash Flows</u> (000s)	<u>Three Months Ended</u> <u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	\$ 75,963	\$ 73,803
Depreciation and amortization	53,134	48,536
Deferred income taxes	27,175	11,978
Changes in assets and liabilities	(13,240)	(77,286)
Other	7,683	4,406
Net cash provided by operating activities	150,715	61,437
Cash flows from investing activities		
Capital expenditures	(107,367)	(94,155)
Other, net	(1,210)	(1,874)
Net cash used in investing activities	(108,577)	(96,029)
Cash flows from financing activities		
Net increase in short-term debt	5,312	50,690
Repayment of long-term debt	(278)	(1,741)
Cash dividends paid	(30,165)	(29,178)
Issuance of common stock	6,075	5,970
Net cash provided by (used in) financing activities	(19,056)	25,741
Net increase (decrease) in cash and cash equivalents	23,082	(8,851)
Cash and cash equivalents at beginning of period	46,717	60,725
Cash and cash equivalents at end of period	\$ 69,799	\$ 51,874

<u>Statistics</u>	<u>Three Months Ended</u> <u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Consolidated natural gas distribution throughput (MMcf as metered)	125,782	118,516
Consolidated regulated transmission and storage transportation volumes (MMcf)	135,858	136,200
Consolidated natural gas marketing sales volumes (MMcf)	93,308	96,206
Natural gas distribution meters in service	3,214,377	3,222,330
Natural gas distribution average cost of gas	\$ 8.28	\$ 7.73
Natural gas marketing net physical position (Bcf)	16.3	17.7

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**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**

December 30, 2008
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))

Item 1.01. Entry into a Material Definitive Agreement.

On December 30, 2008, Atmos Energy Marketing, LLC (“AEM”), a Delaware limited liability company, which is wholly-owned by Atmos Energy Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Atmos Energy Corporation, entered into the Third Amended and Restated Credit Agreement, by and among AEM, BNP Paribas, a bank organized under the laws of France, as administrative agent, collateral agent, as an issuing bank and as a bank, Fortis Bank SA/NV, New York Branch, a bank organized under the laws of Belgium, as documentation agent, as an issuing bank and as a bank, Société Générale, as syndication agent, as an issuing bank and as a bank, and a syndicate of four additional banks identified therein.

The Third Amended and Restated Credit Agreement (“Credit Agreement”) represents an amendment and restatement of AEM’s original credit agreement dated December 1, 2001, as amended and restated (which was last amended March 31, 2008), primarily to: (i) convert the existing uncommitted \$580,000,000 borrowing base facility that was payable on demand to a 364-day \$375,000,000 committed borrowing base revolving credit facility (subject to the satisfaction of stated financial guidelines and borrowing base eligibility conditions) available for revolving credit loans, “swing line loans,” as defined in the credit facility, and letters of credit; (ii) add an “accordion feature,” whereby the borrowing base of the facility can be increased in increments of at least \$15,000,000 up to an additional \$50,000,000 (not to exceed a maximum of \$450,000,000) with the approval of the administrative agent and the receipt of additional commitments from one or more financial institutions or lenders; (iii) add a swing line loan feature; (iv) adjust the rate of interest on base rate loans under the facility as discussed below; and (v) adjust the fees paid by AEM to reflect the facility’s conversion to a committed basis and prevailing credit market conditions.

The credit facility will continue to be used to provide loans to AEM and issue letters of credit for the account of AEM, primarily in order to continue to provide working capital for its natural gas marketing business. At AEM’s option, Borrowings made under the credit facility will be based on a base rate or an offshore rate, in each case plus an applicable margin. The base rate will be a floating rate equal to the higher of: (a) 0.50% per annum above the latest federal funds rate; (b) the per annum rate of interest established by BNP Paribas from time to time as its “prime rate” or “base rate” for U.S. dollar loans; (c) an offshore rate (based on LIBOR with a one-month interest period) as in effect from time to time; and (d) the “cost of funds” rate based on an average of interest rates reported by one or more of the lenders to the administrative agent. The offshore rate will be a floating rate equal to the higher of (a) an offshore rate based upon LIBOR for the applicable interest period; and (b) a “cost of funds” rate referred to above. In the case of both base rate and offshore rate loans, the applicable margin will range from 2.250% to 2.625% per annum, depending on the excess tangible net worth of AEM, as defined in the credit facility.

Based on current conditions, base rate loans would bear interest at 5.50% per annum (3.25% base rate + 2.25% margin). Based on the current LIBOR rate for a seven day period, offshore rate loans would bear interest at 2.99% per annum (0.74% LIBOR rate + 2.25% margin). Loans made as a result of drawings under letters of credit issued by the banks will bear interest at the base rate plus an applicable margin ranging from 2.250% to 2.875% per annum, depending on the excess tangible net worth of AEM and whether the letters of credit are swap-related.

The credit facility will expire 364 days from its effective date, at which time all amounts outstanding under the facility will be due and payable, except for any letters of credit outstanding at that date, all of which will be due no later than March 31, 2010. The credit facility contains usual and customary covenants for transactions of this type, including covenants limiting liens, additional indebtedness and mergers. AEM will be required not to exceed a maximum ratio of

total liabilities to tangible net worth of 5.00 to 1.00, along with maintaining minimum levels of net working capital and net worth ranging from \$75,000,000 to \$112,500,000, as all such terms are defined in the credit facility, depending on the total amount of borrowing elected from time to time by AEM. The credit facility is secured by substantially all of the assets of AEM and is guaranteed by its parent company, Atmos Energy Holdings, Inc.

In the event of a default by AEM under the credit facility, including cross-defaults relating to specified other indebtedness of AEM having a principal amount of more than \$250,000 in the aggregate, the administrative agent may, and shall upon the request of a certain minimum number of the banks, terminate the obligations of the banks to make loans or issue letters of credit under the credit facility, declare the amount outstanding payable immediately, including all accrued interest and unpaid fees, 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.

With respect to the other parties to the credit facility, AEM has or may have had customary banking relationships based on the provision of a variety of financial services, including the purchase and sale of financial instruments traded on various commodity exchanges, none of which are material individually or in the aggregate with respect to any individual party, other than BNP Paribas, which relationship is material to AEM. These financial instruments include, but are not limited to, NYMEX futures and over-the-counter natural gas hedges. In addition, AEM or its affiliates have or may have purchased natural gas on an arm's length basis based upon market prices from one of more affiliates of the other parties to the credit facility. A copy of the Credit Agreement is attached hereto as Exhibit 10.1, which is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Credit Agreement.

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 hereby incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits.**

- 10.1 Third Amended and Restated Credit Agreement, dated as of December 30, 2008, among Atmos Energy Marketing, LLC, a Delaware limited liability company, BNP Paribas, a bank organized under the laws of France, as administrative agent, collateral agent, as an issuing bank and as a bank, Fortis Bank SA/NV, New York Branch, a bank organized under the laws of Belgium, as documentation agent, as an issuing bank and as a bank, Société Générale, as syndication agent, as an issuing bank and as a bank and the other financial institutions which may become parties thereto.

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: January 5, 2009

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Third Amended and Restated Credit Agreement, dated as of December 30, 2008, among Atmos Energy Marketing, LLC, a Delaware limited liability company, BNP Paribas, a bank organized under the laws of France, as administrative agent, collateral agent, as an issuing bank and as a bank, Fortis Bank SA/NV, New York Branch, a bank organized under the laws of Belgium, as documentation agent, as an issuing bank and as a bank, Société Générale, as syndication agent, as an issuing bank and as a bank and the other financial institutions which may become parties thereto.

6

Exhibit 10.1**THIRD AMENDED AND RESTATED CREDIT AGREEMENT****Dated to be Effective as of December 30, 2008**

among

ATMOS ENERGY MARKETING, LLC,
as Borrower,

BNP PARIBAS
as Administrative Agent, Collateral Agent, an Issuing Bank, and a Bank,

FORTIS BANK SA/NV, NEW YORK BRANCH,
as Documentation Agent, an Issuing Bank, and a Bank

SOCIETE GENERALE,
as Syndication Agent, Issuing Bank and a Bank

and

**THE OTHER FINANCIAL INSTITUTIONS WHICH
MAY BECOME PARTIES HERETO**

 TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
DEFINITIONS	
1.01 Certain Defined Terms	2
1.02 Other Interpretive Provisions	35
1.03 Accounting Principles	36
ARTICLE II	
THE CREDITS	
2.01 Amounts and Terms of Committed Lines	37
2.02 Loan Accounts	40
2.03 Procedure for Borrowing	40
2.04 Conversion and Continuation Elections	43
2.05 Optional Prepayments	44
2.06 Mandatory Prepayments of Loans; Mandatory Commitment Reductions	45
2.07 Repayment	45
2.08 Interest	45
2.09 Fees	47
2.10 Computation of Fees and Interest	47
2.11 Payments by the Borrower	47
2.12 Payments by the Banks to the Administrative Agent	49
2.13 Sharing of Payments, Etc.	49
2.14 Increases in Commitments	50
2.15 Payments from Guarantor and Liquidation of Collateral	52
2.16 Defaulting Bank	52
ARTICLE III	
THE LETTERS OF CREDIT	
3.01 The Letter of Credit Lines	52
3.02 Issuance, Amendment and Renewal of Letters of Credit	54
3.03 Risk Participations, Drawings, Reducing Letters of Credit and Reimbursements	56
3.04 Repayment of Participations	58
3.05 Role of the Issuing Banks	58
3.06 Obligations Absolute	59
3.07 Cash Collateral Pledge	61
3.08 Letter of Credit Fees	61

3.09	Applicability of Uniform Customs and Practice and ISP98	61
3.10	Existing Letters of Credit	61

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

4.01	Taxes	62
4.02	Illegality	63
4.03	Increased Costs and Reduction of Return	63
4.04	Funding Losses	64
4.05	[RESERVED]	65
4.06	Reserves on Offshore Rate Loans	65
4.07	Certificates of Banks	65
4.08	Substitution of Banks	65
4.09	Survival	66

ARTICLE V

CLOSING ITEMS

5.01	Matters to be Satisfied Upon Execution of Agreement	66
5.02	Conditions to Each Credit Extension	67

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

6.01	Existence and Power	68
6.02	Authorization; No Contravention	69
6.03	Governmental Authorization	69
6.04	Binding Effect	69
6.05	Litigation	69
6.06	No Default	69
6.07	ERISA Compliance	69
6.08	Use of Proceeds; Margin Regulations	70
6.09	Title to Properties	70
6.10	Taxes	70
6.11	Financial Condition	71
6.12	Environmental Matters	71
6.13	Regulated Entities	71
6.14	No Burdensome Restrictions	71
6.15	Copyrights, Patents, Trademarks and Licenses, Etc.	71
6.16	Subsidiaries	71
6.17	Insurance	72
6.18	Full Disclosure	72

ARTICLE VII
AFFIRMATIVE COVENANTS

7.01 Financial Statements	72
7.02 Certificates; Other Information	73
7.03 Notices	74
7.04 Preservation of Corporate Existence, Etc.	75
7.05 Maintenance of Property	75
7.06 Insurance	75
7.07 Payment of Obligations	76
7.08 Compliance with Laws	76
7.09 Compliance with ERISA	76
7.10 Inspection of Property and Books and Records	76
7.11 Environmental Laws	76
7.12 Use of Proceeds	77
7.13 Collateral Position Audit	77
7.14 Lock Box	77
7.15 Financial Covenants	77
7.16 Swap Contracts	78
7.17 Physical Trade Contracts	78

ARTICLE VIII
NEGATIVE COVENANTS

8.01 Limitation on Liens	78
8.02 Consolidations and Mergers	79
8.03 Limitation on Indebtedness	80
8.04 Transactions with Affiliates	80
8.05 Use of Proceeds	80
8.06 Contingent Obligations	80
8.07 Restricted Payments	81
8.08 ERISA	81
8.09 Change in Business	81
8.10 Accounting Changes	81
8.11 Net Position	81
8.12 Loans and Investments	81
8.13 Change of Management	82
8.14 Deposit Accounts	82
8.15 Risk Management Policy	82
8.16 SPT-Related Standby Letters of Credit	82

ARTICLE IX
EVENTS OF DEFAULT

9.01	Event of Default	83
9.02	Remedies	85
9.03	Rights Not Exclusive	85
9.04	Application of Payments	85

ARTICLE X
AGENTS

10.01	Appointment and Authorization	86
10.02	Delegation of Duties	86
10.03	Liability of Agents	87
10.04	Reliance by Agents	87
10.05	Notice of Default	87
10.06	Credit Decision	88
10.07	Indemnification	88
10.08	Agents in Individual Capacity	88
10.09	Successor Administrative Agent	89
10.10	Withholding Tax	89
10.11	Collateral Matters	91
10.12	Monitoring Responsibility	91

ARTICLE XI
MISCELLANEOUS

11.01	Amendments and Waivers	91
11.02	Notices	92
11.03	No Waiver; Cumulative Remedies	93
11.04	Costs and Expenses	93
11.05	Indemnity	94
11.06	Payments Set Aside	94
11.07	Successors and Assigns	95
11.08	Assignments, Participations, Etc.	95
11.09	Set-off	97
11.10	Automatic Debits of Fees	97
11.11	Notification of Addresses, Lending Offices, Etc.	97
11.12	Bank Blocked Account Charges and Procedures	97
11.13	Counterparts	98
11.14	Severability	98
11.15	No Third Parties Benefited	98
11.16	Governing Law and Jurisdiction	98

11.17 Waiver of Jury Trial	99
11.18 [RESERVED]	99
11.19 Entire Agreement	99
11.20 Effect of Amendment and Restatement	99
11.21 Joinder	100

-v-

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This THIRD AMENDED AND RESTATED CREDIT AGREEMENT (as amended, supplemented and otherwise modified from time to time, the "Agreement") is entered into effective as of December 30, 2008, among ATMOS ENERGY MARKETING, LLC, a Delaware limited liability company (the "Borrower"), BNP PARIBAS, a bank organized under the laws of France, as a Bank, as an Issuing Bank, and as Administrative Agent for the Banks, and as Collateral Agent, FORTIS BANK SA/NV, NEW YORK BRANCH, a bank organized under the laws of Belgium, as a Bank, as an Issuing Bank, and as Documentation Agent, SOCIETE GENERALE, as syndication agent (in such capacity, "Syndication Agent"), an Issuing Bank, and a Bank, and each other financial institution which may become a party hereto (collectively the "Banks").

WHEREAS, the Borrower, the Agents, the Issuing Banks and the Banks entered into that certain Credit Agreement dated as of December 1, 2001 (as amended and restated by the Uncommitted Amended and Restated Credit Agreement dated as of July 1, 2002 and the Uncommitted Second Amended and Restated Credit Agreement dated as of March 30, 2005, and as further amended by the First Amendment dated as of November 28, 2005 to the Uncommitted Second Amended and Restated Credit Agreement, the Second Amendment dated as of March 31, 2006 to the Uncommitted Second Amended and Restated Credit Agreement, the Third Amendment dated March 30, 2007 to the Uncommitted Second Amended and Restated Credit Agreement, the Fourth Amendment dated March 31, 2008 to the Uncommitted Second Amended and Restated Credit Agreement, and as otherwise amended, supplemented and modified through the date hereof, the "Original Credit Agreement") with respect to an uncommitted facility, including an uncommitted letter of credit facility.

WHEREAS, the Borrower, the Agents, the Issuing Banks and the Banks desire to amend and restate the Original Credit Agreement so that, from time to time, the Banks, on a committed basis, continue to make loans to the Borrower and continue to issue Letters of Credit for the account of the Borrower in order to provide working capital to the Borrower, to facilitate the Borrower's purchases of natural gas in the ordinary course of business, to secure swap and physical trade counterparties for out-of-the-money swap and physical trade obligations, and for such other purposes set forth herein. The Banks have indicated their willingness to continue to lend such amounts and to continue to issue and participate in such Letters of Credit on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.01 Certain Defined Terms. The following terms have the following meanings:

“360-Day L/C Cap” means a cap upon 360-Day Letters of Credit with the following limits:

- (a) \$20,000,000 at such times as the Borrowing Base Sub-Cap is \$300,000,000;
- (b) \$25,000,000 at such times as the Borrowing Base Sub-Cap is \$350,000,000;
- (c) \$30,000,000 at such times as the Borrowing Base Sub-Cap is \$400,000,000; and
- (d) \$35,000,000 at such times as the Borrowing Base Sub-Cap is \$450,000,000.

The “360-Day L/C Cap” shall not be interpolated between Borrowing Base Sub-Cap levels and shall remain at the lower level until the higher Borrower Base-Sub Cap level is elected by the Borrower. The Borrowing Base Sub-Cap shall at no time exceed the Total Committed Line Portion.

“360-Day L/C Maturity Date” means December 30, 2010.

“360-Day Letter of Credit” means any letter of credit (whether a standby letter of credit or commercial documentary letter of credit) that is Issued by an Issuing Bank pursuant to Article III, to the extent that such letter of credit (a) is Issued in connection with trade-related obligations in the ordinary course of business of the Borrower and its Subsidiaries, (b) expires not later than the first to occur of (i) the 360-day anniversary of the Issuance of such letter of credit or (ii) the 360-Day L/C Maturity Date, and (c) immediately after giving effect to the Issuance thereof, does not cause the aggregate undrawn amount of all outstanding 360-Day Letters of Credit, together with the amount of all unreimbursed drawings under all 360-Day Letters of Credit, to be an amount in excess of the 360-Day L/C Cap.

“Account” has the meaning stated in the New York Uniform Commercial Code.

“Account Debtor” means a Person who is obligated to the Borrower under an Account of the Borrower.

“Acquisition” means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary); provided, however, that the relevant Borrower or the Subsidiary is the surviving entity.

“Activation Period” means the period which commences within a reasonable period of time not to exceed two Business Days after receipt by Bank of America, N.A. of a written notice from BNP Paribas (or its successor or assignee under the Three Party Agreement in the form of Exhibit B to the Three Party Agreement).

“Administrative Agent” means BNP Paribas in its capacity as administrative agent for the Banks hereunder, and any successor agent arising under Section 10.09.

“Administrative Agent’s Payment Office” means the address for payments set forth on Schedule 11.02 hereto in relation to the Administrative Agent, or such other address as the Administrative Agent may from time to time specify.

“Advance Maturity Date” means with respect to (a) Revolving Loans that are Base Rate Loans, the earliest to occur of (i) sixty (60) days from the date of the Borrowing, or the (ii) Expiration Date; (b) Revolving Loans that are Offshore Rate Loans, the earliest to occur of (i) sixty (60) days from the date of the Borrowing, (ii) the end of the Interest Period for such Offshore Rate Loan; or (iii) the Expiration Date; and (c) Swing Line Loans, the earliest to occur of (i) five (5) Business Days from the date of the Borrowing, (ii) demand for repayment of such Borrowing; or (iii) the Expiration Date.

“Affiliate” means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

“Agents” means the Administrative Agent, the Collateral Agent, the Documentation Agent and the Syndication Agent.

“Agent-Related Persons” means the Administrative Agent, the Collateral Agent, the Documentation Agent and the Syndication Agent, together with their respective Affiliates and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Agreement” means this Credit Agreement.

“Applicable Margin” means with respect to Base Rate Loans, Offshore Rate Loans, Swing Line Loans, Loans tied to the Reference Bank Cost of Fund Rate, Letters of Credit, and SPT-Related Letters of Credit, for any day, the applicable rate per annum set forth below, based upon the Excess Tangible Net Worth determined as the last day of the most recently ended fiscal quarter:

<u>Excess Tangible Net Worth</u>	<u>Applicable Margin for Base Rate Loans, Offshore Rate Loans, Swing Line Loans, and Loans tied to the Reference Bank Cost of Funds Rate</u>	<u>Applicable Margin for Letters of Credit (including Physical Trade Delivery-Related Standby Letters of Credit)</u>	<u>Applicable Margin for SPT-Related Standby Letters of Credit (other than Physical Trade Delivery-Related Standby Letters of Credit)</u>
Less than or equal to \$25,000,000	2.625%	2.625%	2.875%
Greater than \$25,000,000 and less than or equal to \$50,000,000	2.500%	2.500%	2.750%
Greater than \$50,000,000 and less or equal to \$75,000,000	2.375%	2.375%	2.625%
Greater than \$75,000,000	2.250%	2.250%	2.500%

For the purposes of the foregoing, the Excess Tangible Net Worth shall be determined based upon the Borrower’s most recent consolidated financial statements delivered pursuant to Section 7.01(c), and each change in the Applicable Margin resulting from a change in the Excess Tangible Net Worth shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; provided that the Excess Tangible Net Worth shall be deemed to be less than or equal to \$25,000,000 at any time that an Event of Default has occurred and is continuing.

“Assignee” has the meaning specified in Subsection 11.08(a).

“Atmos Support Agreement” means an agreement of Atmos Energy Corporation to provide certain support for Borrower and its operations and to remit insurance proceeds to the Administrative Agent, as provided therein, such agreement to be in form and substance acceptable to Administrative Agent.

“ Attorney Costs ” means and includes all reasonable fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel.

“ Available Committed Line Portion ” means, with respect to any Bank at any time, an amount equal to the excess, if any of (a) such Bank’s Committed Line Portion then in effect over (b) such Bank’s total Effective Amount at such time.

“ Bank Blocked Account ” means the Collateral Agent’s account no. 323373461 maintained with Chase into which collections and available balances from the Lock Box will be deposited pursuant to Section 7.14.

“ Bankruptcy Code ” means the Federal Bankruptcy Reform Act of 1978, as amended (11 U.S.C. §101, et seq.).

“ Banks ” shall mean Fortis, BNP Paribas, Société Générale, NATIXIS, acting through its New York Branch, RZB Finance, LLC, Brown Brothers Harriman & Co., The Royal Bank of Scotland plc and each additional lending institution added to this Agreement, through an amendment to this Agreement, by execution of a Committed Line Portion Addendum, or through an Assignment and Acceptance in accordance with Subsection 11.08(a) hereof. References to the “Banks” shall include Fortis, BNP Paribas and Société Générale, including each in its capacity as an Issuing Bank and BNP Paribas in its capacity as the Swing Line Bank; for purposes of clarification only, to the extent that Fortis, BNP Paribas or Société Générale may have any rights or obligations in addition to those of the Banks due to their status as an Issuing Bank and as Agents, Fortis’, BNP Paribas’ and Société Générale’s status as such will be specifically referenced.

“ Base Rate ” means, for any day, the higher of the following rates (provided that if any of the following rates cannot be determined for any day, it will be the higher of the then-determinable rates for such day): (a) 0.50% per annum above the latest Federal Funds Effective Rate; (b) the per annum rate of interest established by BNP Paribas from time to time at its principal office in New York City as its “prime rate” or “base rate” for U.S. dollar loans (with any change in such prime rate or base rate to become effective as and when such prime rate or base rate changes); (c) the Offshore Rate (based on an Interest Period of one-month) as in effect from time to time; and (d) the Reference Bank Cost of Funds Rate.

“ Base Rate Loan ” means any Loan bearing interest based upon the Base Rate.

“ Basis Swap Cumulative Mark-to-Market Amount ” means the cumulative Mark-to-Market gain or loss related to existing undesignated basis swaps entered into by the Borrower, as reported on the most recent monthly financial statements received pursuant to Section 7.01(c) (or as otherwise evidenced to the satisfaction of the Administrative Agent).

“ Below Index Sales Exposure ” has the meaning ascribed to such term in Section 8.11 hereof.

“ BNP Paribas ” means BNP Paribas, a bank organized under the laws of France.

“Borrower” has the meaning ascribed to such term in the preamble.

“Borrowing” means a borrowing hereunder consisting of Revolving Loans or Swing Line Loans made to the Borrower under Article II.

“Borrowing Base Advance Cap” means at any time an amount equal to the least of:

(a) the Maximum Line;

(b) the Total Committed Line Portions;

(c) the Borrowing Base Sub-Cap; or

(d) the sum of:

(i) the amount of Cash Collateral and other liquid investments which are acceptable to the Required Banks in their sole discretion exercised in good faith and which are subject to a first priority perfected security interest in favor of Administrative Agent, as collateral agent for the Banks, and that have not been used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(ii) 90% of Borrower’s equity in Eligible Broker accounts from and after the date that a tri-party agreement with respect to such accounts is entered into, to the extent such equity is not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(iii) 90% of the amount of Tier I Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance, net of deductions, offsets and counterclaims; plus

(iv) 85% of the amount of Tier II Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance, net of deductions, offsets and counterclaims; plus

(v) 85% of the amount of Tier I Unbilled Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(vi) 80% of the amount of Tier II Unbilled Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(vii) 80% of the amount of Eligible Inventory which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(viii) 80% of the amount of Eligible Exchange Receivables which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(ix) 80% of the amount of Undelivered Product Value; plus

(x) 70% of Realizable Unrealized Profits, up to a maximum amount of \$50,000,000; less

(xi) the amounts which would be subject to a so-called "First Purchaser Lien" as defined in Texas Bus. & Com. Code Section 9.343, comparable laws of the states of Oklahoma, Kansas or New Mexico, or any other comparable law of any other state, unless a Letter of Credit secures payment of all amounts subject to such First Purchaser Lien; and less

(xii) 125% of the SPT Bank Close-Out Amounts of all SPT Banks, as of the date of determination of the Borrowing Base Advance Cap.

In no event shall any amounts described in (d)(i) through (d)(x) above which may fall into more than one of such categories be counted more than once when making the calculation under this definition.

"Borrowing Base Collateral Position Report" means a report detailing all Collateral which has been or is being used in determining availability for an advance or letter of credit issuance under the Borrowing Base Line, such report to be in the form attached hereto as Exhibit E.

"Borrowing Base Line" means the line of credit for the purpose of (a) providing working capital and to fund payments to suppliers of Product; (b) to provide for Letters of Credit to secure suppliers of Product; and (c) to fund payments due to any SPT Bank under any SPT Contract.

"Borrowing Base Sub-Cap" means (a) from the date of this Agreement until the date the first election is made by the Borrower pursuant to clause (b) of this definition, \$300,000,000, and (b) thereafter, at any time, the amount set forth in the table below under the heading "Borrowing Base Sub-Cap" elected by the Borrower from time to time by written notice to the Administrative Agent (which the Administrative Agent shall promptly forward to each Bank); provided that, at the time of any such election of any such amount as the Borrowing Base Sub-Cap, but not for any other purpose herein, each of the Borrower's Net Working Capital, Tangible Net Worth and ratio of Total Liabilities to Tangible Net Worth at such time of election, each as determined by the most recent monthly financial statements received pursuant to Section 7.01(c) are within the requirements set forth opposite such amount in the table below; provided further that the Borrowing Base Sub-Cap shall at no time exceed the Total Committed Line Portions; however, to the extent that the Total Committed Line Portions aggregate to an

amount between two listed "Borrowing Base Sub-Cap" levels set forth in the table below, in order to permit the Borrower to fully utilize the Line (to the extent the Borrower indicates its desire to fully utilize the Line by including language in its Borrowing Base Sub-Cap election, after electing one of the specified levels below, to the effect of "or such higher level equal to the Total Available Committed Line Portions in effect from time to time, not to exceed the next highest Borrowing Base Sub-Cap level, unless a new election is submitted"), the Borrower shall be permitted to request Letters of Credit and Loans with respect to the excess of the Total Committed Line Portion above the lower elected Borrowing Base Sub-Cap level listed below, and the financial covenants for such Total Committed Line Portions amount shall be deemed to be set at a level consistent with such Total Committed Line Portion and the linear rate of change between the financial covenant level set opposite the lower elected "Borrowing Base Sub-Cap" level and the "Borrowing Base Sub-Cap" level immediately above such Total Committed Line Portions amount. For purposes of testing whether such requirements have been met, the highest amount elected by the Borrower for the month being tested shall be used, where during the same month being tested the Borrower elected to either increase or decrease the availability by selecting a different amount under the column entitled "Borrowing Base Sub-Cap".

<u>Borrowing Base Sub-Cap</u>	<u>Minimum Net Working Capital</u>	<u>Minimum Tangible Net Worth</u>	<u>Maximum Ratio at Total Liabilities to Tangible Net Worth</u>
\$ 300,000,000	\$ 75,000,000	\$ 75,000,000	5.00 to 1
\$ 350,000,000	\$ 87,500,000	\$ 87,500,000	5.00 to 1
\$ 400,000,000	\$ 100,000,000	\$ 100,000,000	5.00 to 1
\$ 450,000,000	\$ 112,500,000	\$ 112,500,000	5.00 to 1

"Borrowing Date" means any date on which a Borrowing occurs under Section 2.03.

"Business Day" (a) with respect to all matters other than those related to Offshore Rate Loans, means 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 (b) means, for purposes of determining business days in connection with Offshore Rate Loans, any day on which transactions are made in the applicable offshore dollar interbank market 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.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any Bank or of any corporation controlling a Bank.

"Capital Stock" means capital stock, membership interest, equity interest or other obligations or securities of, or any interest in, any Person.

"Cash Collateral" means currency issued by the United States and Marketable Securities that have been Cash Collateralized for the benefit of the Banks.

“Cash Collateralize” means to pledge and deposit with or deliver to the Collateral Agent, for the benefit of the Collateral Agent and the other Secured Parties, Cash Collateral as collateral for the Obligations pursuant to documentation in form and substance satisfactory to Collateral Agent (which documents are hereby consented to by the Banks). The Borrower hereby grants to the Collateral Agent, for the benefit of the Collateral Agent, the Issuing Banks and the Banks, a security interest in all such Cash Collateral. Cash Collateral shall be maintained in the Bank Blocked Account.

“Change of Control” means, at any time:

(a) Atmos Energy Corporation shall cease to own and control legally and beneficially, either directly or indirectly, Voting Interests in Atmos Energy Holdings, Inc. representing 100% of the combined voting power of all of the Voting Interests in Atmos Energy Holdings, Inc. (on a fully diluted basis); or

(b) Atmos Energy Holdings, Inc. shall cease to own and control directly or indirectly, beneficial interest in Equity Interests representing 100% of the economic equity interest in the Borrower.

“Chase” means JP Morgan Chase Bank N.A. (or any successor).

“Closing Date” means the date on which all conditions precedent set forth in Section 5.01 are satisfied or waived by all Banks.

“Code” means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

“Collateral” means all assets of the Borrower including, without limitation, all accounts, equipment, chattel paper, inventory, natural gas in transit, instruments, contract rights, the Bank Blocked Account, stock, partnership interests, and general intangibles, whether presently existing or hereafter acquired or created and the proceeds thereof.

“Collateral Agent” means BNP Paribas (and its successors and assigns permitted hereunder).

“Collateral Position” means the total availability under the Borrowing Base Advance Cap.

“Commitment Fee Rate” means, for any day, the rate per annum equal to 0.50%.

“Committed Line Portion” means for each Bank the portion of each of the Line limits assigned to such Bank as set forth on Schedule 2.01, as amended from time to time in accordance with Section 2.14(d).

“Committed Line Portion Addendum” has the meaning set forth in Section 11.21.

“ Committed Percentage ” means with respect to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s Committed Line Portion divided by the Total Committed Line Portion.

“ Compliance Certificate ” means a certificate, in form attached hereto as Exhibit C, whereby the Borrower certifies that it is in compliance with this Agreement.

“ Consolidated ” means the consolidation of accounts in accordance with GAAP.

“ Continuing Agreement for Letters of Credit ” means that certain Continuing Agreement for Letters of Credit, dated as of December 30, 2008, executed by the Borrower, and acknowledged by BNP Paribas, Fortis and Société Générale.

“ Contingent Obligation ” means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse, (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the “primary obligations”) of another Person (which obligations and Person are referred to herein as the “primary obligation” and the “primary obligor,” respectively), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a “ Guaranty Obligation ”); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered; or (d) in respect of any swap contract.

“ Contractual Obligation ” means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

“ Conversion/Continuation Date ” means any date on which, under Section 2.04, the Borrower (a) converts Loans of one Type to another Type, or (b) continues such Loans as Loans of the same Type, but with a new Interest Period.

“ Cost of Funds ” means with respect to any Bank, the rate per annum quoted by such Bank to the Administrative Agent as contemplated in the Reference Bank Cost of Funds Rate as its cost of funds with respect to a requested Loan, as determined solely by such Bank in its reasonable discretion which determination may include, without limitation, such factors as

such Bank shall deem appropriate from time to time, including without limitation, market, regulatory and liquidity conditions; provided that such rate is not necessarily the cost to such Bank of funding the specific requested Loan, and may exceed such Bank's actual cost of borrowing in the interbank market or other markets in which such Bank may obtain funds from time to time for amounts similar to the amount of the requested Loan.

“Credit Extension” means and includes (a) the making of any Loans hereunder, and (b) the Issuance of any Letters of Credit hereunder.

“Cross-Affiliate Creditor” means as of any date of determination, with respect to any Cross-Affiliate Pair, each entity, if any, with a positive Swap Bank Close-Out Amount or Physical Trade Bank Close-Out Amount, as applicable. For the avoidance of doubt as of any date of determination (i) both entities comprising a Cross-Affiliate pair might qualify as Cross-Affiliate Creditors, and (ii) a Cross-Affiliate Creditor is an entity that is owed money by Borrower under a SPT Contract (or would be owed money by the Borrower if its SPT Contracts were terminated as of such date of determination).

“Cross-Affiliate Debtor” means as of any date of determination, with respect to any pair of Cross-Affiliate Pair, each entity, if any, with a negative Swap Bank Close-Out Amount or Physical Trade Bank Close-Out Amount, as applicable. For the avoidance of doubt as of any date of determination (i) both entities comprising a Cross-Affiliate Pair may qualify as Cross-Affiliate Debtors and (ii) a Cross-Affiliate Debtor is an entity that owes money to the Borrower under a SPT Contract (or would owe money to the Borrower if its SPT Contracts were terminated as of such date of determination).

“Cross-Affiliate Netting Lien” means any pledge by the Borrower securing only obligations under a SPT Contract in favor of a Cross-Affiliate Creditor of general intangibles or receivables due from the affiliated Cross-Affiliate Debtor to the Borrower under a Swap Contract or Physical Trade Contract (as the case may be). For the avoidance of doubt, a Cross-Affiliate Netting Lien will be available only where one Cross-Affiliate Pair entity is a Cross-Affiliate Creditor and the other entity is a Cross-Affiliate Debtor.

“Cross-Affiliate Pair” means (i) any Swap Bank that is an Affiliate of a Physical Trade Bank and (ii) any Physical Trade Bank that is an Affiliate of a Swap Bank, in each case, so long as the affiliated Swap Bank and Physical Trade Bank are separate legal entities.

“Cumulative Loss” means the consolidated net loss of the Borrower and its Subsidiaries for the twelve (12) calendar months immediately prior to the calendar month of such determination date, as defined according to GAAP (not including other comprehensive income), adjusted to (i) negate the impact of the Basis Swap Cumulative Mark-to-Market Amount, and (ii) reflect (A) Embedded Value Difference from General Ledger for the Fixed Price Book, and (B) Embedded Value Difference from General Ledger for the Storage Book.

“Current Assets” means, with respect to any Person on any date of determination, all assets of such Person and its Subsidiaries that, in accordance with GAAP, would be classified as current assets on the balance sheet of a Person conducting a business the same as or similar to that of such Person, after deducting appropriate and adequate reserves therefrom in accordance with GAAP, determined on a Consolidated basis, and excluding any accounts receivable owed by any Affiliate of the Borrower to the extent such accounts receivable arose in transactions conducted other than on an arms-length basis.

“Current Liabilities” means, with respect to any Person on any date of determination, all liabilities of such Person and its Subsidiaries that, in accordance with GAAP, would be classified as current liabilities on the balance sheet of a Person conducting a business the same as or similar to that of such Person, as determined on a Consolidated basis, but excluding to the extent otherwise included therein any current portion of the Subordinated Debt.

“Default” means any event or circumstance which, with the giving of notice, the lapse of time, or both, would constitute an Event of Default.

“Default Rate” has the meaning ascribed to such term in Section 2.08(a)(iii) hereof.

“Defaulting Bank”: means at any time any Bank that (a) within one Business Day of when due, has failed to fund any portion of any Revolving Loan, Swing Line Loan, Refunded Swing Line Loan, Swing Line Participation Amount or L/C Advance (or any participation in the foregoing) to the Borrower, the Administrative Agent, any Swing Line Bank or Issuing Bank, required pursuant to the terms of this Agreement to be funded by such Bank, or has notified the Administrative Agent that it does not intend to do so; (b) within one Business Day of when due, has failed to pay over to the Administrative Agent or any other Bank any amount other than as set forth in clause (a) above, required to be paid by such Bank pursuant to the terms hereof, unless such amount is the subject of a good faith dispute; or (c) that has become subject to a bankruptcy proceeding or other similar proceeding as debtor. With respect to any Bank that is a “Defaulting Bank” pursuant to clauses (a) or (b) above, upon such “Defaulting Bank” paying all amounts owed to the applicable Bank(s) or the Administrative Agent pursuant to the terms hereof, as reasonably determined by such Bank(s), Issuing Banks, the Swing Line Bank, and the Administrative Agent, as applicable, such “Defaulting Bank” shall cease to be a “Defaulting Bank;” provided, however, for the avoidance of doubt, any interest that accrued under this Agreement on any amount that a Defaulting Bank failed to advance, shall be for the account of the party that advanced such amount (or parties on a pro rata basis if more than one Bank advanced such amount), from the time such advance was made by the applicable Bank(s) until, but not including, the date that the Defaulting Bank made the applicable payment or advance (as the case may be) to such Bank(s).

“Delta” in relation to an option contract referencing Product, the change in the option premium under such option for a one unit change in the price of the underlying Product.

“Delta Equivalent Basis” the method of calculating the quantity of cash (or futures) position in Product that will theoretically hedge an option position against an adverse change in the price of any underlying Product by multiplying the Delta of the option by the relevant contract size or nominal amount.

“Documentation Agent” means Fortis in its capacity as documentation agent for the Banks hereunder (and its successors and assigns permitted hereunder).

“Dollars,” and “\$” each mean lawful money of the United States.

“Effective Amount” means (a) with respect to Loans as of any date, the aggregate outstanding principal amount of Loans on such date after giving effect to any Borrowings and prepayments or repayments of Loans occurring on such date; and (b) with respect to L/C Obligations as of any date, the aggregate outstanding amount of L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including changes as a result of expiration or cancellation, any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Effective Amount Percentage” means with respect to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s Effective Amount divided by the aggregate sum of the Effective Amount of all Banks.

“Eligible Accounts” means, at the time of any determination thereof, each of the Borrower’s Accounts as to which the following requirements have been fulfilled to the satisfaction of the Required Banks:

(a) Such Account (i) if for an amount in excess of \$1,000,000, is acceptable to the Required Banks in their sole discretion exercised in good faith (which accounts shall be subject to a credit limit, which credit limit shall be, as of the Closing Date, set forth on Schedule 1.01-A, which limits may be amended from time to time as agreed between the Borrower and the Administrative Agent (at the direction of the Required Banks)) and either (x) is the result of a sale to a Tier I or Tier II Account Party, or (y) is secured by letters of credit in form acceptable to the Required Banks in their sole discretion exercised in good faith and issued by banks approved by the Required Banks in their sole discretion exercised in good faith, or (ii) if for an amount of \$1,000,000 or less, such Account will be included as a Tier II Account unless such Account has been previously approved by the Required Banks as a Tier I Account, whether or not the account debtor on such account has been previously approved as a Tier II Account Party;

(b) Borrower has lawful and absolute title to such Account;

(c) Such Account is a valid, legally enforceable obligation of the Person who is obligated under such Account for goods actually delivered or to be delivered to such Account Debtor in the ordinary course of the Borrower’s business;

(d) Such Account shall have excluded therefrom any portion that is subject to any dispute, offset, counterclaim, net Unrealized Mark-to-Market Loss (on a counterparty by counterparty basis), or other claim or defense on the part of the Account Debtor or to any claim on the part of the Account Debtor denying liability under such Account; provided, however, that in the event that the portion that is subject to any such dispute, counterclaim or other claim or defense is secured with a Letter of Credit, such portion secured by the Letter of Credit shall not be excluded;

(e) Such Account is not evidenced by any chattel paper, promissory note or other instrument;

(f) Such Account is subject to a fully perfected first priority security interest in favor of the Administrative Agent pursuant to the Loan Documents, prior to the rights of, and enforceable as such against, any other Person, and such Account is not subject to any security interest or Lien in favor of any Person other than the Liens of the Banks pursuant to the Loan Documents;

(g) Such Account shall have excluded therefrom any portion which is not payable in Dollars in the U.S.;

(h) Such Account has been due and payable for 15 days or less (or 30 days or less, if the Account Debtor is a Governmental Authority) from the date of the invoice and no extension or indulgence has been granted extending the due date beyond a 15-day period (or 30 days, as the case may be), except if such Account by its terms provides for a 15-day payment period, then such Account shall be eligible for up to 30 days from the date of invoice, or as otherwise approved by the Required Banks in writing; and

(i) No Account Debtor in respect of such Account is (i) incorporated in or primarily conducting business in any jurisdiction outside of the U.S., unless such Account Debtor and the Account is approved by the Required Banks and the Borrower is notified in writing by the Administrative Agent, or (ii) an Affiliate of the Borrower, other than Atmos Energy Corporation, provided, that as long as Atmos Energy Corporation maintains an S&P rating of BBB or a Moody's rating of Baa2 or better, and such Accounts would otherwise qualify as Eligible Accounts, Accounts of Atmos Energy Corporation (and its Subsidiaries and Affiliates that have been approved by Agents as Tier I Account Parties) may be included as Tier I Accounts to the extent that such Accounts do not exceed 50% of Borrower's total Accounts, provided, further, should Atmos Energy Corporation not maintain such ratings, and such Accounts would otherwise qualify as Eligible Accounts, Accounts of Atmos Energy Corporation may be included, subject to the approval of the Required Banks, as Eligible Accounts as a Tier I Account or a Tier II Account.

(j) The balance of such Account shall be the net of, in each case (i) any accounts payable owing to the Account Debtor by the Borrower on such Account and (ii) after application thereof to any Eligible Exchange Receivables, Unbilled Eligible Accounts, and Realizable Unrealized Profits with such Account Debtor, other offsets against amounts owed to such Account Debtor, whether in respect of unbilled purchases, out-of-the-money positions or unperformed contracts for purchase.

"Eligible Assignee" means (a) a commercial bank organized under the laws of the United States, or any state thereof and having a combined capital and surplus of at least \$100,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000, provided, however, that such bank is acting through a branch or agency located in the United States; and (c) a Person that is primarily engaged in the business of commercial

lending and that is (i) a Subsidiary of a Bank (or bank referred to in the preceding clauses (a) or (b)), (ii) a Subsidiary of a Person of which a Bank (or bank referred to in the preceding clauses (a) or (b)) is a Subsidiary, or (iii) a Person of which a Bank (or bank referred to in the preceding clauses (a) or (b)) is a Subsidiary.

“Eligible Broker” means Newedge Broker Ltd., BNP Paribas, or Fortis, or any Affiliate of BNP Paribas, Fortis or Société Générale, or any broker approved in writing by the Agents and the Banks.

“Eligible Commodity Futures Accounts” means an account or accounts with an Eligible Broker, in which the Collateral Agent is granted a first and prior security interest as Collateral Agent for the Banks pursuant to Hedging Assignments which security interest is subject only to the rights of the Eligible Broker under such accounts.

“Eligible Exchange Receivables” means all enforceable rights of the Borrower to receive Product in exchange for the sale or trade of Product previously delivered to the exchange debtor by the Borrower valued at an independent posting and which (a) are evidenced by a written agreement enforceable against the exchange debtor thereof, (b) are current pursuant to the terms of the contract or invoice, (c) are subject to a perfected, first Lien in favor of the Administrative Agent for the benefit of the Banks subject only to Permitted Liens, and no other Lien, charge, offset or claim, (d) are not the subject of a dispute between the exchange debtor and the Borrower, (e) are valued at Platt’s spot market price or an independent posting acceptable to the Required Banks in their sole discretion exercised in good faith, (f) if arising pursuant to contracts involving an amount in excess of \$1,000,000, are contracts by exchangers pre-approved by the Required Banks in their sole discretion exercised in good faith, or contracts secured by letters of credit in form acceptable to the Required Banks in their sole discretion exercised in good faith and issued by banks approved by the Required Banks in their sole discretion exercised in good faith, (g) have not been otherwise determined by the Required Banks in their sole discretion exercised in good faith to be unacceptable to them, and (h) are the net of, in each case (i) any payables owing to such exchange debtor by the Borrower and (ii) after application thereof to any Eligible Accounts, Unbilled Eligible Accounts, and Realizable Unrealized Profits with such Account Debtor, other offsets against amounts owed to such exchange debtor, whether in respect of unbilled purchases, out-of-the-money positions or unperformed contracts for purchase. The Product and Account relating to or creating any Eligible Exchange Receivable shall not be simultaneously included in any other availability calculation, including, without limitation, Undelivered Product Value, Eligible Inventory or Eligible Accounts.

“Eligible Inventory” means, at the time of determination thereof, all of the Borrower’s inventory stored in terminals (and provided the terminal owners are subject to approval by the Required Banks in their sole discretion exercised in good faith) valued at the lower of cost or current market price (as referenced by a published source acceptable to the Required Banks in the exercise of reasonable discretion), and in all instances as to which the following requirements have been fulfilled to the satisfaction of the Required Banks:

(a) The inventory is owned by the Borrower free and clear of all Liens in favor of third parties, except Liens in favor of the Banks under the Loan Documents and except for Permitted Liens;

(b) The inventory has not been identified to deliveries with the result that a buyer would have rights to the inventory that would be superior to the Administrative Agent's security interest for the benefit of the Banks, nor shall such inventory have become the subject of a customer's ownership or Lien;

(c) The inventory is in transit in the U.S. under the control and ownership of the Borrower or is in a pipeline or a bill of lading has been issued to the Administrative Agent if such inventory is in the hands of a third party carrier or is located in the U.S. at the locations described on Schedule 7.03(f), or at such other place as has been specifically agreed to in writing by the Banks and the Borrower; and

(d) The inventory is subject to a fully perfected first priority security interest in favor of the Administrative Agent for the benefit of the Banks pursuant to the Loan Documents.

" Embedded Value Difference from General Ledger for the Fixed Price Book " means, at any time of determination, the Fixed Price Book Embedded Value determined as of the date of the Borrower's most recent financial statements at such time minus the net balance sheet value associated with the fixed price natural gas physical delivery contracts and the associated financial positions hedging such delivery contracts on the most recent consolidated balance sheet of the Borrower at such time.

" Embedded Value Difference from General Ledger for the Storage Book " means, at any time of determination, the Storage Book Embedded Value determined as of the date of the Borrower's most recent financial statements at such time *minus* the amount of gains and losses due to the mark to market treatment of the derivative positions and natural gas inventory of the Borrower and its Subsidiaries recorded on the most recent consolidated balance sheet of the Borrower at such time.

" Embedded Value Report " means a report substantially in form attached hereto as Exhibit I.

" Environmental Claims " means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

" Environmental Laws " means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership, beneficial or profit interests in) such Person, all of the warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership, beneficial or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership, beneficial or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and all of the other ownership, beneficial or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Eurodollar Reserve Percentage” means for any day for any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Bank) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

“Event of Default” means any of the events or circumstances specified in Section 9.01.

“Excess Tangible Net Worth” means the excess of (a) the arithmetic mean of the Borrower’s Tangible Net Worth for the consecutive six calendar month period ended on the last day of the calendar month for which financial statements have been most recently delivered pursuant to Section 7.01(c), over (b) the arithmetic mean of the minimum Tangible Net Worth amount for each month in such period which corresponds to the highest Borrowing Base Sub-Cap selected by the Borrower for such period.

“Exchange Act” means the Securities and Exchange Act of 1934, as amended, and regulations promulgated thereunder.

“Existing Bank” has the meaning ascribed to such term in Section 2.14(e) hereof.

“Existing Effective Amount” has the meaning ascribed to such term in Section 2.14(e) hereof.

“Existing Letters of Credit” means all letters of credit described on Schedule 3.10 hereto.

“Expiration Date” means the earliest to occur of:

(a) December 30, 2009; or

(b) the date an Event of Default occurs.

“FDIC” means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

“Federal Funds Effective Rate” means for any day, the rate per annum equal to the weighted average of the interest rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“Fixed Price Book Embedded Value” means, at any time, the forecasted gross profit margin from the Borrower’s forward fixed price sales and purchase commitments for natural gas then in effect reasonably determined based on contracted fixed price physical sales and purchases of natural gas at such time and the associated financial positions hedging those transactions, without regard to associated credit or market risks inherent in the natural gas industry (it being understood for the avoidance of doubt that realization of the Fixed Price Embedded Value is contingent on the performance of those contracts, including the physical delivery or acceptance or the otherwise net settlement of the physical and financial trades).

“Fortis” means Fortis Bank SA/NV, New York Branch, a Belgium corporation.

“FRB” means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

“Further Taxes” means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholding or similar charges (including, without limitation, net income taxes and franchise taxes), and all liabilities with respect thereto, imposed by any jurisdiction on account of amount payable or paid pursuant to Section 4.01.

“GAAP” means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Guarantor” means Atmos Energy Holdings, Inc.

“Guaranty” means an Amended and Restated Guaranty Agreement, dated as of the date hereof, which has been executed by a Guarantor and delivered to the Administrative Agent for the benefit of the Banks.

“Guaranty Obligation” has the meaning specified in the definition of “Contingent Obligation.”

“Hedging Assignment” means a security agreement among Borrower, the Administrative Agent and an Eligible Broker relating to the collateral assignment to the Administrative Agent, as collateral agent for the Banks, of all sums owing from time to time to Borrower with respect to an Eligible Commodities Futures Account, such agreement to be in form and substance acceptable to the Required Banks in the exercise of reasonable discretion.

“Honor Date” has the meaning specified in Subsection 3.03(b).

“Indebtedness” of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all obligations with respect to capital leases; (g) all payment obligations with respect to swap contracts and physical trade contracts (including, for the avoidance of doubt, all SPT Contracts); (h) all indebtedness referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness; and (i) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above.

“Indemnified Liabilities” has the meaning specified in Section 11.05.

“Indemnified Person” has the meaning specified in Section 11.05.

“Independent Auditor” has the meaning specified in Subsection 7.01(a).

“Insolvency Proceeding” means, with respect to any Person (a) any case, action or proceeding with respect to such Person before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

“Intercreditor Agreement” means the Amended and Restated Intercreditor Agreement dated as of December 30, 2008, among the Agent, the Banks, the Swap Banks and the Physical Trade Banks relating to, among other things, the sharing of Collateral with and among the Swap Banks and Physical Trade Banks upon the occurrence of a Sharing Event.

“Interest Payment Date” means, as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and, as to any Base Rate Loan, the later to occur of (i) the fifth Business Day of each month and (ii) two Business Days following receipt of a final invoice for the same.

“Interest Period” means, as to any Offshore Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Loan, and ending one week, two weeks, one month or two months later as selected by the Borrower as the ending date thereof in its Notice of Borrowing or Notice of Conversion/Continuation;

provided, however, that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period pertaining to an Offshore Rate Loan that 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 the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Expiration Date.

“IRS” means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code.

“Issuance Cap” means an amount equal to the sum of all Issuing Bank Sub-Limits.

“Issuing Bank Sub-Limit” means, with respect to each Issuing Bank, the limit set opposite such Issuing Bank under the heading “Sub-Limit” in the table below; provided that while any Bank qualifies as a Defaulting Bank hereunder, each Bank’s “Sub-Limit” shall be reduced to an amount equal, the product of (a) such Issuing Bank’s Issuing Percentage Cap (expressed as a decimal, rounded to the ninth decimal place) at such time multiplied by (b) the Total Available Committed Line Portion at such time, rounded to the nearest whole dollar.

<u>Issuing Bank</u>	<u>Sub-Limit</u>
BNP Paribas	\$150,000,000
Fortis	\$150,000,000
Société Générale	\$108,600,000

“Issuing Percentage Cap” means, with respect to each Issuing Bank, the percentage set opposite such Issuing Bank under the heading “Issuing Percentage” in the table below, as such amounts may be amended from time to time pursuant to Section 11.01 hereof:

<u>Issuing Bank</u>	<u>Issuing Percentage</u>
BNP Paribas	40.00%
Fortis	40.00%
Société Générale	28.96%

“Issue” means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms “Issued,” “Issuing” and “Issuance” have corresponding meanings.

“Issuing Banks” means Fortis, BNP Paribas, or Société Générale, (or any Affiliate of the foregoing), each in its capacity as an issuer of one or more Letters of Credit hereunder.

“L/C Advance” means each Bank’s participation in any L/C Borrowing or Reducing L/C Borrowing in accordance with its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Agreement, with respect to each Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable).

“L/C Amendment Application” means an application form for amendment of outstanding standby or commercial documentary letters of credit as shall at any time be in use at any Issuing Bank, as such Issuing Bank shall request.

“L/C Application” means an application form for Issuances of standby or commercial documentary letters of credit as shall at any time be in use at any Issuing Bank, as such Issuing Bank shall request.

“L/C Borrowing” means an extension of credit resulting from either a drawing under any Letter of Credit or a Reducing L/C Borrowing, which extension of credit shall not have been reimbursed on the date when made nor converted into a Borrowing of Revolving Loans under Subsection 3.03(c).

“L/C Cap” means, at any time, the maximum availability for Issuance of Letters of Credit under the Borrowing Base Line which shall be an amount equal to the Borrowing Base Advance Cap, at such time, minus the Effective Amount of the then outstanding Loans.

“L/C Obligations” means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed drawings under all Letters of Credit, including all outstanding L/C Borrowings.

“L/C-Related Documents” means the Letters of Credit, the L/C Applications, the L/C Amendment Applications, the Continuing Agreement for Letters of Credit, and any other document relating to any Letter of Credit, including, but not limited to, any Issuing Bank’s standard form documents for letter of credit issuances.

“Lending Office” means, as to any Bank, the office or offices of such Bank specified as its “Lending Office” on Schedule 11.02, or such other office or offices as such Bank may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit Facility” means, at any time, the undertaking to provide Letters of Credit in an amount equal to the lesser of (a) the Total Available Committed Line Portions at such time and (b) \$450,000,000, as such amount may be reduced at or prior to such time pursuant to this Agreement.

“Letters of Credit” means (a) any letters of credit (whether standby letters of credit or commercial documentary letters of credit) Issued by an Issuing Bank pursuant to Article III, (b) any Reducing Letters of Credit, (c) any of the Existing Letters of Credit, (d) any 360-Day Letters of Credit, and (e) any TLGP Letters of Credit.

“LIBOR” means with respect to each day during each Interest Period pertaining to an Offshore Rate Loan, the rate per annum determined on the basis of the rate for deposits in United States Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Reuters Reference LIBOR 01 (or otherwise on such screen) at approximately, with respect to any “revocable” Notice of Borrowing or Notice of Conversion/Continuation (as applicable), 11:00 am (London time) three (3) Business Days prior to the first day of such Interest Period, and with respect to any “irrevocable” Notice of Borrowing or Notice of Conversion/Continuation (as applicable), 11:00 am (London time) two

(2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear or shall cease to be available from Reuters Reference LIBOR 01, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to the Administrative Agent and the Borrower.

“Lien” means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge, encumbrance, or lien, statutory or other in respect of any property, including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law.

“Line” means the Borrowing Base Line.

“Loan” means any extension of credit by a Bank to the Borrower under Article II or Article III in the form of a Revolving Loan, Swing Line Loan, an L/C Advance, or Unilateral Overage Advance.

“Loan Documents” means this Agreement, the Notes, the Guaranty, the Security Documents, the L/C-Related Documents, SPT Contracts, the Three Party Agreement, the Atmos Support Agreement, the Intercreditor Agreement, the Mellon Control Agreement and all other documents delivered to the Administrative Agent or any Bank in connection herewith.

“Lock Box” has the meaning specified in Section 7.14.

“Long Position” means the aggregate number of MMBTUS of Product, including that of the Prompt Month, which are either held in inventory by the Borrower or which the Borrower has contracted to purchase (whether by purchase of a contract on a commodities exchange or otherwise), or which the Borrower will receive on exchange or the notional quantity under a swap contract including, without limitation, all option contracts (calculated on a Delta Equivalent Basis) representing the obligation of the Borrower to purchase Product at the option of a third party, and in each case, for which a fixed purchase price has been set. Long Positions will be expressed as a positive number.

“Margin Stock” means “margin stock” as such term is defined in Regulation T, U or X of the FRB.

“Mark-to-Market” means, the method of accounting used to account for derivative commodity instruments entered into for trading purposes, in accordance with EITF 98-10, “Accounting for Energy Trading and Risk Management Activities” and any future open obligation.

“Marketable Securities” means (a) certificates of deposit issued by any bank with a Fitch rating of A or better, (b) commercial paper rated P-1, A-1 or F-1, (c) bankers acceptances rated prime, or (d) U.S. Government obligations with tenors of 90 days or less.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, assets, properties, management or financial condition of the Borrower or the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower to perform under any Loan Document and to avoid any Event of Default, or (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Loan Document against the Borrower or any of its Subsidiaries.

“Maturity Date” means March 29, 2010.

“Maximum Line” means \$450,000,000.

“Mellon Control Agreement” means that certain Amended and Restated Control Agreement, dated as of December 30, 2008 among the Borrower, The Bank of New York Mellon (as successor to Mellon Bank, N.A.), as securities intermediary, and BNP Paribas, as agent for the Secured Parties.

“Multiemployer Plan” means a “multiemployer plan,” within the meaning of Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three (3) calendar years, has made, or been obligated to make, contributions.

“Net Position” means the sum of all Long Positions and Short Positions of the Borrower.

“Net Position Report” means a report in form attached hereto as Exhibit F.

“Net Position Value” has the meaning ascribed to such term in Section 8.11 hereof.

“Net Working Capital” means, as to the Borrower and its Subsidiaries, the excess of Current Assets (minus all amounts due from employees, owners, Subsidiaries and Affiliates other than Accounts of Atmos Energy Corporation and its Subsidiaries and Affiliates permitted to be included as Eligible Accounts in the calculation of the Borrowing Base Advance Cap) over Current Liabilities (excluding the current portion of the Subordinated Debt), *minus* (a) the net impact on the value of Net Working Capital attributable to accumulated other comprehensive income, as of the date of determination prepared in accordance with GAAP, *minus* (b) investments in Capital Stock, and (c) adjusted to negate the impact of the Basis Swap Cumulative Mark-to-Market Amount.

“Non-Defaulting Banks” means, at any time, each Bank that is not a Defaulting Bank at such time.

“Notes” means the promissory notes executed by the Borrower in favor of a Bank pursuant to Subsection 2.02(b), in form approved by the Banks. A Note will be issued by the Borrower to each entity that becomes a Bank hereunder from time to time, but will not be issued to Participants of a Bank.

“Notice of Borrowing” means the applicable notice in substantially the form of Exhibit A.

“Notice of Conversion/Continuation” means a notice in substantially the form of Exhibit B.

“Obligations” means all advances, debts, liabilities, obligations, covenants and duties arising under (a) any Loan Document, owing by the Borrower to any Bank, or any affiliate of any Bank, Agents, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising, including, without limitation, all obligations of the Borrower under Revolving Loans, Swing Line Loans, and with respect to Letters of Credit, (b) any Swap Contract, and (c) any Physical Trade Contract.

“Offshore Effective Amount” means the product of the principal amount of an Offshore Rate Loan or requested Offshore Rate Loan and the number of days in the applicable Interest Period for such Offshore Rate Loan.

“Offshore Rate” means, for any Interest Period, pertaining to Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by Agents as follows:

$$\text{Offshore Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

“Offshore Rate Loan” means a Loan that bears interest based on the Offshore Rate.

“One-Year NYMEX Natural Gas Strip” means, for any date of determination, the average of the monthly NYMEX price of natural gas for the succeeding twelve-month period.

“Organization Documents” means (a) for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation, (b) for any partnership, the partnership agreement, and all other documents or filings as may be required by the Secretary of State (or other applicable governmental agency) in the state of such partnership’s formation, and (c) for any limited liability company, the certificate or articles of formation or organization and the operating agreement and any other organizational or governing documents of such limited liability company.

“Original Credit Agreement” has the meaning ascribed to such term in the Recitals hereto.

“ Other Taxes ” means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

“ Participant ” has the meaning specified in Subsection 11.08(d).

“ PBGC ” means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

“ Pension Plan ” means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

“ Permitted Liens ” has the meaning specified in Section 8.01.

“ Person ” means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

“ Physical Trade Bank ” means each of (a) Fortis Bank SA/NV, New York Branch, BNP Paribas, Société Générale, and The Royal Bank of Scotland plc, or their respective Affiliates, and (b) any other Bank or any Affiliate thereof approved by the Required Banks, in the case of each of the foregoing clauses, in its capacity as a party to a Physical Trade Contract, to the extent that such Bank, or its Affiliate (as the case may be) signs and becomes a party to the Intercreditor Agreement prior to entering into such Physical Trade Contract.

“ Physical Trade Bank Close-Out Amount ” has the meaning ascribed to such term in the Intercreditor Agreement.

“ Physical Trade Contract ” means any agreement entered between a Physical Trade Bank and the Borrower, whether or not in writing, relating to any single transaction 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, unless the context clearly requires, any master agreement relating to or governing any or all of the foregoing.

“ Physical Trade Delivery-Related Standby Letter of Credit ” means any Physical Trade-Related Standby Letter of Credit issued to support payment obligations of the Borrower owed or to become due to a Physical Trade Bank for natural gas that has been delivered or will be delivered to the Borrower by such Physical Trade Bank.

“ Physical Trade-Related Standby Letter of Credit ” means any Letter of Credit issued under the Letter of Credit Facility to support obligations of the Borrower under a Physical Trade Contract.

“Plan” means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Borrower sponsors or maintains or to which the Borrower makes, is making, or is obligated to make contributions and includes any Pension Plan.

“Product” means natural gas.

“Pro Rata Advance Share” means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s Committed Line Portion divided by the Total Committed Line Portions.

“Pro Rata Adjusted Advance Share” means, at any time that one or more Banks qualifies as a Defaulting Bank hereunder, with respect to each Non-Defaulting Bank, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s Committed Line Portion divided by the Total Committed Line Portions (excluding the Total Committed Line Portions of all Defaulting Banks); provided that the application of the Pro Rata Adjusted Advance Share shall in no event result in a Non-Defaulting Bank being obligated to extend credit in an amount in excess of its Committed Line Portion, and no adjustment to a Non-Defaulting Bank’s Committed Line Portion shall arise from such Non-Defaulting Bank’s agreement herein to fund in accordance with its Pro Rata Adjusted Advance Share.

“Pro Rata Payment Share” means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s total Effective Amount divided by the combined total Effective Amount of all Banks.

“Prompt Month” means, as of any Reporting Effective Date, the month following the month such reporting occurs.

“Realizable Unrealized Profits” means at any time, the sum of the Borrower’s net unrealized cash market profits realizable within six months from such time, from Accounts of the Borrower which are Eligible Accounts (other than the requirement of subparagraph (h) in the definition of “Eligible Accounts”) and which are attributable to Product which has been contracted to be delivered to an Account Debtor, net of, in each case (on a counterparty by counterparty basis) (i) any Unrealized Mark-to-Market Losses payable owing to the Account Debtor from the Borrower on such Account and (ii) after application thereof to any Eligible Accounts, Eligible Exchange Receivables, and Unbilled Eligible Accounts with such Account Debtor, other offsets against amounts owed to such Account Debtor, whether in respect of unbilled purchases, or unperformed contracts for purchase.

“Reducing Letters of Credit” means any letters of credit (whether standby letters of credit or commercial documentary letters of credit) that (a) are Issued by an Issuing Bank pursuant to Article III, and (b) specifically provide that the amount available for drawing under such letters of credit will be reduced, automatically and without any further amendment or endorsement to such letters of credit, by the amount of any payment or payments made to the beneficiary of such Letter of Credit by the Borrower if such payment or payments (i) are made through a bank and (ii) reference such letters of credit by the letter of credit numbers thereof, notwithstanding the fact that such payment or payments are not made pursuant to conforming and proper draws under such letters of credit.

“Reducing L/C Borrowing” means any extension of credit by the Banks to the Borrower for the purpose of funding any payment or payments made to the beneficiary of a Reducing Letter of Credit by the Borrower if such payment or payments (a) are made through the Issuing Bank of such Reducing Letter of Credit, (b) reference the Reducing Letter of Credit by the letter of credit number thereof and (c) are not made pursuant to a conforming and proper draws under such Reducing Letter of Credit.

“Reference Bank Cost of Funds Rate” means an average rate determined from time to time as a simple average of the Cost of Funds rates submitted at the sole discretion of the Non-Defaulting Banks (at the request of the Administrative Agent, it being understood that any Non-Defaulting Bank will have the right to elect not to submit its Cost of Funds to the Administrative Agent (as contemplated below)), which average rate shall be calculated as follows, with respect to each determination date: (i) a simple average of all of the Cost of Funds rates submitted by the Banks with respect to such determination date; (ii) if more than sixty percent (60%) of the Banks holding a Committed Line Portion as of the applicable determination date submit Cost of Funds rates with respect to any determination date, the highest and the lowest submitted rates shall be excluded from the calculation of the simple average; and (iii) the minimum number of Cost of Funds rates to be used to calculate the simple average shall not be less than half the number of Banks (including Defaulting Banks) holding a Committed Line Portion as of the applicable determination date. If the number of submitted Cost of Funds rates, with respect to any determination date, is fewer than the minimum number of Cost of Funds rates required pursuant to clause (iii) above, then the highest of the Offshore Rates determined as of such determination date based on a LIBOR period lasting (w) one-week, (x) two-weeks, (y) one-month or (z) two-months, shall be used in substitution for each such rate fewer than the minimum number of Cost of Funds rates required pursuant to clause (iii) above so that the average rate shall be determined from a number of rates equal to the minimum number of Cost of Funds rates required pursuant to clause (iii) above (even if, for the avoidance of doubt, such Offshore Rate is used multiple times for the purposes of such calculation).

Upon the Administrative Agent’s receipt of a Notice of Borrowing, the Administrative Agent shall promptly request each Non-Defaulting Bank to submit its Cost of Funds rate for purposes of calculating the Reference Bank Cost of Funds Rate. Each Non-Defaulting Bank shall provide its Cost of Funds rate to the Administrative Agent no later than 10:00 am (New York City time) on the Business Day immediately succeeding the day on which such Cost of Funds rate was requested by the Administrative Agent (such Business Day, the “Determination Date”). Any Non-Defaulting Bank that fails to submit a Cost of Funds rate by such time on the Determination Date shall be deemed to have elected not to submit a Cost of Funds rate with respect to such Notice of Borrowing. The Administrative Agent shall calculate the “Reference Bank Cost of Funds Rate” in accordance with the procedures set forth above and shall provide such rate to the Borrower no later than (i) with respect to any “revocable” Notice of Borrowing, 11:00 am (New York City time) on the Determination Date, and (ii) with respect to any “irrevocable” Notice of Borrowing, noon (New York City time) on the Determination Date, which rate, in each case, shall be provided to the Borrower as a simple average rate, without identifying the underlying rates submitted by the Banks. Notwithstanding any provisions to the

contrary in this Agreement, with respect to any Notice of Borrowing that is designated a “revocable” notice by the Borrower (by checking the appropriate box on such Notice of Borrowing), the Borrower shall be permitted to revoke such Notice of Borrowing by providing a written refusal to borrow to the Administrative Agent not later than 2:00 pm (New York City time) on the Determination Date; provided that the Borrower shall be permitted to invoke such refusal to borrow not more than three times in any calendar month. If no refusal to borrow is received by the Administrative Agent prior to 2:00 pm (New York City time) on a Determination Date, the Administrative Agent will promptly provide each Bank with a confirmed Notice of Borrowing confirming the initial Notice of Borrowing and the applicable rate that shall initially apply to such Borrowing.

For each Business Day that a Base Rate Loan is outstanding under this Agreement, on or prior to 10:00 am on each such day, the Administrative Agent shall communicate its “prime rate” to each Bank and shall request each Bank to notify the Administrative Agent by not later than noon (New York City time) on such Business Day whether such Bank’s Cost of Funds exceeds such “prime rate”. Any Bank that does not provide notice to the Administrative Agent with respect to its Cost of Funds prior to noon (New York City time) on such Business Day shall be deemed to have confirmed to the Administrative Agent that such Bank’s Cost of Funds does not exceed such “prime rate”. On or prior to 3:00 pm on such Business Day, the Administrative Agent shall communicate any change in the applicable Base Rate, if any, to each Bank and the Borrower.

“Refunded Swing Line Loan” has the meaning specified in Section 2.03

“Replacement Bank” has the meaning specified in Section 4.08.

“Reportable Event” means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

“Reporting Effective Date” means the effective date of any report required to be made hereunder.

“Requested TCL Increase Effective Date” has the meaning ascribed to such term in Section 2.14(a) hereof.

“Required Banks” means, at any time, the Banks that hold at least two-thirds of the Total Available Committed Line Portion at such time, which amount shall, for the avoidance of doubt, be allocated to each Non-Defaulting Bank in an amount equal to its Total Committed Line Portion, and to each Defaulting Bank, its Effective Amount thereof, in each case at such time.

“Requirement of Law” means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

“Responsible Officer” means the chief executive officer and the president of the Borrower or, with respect to financial matters, the chief financial officer of the Borrower, or such other officer of the Borrower that is acceptable to the Agents in the exercise of reasonable discretion.

“Revolving Loan” has the meaning specified in Section 2.01.

“Revolving Loan Dollar Advance Cap” means a cap upon Revolving Loans under the Borrowing Base Line (based on the applicable Borrowing Base Sub-Cap level listed below), with the following limits (and the related Advance Cap Percentage limits):

<u>Borrowing Base Sub-Cap</u>	<u>Revolving Loan Dollar Advance Cap</u>	<u>Advance Cap Percentage</u>
\$300,000,000	\$175,000,000	58.33%
\$350,000,000	\$210,000,000	60.00%
\$400,000,000	\$240,000,000	60.00%
\$450,000,000	\$280,000,000	62.22%

The “Revolving Loan Dollar Advance Cap” set forth opposite each Borrowing Base Sub-Cap level above shall be reduced, as of any date of determination of such cap, dollar for dollar by the aggregate amount of (i) the then-outstanding Revolving Loans and (ii) each Defaulting Bank’s “Revolving Loan Dollar Advance Cap Amount.” For purposes of this definition, the “Revolving Loan Dollar Advance Cap Amount” of any Defaulting Bank shall be the product of such Defaulting Bank’s Available Committed Line Portion multiplied by the applicable Advance Cap Percentage (expressed as a decimal, rounded to the ninth decimal place) set opposite the applicable Borrowing Base Sub-Cap as of such date. The “Revolving Loan Dollar Advance Cap” shall not be interpolated between Borrowing Base Sub-Cap levels and shall remain at the lower level until the higher Borrowing Base Sub-Cap level is elected by the Borrower. The Borrowing Base Sub-Cap level shall at no time exceed the Total Committed Line Portion.

“Secured Parties” means the Collateral Agent, each of the Banks, each of their respective Affiliates that is an SPT Bank and the Indemnified Persons.

“Security Agreement” means that certain Amended and Restated Security Agreement dated as of December 30, 2008 duly executed by the Borrower and delivered to the Collateral Agent for the benefit of the Secured Parties granting to the Collateral Agent, as collateral agent for the Secured Parties, a first priority security interest in and Lien upon the Collateral.

“Security Documents” means (i) the Security Agreement, and (ii) all Hedging Assignments

“Sharing Event” has the meaning ascribed to such term in the Intercreditor Agreement.

“Short Position” means the aggregate number of MMBTUS of Product, including that of the Prompt Month, which the Borrower has contracted to sell (whether by sale of a contract on a commodities exchange or otherwise) or deliver on exchange or under a swap contract, including, without limitation, all option contracts (calculated on a Delta Equivalent Basis) representing the obligation of the Borrower to sell Product at the option of a third party and in each case for which a fixed sales price has been set. Short Positions shall be expressed as a negative number.

“SPT Activity Report” means a report detailing all SPT Close-Out Amounts and the SPT Activity Utilization Ratio (as defined therein) to be used for monitoring the availability of SPT-Related Letters of Credit and compliance with the covenant set forth in Section 8.16, which report shall be substantially in the form attached hereto as Exhibit J.

“SPT Bank” means each Swap Bank and each Physical Trade Bank.

“SPT Bank Close-Out Amounts” has the meaning ascribed to such term in the Intercreditor Agreement.

“SPT Contract” means each Swap Contract and each Physical Trade Contract.

“SPT-Related L/C Cap” means \$50,000,000.

“SPT-Related Standby Letter of Credit” means any Letter of Credit issued under the Letter of Credit Facility to support obligations of the Borrower under (i) any SPT Contract, or (ii) any other swap contract or physical trade contact.

“Storage Book Embedded Value” means, at any time, the forecasted gross profit margin from natural gas storage operations based on the Borrower’s natural gas inventory at such time and the associated financial positions at such time hedging such inventory, reasonably determined based on the Borrower’s planned natural gas injection and withdrawal schedules (it being understood for the avoidance of doubt that the actual realization of the Storage Book Embedded Value is contingent on the execution of planned injections and withdrawals and is subject to weather and other execution factors) less associated storage costs for the respective schedule period.

“Storage and Unhedged Transportation Exposure” has the meaning ascribed to such term in Section 8.11 hereof.

“Subordinated Debt” means Indebtedness of the Borrower that has been reported to the Banks and that has been subordinated to the Obligations pursuant to a Subordination Agreement substantially in the form attached hereto as Exhibit G.

“Subsidiary” of a Person means any corporation, association, partnership, joint venture, limited liability company or other business entity of which more than 50% of the voting stock or other Equity Interests (in the case of Persons other than corporations) is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a “Subsidiary” refer to a Subsidiary of the Borrower.

“Surety Instruments” means all letters of credit (including standby and commercial), banker’s acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

“Swap Bank Close-Out Amount” has the meaning ascribed to such term in the Intercreditor Agreement.

“Swap Banks” means each of (a) Fortis Bank SA/NV, New York Branch, BNP Paribas, Société Générale, The Royal Bank of Scotland plc, and NATIXIS, acting through its New York Branch, or their respective Affiliates, and (b) any other Bank or any Affiliate thereof approved by the Required Banks, in the case of each of the foregoing clauses, in its capacity as a party to a Swap Contract, to the extent that such Bank, or its Affiliate (as the case may be) signs and becomes a party to the Intercreditor Agreement prior to entering into such Swap Contract.

“Swap Contract” means any agreement entered between a Swap Bank and the Borrower, whether or not in writing, relating to any single transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, currency option or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and, unless the context clearly requires, any master agreement relating to or governing any or all of the foregoing.

“Swing Line Bank” means BNP Paribas.

“Swing Line Dollar Advance Cap” means a cap upon Swing Line Loans under the Borrowing Base Line (based on the applicable Borrowing Base Sub-Cap level listed below), with the following limits (and the related Advance Cap Percentage limits):

<u>Borrowing Base Sub-Cap</u>	<u>Swing Line Dollar Advance Cap</u>	<u>Advance Cap Percentage</u>
\$300,000,000	\$17,000,000	5.66%
\$350,000,000	\$22,000,000	6.29%
\$400,000,000	\$25,000,000	6.25%
\$450,000,000	\$27,000,000	6.00%

The “Swing Line Dollar Advance Cap” set forth opposite each Borrowing Base Sub-Cap level above shall be reduced, as of any date of determination of such cap, dollar for dollar by the aggregate amount of (i) the then-outstanding Swing Line Loans and (ii) each Defaulting Bank’s “Swing Line Dollar Advance Cap Amount.” For purposes of this definition, the “Swing Line Dollar Advance Cap Amount” of any Defaulting Bank shall be the product of such Defaulting Bank’s Available Committed Line Portion multiplied by the applicable Advance Cap Percentage (expressed as a decimal, rounded to the ninth decimal place) set opposite the applicable Borrowing Base Sub-Cap as of such date. The “Swing Line Dollar Advance Cap” shall not be interpolated between Borrowing Base Sub-Cap levels and shall remain at the lower level until the higher Borrowing Base Sub-Cap level is elected by the Borrower. The Borrowing Base Sub-Cap level shall at no time exceed the Total Committed Line Portion.

“ Swing Line Loan ” has the meaning ascribed to such term in Section 2.01.

“ Swing Line Participation Amount ” has the meaning ascribed to such term in Section 2.03(b)(iii).

“ Swing Line Premium ” means 1.00% per annum.

“ Swing Line Rate ” means, as of the date of any Swing Line Loan, the Base Rate; provided that the “Reference Bank Cost of Funds” with respect to any Swing Line Loan shall not be an average rate, but instead will be the Cost of Funds quoted by the Swing Line Bank to the Borrower as of such date.

“ Syndication Agent ” has the meaning ascribed to such term in the preamble.

“ Tangible Net Worth ” means (a) the sum of the Borrower’s assets, as determined in accordance with GAAP, *minus* (b) the sum of the Borrower’s liabilities excluding Subordinated Debt, as determined in accordance with GAAP, *minus* (c) all amounts due from employees, owners, Subsidiaries and Affiliates other than Accounts permitted to be included as Eligible Accounts in the calculation of the Borrowing Base Advance Cap, *minus* (d) investments in Capital Stock, *minus* (e) the intangible assets of the Borrower, as determined in accordance with GAAP, *minus* (f) if the Embedded Value Difference from General Ledger for the Fixed Price Book is negative, the absolute value thereof, *minus* (g) the amount of accumulated other comprehensive income, *minus* (h) if the Embedded Value Difference from General Ledger for the Storage Book is negative, the absolute value thereof and (i) adjusted to negate the impact of the Basis Swap Cumulative Mark-to-Market Amount.

“ Taxes ” means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings, or similar charges, and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, taxes imposed on or measured by each Bank’s net income or capital (with respect to franchise taxes or similar taxes) by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Administrative Agent, as the case may be, is organized or maintains a Lending Office.

“ Three Party Agreement ” means the Three Party Agreement Relating to Lockbox Services (with Activation) dated September 30, 2003, among the Borrower, Fortis Bank SA/NV, New York Branch and Bank of America, N.A.

“ Tier I Account ” means an Eligible Account with a Tier I Account Party.

“ Tier I Account Party ” means an Account Debtor that is approved by the Required Banks in their sole discretion exercised in good faith as a Tier I Account Party.

“ Tier I Unbilled Account ” means Unbilled Eligible Accounts with a Tier I Account Party.

“Tier II Account” means Eligible Accounts (i) with a Tier II Account Party or (ii) if for an amount of \$1,000,000 or less, with any account debtor.

“Tier II Account Party” means any Account Debtor that is approved by the Required Banks in their sole discretion exercised in good faith as a Tier II Account Party.

“Tier II Unbilled Account” means Unbilled Eligible Accounts (i) with a Tier II Account Party or (ii) if for an amount of \$1,000,000 or less, with any account debtor.

“TLGP” means Trans Louisiana Gas Pipeline, Inc., an indirect wholly-owned subsidiary of the Guarantor.

“TLGP L/C Cap” means \$30,000,000.

“TLGP Letter of Credit” means any letter of credit (whether a standby letter of credit or commercial documentary letter of credit) that is Issued by an Issuing Bank for the account of Borrower, to the extent that such letter of credit (a) is Issued pursuant to Article III on behalf of TLGP to support payment obligations of TLGP with respect to the acquisition of Product in the ordinary course of business of TLGP, and (b) immediately after giving effect to the Issuance thereof, does not cause the aggregate undrawn amount of all outstanding TLGP Letters of Credit, together with the amount of all unreimbursed drawings under all TLGP Letters of Credit, to be an amount in excess of the TLGP L/C Cap.

“Total Available Committed Line Portion” means, at any time, the Total Committed Line Portions of all Banks minus the aggregate Available Committed Line Portions of all Defaulting Banks at such time.

“Total Committed Line Portions” means the Dollar amount shown in Schedule 2.01 across from the phrase “Total Committed Line Portions,” as amended from time to time in accordance with Section 2.14(d).

“Total Committed Percentage” means the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) of Total Committed Line Portions divided by the Maximum Line.

“Total Liabilities” means, with respect to any Person on any date of determination, all liabilities of such Person and its Subsidiaries that, in accordance with GAAP, would be classified as liabilities on the balance sheet of a Person conducting a business the same as or similar to that of such Person, as determined on a Consolidated basis, but excluding to the extent otherwise included therein any portion of the Subordinated Debt and adjusted to negate the impact of the Basis Swap Cumulative Mark-to-Market Amount.

“Type” means either a Base Rate Loan or an Offshore Rate Loan.

“Unbilled Eligible Accounts” means Accounts of the Borrower for Product which has been delivered to an Account Debtor and which would be Eligible Accounts but for the fact that such Accounts have not actually been invoiced at such time, net of, in each case, (i) any accounts payable owing to the Account Debtor from the Borrower on such Account and (ii) after

application thereof to any Eligible Accounts, Eligible Exchange Receivables, and Realizable Unrealized Profits with such Account Debtor, other offsets against amounts owed to such Account Debtor, whether in respect of unbilled purchases, out-of-the-money positions or unperformed contracts for purchase.

“Undelivered Product Value” means the lesser of the (a) cost or (b) current market value of Product purchased by the Borrower under the Letters of Credit but which has not been physically delivered to the Borrower. Undelivered Product Value cannot simultaneously be included in an Eligible Exchange Receivable.

“Unfunded Pension Liability” means the excess of a Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“Unilateral Overage Advance” means (i) any Unilateral Swap Bank Overage Advance, and (ii) any Unilateral Physical Trade Bank Overage Advance.

“Unilateral Overage Pro Rata Share” means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s (i) aggregate Unilateral Overage Advances *plus* all interest due thereon, *divided by* (ii) the combined total Unilateral Overage Advances of all Banks *plus* all interest due thereon.

“Unilateral Physical Trade Bank Overage Advance” has the meaning ascribed to such term in Section 2.01(c) hereof.

“Unilateral Swap Bank Overage Advance” has the meaning ascribed to such term in Section 2.01(b) hereof.

“United States” and “U.S.” each means the United States of America.

“Unrealized Mark-to-Market Losses” means, on a counterparty by counterparty basis, (a) if the Embedded Value Difference from General Ledger for the Fixed Price Book is negative, the absolute value thereof *plus* (b) if the Embedded Value Difference from General Ledger for the Storage Book is negative, the absolute value thereof.

“Voting Interests” means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right to so vote has been suspended by the happening of such a contingency.

1.02 Other Interpretive Provisions .

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “hereof,” “herein,” “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(i) The term “documents” includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term “including” is not limiting and means “including without limitation.”

(iii) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”; and the word “through” means “to and including.”

(c) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Agents, the Banks, the Borrower and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Banks or Agents merely because of Agents’ or Banks’ involvement in their preparation.

1.03 Accounting Principles

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied.

(b) References herein to “fiscal year” and “fiscal quarter” refer to such fiscal periods of the Borrower.

ARTICLE II**THE CREDITS****2.01 Amounts and Terms of Committed Lines.**

(a) Revolving Loans. Each Bank severally agrees on the terms and conditions set forth herein, to make loans, from time to time, to the Borrower under the Borrowing Base Line (each such loan, a “Revolving Loan”) on any Business Day during the period from the Closing Date to the Expiration Date, in an aggregate amount not to exceed at any time outstanding (i) such Bank’s Committed Line Portion for the Borrowing Base Line; or (ii) such Bank’s Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.01, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of the Revolving Loan Dollar Advance Cap; provided, however, that, after giving effect to any Borrowing of Revolving Loans, the Effective Amount of all outstanding Revolving Loans, *plus* Swing Line Loans, *plus* the Effective Amount of all L/C Obligations, shall not exceed the lesser of the Borrowing Base Advance Cap or the Total Available Committed Line Portion. At no time shall the Revolving Loan Dollar Advance Cap be exceeded.

(b) Advances Related to the Swap Contracts. In addition to advances requested from time to time by the Borrower, in the event that any amounts owing to any Swap Bank or any of its Affiliates under any Swap Contract are not paid within two (2) Business Days after such obligation becomes due thereunder (whether at a scheduled date, by acceleration, early termination, on demand, or otherwise), then such Swap Bank shall notify the Administrative Agent of such failure to pay and the Administrative Agent (without the necessity of any instructions or request from the Borrower) shall, during the period from the Closing Date until the Expiration Date and so long as such Swap Bank (or its Affiliate) is not then a Defaulting Bank, make a Revolving Loan in accordance with the provisions of Section 2.03 of this Agreement under the Borrowing Base Line (after notice from the Administrative Agent that the requested advance is to be made to cover obligations of the Borrower under a Swap Contract) and such Revolving Loan shall be funded in accordance with the procedures set forth in such Section 2.03 by each Bank with respect to its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(b), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) or, with respect to any amount in excess of the lesser of the Borrowing Base Advance Cap (measured against the then-outstanding amount of Borrower Obligations hereunder (which, for the avoidance of doubt shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the then-current Unilateral Swap Bank Overage Advance to be made pursuant to this Section 2.01(b), if any)) or the Total Available Committed Line Portion, pursuant to a Unilateral Swap Bank Overage Advance as set forth in this Section 2.01(b) and such Unilateral Swap Bank Overage Advance shall be funded in accordance with the procedures set forth in Section 2.03 by the applicable Swap Bank or if such Swap Bank is not itself a Bank hereunder, its Bank Affiliate hereunder for any amounts due by the Borrower to such Swap Bank or any of its Affiliates under any Swap Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), and then apply the proceeds of such advance to pay to such Swap Bank or

any of its Affiliates all amounts owed to such Person under such Swap Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith). Upon making any such advance as provided above, the Administrative Agent shall send notice of such advance to the Borrower and the Banks. Any such advance shall initially be a Base Rate Loan (with the "Reference Bank Cost of Funds" component thereof being calculated on the Cost of Funds of the applicable Swap Bank (or if such Swap Bank is not a Bank hereunder, its Bank Affiliate hereunder) and not as a simple average of all Banks). In the event that after giving effect to any such advance made to fund such Swap Bank or any of its Affiliates, the then-outstanding amount of the Borrower Obligations hereunder (which, for the avoidance of doubt shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the Unilateral Swap Bank Overage Advance resulting from such advance, if any) would exceed the Borrowing Base Advance Cap or the Total Available Committed Line Portion, the Banks shall have no duty to fund their pro rata share of any excess resulting from such advance made to repay amounts owing to such Swap Bank or any of its Affiliates under any Swap Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), but such Swap Bank's (or if such Swap Bank is not itself a Bank hereunder, its Bank Affiliate's) outstandings hereunder shall be deemed to be increased by the amount of such excess funded by such Swap Bank (or if such Swap Bank is not itself a Bank, its Bank Affiliate hereunder) as provided above in accordance with Section 2.03 (any such increase, a "Unilateral Swap Bank Overage Advance"). With respect to any Unilateral Swap Bank Overage Advance, the Borrower shall pay to the Administrative Agent, for the benefit of the applicable Swap Bank (or its Bank Affiliate hereunder), the amount of such Unilateral Swap Bank Overage Advance, together with interest thereon, within one (1) Business Day after the date of such advance and, notwithstanding anything to the contrary herein, no other Bank shall share in the payment of such Unilateral Swap Bank Overage Advance.

(c) Advances Related to the Physical Trade Contracts . In addition to advances requested from time to time by the Borrower, in the event that any amounts owing to any Physical Trade Bank or any of its Affiliates under any Physical Trade Contract are not paid within two (2) Business Days after such obligation becomes due thereunder (whether at a scheduled date, by acceleration, early termination, on demand, or otherwise), then such Physical Trade Bank shall notify the Administrative Agent of such failure to pay and the Administrative Agent (without the necessity of any instructions or request from the Borrower) shall, during the period from the Closing Date until the Expiration Date and so long as such Physical Trade Bank (or its Affiliate) is not then a Defaulting Bank, make a Revolving Loan in accordance with the provisions of Section 2.03 of this Agreement under the Borrowing Base Line (after notice from the Administrative Agent that the requested advance is to be made to cover obligations of the Borrower under a Physical Trade Contract) and such Revolving Loan shall be funded in accordance with the procedures set forth in such Section 2.03 by each Bank with respect to its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(c) , with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) or, with respect to any amount in excess of the lesser of the Borrowing Base Advance Cap (measured against the then-outstanding amount of Borrower Obligations hereunder (which, for the avoidance of doubt shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the then-current Unilateral Physical Trade Bank Overage Advance made pursuant

to this Section 2.01(c), if any)) or the Total Available Committed Line Portion, pursuant to a Unilateral Physical Trade Bank Overage Advance as set forth in this Section 2.01(c), and such Unilateral Physical Trade Bank Overage Advance shall be funded in accordance with the procedures set forth in Section 2.03 by the applicable Physical Trade Bank or if such Physical Trade Bank is not itself a Bank hereunder, its Bank Affiliate hereunder for any amounts due by the Borrower to such Physical Trade Bank or any of its Affiliates under any Physical Trade Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), and then apply the proceeds of such advance to pay to such Physical Trade Bank or any of its Affiliates all amounts owed to such Person under such Physical Trade Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith). Upon making any such advance as provided above, the Administrative Agent shall send notice of such advance to the Borrower and the Banks. Any such advance shall initially be a Base Rate Loan (with the "Reference Bank Cost of Funds" component thereof being calculated on the Cost of Funds of the applicable Physical Trade Bank (or if such Physical Trade Bank is not a Bank hereunder, its Bank Affiliate hereunder) and not as a simple average of all Banks). In the event that after giving effect to any such advance made to fund such Physical Trade Bank or any of its Affiliates, the then-outstanding amount of the Borrower Obligations hereunder (which, for the avoidance of doubt, shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the Unilateral Physical Trade Bank Overage Advance resulting from such advance, if any) would exceed the Borrowing Base Advance Cap or the Total Available Committed Line Portion, the Banks shall have no duty to fund their pro rata share of any excess resulting from such advance made to repay amounts owing to such Physical Trade Bank or any of its Affiliates under any Physical Trade Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), but such Physical Trade Bank's (or if such Physical Trade Bank is not itself a Bank hereunder, its Bank Affiliate's) outstandings hereunder shall be deemed to be increased by the amount of such excess funded by such Physical Trade Bank (or if such Physical Trade Bank is not itself a Bank, its Bank Affiliate hereunder) as provided above in accordance with Section 2.03 (any such increase, a "Unilateral Physical Trade Bank Overage Advance"). With respect to any Unilateral Physical Trade Bank Overage Advance, the Borrower shall pay to the Administrative Agent, for the benefit of the applicable Physical Trade Bank (or its Bank Affiliate hereunder), the amount of such Unilateral Physical Trade Bank Overage Advance, together with interest thereon, within one (1) Business Day after the date of such advance and, notwithstanding anything to the contrary herein, no other Bank shall share in the payment of such Unilateral Physical Trade Bank Overage Advance.

(d) Swing Line Loans. The Swing Line Bank agrees on the applicable terms and conditions set forth herein, to make loans, from time to time, to the Borrower under the Borrowing Base Line (each such loan, a "Swing Line Loan") on any Business Day during the period from the Closing Date to the Expiration Date, in an aggregate amount not to exceed at any time outstanding (i) such Bank's Committed Line Portion for the Borrowing Base Line; or (ii) the Swing Line Dollar Advance Cap; provided, however, that, after giving effect to any Borrowing of Swing Line Loans, the Effective Amount of all outstanding Swing Line Loans, *plus* Revolving Loans, *plus* the Effective Amount of all L/C Obligations, shall not exceed the lesser of Borrowing Base Advance Cap or the Total Available Committed Line Portion. At no time shall the Swing Line Dollar Advance Cap be exceeded.

2.02 Loan Accounts.

(a) The Loans made by each Bank and the Letters of Credit Issued by an Issuing Bank shall be evidenced by one or more accounts or records maintained by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Borrower and the Letters of Credit Issued for the account of the Borrower hereunder, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the Obligation of the Borrower hereunder to pay any amount owing with respect to the Loans or any Letter of Credit.

(b) Upon the request of any Bank made through the Administrative Agent, the Loans made by such Bank may be evidenced by one or more Notes, instead of loan accounts. Each such Bank may endorse on the schedules annexed to its Note (s) the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Borrower with respect thereto. Each such Bank is irrevocably authorized by the Borrower to endorse its Note(s) and each Bank's record shall be conclusive absent manifest error; provided, however, that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the Obligations of the Borrower hereunder or under any such Note to such Bank.

2.03 Procedure for Borrowing.

(a) Revolving Loan :

(i) Each Borrowing of Revolving Loans consisting only of Base Rate Loans shall be made upon the Borrower's written notice delivered to the Administrative Agent and the Banks in the form of a Notice of Borrowing (Revolving Loan), which notice must be received by the Administrative Agent and the Banks by no later than 12:00 p.m. noon (New York City time) two (2) Business Days immediately preceding the Borrowing Date specifying the amount of the Borrowing; provided that if such Notice of Borrowing indicates that it is "irrevocable" (by checking the applicable box on such Notice of Borrowing), the deadline for providing such notice shall be reduced by one Business Day so that such notice must be received no later than 12:00 p.m. noon (New York City time) one (1) Business Day immediately preceding the Borrowing Date. Each such Notice of Borrowing shall be by electronic transfer or facsimile, confirmed immediately in an original writing. Each Borrowing of Revolving Loans that includes any Offshore Rate Loans shall be made upon the Borrower's written notice delivered to the Administrative Agent and the Banks in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent by no later than 12:00 p.m. noon (New York City time) four (4) Business Days prior to the requested Borrowing Date), specifying the amount of the Borrowing; provided that if such Notice of Borrowing indicates that it is "irrevocable" (by checking the applicable box on such Notice of Borrowing), the deadline for providing such notice shall be reduced by one Business Day so that such notice must be received no later than 12:00 p.m. noon (New York City time) three (3) Business Days immediately preceding the Borrowing Date. Each such Notice of Borrowing shall be by electronic transfer or facsimile, confirmed immediately in an original writing. Each requested Offshore Rate Loan must have an Offshore Effective Amount of at least \$15,000,000.

(ii) The Administrative Agent will promptly (x) notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(b), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of that Borrowing and (y) request each Bank to provide its Cost of Funds rate consistent with the procedures set forth in the "Reference Bank Cost of Funds Rate" definition.

(iii) Each Bank will make the amount of its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(b), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of such Borrowing available to the Administrative Agent for the account of the Borrower at the Administrative Agent's payment office by 3:00 p.m. (New York City time) on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. The proceeds of all such Loans will then be made available to the Borrower by the Administrative Agent at such office by crediting the Lock Box with the aggregate of the amounts made available to the Administrative Agent by the Banks and in like funds as received by the Administrative Agent.

To the extent that any Notice of Borrowing contemplated in the foregoing provisions of this Section 2.03(a) is delivered on the applicable Business Day but after the specified time for such notice, such notice shall be deemed to have been received as of the start of business on the immediately succeeding Business Day.

(b) Swing Line Loan : (i) Each Borrowing of Swing Line Loans shall be made upon the Borrower's irrevocable written notice delivered to the Administrative Agent and the Swing Line Bank in the form of a Notice of Borrowing (Swing Line), which notice must be received by the Administrative Agent and the Swing Line Bank by no later than 12:00 p.m. noon (New York City time) on the Borrowing Date specifying the amount of the Borrowing. Each such Notice of Borrowing shall be by electronic transfer or facsimile, confirmed immediately in an original writing. Each requested Swing Line Loan shall be in a minimum amount of \$1,000,000.

(ii) Refunded Swing Line Loan . If the Administrative Agent shall not have received full repayment in cash of any Swing Line Loan on or before 11:00 a.m. (New York City time) on the applicable Advance Maturity Date for such Swing Line Loan, the Swing Line Bank may, not later than 3:00 p.m. (New York City time), on such day, request on behalf of the Borrower of such Swing Line Loan (which hereby irrevocably authorizes the Swing Line Bank to act on its behalf), that each Bank having a Committed Line Portion, including the Swing Line Bank, shall, on a several basis, make a Revolving Loan in an amount equal to such Bank's Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(b), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted

Advance Share, if applicable) of the outstanding amount of the such Swing Line Loan (a “Refunded Swing Line Loan”). In accordance with Section 2.03(b)(v), each Bank shall make the proceeds of its Refunded Swing Line Loan available to the Swing Line Bank for the account of the Swing Line Bank at the Swing Line Bank’s lending office for Loans prior to 11:00 a.m. (New York City time) in funds immediately available on the Business Day next succeeding the date such request is made. The proceeds of such Refunded Swing Line Loans shall be immediately applied to repay the Swing Line Loans.

(iii) If prior to the making of any Refunded Swing Line Loan pursuant to Section 2.03(b)(i) one of the events described in Section 9.01(e) or (f) shall have occurred, each Bank shall, on the date such Refunded Swing Line Loan was to have been made, purchase an undivided participating interest in the Swing Line Loan in an amount equal to its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(b), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of such Swing Line Loan (the “Swing Line Participation Amount” and each participating Bank a “Swing Line Participating Bank”). Each Swing Line Participating Bank shall promptly transfer to the Swing Line Bank, in immediately available funds, the amount of its Swing Line Participation Amount and upon receipt thereof the Swing Line Bank shall deliver to each such Swing Line Participating Bank a Swing Line Loan participation certificate, in a form specified by the Swing Line Bank, dated the date of receipt of the Swing Line Participation Amount and in such amount.

(iv) Whenever, at any time after the Swing Line Bank has received from any Swing Line Participating Bank such Swing Line Participating Bank’s Swing Line Participation Amount, the Swing Line Bank receives any payment on account thereof, the Swing Line Bank shall distribute to each such Swing Line Participating Bank its allocable portion of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Swing Line Participating Bank’s participating interest was outstanding and funded, and in the case of principal and interest payments, to reflect such Swing Line Participating Bank’s pro rata portion of such payment if such payment is not sufficient to pay the principal and interest on all Swing Line Loans then due) in like funds as received; provided, however, that in the event that such payment received by the Swing Line Bank is required to be returned, such Swing Line Participating Bank shall return to the Swing Line Bank any portion thereof previously distributed by the Swing Line Bank to it in like funds as such payment is required to be returned by the Swing Line Bank.

(v) Each Lender’s obligation to make Refunded Swing Line Loans referred to in Section 2.03(b)(ii) above and to purchase participating interests pursuant to Section 2.03(b)(iii) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Swing Line Bank, the Borrower, or any other Person for any reason whatsoever, (ii) the occurrence or continuance of an Event of Default, (iii) any failure to satisfy any condition precedent to extensions of credit set forth in Section 5, (iv) any adverse change in the condition

(financial or otherwise) of the Borrower or the Guarantor, (v) any breach of this Agreement by the Borrower or by the Guarantor with respect to any Loan Document to which it is a party or any other Bank or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

To the extent that any Notice of Borrowing contemplated in the foregoing provisions of this Section 2.03(b) is delivered on the applicable Business Day but after the specified time for such notice, such notice shall be deemed to have been received as of the start of business on the immediately succeeding Business Day.

2.04 Conversion and Continuation Elections .

(a) Borrower may, upon written notice to the Administrative Agent in accordance with Subsection 2.04(b) :

(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of any Offshore Rate Loan, to convert any such Loans into Loans of any other Type (provided, however, that the Offshore Effective Amount of each Offshore Rate Loan must be at least \$15,000,000); or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Revolving Loans having Interest Periods expiring on such day (provided, however, that the Offshore Effective Amount of each Offshore Rate Loan must be at least \$15,000,000);

provided, however, that if at any time the aggregate amount of Offshore Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof, to have an Offshore Effective Amount of less than \$15,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and convert such Loans into, Offshore Rate Loans shall terminate.

(b) Borrower shall deliver a Notice of Conversion/Continuation to be received by the Administrative Agent not later than 12:00 p.m. noon (New York City time) two (2) Business Days immediately preceding the Conversion/Continuation Date if the Loans are to be converted into Base Rate Loans; and four (4) Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Offshore Rate Loans, specifying:

(i) the proposed Conversion/Continuation Date;

(ii) the aggregate amount of Loans to be converted or continued;

(iii) the Type of Loans resulting from the proposed conversion or continuation;

(iv) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period; and

(v) whether such Notice of Conversion/Continuation is "revocable" or "irrevocable" (by checking the applicable box on such notice).

If a Notice of Conversion/Continuation is "irrevocable", the deadlines set forth in Section 2.04(b) above shall be reduced by one (1) Business Day so that with respect to Loans to be converted to Base Rate Loans, the deadline for notice shall be not later than 12:00 p.m. noon (New York City time) one (1) Business Day immediately preceding the Conversion/Continuation Date, and with respect to Loans to be converted to Offshore Rate Loans, the deadline for notice shall be not later than 12:00 p.m. noon (New York City time) three (3) Business Days immediately preceding the Conversion/Continuation Date. With respect to any Notice of Conversion/Continuation, if such notice is delivered on the applicable Business Day after the specified time for such notice, such notice shall be deemed to have been delivered as of the start of the immediately succeeding Business Day.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Loans, the Borrower has failed to timely select a new Interest Period to be applicable to its Offshore Rate Loans, or if any Default or Event of Default then exists, the Borrower shall be deemed to have elected to convert such Offshore Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Administrative Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Borrower, the Administrative Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans, with respect to which the notice was given, held by each Bank.

(e) Unless the Required Banks otherwise agree, during the existence of a Default or Event of Default, the Borrower may not elect to have a Loan converted into or continued as an Offshore Rate Loan.

(f) After giving effect to any Borrowing, conversion or continuation of Loans, there may not be more than five (5) Interest Periods in effect.

(g) The Administrative Agent will promptly notify, in writing, each Bank of the amount of such Bank's Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.04, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of that Borrowing.

To the extent that any Notice of Conversion/Continuation contemplated in the foregoing provisions of this Section 2.04 is not received as of the specified time, such notice shall be deemed to have been received as of the start of business on the immediately succeeding Business Day.

2.05 Optional Prepayments. The Borrower may, at any time or from time to time, upon the Borrower's irrevocable written notice to the Administrative Agent received prior to 1:00 p.m. (New York City time) on the date of prepayment, prepay Loans in whole or in part without premium except any amounts due by Borrower pursuant to Article IV, which notice of prepayment shall specify: (x) the date and amount of the prepayment, which prepayment amount

shall be in a principal amount of \$250,000 or whole multiple thereof and (y) which Revolving Loans shall be prepaid. The Administrative Agent will promptly notify each Bank of its receipt of any such prepayment, and of such Bank's Pro Rata Payment Share of such prepayment (which share may be affected by the allocation rules set forth in Section 2.11 with respect to Defaulting Banks).

2.06 Mandatory Prepayments of Loans; Mandatory Commitment Reductions. If on any date the Effective Amount of L/C Obligations exceeds the L/C Cap, the Borrower shall Cash Collateralize on such date the outstanding Letters of Credit in an amount equal to the excess above any such cap. If on any date after giving effect to any Cash Collateralization made on such date pursuant to the preceding sentence, the Effective Amount of all Revolving Loans, and Swing Line Loans then outstanding plus the Effective Amount of all L/C Obligations exceeds the lesser of (a) the Collateral Position or (b) the Total Committed Line Portion, the Borrower shall immediately, and without notice or demand, prepay the outstanding principal amount of the Revolving Loans and L/C Advances by an amount equal to the applicable excess.

2.07 Repayment. The Borrower shall repay the principal amount of each Revolving Loan and each Swing Line Loan to the Administrative Agent on behalf of the Banks, on the applicable Advance Maturity Date for such Loan. All amounts owing a Swap Bank under any Swap Contract, to the extent such amounts have not been repaid from the proceeds of a Revolving Loan pursuant to Section 2.01(b) hereof, shall be paid on demand, or if no demand is made, on the first (1st) Business Day after the Borrower receives notice that such amount was advanced by or becomes owing to a Swap Bank. All amounts owing a Physical Trade Bank under any Physical Trade Contract, to the extent such amounts have not been repaid from the proceeds of a Revolving Loan pursuant to Section 2.01(c) hereof, shall be paid on demand, or if no demand is made, on the first (1st) Business Day after the Borrower receives notice that such amount was advanced by or becomes owing to a Physical Trade Bank.

2.08 Interest.

(a) (i) Each Revolving Loan (except for a Revolving Loan made as a result of a drawing under a Letter of Credit or a Reducing L/C Borrowing) shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a floating rate per annum equal to the Base Rate *plus* the Applicable Margin at all times such Loan is a Base Rate Loan or at the greater of (i) the Offshore Rate *plus* the Applicable Margin and (ii) Reference Bank Cost of Funds Rate *plus* the Applicable Margin, at all times such Loan is an Offshore Rate Loan.

(ii) Each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the date funded at a floating rate per annum equal to the Swing Line Rate *plus* the Applicable Margin *plus* the Swing Line Premium. For the avoidance of doubt, upon any Swing Line Loan becoming a Refunded Swing Line Loan (in accordance with Section 2.03(b)(ii)) or upon the participation of the other Banks in any Swing Line Loan (in accordance with Section 2.03(b)(iii)), such Loan shall bear interest at the Base Rate.

(iii) Each Revolving Loan made as a result of a drawing under a Letter of Credit or a Reducing L/C Borrowing and all amounts owing with respect to any Bank with respect to any Unilateral Overage Advance shall bear interest on the outstanding principal amount thereof from the date funded at a floating rate per annum equal to the Base Rate *plus* the Applicable Margin until such Loan or other amounts owing to a Bank with respect to a Unilateral Overage Advance have been outstanding for more than two (2) Business Days and, thereafter, shall bear interest on the outstanding principal amount thereof at a floating rate per annum equal to the Base Rate, *plus* three percent (3.0%) per annum (the sum thereof, the "Default Rate").

(b) Interest on each Revolving Loan shall accrue through and including the last day of each calendar month and shall be paid in arrears on each Interest Payment Date. Interest on any Swing Line Loan shall be paid on the Advance Maturity Date with respect to such Swing Line Loan.

(c) Notwithstanding subsection (a) of this Section, if any amount of principal of or interest on any Loan, or any other amount payable hereunder or under any other Loan Document is not paid in full when due (whether at stated maturity, by acceleration, demand or otherwise), the Borrower agrees to pay interest on such unpaid principal or other amount, from the date such amount becomes due until the date such amount is paid in full, and after as well as before any entry of judgment thereon to the extent permitted by law, payable on demand, at a fluctuating rate per annum equal to the Default Rate.

(d) Anything herein to the contrary notwithstanding, the Obligations of the Borrower to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Borrower shall pay such Bank interest at the highest rate permitted by applicable law.

(e) Regardless of any provision contained in any Note or in any of the Loan Documents, none of the Banks shall ever be deemed to have contracted for or be entitled to receive, collect or apply as interest under any such Note or any Loan Document, or otherwise, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event that any of the Banks ever receive, collect or apply as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of the Note, and, if the principal balance of such Note is paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, the Borrower and such Bank shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee, or premium, rather than as interest, (ii) exclude voluntary prepayments and the effect thereof and (iii) spread the total amount of interest throughout the entire contemplated term of such Note so that the interest rate is uniform throughout such term; provided, however, that if all Obligations under the Note and all Loan Documents are performed in full prior to the end of the full contemplated term thereof and if the interest received for the actual term thereof exceeds the maximum lawful rate, such Bank shall refund to the Borrower the amount of such excess, or credit the amount of such excess against the aggregate unpaid principal balance of such Bank's Note at the time in question.

2.09 Fees .

(a) In addition to certain fees described in Sections 2.09(b) and 3.08 hereof, the Borrower shall pay to the Administrative Agent, for the account of each Bank, fees in accordance with the separate letter agreements between the Agents, the Banks and the Borrower. The Borrower shall also pay to the Agents, for their own accounts, fees in accordance with a separate letter agreement between the Agents and the Borrower.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Bank a commitment fee for the period from and including the Closing Date to but not including the Maturity Date, computed at the Commitment Fee Rate on the average daily Available Committed Line Portion of such Bank during the period for which payment is made; provided that for any day that a Bank is a Defaulting Bank hereunder, its average daily Available Committed Line Portion shall be deemed to be, solely for purposes of this Section 2.09(b), zero. The commitment fee shall accrue through the last day of each of March, June, September and December and shall be payable quarterly in arrears on the fifth (5th) Business Day of the each of April, July, October, and January and on the Maturity Date or such earlier date as the Committed Line Portion of such Bank shall terminate as provided herein, commencing on the first of such dates to occur after the date hereof (or if such day is not a Business Day, the next succeeding Business Day).

2.10 Computation of Fees and Interest .

(a) All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Except as otherwise expressly set forth, interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof through the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Borrower and the Banks in the absence of manifest error.

2.11 Payments by the Borrower .

(a) All payments to be made by the Borrower shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Borrower in respect of Obligations hereunder shall be made to the Administrative Agent for the account of the Banks at the Administrative Agent's Payment Office, and shall be made in dollars and in immediately available funds, no later than 1:00 p.m. (New York City time) on the date specified herein. Any payment received by the Administrative Agent later than 1:00 p.m. (New York City time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue. If and to the extent the Borrower makes a payment in full to the Administrative Agent no later than 1:00 p.m. (New York City time) on any Business Day and the Administrative Agent does not distribute to each Bank its Pro Rata

Payment Share (subject to distribution provisions set forth in Sections 2.11(a)(i) and (ii)) of such payment in like funds as received on the same Business Day, the Administrative Agent shall pay to each Bank on demand interest on such amount as should have been distributed to such Bank at the Federal Funds Effective Rate for each day from the date such payment was received until the date such amount is distributed.

(i) For any payment received by the Administrative Agent from or on behalf of the Borrower in respect of Obligations that are then due and payable (and prepayments pursuant to Section 2.05), and with respect to any proceeds obtained upon the exercise of any remedies of the Agents for the benefit of the Secured Parties hereunder or under any other Loan Document, in each case prior to the occurrence of a Sharing Event, the Administrative Agent will promptly distribute such amounts in like funds as received as follows: *first*, to each Bank, its Pro Rata Payment Share; and *second*, to each Bank, its Unilateral Overage Pro Rata Share; provided, however, that any payment received solely with respect to any Unilateral Overage Advance within one (1) Business Day of such advance in accordance with Sections 2.01(b) or (c) hereof, as applicable, shall be distributed to each Bank according to its Unilateral Overage Pro Rata Share; provided further that with respect to any Bank that is a Defaulting Bank at the time that the Administrative Agent makes any distribution of payments contemplated above, all amounts paid by or on behalf of the Borrower for the account of such Defaulting Bank arising from any Obligation under the Loan Documents will be applied, as follows: *first*, to the Administrative Agent, any Issuing Bank, any Swing Line Bank or any other Bank, on a pro rata basis, for amounts then due and payable from such Defaulting Bank to such parties in connection with any such party's advance of funds that have not been reimbursed by the Defaulting Bank under this Agreement with respect to any Revolving Loans, Refunded Swing Line Loan, Swing Line Participation Amount or L/C Advance to the extent that such obligations of the Defaulting Bank relate to Revolving Loans, Swing Line Loans or Letters of Credit extended or Issued (as applicable) prior to such Bank becoming a Defaulting Bank and not thereafter repaid, amended or Issued; *second*, to an account identified by and under the control of the Collateral Agent (maintained for the benefit of the Secured Parties), until amounts deposited in such account, with respect to a Defaulting Bank, equal such Defaulting Bank's Pro Rata Advance Share or its Pro Rata Advance Adjusted Share, as applicable, of each Swing Line Loan and Letter of Credit outstanding at the time that such Bank became a Defaulting Bank and not thereafter repaid, amended, or Issued, as the case may be; and *third*, the remainder, if any, to the Defaulting Bank. Any amounts held from time to time with respect to a Defaulting Bank in the account referred to in the last clause of the preceding sentence (i) which then exceed the amount referred to in such clause or (ii) when such bank shall cease to be a Defaulting Bank shall be paid to such Defaulting Bank within one (1) Business Day.

(ii) For any payment received from or on behalf of the Borrower by the Administrative Agent on or after the occurrence of a Sharing Event, the Administrative Agent will promptly distribute such payment in accordance with Section 2.01 of the Intercreditor Agreement.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Administrative Agent receives notice from the Borrower prior to the date on which any payment is due to the Banks that the Borrower will not make such payment in full as and when required, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower has not made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Effective Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.12 Payments by the Banks to the Administrative Agent. If and to the extent any Bank shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Borrower such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Administrative Agent, together with interest at the Base Rate for each day during such period. A notice of the Administrative Agent submitted to any Bank with respect to amounts owing under this Section 2.12 shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Borrower of such failure to fund and, upon demand by the Administrative Agent, the Borrower shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

2.13 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein (or, after the occurrence of a Sharing Event, as provided in the Intercreditor Agreement), any Bank shall obtain on account of the Loans (or other Obligations referenced in clause (a) of the definition of such term) made or undertaken by such Bank any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Payment Share, such Bank shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Banks such participations in the Loans (or other Obligations referenced in clause (a) of the definition of such term) made or undertaken by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each Bank, except that with respect to any Bank that is a Defaulting Bank by virtue of such Bank failing to fund its Pro Rata Advance Share or its Pro Rata Adjusted Advance Share of any Revolving Loan, Refunded Swing Line Loan, Swing Line Loan Participation Amount, or L/C Borrowing, such Defaulting Bank's pro rata share of the excess payment shall be allocated to the Bank (or the Banks, pro rata) that funded such Defaulting Bank's Pro Rata Advance Share or Pro Rata Adjusted Advance Share; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together

with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.09) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

2.14 Increases in Commitments. The Total Committed Line Portions may be increased at any time prior to the Expiration Date when the Total Committed Percentage is less than 100%; provided that (i) each Issuing Bank and Swing Line Bank approves each such increase (with respect to both Existing Banks and New Banks) and (ii) the following conditions are satisfied:

(a) Not more than forty-five (45) days and not less than thirty (30) days prior to the proposed effective date of such increase in the Total Committed Line Portions (or such shorter period as may be agreed among the Administrative Agent and the Borrower), the Borrower makes a written request for such increase to the Administrative Agent, who shall forward a copy of any such request to each Bank. Each request by the Borrower pursuant to the immediately preceding sentence shall (i) specify a proposed effective date of such increase (the "Requested TCL Increase Effective Date"), (ii) specify the amount of such requested increase in the Total Committed Line Portions (the "Requested TCL Increase Amount"), each such requested increase amount to be in a minimum amount of not less than \$15,000,000, and (iii) constitute an invitation to each Bank to increase its Committed Line Portion by its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Agreement, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of the Requested TCL Increase Amount.

(b) Each Bank, acting at its sole discretion exercised in good faith and with no obligation to increase its Committed Line Portion pursuant to Section 2.14(a), shall by notice to the Borrower and the Administrative Agent advise the Borrower and Administrative Agent whether or not such Bank agrees to accept all or any portion of such Requested TCL Increase Amount within fifteen (15) days of the Borrower's request. Any such Bank may initially accept all of its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Agreement, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of such Requested TCL Increase Amount or a lesser portion of such Requested TCL Increase Amount, or decline to accept any portion of such Requested TCL Increase Amount. If any Bank shall not have responded affirmatively within such fifteen (15)-day period, such Bank shall be deemed to have rejected the Borrower's request for an increase in the Requested TCL Increase Amount in full. Promptly following the conclusion of such fifteen (15)-day period, the Administrative Agent shall notify the Borrower of the results of the Borrower's request to the Banks to so increase the Total Committed Line Portions by the Requested TCL Amount.

(c) With respect to any Requested TCL Increase Amount, if the amount of the increases in the Total Committed Line Portions that Banks accepted in accordance with Section 2.14(b) shall be less than the Requested TCL Increase Amount (such difference the “Unsubscribed Increase Amount”), the Borrower and the Administrative Agent (subject to the approval of the Collateral Agent and the Required Banks) may offer to any Eligible Assignee(s) or other Person(s) as may be agreed by the Borrower and the Administrative Agent (each a “New Bank”) the opportunity to accept all or a portion of such Unsubscribed Increase Amount. The effectiveness of all such increases in Total Committed Line Portions are subject to the satisfaction of the following conditions: (1) each Bank that so elects to increase its Committed Line Portion, each New Bank, the Administrative Agent and the Borrower shall have executed and delivered a Committed Line Portion Addendum, substantially in the form of Schedule 11.21; (2) the Total Committed Line Portions after giving effect to such increases shall not exceed the Maximum Line; (3) any fees and other amounts payable by the Borrower in connection with such increase and accession shall have been paid; (4) any other amounts then due hereunder shall have been paid; (5) delivery of a certificate of a Responsible Officer of the Borrower as to the matters set forth in Section 5.01(f); and (6) delivery to the Administrative Agent, if requested, of a legal opinion in respect of the Committed Line Portion in form and substance reasonably satisfactory to the Administrative Agent.

(d) Upon each Requested TCL Increase Effective Date: (i) Schedule 2.01 of this Agreement shall be amended to incorporate the Committed Line Portion of the applicable Bank as set forth on Attachment 1 to the applicable Committed Line Portion Addendum without any further action or consent of any party; and (ii) the Administrative Agent shall cause a copy of such revised Schedule 2.01 to be available to the Banks.

(e) Subject to the terms and conditions hereof, with respect to each Requested TCL Increase Effective Date, (i) each Bank holding a Loan and/or an L/C Obligation (an “Existing Effective Amount”) immediately prior to such Requested TCL Effective Date (each such Bank an “Existing Bank”) severally agrees, as of the such Requested TCL Increase Effective Date, to continue such Existing Effective Amount and/or sell a portion of its Existing Effective Amount to other Banks (including any New Banks) and/or purchase from other Existing Banks all or a portion of such other Existing Effective Amounts and/or make such additional Loans and/or accept such additional L/C Obligations as requested by the Borrower as of such date; and (ii) each Existing Bank that has increased its Committed Line Portion in accordance with this Section 2.14(b) and each New Bank as of such date severally agrees to purchase from the other Existing Banks all or a portion of such Existing Effective Amounts and/or make such Loans and/or accept such L/C Obligations as requested by the Borrower as of such date, in each case such that, after giving effect to all such sales, purchases, and new Loans and L/C Obligations contemplated in clauses (i) and (ii) above, the Committed Percentage of each Bank shall equal such Bank’s Effective Amount Percentage.

(f) The Borrower will not pay any New Bank (or any Affiliate thereof), in connection with such New Bank becoming a Bank hereunder, any fees or other compensation higher than that paid to the Existing Banks for equivalent financial services rendered under this Agreement unless the Borrower notifies the Administrative Agent prior to providing such higher fees or other compensation to such New Bank and provides equivalent fees or other compensation to the Existing Banks at the same time that the New Bank receives them.

2.15 Payments from Guarantor and Liquidation of Collateral. So long as no Sharing Event has occurred and notwithstanding anything to the contrary contained herein, in the event repayment is made to the Banks with respect to the Obligations of the Borrower (or any Affiliate thereof) hereunder by Guarantor or pursuant to a liquidation of Collateral, such repayment shall be shared by the Banks as provided in Section 2.11(a) hereof and upon the occurrence of a Sharing Event, such repayment shall be shared by the Banks in accordance with the Intercreditor Agreement.

2.16 Defaulting Bank Notwithstanding any other provision in this Agreement to the contrary, if at any time a Bank becomes a Defaulting Bank, the following provisions shall apply so long as any Bank is a Defaulting Bank:

(a) Until such time as the Defaulting Bank ceases to be a Bank under this Agreement, it will retain its Committed Line Portion and will remain subject to all of its obligations as a Bank hereunder, although it will be presumed that such Defaulting Bank will fail to satisfy any funding obligation and, accordingly, all other Banks hereby agree to fund Loans and Letters of Credit in accordance with their respective Pro Rata Adjusted Advance Shares.

(b) A Defaulting Bank may cease to be a Defaulting Bank (i) as specified in the second sentence of the definition thereof, and (ii) to the extent such Defaulting Bank makes such purchases and/or Loans and/or accepts such L/C Obligations as are required to make the Committed Percentage of each Bank, after giving effect to all such purchases and new Loans and any amounts received by any Bank pursuant to Section 2.11(a)(i), equal to such Bank's Effective Amount Percentage; provided that if there is more than one Defaulting Bank at such time, the Committed Percentage and the Effective Amount Percentage of the Non-Defaulting Banks (including any Defaulting Bank that after giving effect to the required purchases of Loans and acceptances of L/C Obligations, would cease to be a Defaulting Bank) shall be calculated using the aggregate Committed Line Portions and Effective Amounts of only such Non-Defaulting Banks in the denominators of the Committed Percentage and Effective Amount Percentage calculations (in lieu of the Total Committed Line Portions and the Effective Amount of all Banks). Each Bank agrees to sell to and/or purchase from the Defaulting Bank or such other Banks, such Effective Amounts as may be required to effect clause (ii) above.

(c) No SPT Contract entered into by an SPT Bank shall benefit from the security package provided by the Security Documents, if at the time such SPT Contract was entered, such SPT Bank (or its Affiliate) was a Defaulting Bank.

ARTICLE III

THE LETTERS OF CREDIT

3.01 The Letter of Credit Lines.

(a) Subject to the terms and conditions set forth herein, each Issuing Bank agrees (A) from time to time on any Business Day during the period from the Closing Date to the Expiration Date, to issue Letters of Credit for the account of the Borrower under the Borrowing Base Line and in accordance with Subsections 3.02(b), 3.02(c), and 3.02(d) and (B) to honor

drafts under the Letters of Credit. No SPT-Related Standby Letter of Credit shall be Issued if, after giving effect to such Issuance, the outstanding amounts of all SPT-Related Standby Letters of Credit (excluding all Physical Trade Delivery-Related Standby Letters of Credit) *plus* the aggregate SPT Bank Close-Out Amounts of all SPT Banks *plus* the aggregate outstanding Unilateral Overage Advances of all Banks would exceed the SPT-Related L/C Cap. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower's ability to request that an Issuing Bank Issue Letters of Credit shall be fully revolving, and, accordingly, the Borrower may, during the foregoing period, request that an Issuing Bank Issue Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. Borrower acknowledges and agrees that the Existing Letters of Credit are an Obligation under this Agreement.

(b) No Issuing Bank is under any obligation to Issue any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from Issuing such Letter of Credit, or any Requirement of Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such Issuing Bank in good faith deems material to it;

(ii) such Issuing Bank has received written notice from any Bank, any other Issuing Bank, the Administrative Agent or the Borrower, on or prior to the Business Day prior to the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article V is not then satisfied;

(iii) the expiry date of any requested Letter of Credit is after the earlier to occur of (A) 90 days after the date of Issuance of such Letter of Credit or, solely in the case of any 360-Day Letter of Credit, 360 days after the date of Issuance of such 360-Day Letter of Credit or (B) the Maturity Date, or, solely in the case of a 360-Day Letter of Credit, the 360-Day L/C Maturity Date, unless all the Banks have approved such expiry date in writing, but any SPT-Related Standby Letter of Credit may by its terms be renewable for successive 90-day periods unless a notice that the applicable Issuing Bank declines to renew such Letter of Credit is given to the applicable Issuing Bank and the Administrative Agent on or prior to any date for notice of non-renewal to the beneficiary set forth in such SPT-Related Standby Letter of Credit, but in any event at least five Business Days prior to the date of the notice of non-renewal of such SPT-Related Standby Letter of Credit, any such automatic renewal of a Letter of Credit being subject to the fulfillment of the applicable conditions set forth in Article V; provided that the terms of each of the SPT-Related Standby Letters of Credit that is automatically renewable (1) shall require the applicable Issuing Bank to give the beneficiary of such SPT-Related Standby Letter of Credit notice of any non-renewal prior to the expiry date,

(2) shall permit such beneficiary, upon receipt of such notice, to draw under such SPT-Related Standby Letter of Credit prior to the expiry date of the SPT-Related Standby Letter of Credit, and (3) shall not permit the expiry date (after giving effect to any renewal) of such SPT-Related Standby Letter of Credit in any event to be extended to a date that is later than the Maturity Date. If a notice of non-renewal is given by the applicable Issuing Bank pursuant to the immediately preceding sentence, the related SPT-Related Standby Letter of Credit shall expire on its expiry date;

(iv) the expiry date of any such requested Letter of Credit is prior to the maturity date of any financial obligation to be supported by the requested Letter of Credit;

(v) such requested Letter of Credit is not in form and substance acceptable to such Issuing Bank, or the Issuance of a Letter of Credit shall violate any applicable policies of such Issuing Bank;

(vi) such Letter of Credit is for the purpose of supporting the Issuance of any letter of credit by any other Person;

(vii) such Letter of Credit is denominated in a currency other than Dollars;

(viii) the amount of such requested Letter of Credit together with outstanding Letters of Credit and Revolving Loans exceeds the lesser of the Borrowing Base Advance Cap or the Total Available Committed Line Portion;

(ix) the amount of such requested Letter of Credit together with all outstanding L/C Obligations exceeds the Issuance Cap; or

(x) the amount of such requested Letter of Credit would result in exposure of an Issuing Bank in excess of its Issuance Cap Sub-Limit.

3.02 Issuance, Amendment and Renewal of Letters of Credit.

(a) Each Letter of Credit which is Issued hereunder shall be Issued upon the irrevocable written request of the Borrower pursuant to a Notice of Borrowing (Letter of Credit) in the applicable form attached hereto as Exhibit A received by an Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) by no later than 12:00 p.m. noon (New York City time) on the proposed date of Issuance. Each such request for Issuance of a Letter of Credit shall be by electronic transfer or facsimile, confirmed immediately in an original writing or by electronic transfer, in the form of an L/C Application, and shall specify in form and detail satisfactory to such Issuing Bank: (i) the proposed date of Issuance of the Letter of Credit (which shall be a Business Day); (ii) whether the requested Letter of Credit would be a commercial documentary letter of credit, SPT-Related Standby Letter of Credit, Physical Trade Delivery-Related Standby Letter of Credit or other standby letter of credit; (iii) the face amount of the Letter of Credit; (iv) the expiry date of the Letter of Credit, which date shall not, without the prior, explicit consent of each Bank, be later than the earlier to occur of (A) 90 days after the proposed date of Issuance of such Letter of Credit or (B) the Maturity Date (or in the case of any 360-Day Letter of Credit, the 360-Day L/C Maturity Date); (v) the name and address of the

beneficiary thereof; (vi) the documents to be presented by the beneficiary of the Letter of Credit in case of any drawing thereunder; (vii) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; and (viii) such other matters as such Issuing Bank may require. Upon receipt of such request, the Administrative Agent will promptly notify the Banks of the receipt by it of any L/C Application.

(b) From time to time while a Letter of Credit is outstanding and prior to the Expiration Date, an Issuing Bank will, upon the written request of the Borrower received by such Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) by no later than 12:00 p.m. noon (New York City time) on the proposed date of amendment, consider the amendment of any Letter of Credit Issued by it. Each such request for amendment of a Letter of Credit shall be made by electronic transfer or facsimile, confirmed immediately in an original writing or by electronic transfer, made in the form of an L/C Amendment Application, and shall specify in form and detail satisfactory to such Issuing Bank and the Administrative Agent: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment of the Letter of Credit (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as such Issuing Bank may require. Such Issuing Bank shall be under no obligation to amend any Letter of Credit.

(c) The Issuing Banks and the Banks agree that, while a Letter of Credit is outstanding and prior to the Expiration Date, at the option of the Borrower and upon the written request of the Borrower received by an Issuing Bank (with a copy sent to the Administrative Agent and the other Issuing Banks) by no later than 12:00 p.m. noon (New York City time) on the proposed date of renewal, the Issuing Bank shall, subject to Section 3.01(b), renew any Letter of Credit Issued by it. Each such request for renewal of a Letter of Credit made by the Borrower shall be made by electronic transfer or facsimile, confirmed immediately in an original writing or by electronic transfer, in the form of an L/C Amendment Application, and shall specify in form and detail satisfactory to such Issuing Bank and the Banks: (i) the Letter of Credit to be renewed; (ii) the proposed date of renewal of the Letter of Credit (which shall be a Business Day); (iii) the revised expiry date of the Letter of Credit; and (iv) such other matters as such Issuing Bank may require.

(d) If any outstanding Letter of Credit Issued by an Issuing Bank shall provide that it shall be automatically renewed unless the beneficiary thereof receives notice from such Issuing Bank that such Letter of Credit shall not be renewed, and if at the time of renewal such Issuing Bank would be entitled to authorize the automatic renewal of such Letter of Credit subject to Section 3.01(b) and in accordance with this Subsection 3.02(d) upon the request of the Borrower, then such Issuing Bank shall nonetheless be permitted to allow such Letter of Credit to renew, and the Borrower and the Banks hereby authorize such renewal, and, accordingly, such Issuing Bank shall be deemed to have received an L/C Amendment Application from the Borrower requesting such renewal.

(e) Any Issuing Bank may, at its election, deliver any notices of termination or other communications to any Letter of Credit beneficiary or transferee, and take any other action as necessary or appropriate, at any time and from time to time, in order to cause the expiry date of such Letter of Credit to be a date not later than the Expiration Date.

(f) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than any Letter of Credit).

(g) Each Issuing Bank will also deliver to the Administrative Agent a true and complete copy of each Letter of Credit or amendment to or renewal of a Letter of Credit Issued by it.

3.03 Risk Participations, Drawings, Reducing Letters of Credit and Reimbursements .

(a) Immediately upon the Issuance of each Letter of Credit by an Issuing Bank, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from such Issuing Bank, on a several basis, a participation in such Letter of Credit and each drawing or Reducing Letter of Credit Borrowing thereunder in an amount equal to the product of (i) the Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.03, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of such Bank, times (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing or Reducing Letter of Credit Borrowing, respectively. For purposes of Section 2.01, each Issuance of a Letter of Credit shall be deemed to utilize the Committed Line Portion of each Bank by an amount equal to the amount of such participation.

(b) In the event of any request for a drawing under a Letter of Credit Issued by an Issuing Bank by the beneficiary or transferee thereof, such Issuing Bank will promptly notify the Borrower. Any notice given by an Issuing Bank or the Administrative Agent pursuant to this Subsection 3.03(b) may be oral if immediately confirmed in writing (including by facsimile); provided, however, that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice. The Borrower shall reimburse an Issuing Bank prior to 5:00 p.m. (New York City time), on each date that any amount is paid by such Issuing Bank under any Letter of Credit or to the beneficiary of a Reducing Letter of Credit in the form of a Reducing L/C Borrowing (each such date, an "Honor Date"), in an amount equal to the amount so paid by such Issuing Bank. In the event the Borrower fails to reimburse such Issuing Bank for the full amount of any drawing under any Letter of Credit or of any Reducing L/C Borrowing, as the case may be, by 5:00 p.m. (New York City time) on the Honor Date, such Issuing Bank will promptly notify the Administrative Agent and the Administrative Agent will promptly notify each Bank thereof and the Borrower shall be deemed to have requested that Revolving Loans be made by the Banks to be disbursed to such Issuing Bank not later than one (1) Business Day after the Honor Date under such Letter of Credit, subject to the amount of the unutilized portion of the Borrowing Base Line.

(c) In the event of any request for a Reducing L/C Borrowing by the Borrower in association with any Reducing Letter of Credit, the amount available for drawing under such Reducing Letter of Credit will be reduced automatically, and without any further amendment or endorsement to such Reducing Letter of Credit, by the amount actually paid to such beneficiary, notwithstanding the fact that the payment creating such Reducing L/C Borrowing is not made pursuant to a conforming and proper draw under the corresponding Reducing Letter of Credit.

(d) Each Bank shall upon any notice pursuant to Subsection 3.03(b) make available to the Administrative Agent for the account of any Issuing Bank an amount in Dollars and in immediately available funds equal to its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.03, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of the amount of the drawing or of the Reducing L/C Borrowing, as the case may be, whereupon the Banks shall (subject to Subsection 3.03(e)) each be deemed to have made a Revolving Loan to the Borrower in that amount. If any Bank so notified fails to make available to the Administrative Agent for the account of such Issuing Bank the amount of such Bank's Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.03, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of the amount of the drawing or of the Reducing L/C Borrowing, as the case may be, by no later than 3:00 p.m. (New York City time) on the Business Day following the Honor Date, then interest shall accrue on such Bank's obligation to make such payment, from the Honor Date to the date such Bank makes such payment, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time during such period. The Administrative Agent will promptly give notice of the occurrence of the Honor Date, but failure of the Administrative Agent to give any such notice on the Honor Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligations under this Section 3.03.

(e) With respect to any unreimbursed drawing or Reducing L/C Borrowing, as the case may be, that is not converted into Revolving Loans in whole or in part for any reason, the Borrower shall be deemed to have incurred from the relevant Issuing Bank an L/C Borrowing in the amount of such drawing or Reducing L/C Borrowing, as the case may be, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Default Rate, and each Bank's payment to such Issuing Bank pursuant to Subsection 3.03(d) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Bank in satisfaction of its participation obligation under this Section 3.03.

(f) In the event that payment under any Letter of Credit Issued by an Issuing Bank is drawn or purported to be drawn in a currency other than United States Dollars, the amount of reimbursement to such Issuing Bank therefor shall be calculated on the basis of such Issuing Bank's selling rate of exchange in effect (for the date on which such Issuing Bank pays such draft or reimburses any of its correspondents which paid such draft) for cable transfers to the place where and in the currency in which such draft is payable. The Borrower shall comply with any and all governmental exchange regulations now or hereafter applicable to any foreign exchange, and shall indemnify and hold the Banks harmless from any failure of the Borrower so to comply. If, for any cause whatsoever, there exists at the time in question no rate of exchange generally current at such Issuing Bank for effective cable transfer of the sort above provided for, the Borrower agrees to pay the Banks on demand an amount in United States Dollars equivalent to the actual cost of settlement of such Issuing Bank's obligation to the payor of the draft or acceptance or any holder thereof, as the case may be, and however and whenever such settlement may be made by such Issuing Bank.

(g) Each Bank's obligation in accordance with this Agreement to make the Revolving Loans or L/C Advances, as contemplated by this Section 3.03, as a result of a drawing under a Letter of Credit or Reducing L/C Borrowing, shall be absolute and unconditional and without recourse to the relevant Issuing Bank and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against such Issuing Bank, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

3.04 Repayment of Participations.

(a) Upon (and only upon) receipt by the Administrative Agent for the account of an Issuing Bank of immediately available funds from the Borrower (i) in reimbursement of any payment made by such Issuing Bank under a Letter of Credit or in connection with a Reducing L/C Borrowing with respect to which any Bank has paid the Administrative Agent for the account of such Issuing Bank for such Bank's participation in the Letter of Credit pursuant to Section 3.03 or (ii) in payment of interest thereon, the Administrative Agent will pay to each Bank, in the same funds as those received by the Administrative Agent for the account of such Issuing Bank, the amount of such Bank's Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.04, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of such funds.

(b) If the Administrative Agent or an Issuing Bank is required at any time to return to the Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Borrower to the Administrative Agent for the account of such Issuing Bank pursuant to Subsection 3.04(a) in reimbursement of a payment made under a Letter of Credit or in connection with a Reducing L/C Borrowing or interest or fee thereon, each Bank shall, on demand of such Issuing Bank, forthwith return to the Administrative Agent or such Issuing Bank the amount of its Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.04, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Advance Share, if applicable) of any amounts so returned by the Administrative Agent or such Issuing Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Administrative Agent or such Issuing Bank, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

3.05 Role of the Issuing Banks.

(a) Each Bank and the Borrower agree that, in paying any drawing under a Letter of Credit Issued by an Issuing Bank or funding any Reducing L/C Borrowing, such Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft or certificates expressly required by such Letter of Credit, but with respect to Reducing Letter of Credit Borrowings, no document of any kind need be obtained) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(b) No Agent-Related Person nor any of the respective correspondents, participants or assignees of any Issuing Bank shall be liable to any Bank for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Banks; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Agent-Related Person, nor any of the respective correspondents, participants or assignees of any Issuing Bank, shall be liable or responsible for any of the matters described in clauses (a) through (g) of Section 3.06; provided, however, that, anything in such clauses or elsewhere herein to the contrary notwithstanding, the Borrower may have a claim against an Issuing Bank, and such Issuing Bank may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such Issuing Bank's willful misconduct or gross negligence or such Issuing Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing: (i) the Issuing Banks may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) the Issuing Banks shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.06 Obligations Absolute. The Obligations of the Borrower under this Agreement and any L/C-Related Document to reimburse an Issuing Bank for a drawing under a Letter of Credit or for a Reducing L/C Borrowing, and to repay any L/C Borrowing and any drawing under a Letter of Credit or Reducing L/C Borrowing converted into Revolving Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(a) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C-Related Documents or any unrelated transaction;

(d) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit;

(e) any payment by any Issuing Bank under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any Letter of Credit; or any payment made by any Issuing Bank under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any Insolvency Proceeding;

(f) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the Obligations of the Borrower in respect of any Letter of Credit; or

(g) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

Notwithstanding anything to the contrary in this Section 3.06 or in the Continuing Agreement for Letters of Credit, the Issuing Banks shall not be excused from liability to Borrower to the extent of any direct damages (as opposed to consequential, indirect and punitive damages, claims in respect of which are hereby waived by Borrower) suffered by Borrower that are caused by any of the Issuing Bank's gross negligence or willful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof, provided, however, that the parties hereto expressly agree that:

(i) the Issuing Banks may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) the Issuing Banks shall have the right, in their sole discretion exercised in good faith, to decline to accept documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by the Banks when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

3.07 Cash Collateral Pledge. Unless otherwise consented to, in writing, by the Administrative Agent, (i) if an Issuing Bank has honored any full or partial drawing request on any Letter of Credit and such drawing has resulted in an L/C Borrowing hereunder, or (ii) if, as of the Expiration Date, any Letters of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to 105% of such L/C Obligations. Upon the occurrence of the circumstances described in Section 2.06 requiring the Borrower to Cash Collateralize Letters of Credit, the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to the applicable excess. Upon the occurrence of and during the continuation of any Event of Default the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to 105% of the Effective Amount of the L/C Obligations as of such date.

3.08 Letter of Credit Fees.

(a) The Borrower shall pay to each Issuing Bank, for its own account, such customary fees and charges in connection with the issuance, administration, payment, negotiation and amendment of each Letter of Credit as the Borrower and the Issuing Bank shall from time to time agree.

(b) The Borrower shall pay to the Administrative Agent for the account of each of the Banks a letter of credit fee with respect to each of the Letters of Credit Issued hereunder equal to the greater of (i) \$700 or (ii) the Applicable Margin, together with any related fees such as telecopy, facsimile and courier fees, such letter of credit fees to be due and payable monthly in arrears (on such fees accrued through and including the last day of such calendar month) on the later to occur of (i) the fifth Business Day of the immediately succeeding calendar month, and (ii) two Business Days following receipt of a final invoice for the same, commencing on the first such monthly date to occur after the Closing Date.

3.09 Applicability of Uniform Customs and Practice and ISP98. Unless otherwise expressly agreed by an Issuing Bank and the Borrower when a Letter of Credit is Issued (including any such agreement applicable to an Existing Letter of Credit), the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of Issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each standby Letter of Credit and documentary Letter of Credit. If Borrower desires to use the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of Issuance) for standby Letters of Credit, Borrower shall request and note this explicitly on the standby Letter of Credit application.

3.10 Existing Letters of Credit. Borrower hereby acknowledges and agrees that the Existing Letters of Credit listed on Schedule 3.10 hereto shall be deemed to be Letters of Credit Issued under this Agreement for all purposes.

ARTICLE IV**TAXES, YIELD PROTECTION AND ILLEGALITY****4.01 Taxes .**

(a) Any and all payments by the Borrower to each Bank or any or all of the Agents under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Borrower shall pay all Other Taxes.

(b) If the Borrower shall be required by law to deduct or withhold any Taxes, Other Taxes or Further Taxes from or in respect of any sum payable hereunder to any Bank or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Administrative Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings;

(iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Borrower shall also pay to each Bank or the Administrative Agent for the account of such Bank, at the time interest is paid, Further Taxes in the amount that Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed.

(c) The Borrower agrees to indemnify and hold harmless each Bank and the Administrative Agent for the full amount of (i) Taxes, (ii) Other Taxes, and (iii) Further Taxes in the amount that the Administrative Agent or such Bank specifies as necessary to preserve the after-tax yield the Administrative Agent or such Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed, and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes, Other Taxes or Further Taxes were correctly or legally asserted, provided, however, that the Borrower shall not be required to indemnify or hold harmless any Bank to the extent (but only to the extent) of such Bank's gross negligence or willful misconduct. Payment under this indemnification shall be made within 30 days after the date the Bank or the Administrative Agent makes written demand therefor.

(d) Within 30 days after the date of any payment by the Borrower of Taxes, Other Taxes or Further Taxes, the Borrower shall furnish the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Administrative Agent.

(e) If the Borrower is required to pay any amount to the Administrative Agent or any Bank pursuant to subsection (b) or (c) of this Section, then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Borrower which may thereafter accrue, if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

4.02 Illegality .

(a) If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for such Bank or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by such Bank to the Borrower through the Administrative Agent, any obligation of that Bank to make Offshore Rate Loans shall be suspended until the Bank notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist.

(b) If a Bank determines that it is unlawful to maintain any Offshore Rate Loan, the Borrower shall, upon receipt of notice of such fact and demand from such Bank (with a copy to the Administrative Agent), prepay in full, without premium or penalty, such Offshore Rate Loans of that Bank then outstanding, together with interest accrued thereon either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Bank may not lawfully continue to maintain such Offshore Rate Loan. If the Borrower is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, the Borrower shall borrow from the affected Bank, in the amount of such repayment, a Base Rate Loan.

4.03 Increased Costs and Reduction of Return .

(a) If any Bank determines that, due to either (i) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate or in respect of the assessment rate payable by any Bank to the FDIC for insuring U.S. deposits) in or in the interpretation of any law or regulation or (ii) the compliance by that Bank with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Offshore Rate Loans or participating in Letters of Credit, or, in the case of an Issuing Bank, any increase in the cost to such Issuing Bank of agreeing to issue, issuing or maintaining any Letter of Credit or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then the Borrower shall be liable for, and shall from time to time, within 30 days of demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs, provided, however, that the Borrower shall not be required to pay any such amount to the extent that such amount is reflected in changes in the Base Rate, the Offshore Rate or other fees or charges of such Bank.

(b) If any Bank shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) or any corporation controlling the Bank with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its loans, credits or obligations under this Agreement, then, within 30 days of demand of such Bank to the Borrower through the Administrative Agent, the Borrower shall pay to the Bank, from time to time as specified by the Bank, additional amounts sufficient to compensate the Bank for such increase, provided, however, that the Borrower shall not be required to pay any such amount to the extent that such amount is reflected in changes in the Base Rate.

4.04 Funding Losses. The Borrower shall reimburse each Bank and hold each Bank harmless from any loss or expense which the Bank may sustain or incur as a consequence of:

- (a) the failure of the Borrower to make on a timely basis any payment of principal of any Offshore Rate Loan;
- (b) the failure of the Borrower to borrow, continue or convert a Loan after the Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation;
- (c) the failure of the Borrower to make any prepayment in accordance with any notice delivered under Section 2.06;
- (d) the prepayment (including prepayments made pursuant to Article II but excluding prepayments made pursuant to Section 4.02) or other payment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period;
- (e) the automatic conversion under Section 2.04 of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period except any such automatic conversion resulting from prepayments required by Section 4.02; or
- (f) that arise as a result of any payments, sales, purchases or other transfers contemplated in Section 2.14 on any Requested TCL Effective Date;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Borrower to the Banks under this Section and under Section 4.03, each Offshore Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBOR used in determining the Offshore Rate for such Offshore Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Loan is in fact so funded.

4.05 [RESERVED].

4.06 Reserves on Offshore Rate Loans . The Borrower shall pay to each Bank, as long as such Bank shall be required under regulations of the FRB to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as “Eurocurrency liabilities”), additional costs on the unpaid principal amount of each Offshore Rate Loan equal to the actual costs of such reserves allocated to such Loan by the Bank (as determined by the Bank in good faith, which determination shall be conclusive), payable on each date on which interest is payable on such Loan, provided, however, that the Borrower shall have received at least 15 days’ prior written notice (with a copy to the Administrative Agent) of such additional interest from the Bank. If a Bank fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest shall be payable 15 days from receipt of such notice.

4.07 Certificates of Banks . Together with any demand by a Bank for reimbursement or compensation pursuant to this Article IV, such Bank shall provide to the Borrower (with a copy to the Administrative Agent) a certificate signed by an authorized officer of the Bank (a) describing the event giving rise to such demand, and (b) showing the method and detailed calculations (which may include any reasonable averaging, attribution or allocation procedures) used by the Bank to determine the amount demanded by the Bank. In calculating the amount of costs, expenses, capital requirements or rate of reduction allocable to the Borrower, such Bank shall use such reasonable methods as such Bank shall determine. Such calculation and certification shall be conclusive and binding on the Borrower in the absence of manifest error.

4.08 Substitution of Banks . Upon the receipt by the Borrower from any Bank (an “ Affected Bank ”) of a claim for compensation under Section 4.03 or upon the Borrower repaying any Loan (or portion thereof) advanced hereunder pursuant to Section 2.12 as a result of a Bank failing to fund its Pro Rata Advance Share to the Administrative Agent (such constituting a Defaulting Bank as defined in Section 1.01), the Borrower may: (a) request the Affected Bank to 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 judgment of such Affected Bank, such designation or assignment (i) eliminates or reduces, in the future, amounts payable pursuant to Section 4.03 and (ii) does not subject the Affected Bank to any unreimbursed costs or expense (and the Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Affected Bank in connection with any such designation or assignment); (b) request the Affected Bank or the Defaulting Bank (as the case may be) to use its best efforts to designate a replacement bank or financial institution satisfactory to the Borrower to acquire and assume all or a ratable part of all of such Affected Bank’s or Defaulting Bank’s (as the case may be) Loans and Committed Line Portion (a “ Replacement Bank ”); (c) request one or more of the other Banks to acquire and assume all or part of such Affected Bank’s Loans and Committed Line Portion; (d) designate a Replacement Bank or (e) remove such Defaulting Bank (in its various capacities hereunder)

upon the payment of all amounts then due to such Defaulting Bank hereunder at par, to the extent such removal is approved by the Agents. Any such designation of an alternative office, branch or Affiliate under clause (a) above and any such designation of a Replacement Bank under clause (b) or (d) shall be subject to the prior written consent of the Swing Line Bank and each Issuing Bank (which consent shall not be unreasonably withheld).

4.09 Survival. The agreements and Obligations of the Borrower in this Article IV shall survive the payment of all other Obligations.

ARTICLE V

CLOSING ITEMS

5.01 Matters to be Satisfied Upon Execution of Agreement. At the time the Banks execute this Agreement, unless otherwise waived by the Banks, the Documentation Agent shall have received all of the following, in form and substance satisfactory to the Documentation Agent, the Administrative Agent, and each Bank:

(a) Loan Documents. This Agreement, the Notes, the Security Agreement, the Guaranty, the Atmos Support Agreement, that certain Subordination Agreement dated as of the date hereof between the Guarantor, as subordinated creditor, and the Administrative Agent, and certain other documents executed in connection with the Original Credit Agreement, and each other document or certificate executed in connection with this Agreement, executed by each party thereto;

(b) Resolutions; Incumbency. Copies of the resolutions of the members of the Borrower authorizing the transactions contemplated hereby, certified as of the Closing Date by the Secretary of the Borrower, and certifying the names and true signatures of the officers of the Borrower authorized to execute, deliver and perform, as applicable, this Agreement, and all other Loan Documents to be delivered by the Borrower hereunder;

(c) Organization Documents; Existence; Good Standing. The articles or certificate of formation and the regulations of the Borrower as in effect on the Closing Date, all certified by the Secretary of the Borrower as of the Closing Date, and the articles or certificate of formation and the Bylaws or regulations of Atmos Energy Corporation and Atmos Energy Holdings, Inc. as in effect on the Closing Date, all certified by the Secretary of Atmos Energy Corporation and Guarantor as of the Closing Date together with certificates of existence and good standing for the Borrower, Atmos Energy Corporation and Guarantor from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation and each state where not being in good standing on the part of the Borrower, Atmos Energy Corporation and/or the Guarantor would have a Material Adverse Effect on such entity's transactions within such state, certified as of, or reasonably close to, the Closing Date;

(d) Legal Opinions. Legal opinion of counsel to the Borrower and counsel to Guarantor each addressed to the Administrative Agent and the Banks, in form and substance acceptable to the Administrative Agent and the Banks;

(e) Payment of Fees. Evidence of payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of Agents to the extent invoiced prior to or on the Closing Date, which Attorney Costs of Agents, for the avoidance of doubt, have not been invoiced as of the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Agents' reasonable estimate of Attorney Costs incurred or to be incurred by them through the closing proceedings (provided, however , that such estimate shall not thereafter preclude final settling of accounts between the Borrower and Agents); including any such costs, fees and expenses arising under or referenced in Sections 2.09 and 11.04(a) and all costs of the auditors and consultants retained by the Banks in connection with the Obligations of the Borrower to Agents;

(f) Certificate. A certificate signed by a Responsible Officer of the Borrower, dated as of the Closing Date, stating to the best of such officer's knowledge that:

(i) The representations and warranties contained in Article VI are true and correct on and as of such date, as though made on and as of such date; and

(ii) No Default or Event of Default exists or would result from the Credit Extension.

(g) Insurance. Evidence of insurance required to be maintained by the Borrower hereunder;

(h) Filings. Evidence that all filings needed to perfect the security interests granted by the Security Documents have been completed or due provision has been made therefor;

(i) Service of Process Form. An acknowledgement letter from Corporation Service Company as contemplated by Subsection 11.16(b);

(j) Bailee Acknowledgments. Copies of the Bailee acknowledgement letters, substantially in the form set forth in Exhibit H hereto, duly executed by the Borrower and sent to the applicable bailees associated with each Location of Inventory Storage set forth on Schedule 7.03(f);

(k) Collateral Position Report. The Administrative Agent shall have received a Borrowing Base Collateral Position Report (substantially in the form of such report as defined in the Original Collateral Agreement as in effect immediately prior to the date hereof) that accurately reflects the information recorded therein as of December 15, 2008, and that has been duly executed by a Responsible Officer of the Borrower; and

(l) Other Documents. Such other approvals, opinions, documents or materials as the Agents or any Bank may request.

5.02 Conditions to Each Credit Extension. The agreement of each Bank to make any Loan requested to be made by it on any date and the agreement of the Issuing Banks to Issue any Letter of Credit is subject to the satisfaction of the following conditions precedent:

(a) Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing or Notice of Borrowing (Letter of Credit Request) pursuant to Section 2.03 or Section 3.02, as the case may be.

(b) Representations and Warranties . Each of the representations and warranties made by the Borrower and the Guarantor in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent any such representation and warranty relates solely to a specified prior date, in which case such representation and warranty shall be true and correct in all material respects as of such specified date.

(c) No Default . No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Credit Extensions requested to be made on such date.

(d) Borrowing Availability . The aggregate Effective Amount outstanding under this Agreement shall not exceed the lesser of the Borrowing Base Advance Cap or the Total Available Committed Line Portion.

Each borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date thereof that the conditions contained in this Section 5.02 have been satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Agents and each Bank that:

6.01 Existence and Power . Each of the Borrower, its Subsidiaries and Guarantor:

(a) is a limited liability company or corporation, as the case may be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on their business and to execute, deliver, and perform their respective Obligations under the Loan Documents;

(c) is duly qualified as a foreign limited liability company or corporation, as the case may be, and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and to the best knowledge of such Person, is in compliance with all Requirements of Law.

6.02 Authorization; No Contravention. The execution, delivery and performance by the Borrower and Guarantor of each Loan Document to which such Person is party, have been duly authorized and do not and will not:

(a) contravene the terms of the Organization Documents of such Person;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(c) to the best knowledge of the Borrower, violate any Requirement of Law.

6.03 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower or any of its Subsidiaries or Guarantor, as applicable, of any Loan Document.

6.04 Binding Effect. This Agreement and each other Loan Document to which the Borrower or any of its Subsidiaries or Guarantor is a party constitute the legal, valid and binding obligations of such Person to the extent that it is a party thereto, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity.

6.05 Litigation. Except as specifically disclosed in Schedule 6.05, there are no actions, suits or proceedings, pending, or to the knowledge of the Borrower, or Guarantor threatened at law, in equity, in arbitration or before any Governmental Authority, against the Borrower, or any of its Subsidiaries or Guarantor or any of their respective properties which purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; and no injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

6.06 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by the Borrower. As of the Closing Date, neither the Borrower nor any of its Subsidiaries are in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

6.07 ERISA Compliance. Except as specifically disclosed in Schedule 6.07:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the

IRS and to the best knowledge of the Borrower, nothing has occurred which would cause the loss of such qualification. The Borrower and each ERISA Affiliate have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan, that have resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) To the Borrower's best knowledge, no ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) or ERISA.

6.08 Use of Proceeds; Margin Regulations . The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 7.12 . Neither the Borrower nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.09 Title to Properties . The Borrower and each of its Subsidiaries have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. As of the Closing Date, the property of the Borrower and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.10 Taxes . The Borrower and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges shown thereon to be due and payable, and have paid all material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets as due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower or any of its Subsidiaries that would, if made, have a Material Adverse Effect.

6.11 Financial Condition .

(a) The unaudited balance sheet of the Borrower dated as of September 30, 2008:

(i) fairly presents the financial condition of the Borrower as of the date thereof; and

(ii) shows all material indebtedness and other liabilities, direct or contingent, of the Borrower and as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) Since September 30, 2008, there has been no Material Adverse Effect.

6.12 Environmental Matters . The Borrower conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Borrower has reasonably concluded that, except as previously specifically disclosed in Schedule 6.12 ., such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.13 Regulated Entities . Neither the Borrower, nor any Person controlling the Borrower, or any of its Subsidiaries, is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

6.14 No Burdensome Restrictions . Neither the Borrower nor any of its Subsidiaries is a party to or bound by any Contractual Obligation or subject to any restriction in any Organization Document or any Requirement of Law which could reasonably be expected to have a Material Adverse Effect.

6.15 Copyrights, Patents, Trademarks and Licenses, Etc . To the Borrower's best knowledge, the Borrower or its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. Except as specifically disclosed in Schedule 6.05 ., no claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Borrower, proposed.

6.16 Subsidiaries . The Borrower has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 6.16 hereto and has no equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 6.16 .

6.17 Insurance. Except as specifically disclosed in Schedule 6.17, the properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or such Subsidiary operates.

6.18 Full Disclosure. To the Borrower's best knowledge, none of the representations or warranties made by the Borrower or any of its Subsidiaries in the Loan Documents as of the date such representations and warranties is made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Borrower or any of its Subsidiaries in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Borrower to the Banks prior to the Closing Date), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit or any Committed Line Portion shall remain outstanding:

7.01 Financial Statements. The Borrower shall deliver to the Banks, in form and detail satisfactory to the Banks:

(a) as soon as available, but not later than 120 days after the end of each fiscal year, (i) a copy of the consolidated audited financial statements to include a balance sheet as at the end of such year for each of (A) Atmos Energy Corporation, (B) Atmos Energy Holdings, Inc. and (C) the Borrower, (ii) a copy of the consolidating unaudited financial statements to include a consolidating balance sheet as at the end of such year for Atmos Energy Holdings, Inc. and the Borrower and (iii) a copy of the consolidated audited financial statements of the Borrower and its Subsidiaries, and the related statements of income or operations, members' capital and cash flows for such year for such entities, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm ("Independent Auditor"), which opinion shall state that such financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditors of any material portion of the records of such entities;

(b) as soon as available, but not later than sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year of Atmos Energy Holdings, Inc. and Atmos Energy Corporation, (i) the unaudited consolidated financial statements of Atmos Energy Corporation and Atmos Energy Holdings, Inc., each to include a balance sheet as at the end of such fiscal quarter, with the related statements of income and/or operations, members' capital

and cash flows for such year for such entities, for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such fiscal quarter, setting forth in comparative form, in the case of each such consolidated balance sheet, the corresponding figures as of the last day of the corresponding period in the immediately preceding fiscal year and, in the case of each such consolidated statement of income and operations, members' capital and cash flows, the corresponding figures for the corresponding period in the immediately preceding fiscal year, and (ii) the unaudited consolidating balance sheet and income statement of Atmos Energy Holdings, Inc.; and

(c) as soon as available, but not later than 45 days after the end of each month, the consolidated financial statements of the Borrower and its subsidiaries in form acceptable to Banks.

7.02 Certificates; Other Information . The Borrower shall furnish to the Agents and the Banks:

(a) concurrently with the delivery of the financial statements referred to in Subsections 7.01(a), (b), and (c), an Embedded Value Report as of the date of such financial statements and a Compliance Certificate, each executed by a Responsible Officer of the Borrower;

(b) a Borrowing Base Collateral Position Report executed by a Responsible Officer of the Borrower as of 15th day of each month and as of the last Business Day of each month, in each case delivered within ten (10) days of such reporting date; provided, however, that if any Borrowing Base Collateral Position Report fails to reflect an "excess" (as contemplated by such report) of greater than 10% over the lesser of Borrowing Base Advance Cap or the Total Available Committed Line Portion applicable as of such reporting date, then until two consecutive Borrowing Base Collateral Position Reports have evidenced an "excess" (as contemplated by such report) of greater than 10% over the lesser of Borrowing Base Advance Cap and the Total Available Committed Line Portion applicable as of the applicable reporting date for such reports, the Borrower shall provide two additional Borrowing Base Collateral Position Reports per month, one as of the 7th day of each month and the other as of the 22nd day of each month. Upon the delivery of the second consecutive Borrowing Base Collateral Position Report evidencing a greater than 10% "excess", the Borrower will revert to delivering two (2) Borrowing Base Collateral Position Reports per month as described in the first portion of this Section 7.02(b);

(c) on or before the tenth (10th) day of each month, a Net Position Report as of the first (1st) day of said month, and on or before the twenty-fifth (25th) day of each month, a Net Position Report as of the fifteenth (15th) day of such month, in each case certified by a Responsible Officer of the Borrower;

(d) promptly when available, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary as the Agents, at the request of any Bank, may from time to time reasonably request;

(e) a quarterly report of inventory storage locations at each quarter end;

(f) a SPT Activity Report executed by a Responsible Officer of the Borrower as of 15th day of each month and as of the last Business Day of each month, in each case delivered within ten (10) days of such reporting date; provided that if any such SPT Activity Report evidences that the Borrower has an "SPT Activity Utilization Ratio" (as defined therein) of 90% or more, then the Borrower shall provide additional SPT Activity Reports on the 7th day and the 22nd day of each month, in each case delivered within seven (7) days of such reporting date, until such time as the last delivered SPT Activity Report evidences an "SPT Activity Utilization Ratio" of 80% or less; and

(g) a report, to be delivered concurrently with the financial statements delivered pursuant to Section 7.01(c), that sets forth the Cumulative Loss as of the end of the calendar month to which the financial statements that are being delivered concurrently relate.

7.03 Notices. The Borrower shall promptly notify the Agents and each Bank:

(a) of the occurrence of any Default or Event of Default, and of the occurrence or existence of any event or circumstance that could reasonably be expected to become a Default or Event of Default;

(b) of the occurrence of any event which could reasonably be expected to cause a material impairment of the Collateral Position;

(c) of the occurrence of any event which could reasonably be expected to cause a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a material Contractual Obligation of the Borrower or any Subsidiary; (ii) any material dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including proceedings pursuant to any applicable Environmental Laws;

(d) of the occurrence of any of the following events affecting the Borrower or any ERISA Affiliate (but in no event more than 10 days after the Borrower receives notice or becomes aware of such event), and deliver to the Agents and each Bank a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Borrower or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Borrower or any ERISA Affiliate; or

the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability;

(e) of any material change in accounting policies or financial reporting practices by the Borrower; and

(f) of any intended relocation of inventory or any intended new location of inventory owned by the Borrower, at least ten (10) Business Days prior to the date such inventory is to be stored at such location.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under Subsection 7.03(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been (or reasonably could be expected to be) breached or violated as therein provided.

7.04 Preservation of Corporate Existence, Etc. The Borrower shall, and shall cause each of its Subsidiaries to:

(a) preserve and maintain in full force and effect its existence and good standing under the laws of its state or jurisdiction of organization;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

7.05 Maintenance of Property. The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain and preserve, all its property used or useful in its business in good working order and condition, ordinary wear and tear excepted, and make all necessary repairs thereto and renewals and replacements thereof except in any case where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.06 Insurance. The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons, including, without limitation, marine cargo insurance, if appropriate.

7.07 Payment of Obligations. The Borrower shall pay, and shall cause each of its Subsidiaries to pay and discharge, as the same shall become due and payable, all their respective material obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and unless adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or Subsidiary, and provided that at such time the claim becomes a Lien (other than a *lis pendens* notice), it shall be promptly paid; and

(c) all indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

7.08 Compliance with Laws. The Borrower shall comply, and shall cause each of its Subsidiaries to comply, with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.09 Compliance with ERISA. The Borrower shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

7.10 Inspection of Property and Books and Records. The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower and such Subsidiary. The Borrower shall permit, and shall cause each of its Subsidiaries to permit, representatives and independent contractors of any Agents or any Bank to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of the Agent or Bank causing such inspection and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists either of the Agents or any Bank may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

7.11 Environmental Laws. The Borrower shall conduct, and shall cause each of its Subsidiaries to conduct, its operations and keep and maintain its property in compliance in all material respects with all Environmental Laws.

7.12 Use of Proceeds. The Borrower shall use the proceeds of the Loans for the uses described in this Agreement and not in contravention of any Requirement of Law or of any Loan Document restrictions on use of loan proceeds.

The Borrower shall not use the proceeds of the Loan or any Letter of Credit to acquire, directly or indirectly, any Margin Stock.

7.13 Collateral Position Audit. At some date not later than the six-month anniversary of the Closing Date and at such other times as Agents deem advisable, the Borrower will allow Agents or an entity satisfactory to Agents to conduct a thorough examination of the Collateral, and the Borrower will fully cooperate in such examination. The Borrower will pay the costs and expenses of one such examination each calendar year.

7.14 Lock Box. The Borrower shall (i) maintain a lock box (the "Lock Box") with Bank of America, N.A. and shall notify in writing and otherwise take such reasonable steps to ensure that all Account Debtors under any of its Accounts forward payment in the form of cash, checks, drafts or other similar items of payment directly to such Lock Box and shall provide Banks with reasonable evidence of such notification, and (ii) deposit and cause its Subsidiaries to deposit or cause to be deposited all payments under such Accounts to the Lock Box. In the event that any Account Debtor does make any payment directly to the Borrower, the Borrower shall promptly deposit such amounts into the Lock Box. The Borrower and each Bank acknowledge and agree that prior to the Activation Period, the Borrower may operate and transact business through the Lock Box account in its normal fashion, including making withdrawals from the Lock Box account. The Borrower and each Bank further acknowledge and agree that during the Activation Period, Bank of America, N.A. shall transfer all collected and available balances in the Lock Box to the Bank Blocked Account pursuant to the Three Party Agreement. The Borrower and each Bank acknowledge and agree that the Bank Blocked Account is owned by the Collateral Agent for the benefit of the Agents, the Issuing Banks and the Banks and that the Lock Box is under the dominion and control of the Collateral Agent. The Collateral Agent at any time may apply amounts contained in the Bank Blocked Account toward satisfaction of the Obligations.

7.15 Financial Covenants. (a) The Borrower will, at all times, maintain, with respect to the elected Borrowing Base Sub-Cap for such time, (i) Net Working Capital and Tangible Net Worth, each at a level not less than the minimum threshold set forth opposite such applicable Borrowing Base Sub-Cap under the heading "Minimum Net Working Capital" and "Minimum Tangible Net Worth," as applicable, under the definition of Borrowing Base Sub-Cap, and (ii) the Ratio of Total Liabilities to Tangible Net Worth, at a level not more than the maximum threshold set forth opposite such applicable Borrowing Base Sub-Cap under the heading "Maximum Ratio at Total Liabilities to Tangible Net Worth" under the definition of "Borrowing Base Sub-Cap."

(b) The Borrower shall at all times cause the Cumulative Loss to be less than or equal to \$10,000,000; provided that if the Cumulative Loss exceeds \$10,000,000 as of the Cumulative Loss Report Date, the Borrower shall prepare and submit, within ten (10) Business Days of each Cumulative Loss Report Date a report to the Administrative Agent, in form and substance acceptable to the Administrative Agent, in its sole discretion exercised in good faith,

which report shall explain the circumstances of such Cumulative Loss and set forth a plan satisfactory to the Administrative Agent, in its sole discretion exercised in good faith, that provides in reasonable detail the actions the Borrower proposes to take to reduce the Cumulative Loss to an amount less than \$10,000,000 before the next "reporting" date and provided further that for so long as (i) the Borrower executes the plan in accordance with its terms and (ii) the plan remains effective to reduce the Cumulative Loss within the required period, as determined by the Administrative Agent, in its sole discretion exercised in good faith, then there shall be no breach of this provision.

7.16 Swap Contracts. The Borrower shall promptly notify the Administrative Agent of the "early termination," or its equivalent, of any Swap Contract and the Administrative Agent shall promptly notify the Banks of the same.

7.17 Physical Trade Contracts. The Borrower shall promptly notify the Administrative Agent of the "early termination," or its equivalent, of any Physical Trade Contract and the Administrative Agent shall promptly notify the Banks of the same.

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit or Committed Line Portion shall remain outstanding, unless the Banks waive compliance in writing:

8.01 Limitation on Liens. The Borrower shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on property of the Borrower or any of its Subsidiaries on the Closing Date and set forth in Schedule 8.01 securing Indebtedness outstanding on such date;

(b) any Lien created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 7.07, provided, however, that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty and, with respect to any such warehousemen's or landlord's lien, such liens only secure accrued rental charges;

(e) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens on the property of the Borrower or its Subsidiaries securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business; provided, however, that all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) Liens consisting of judgment or judicial attachment liens; provided, however, that the enforcement of such Liens is effectively stayed and all such unstayed liens in the aggregate at any time outstanding for the Borrower and its Subsidiaries do not exceed \$1,000,000;

(h) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business, which, in the aggregate, are not substantial in amount, and which do not in any case materially interfere with the ordinary conduct of the business of the Borrower and its Subsidiaries;

(i) purchase money security interests (other than capital leases) on any property acquired or held by the Borrower or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided, however, that (i) any such Lien attaches to such property concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the debt secured thereby does not exceed 100% of the cost of such property and (iv) the principal amount of the Indebtedness secured by any and all such purchase money security interests shall not at any time exceed \$1,000,000;

(j) Liens of interest owners, including, without limitation, Liens arising as would be defined in Texas Bus. & Com. Code Section 9.343, comparable laws of the states of Oklahoma, Kansas, Wyoming or New Mexico, or other comparable law;

(k) Liens not permitted by clause 8.01 (a), (b), (c), (d), (e), (f), (g), (h) or (i), in an aggregate amount not to exceed \$1,000,000;

(l) Liens securing contractual obligations permitted by Section 8.06; and

(m) Cross-Affiliate Netting Liens.

8.02 Consolidations and Mergers. The Borrower shall not, nor shall it suffer or permit any of its Subsidiaries to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person.

8.03 Limitation on Indebtedness. The Borrower shall not suffer, or permit any of its Subsidiaries to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

- (a) Indebtedness incurred pursuant to or in accordance with this Agreement;
- (b) Indebtedness consisting of trade payables in the ordinary course of business;
- (c) Indebtedness existing on the Closing Date, and described on Schedule 8.01;
- (d) Indebtedness in respect of purchase money security interests permitted by Section 8.01 hereof;
- (e) Indebtedness in respect of Contingent Obligations permitted by Section 8.06 hereof; and
- (f) Subordinated Debt.

8.04 Transactions with Affiliates. The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, enter into any transaction with any Affiliate of the Borrower, except upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Borrower or such Subsidiary. Without limiting the foregoing, all sales of Product by Borrower to, and purchases of Product by Borrower from, any Affiliate of Borrower shall be at the market price on the day of sale, except for transactions made in connection with Borrower's index sales strategies that shall have been approved by the Banks prior to any such transactions.

8.05 Use of Proceeds. The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (a) to purchase or carry Margin Stock, (b) to repay or otherwise refinance indebtedness of the Borrower or others incurred to purchase or carry Margin Stock, (c) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (d) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

8.06 Contingent Obligations. The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Contingent Obligations except:

- (a) endorsements for collection or deposit in the ordinary course of business;
- (b) swap contracts (including for the avoidance of doubt, any Swap Contract) entered into in the ordinary course of business and physical trade contracts (including, for the avoidance of doubt, any Physical Trade Contract) entered into in the ordinary course of business; and

(c) Contingent Obligations of the Borrower and its Subsidiaries existing as of the Closing Date and described on Schedule 8.07.

8.07 Restricted Payments. The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, directly or indirectly declare or make, any distribution of income or capital on account of any membership interest of the Borrower now or hereafter in existence (“Distributions”), or set aside or otherwise deposit or invest any sums for such purpose, except, so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, Distributions to the Guarantor.

8.08 ERISA. The Borrower shall not, nor suffer or permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

8.09 Change in Business. The Borrower shall not, nor suffer or permit any of its Subsidiaries to, engage in any line of business different from the line of business carried on by the Borrower and its Subsidiaries on the date hereof.

8.10 Accounting Changes. The Borrower shall not, nor suffer or permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Borrower or of any Subsidiary.

8.11 Net Position. At no time will the Borrower allow its Net Position to exceed 2,000,000 MMBTUS of natural gas. At no time will the Borrower allow the sum of the following: (a) 25% of the Borrower’s Net Position Value, plus (b) Borrower’s Storage and Unhedged Transportation Exposure, plus (c) Borrower’s Below Index Sales Exposure, to exceed 33% of Borrower’s Net Working Capital at such time, where:

“Net Position Value” means Borrower’s Net Position valued at the One-Year NYMEX Natural Gas Strip as quoted by BNP Paribas’s Commodity Indexed Transactions Group, such Net Position Value to be adjusted on the first Business Day of each January, April, July and October.

“Below Index Sales Exposure” means (the maximum volume of gas required to be sold at below index prices multiplied by the discount from index), minus (the net positive value of all hedge contracts related to the utilization of the related storage & transportation assets).

“Storage and Unhedged Transportation Exposure” means the aggregate amount of all contractual costs for storage contracts in excess of three (3) months and unhedged transportation expenses that the Borrower incurs prior to the transportation of Product.

8.12 Loans and Investments. The Borrower shall not purchase or acquire, or suffer or permit any Subsidiary to purchase or acquire, or make any commitment therefor, any capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any Acquisitions, or make or commit to make any advance, loan, extension of credit or capital contribution to or any other investment in any Person, including any Affiliate of Borrower, except for:

(a) investments in cash equivalents and Marketable Securities;

(b) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(c) so long as no Default of Event of Default shall have occurred and be continuing, or would result therefrom, advances, loans, extensions of credit (by way of guaranty or otherwise), capital contributions, or purchases of Capital Stock, bonds, notes, debentures, or other debt securities of, or any assets constituting a business unit or, or make any other investment in, any Person (all of the foregoing, "Investments"), in a collective annual aggregate amount (calculated exclusive of Investments permitted under Section 8.12(a) and (b) above) not to exceed \$10,000,000; provided that additional Investments in excess of \$10,000,000 provided for under this Section 8.12(c) shall be permitted with the approval of the Required Banks.

8.13 Change of Management. Borrower shall not permit any Change of Management. For purposes of this Section 8.13, "Change of Management" shall mean that within any 90-day period no Significant Change shall occur without approval from the Agents. For purposes of this Section 8.13, "Significant Change" shall mean that two or more of the Key Individuals are no longer in roles comparable to or greater than their existing roles at the start of the 90-day period. For purposes of this Section 8.13, "Key Individuals" shall mean (i) Mark Johnson, in the role of President, C. Richard Alford, in the role of Senior Vice President-Finance and Administration, and Marc Tronzo, in the role of Senior Vice President-Trading.

8.14 Deposit Accounts. Borrower shall not maintain any deposit accounts with a bank or financial institution other than the Bank Blocked Account with the Collateral Agent, except that the Borrower may maintain the Lock Box with Bank of America, N.A. which shall be pledged to the Administrative Agent, for the benefit of the Agents, the Issuing Banks and the Banks pursuant to the Three Party Agreement.

8.15 Risk Management Policy. The Borrower will not materially change its risk management policies without the prior written consent of the Administrative Agent and the Banks. Borrower agrees that upon request by Agents, from time to time, the Borrower and the Banks will review and evaluate Borrower's risk management policies.

8.16 SPT-Related Standby Letters of Credit. The Borrower shall not permit outstanding SPT-Related Standby Letters of Credit (excluding all Physical Trade Delivery-Related Standby Letters of Credit) *plus* the aggregate SPT Bank Close-Out Amounts of all SPT Banks *plus* the aggregate outstanding Unilateral Overage Advances of all Banks to exceed the SPT-Related L/C Cap.

ARTICLE IX**EVENTS OF DEFAULT**

9.01 Event of Default. Any of the following shall constitute an “Event of Default”:

- (a) Non-Payment. The Borrower fails to pay any amount payable hereunder or under any other Loan Document when due including without limitation such amounts as may come due as a result of a “demand” made by the Banks under the Notes; or
- (b) Representation or Warranty. Any representation or warranty made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Borrower, or any Responsible Officer furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect or incomplete in any respect on or as of the date made or deemed made; or
- (c) Covenant Defaults. The Borrower fails to perform or observe:
- (i) any term, covenant or agreement contained in Sections 7.04(a), 7.10, 7.12, 7.13, 7.15, Article VIII this Agreement and Section 5 of the Security Agreement;
 - (ii) any term, covenant or agreement contained in Sections 7.01, 7.02, 7.03, 7.07, 7.16, and 7.17 of this Agreement and such default shall continue unremedied for a period of five days after the occurrence of such default; and
 - (iii) any other term, covenant or agreement not expressly set forth in Section 9.01(c)(i) or (ii) above that is contained in any of the Loan Documents and such default shall continue unremedied for a period of 20 days after the occurrence of such default;
- (d) Cross-Default. The Borrower or any Subsidiary of the Borrower (i) fails to make any payment in respect of any Indebtedness or Contingent Obligation having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$250,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) if such amounts are owed to any Bank or its Affiliate, or pursuant to any SPT Contract; (ii) fails to make any other payment in respect of any Indebtedness or Contingent Obligation having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$1,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise); or (iii) fails to perform or observe any other material condition or covenant; or (iv) any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness or Contingent Obligation, if, after expiration of any grace or cure period therein provided, the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, such Indebtedness to be declared to be due and payable prior to its stated maturity, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded, except to the extent that any such amounts are in *bona fide* dispute in an aggregate amount not exceeding \$1,000,000 for which adequate reserves are maintained in accordance with GAAP; or

(e) Insolvency; Voluntary Proceedings. The Borrower or any Subsidiary of the Borrower: (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, whether at stated maturity or otherwise; (ii) commences any Insolvency Proceeding with respect to itself; or (iii) takes any action to effectuate or authorize any of the foregoing; or

(f) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Borrower or any Subsidiary of the Borrower, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Borrower or any Subsidiary or any of the Borrower's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the Borrower or any Subsidiary of the Borrower admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Borrower or any Subsidiary of the Borrower acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(g) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$1,000,000; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds \$1,000,000; or (iii) the Borrower or any ERISA Affiliate shall fail to pay when due, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$1,000,000; or

(h) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Borrower or any Subsidiary of the Borrower, which such judgment, order, decree or award is not effectively stayed pending appeal thereof, involving in the aggregate a liability as to any single or related series of transactions, incidents or conditions, to pay an amount of \$1,000,000 or more; or

(i) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Borrower or any Subsidiary of the Borrower which has or would reasonably be expected to have a Material Adverse Effect; or

(j) Change of Control. There occurs any Change of Control not previously approved by the Banks; or

(k) Adverse Change. There occurs a Material Adverse Effect; or

(l) Guarantor Defaults. Any Guarantor fails in any material respect to perform or observe any term, covenant or agreement in the Guaranty executed by such Guarantor; or such Guaranty is for any reason (other than satisfaction in full of all Obligations and the termination of the Loans) partially (including with respect to future advances) or wholly revoked or invalidated, or otherwise ceases to be in full force and effect, or such Guarantor or any other Person contests in any manner the validity or enforceability thereof or denies that it has any further liability or obligation thereunder; or any event described at subsections (e) or (f) of this Section occurs with respect to such Guarantor;

9.02 Remedies. If any Event of Default occurs, the Administrative Agent may and shall, at the request of the Required Banks:

(a) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing by the beneficiary under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(b) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law including, without limitation, seeking to lift the stay in effect under the Proceeding; provided, however, that upon the occurrence of any event specified in subsection (e) or (f) of Section 9.01, the obligation of each Bank to make Loans and any obligation of an Issuing Bank to Issue Letters of Credit shall automatically terminate and an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing by the beneficiary under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) together with the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent, any Issuing Bank or any Bank.

9.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

9.04 Application of Payments. Except as expressly provided in this Agreement, from and after the date of the occurrence of any Sharing Event, all amounts thereafter received or recovered under this Agreement or any other Loan Document whether as a result of a payment by the Borrower, the exercise of remedies by the Administrative Agent under any of the Loan Documents, liquidation of collateral or otherwise, shall be applied according to Section 2.01 of the Intercreditor Agreement.

ARTICLE X**AGENTS****10.01 Appointment and Authorization**

(a) Each Bank, on its own behalf and, solely with respect to the designation and appointment of BNP Paribas as Collateral Agent under the Security Agreements, on behalf of each of its affiliates and each of its Indemnified Persons, hereby irrevocably (subject to Section 10.09) designates and authorizes the Agents to take such action on its behalf and on behalf of such Persons under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agents shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agents have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agents. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Agents is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship, if any, between independent contracting parties."

(b) Each Issuing Bank shall act on behalf of the Banks with respect to any Letters of Credit Issued by it and the documents associated therewith until such time and except for so long as the Administrative Agent may agree at the request of the Banks to act for such Issuing Bank with respect thereto; provided, however, that such Issuing Bank shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by such Issuing Bank in connection with Letters of Credit Issued by it or proposed to be Issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent," as used in this Article X, included such Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to such Issuing Banks. Prior to the issuance of a Letter of Credit by an Issuing Bank other than the Administrative Agent, such Issuing Bank shall provide written notice to the Administrative Agent of the dollar amount, the date of such issuance and the expiry date of such Letter of Credit. Such issuance shall be subject to the consent of the Administrative Agent. Such consent shall not result in the imposition of any liability upon the Administrative Agent.

10.02 Delegation of Duties . Each of the Agents may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

10.03 Liability of Agents . None of Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Borrower or any Subsidiary or Affiliate of the Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agents under or in connection with, this Agreement or any other Loan Document, or for the value of or title to any Collateral, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of the Borrower's Subsidiaries or Affiliates.

10.04 Reliance by Agents .

(a) Each of the Agents shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by Agents. Each of the Agents shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of all of the Banks or the Required Banks, as applicable, as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each of the Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of all of the Banks or the Required Banks, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 5.01 , each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by Agents to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

10.05 Notice of Default . Agents shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Banks, unless the Administrative Agent shall have received written notice from a Bank or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify Fortis, as an agent, and the Banks of its receipt of any such notice. The Agents shall take such action

with respect to such Default or Event of Default as may be requested by all of the Banks or the Required Banks, as applicable, in accordance with Article IX; provided, however, that unless and until the Administrative Agent has received any such request, the Agents may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

10.06 Credit Decision. Each Bank acknowledges that none of Agent-Related Persons has made any representation or warranty to it, and that no act by Agents hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Bank. Each Bank represents to the Agents that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, the value of and title to any Collateral, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agents, the Agents shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of any of Agent-Related Persons.

10.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand Agent-Related Persons (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), *pro rata*, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse Agents upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by Agents in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Agents are not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agents.

10.08 Agents in Individual Capacity. Fortis and its Affiliates, BNP Paribas and its Affiliates, and Société Générale and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind

of banking, trust, financial advisory, underwriting or other business with the Borrower and its Subsidiaries and Affiliates as though Fortis, Société Générale and BNP Paribas were not Agents or Issuing Banks hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, Fortis or its Affiliates, Société Générale and its Affiliates, and BNP Paribas or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Subsidiary) and acknowledge that the Agents shall be under no obligation to provide such information to them. With respect to its Loans, Fortis, Société Générale and BNP Paribas shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agents or Issuing Banks, and the terms "Bank" and "Banks" include each of Fortis, Société Générale and BNP Paribas in its individual capacity.

10.09 Successor Administrative Agent. The Administrative Agent may resign as the Administrative Agent upon thirty (30) days' notice to the Banks. If the Administrative Agent resigns under this Agreement, Fortis or Société Générale shall automatically become the successor agent, unless Fortis declines. If each Fortis and Société Générale declines, the Required Banks shall appoint, from among the Banks, a successor agent for the Banks. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the resigning Administrative Agent may appoint, after consulting with the Banks, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, the successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article X and Sections 11.04 and 11.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as the Administrative Agent by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Banks appoint a successor agent as provided for above.

10.10 Withholding Tax.

(a) If any Bank is a "foreign corporation, partnership or trust" within the meaning of the Code and such Bank claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Bank agrees with and in favor of the Administrative Agent, to deliver to the Administrative Agent:

(i) if such Bank claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed and executed copies of IRS Form W-8BEN before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Bank claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Bank, two properly completed and executed copies of IRS Form W-8ECI before the payment of any interest is due in the first taxable year of such Bank and in each succeeding taxable year of such Bank during which interest may be paid under this Agreement; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Bank agrees to promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Bank claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form W-8BEN and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Bank, such Bank agrees to notify the Administrative Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrower to such Bank. To the extent of such percentage amount, the Administrative Agent will treat such Bank's IRS Form W-8BEN as no longer valid.

(c) If any Bank claiming exemption from United States withholding tax by filing IRS Form W-8ECI with the Administrative Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Bank, such Bank agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Bank is entitled to a reduction in the applicable withholding tax, the Administrative Agent may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. However, if the forms or other documentation required by subsection (a) of this Section are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to such Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses (including Attorney Costs), except to the extent caused solely by the gross negligence or willful misconduct of the Administrative Agent. The obligation of the Banks under this Subsection shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

10.11 Collateral Matters. (a) The Agents are authorized on behalf of all the Banks, without the necessity of any notice to or further consent from the Banks, from time to time to take any action with respect to any Collateral or the Loan Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Loan Documents.

(b) The Banks irrevocably authorize the Agents, at their option and in their discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon payment in full of all Loans and all other Obligations known to the Agents and payable under this Agreement or any other Loan Document; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; (iii) constituting property in which the Borrower or any Subsidiary owned no interest at the time the Lien was granted or at any time thereafter; (iv) constituting property leased to the Borrower or any Subsidiary under a lease which has expired or been terminated in a transaction permitted under this Agreement or is about to expire and which has not been, and is not intended by the Borrower or such Subsidiary to be, renewed or extended; (v) consisting of an instrument evidencing Indebtedness or other debt instrument, if the indebtedness evidenced thereby has been paid in full; or (vi) if approved, authorized or ratified in writing by all of the Banks. Upon request by the Agents at any time, the Banks will confirm in writing the Agents' authority to release particular types or items of Collateral pursuant to this Subsection 10.11(b); provided, however, that the absence of any such confirmation for whatever reason shall not affect the Agents' rights under this Section 10.11.

(c) Each Bank agrees with and in favor of each other (which agreement shall not be for the benefit of the Borrower or any Subsidiary) that the Borrower's obligations to such Bank under this Agreement and the other Loan Documents is not and shall not be secured by any real property collateral now or hereafter acquired by such Bank.

10.12 Monitoring Responsibility. Each Bank will make its own credit decisions hereunder, thus the Agents shall have no duty to monitor the Collateral Position, the amounts outstanding under sub-lines or the reporting requirements or the contents of reports delivered by the Borrower. Each Bank assumes the responsibility of keeping itself informed at all times.

ARTICLE XI

MISCELLANEOUS

11.01 Amendments and Waivers. No amendment, supplement, modification or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Borrower therefrom, shall be effective unless the same shall be in accordance with the provisions of this Section 11.01. The Required Banks may, or, with the written consent of the Required Banks, the Administrative Agent may, from time to time, (a) enter into with the Borrower written amendments, supplements or modifications hereto and to

the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Banks or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Required Banks or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) reduce the amount or extend the scheduled date of maturity of any Loan or of any installment thereof, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Bank's Committed Line Portion, in each case without the consent of each Bank affected thereby, or (ii) amend, modify or waive any provision of this Section 11.01, or any provision of this Agreement or the Intercreditor Agreement having the effect of modifying the treatment or payments or disbursements to the Banks, or reduce the percentage specified in the definition of Required Banks, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents or release all or substantially all of the Collateral or release a Guarantor from its obligations under a Guaranty, in each case without the written consent of each of the Banks directly affected thereby, or (iii) amend, modify or waive any provision of Section 10 without the written consent of the Agents, or (iv) amend, modify or waive any provision contained in Sections 7.16, 7.17, 8.16, 9.04 or 11.21 or any other Section of this Agreement which amendment, modification or waiver would affect the rights and duties of the Swap Banks or Physical Trade Banks hereunder, unless in writing and signed by the Administrative Agent and each Bank that is a Swap Bank or Physical Trade Bank at the time of such amendment, waiver or consent; provided further that the terms "Issuance Cap," "Issuing Bank Cap Sub-Limit," or "Issuing Percentage" may be amended, solely with respect to any Issuing Bank, upon the written consent of such Issuing Bank and the Borrower, without the written consent of the Required Banks, but any such amendment shall be notified by the Issuing Bank to the Administrative Agent and the other Banks promptly upon its effective date. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Borrower, the Banks, the Agents and all future holders of the Loans. In the case of any waiver, the Borrower, the Banks and the Agents shall be restored to their former positions and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. For the avoidance of doubt, nothing in this Section 11.01 shall be construed to limit the ability of (i) Banks to increase their respective Committed Line Portions or (ii) New Banks to join this Agreement as Banks, in each case, in accordance with the terms of Section 2.14 hereof.

11.02 Notices .

(a) All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission; provided, however, that any matter transmitted by the Borrower by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 11.02, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 11.02; or, as

directed to the Borrower or the Agents, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agents.

(b) All such notices, requests and 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 U.S. mail, or if delivered, upon delivery; except that notices pursuant to Articles II, III or X shall not be effective until actually received by the Administrative Agent or Agents, as applicable.

(c) Any agreement of the Agents and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Agents and the Banks 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 Agents and the Banks shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Agents or the Banks in reliance upon such telephonic or facsimile notice, except to the extent of the gross negligence or willful misconduct of the Agents or any Bank. The obligation of the Borrower to repay the Loans and L/C Obligations shall not be affected in any way or to any extent by any failure by the Agents and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Agents and the Banks of a confirmation which is at variance with the terms understood by the Agents and the Banks to be contained in the telephonic or facsimile notice.

11.03 No Waiver; Cumulative Remedies . No failure to exercise and no delay in exercising, on the part of the Agents or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11.04 Costs and Expenses . The Borrower shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse Fortis, Société Générale and BNP Paribas (including in their capacity as Agents) within five (5) Business Days after demand (subject to Subsection 5.01(e)) for all the actual and reasonable costs and expenses incurred by Fortis, Société Générale and BNP Paribas (including in their capacity as Agents) in connection with the preparation, delivery, and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable Attorney Costs and costs of commercial finance examinations, incurred by Fortis, Société Générale and BNP Paribas (including in their capacity as Agents), excluding, however, any costs or expenses incurred in connection with any negotiation, dispute or claim solely between or among either of the Agents and/or one or more of the Banks; and

(b) pay or reimburse the Agents and each Bank within five Business Days after demand (subject to Subsection 5.01(e)) for all actual and reasonable costs and expenses (including Attorney Costs) incurred by them in connection with the monitoring, administration, enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document, excluding, however, any costs or expenses incurred in connection with any negotiation, dispute or claim solely between or among the Agents and/or one or more of the Banks; and all such costs and expenses during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

11.05 Indemnity. Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsels, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans, the termination of the Letters of Credit and the termination, resignation or replacement of the Administrative Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or Letters of Credit or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); **provided, however,** that the Borrower shall have no obligation hereunder to any Indemnified Person for that portion of any Indemnified Liabilities that is adjudged by a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of such Indemnified Person or that portion of any Indemnified Liabilities which are owed by an Indemnified Person to any other Indemnified Person, but in all events, the Borrower shall remain liable for the remainder of the Indemnified Liabilities not so excluded. The agreements in this Section shall survive payment of all other Obligations.

11.06 Payments Set Aside. To the extent that the Borrower makes a payment to the Agents or the Banks, or the Agents or the Banks exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agents or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to each of the Agents upon demand its *pro rata* share of any amount so recovered from or repaid by the Agents.

11.07 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or Obligations under this Agreement without the prior written consent of the Agents and each Bank.

11.08 Assignments, Participations, Etc.

(a) Any Bank, at any time may assign and delegate to one or more Eligible Assignees (each an “Assignee”) all, or any ratable part of all, of the Loans, the Committed Line Portion, the L/C Obligations and the other rights and obligations of such Bank hereunder, in a minimum amount of \$1,000,000; provided, however, that (i) any such disposition shall not, without the prior consent of the Borrower, require the Borrower to apply to register or qualify the Loan or any Note under the securities laws of any state, and (ii) the Borrower and the Administrative Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (x) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrower and the Administrative Agent by such Bank and the Assignee; (y) such Bank and its Assignee shall have delivered to the Borrower and the Administrative Agent an Assignment and Acceptance (“Assignment and Acceptance”) in form attached hereto as Exhibit D, together with any Note or Notes subject to such assignment; and (z) the assignor Bank or Assignee has paid to the Administrative Agent a processing fee in the amount of \$2,500.

(b) From and after the date that the Administrative Agent notifies the assignor Bank that it has received an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) The Borrower shall execute and deliver to the Administrative Agent, new Notes evidencing such Assignee’s assigned Loans and Committed Line Portion and, if the assignor Bank has retained a portion of its Loans and its Committed Line Portion, replacement Notes in the principal amount of the Loans retained by the assignor Bank (such Notes to be in exchange for, but not in payment of, the Notes held by such Bank). Immediately upon each Assignee’s making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Committed Line Portion arising therefrom. The Committed Line Portion allocated to each Assignee shall reduce such Committed Line Portion of the assigning Bank *pro tanto*. Upon such Assignment, the Administrative Agent is authorized to revise Schedule 2.01 and Schedule 11.02 to reflect the adjusted status of the Banks.

(d) Any Bank may at any time sell to one or more commercial banks or other Persons not Affiliates of the Borrower (a “Participant”) participating interests in any Loans, the Committed Line Portion of that Bank and the other interests of that Bank (the “originating Bank”) hereunder and under the other Loan Documents; provided, however, that (i) the originating Bank’s and the Borrower’s obligations under this Agreement shall remain

unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Borrower, the Issuing Banks and the Administrative Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents and (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 11.01. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any of the other Loan Documents, and all amounts payable by the Borrower hereunder shall be determined as if such Bank had not sold such participation; except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(e) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Borrower and provided to it by the Borrower or any Subsidiary or Affiliate, or by the Agents on the Borrower or Subsidiary's or Affiliate's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Borrower; provided, however, that such source is not bound by a confidentiality agreement with, or under obligation of confidentiality to the Borrower known to the Bank; provided, however, that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent, any Bank or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) such Bank's independent auditors and other professional advisors; (G) to any Affiliate of such Bank, or to any Participant or Assignee, actual or potential; provided, however, that such Affiliate, Participant or Assignee agrees to keep such information confidential to the same extent required of the Banks hereunder, and (H) as to any Bank, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrower is party or is deemed party with such Bank. The foregoing is not intended to limit the Banks' obligations to maintain confidential information received from the Borrower under applicable laws.

(f) Notwithstanding any other provision in this Agreement, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and the Note held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR §203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

11.09 Set-off. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Borrower against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Agents or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

11.10 Automatic Debits of Fees. With respect to any letter of credit fee or other fee, interest or any other cost or expense (including Attorney Costs) due and payable to the Agents, the Issuing Banks, Fortis, Société Générale or BNP Paribas under the Loan Documents, the Borrower hereby irrevocably authorizes the Collateral Agent to debit any deposit accounts of the Borrower with the Collateral Agent (such deposit accounts being owned by the Collateral Agent and under the exclusive dominion and control of the Collateral Agent) including the Bank Blocked Account in an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee or other cost or expense. If there are insufficient funds in such deposit accounts to cover the amount of the fee or other cost or expense then due, such debits will be reversed (in whole or in part, in the Administrative Agent's sole discretion exercised in good faith) and such amount not debited shall be deemed to be unpaid. No such debit under this Section shall be deemed a set-off.

11.11 Notification of Addresses, Lending Offices, Etc. Each Bank shall notify the Agents in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Agents shall reasonably request.

11.12 Bank Blocked Account Charges and Procedures. The Collateral Agent is hereby authorized to (a) charge the Bank Blocked Account or any deposit account of the Borrower maintained at the Collateral Agent for all returned checks, service charges, and other fees and charges associated with the deposits by the Borrower to and withdrawals by the Borrower from the Bank Blocked Account; (b) follow its usual procedures in the event the Bank Blocked Account or any check, draft or other order for payment of money should be or become the subject of any writ, levy, order or other similar judicial or regulatory order or process; (c) charge the Bank Blocked Account or any deposit account of the Borrower maintained at the Collateral Agent for any Letter of Credit reimbursement, Loan repayments, interest or fees; and (d) pay from the Bank Blocked Account, on behalf of the Borrower, suppliers and other business expenses of the Borrower. If the available balances in the Bank Blocked Account relating to the Borrower are not sufficient to pay the Administrative Agent for any returned check, draft or

order for the payment of money relating to the Borrower, or to compensate the Administrative Agent for any charges or fees due the Administrative Agent with respect to the deposits by the Borrower to and withdrawals by the Borrower from the Bank Blocked Account, the Borrower agrees to pay on demand the amount due the Administrative Agent. The Borrower agrees that it cannot, and will not, withdraw any monies from the Bank Blocked Account and it will not permit the Bank Blocked Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, nature or description, other than the Administrative Agent's security interest.

11.13 Counterparts . This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

11.14 Severability . The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

11.15 No Third Parties Benefited . This Agreement is made and entered into for the sole protection and legal benefit of the Borrower, the Banks, the Administrative Agent and Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

11.16 Governing Law and Jurisdiction .

(a) **THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW (WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAWS) OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT THE ADMINISTRATIVE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.**

(b) **ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE STATE COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT; EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE BANKS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE BANKS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON THE BORROWER AND**

IRREVOCABLY APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NY 12207, AS REGISTERED AGENT FOR THE PURPOSE OF ACCEPTING SERVICE OF PROCESS WITHIN THE STATE OF NEW YORK AND AGREES TO OBTAIN A LETTER FROM CORPORATION SERVICE COMPANY, ACKNOWLEDGING SAME AND CONTAINING THE AGREEMENT OF CORPORATION SERVICE COMPANY, TO PROVIDE THE ADMINISTRATIVE AGENT WITH THIRTY (30) DAYS, ADVANCE NOTICE PRIOR TO ANY RESIGNATION OF CORPORATION SERVICE COMPANY AS SUCH REGISTERED AGENT.

11.17 Waiver of Jury Trial. THE BORROWER, THE BANKS AND THE AGENTS EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER, THE BANKS AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

11.18 [RESERVED].

11.19 Entire Agreement. THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE BORROWER, THE BANKS AND THE ADMINISTRATIVE AGENT, AND SUPERSEDES ALL PRIOR OR CONTEMPORANEOUS AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, VERBAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF.

11.20 Effect of Amendment and Restatement. On the Closing Date, the Original Credit Agreement shall be amended, restated and superseded in its entirety by this Agreement. The parties hereto acknowledge and agree that the liens and security interests granted under the Security Agreements (as defined in the Original Credit Agreement) are continuing and in full force and effect and, upon the amendment and restatement of the Original Credit Agreement pursuant to this Agreement, such liens and security interests secure and continue to secure the payment of the Obligations, and that the Notes outstanding under and as defined in the Original Credit Agreement are, upon the Closing Date, replaced by the Notes issued hereunder.

11.21 Joinder. From and after the Closing Date, each financial institution, acceptable to the Agents and the Borrower, that executes and delivers a Committed Line Portion Addendum, substantially in the form of Schedule 11.21 (a "Committed Line Portion Addendum"), shall become a party to the Credit Agreement and the Intercreditor Agreement and have the rights and obligations of a Bank hereunder and under the other Loan Documents and shall be bound by the other provisions hereof and thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

ATMOS ENERGY MARKETING, LLC, a
Delaware limited liability company

By: /s/ C. RICHARD ALFORD

Name: C. Richard Alford
Title: Senior Vice President

Borrower's Address:
13430 Northwest Freeway, Suite 700
Houston, Texas 77040
Attention: Ronald W. Bahr
Telephone: (713) 688-7771
Facsimile: (713) 688-5124

BNP PARIBAS,
a bank organized under the laws of France, as
Administrative Agent, Collateral Agent and as a
Bank, Issuing Bank, and Swing Line Bank

By: /s/ A-C MATHIOT

Name: A-C Mathiot

Title: Managing Director

By: /s/ ANDREW STRATOS

Name: Andrew Stratos

Title: Vice President

787 Seventh Avenue
New York, New York 10019
Attention: Edward Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

**FORTIS BANK SA/NV, NEW YORK
BRANCH**, a licensed branch of FORTIS BANK
SA/NV, a Belgian Corporation

By: /s/ K. DELATHAUWER

Name: K. DeLathauwer
Title: Director

By: /s/ BORIS KWANTES

Name: Boris Kwantes
Title: Director

15455 North Dallas Parkway
Suite 1400
Addison, TX 75001
Telephone: (214) 953-9313
Facsimile: (214) 969-9332
Attn: Marla Jennings

SOCIÉTÉ GÉNÉRALE,
as Syndication Agent, an Issuing Bank and as a
Bank

By: /s/ BARBARA PAULSEN

Name: Barbara Paulsen
Title: Managing Director

By: /s/ CHUNG-TAEK OH

Name: Chung-Taek Oh
Title: Vice President

1221 Avenue of the Americas
New York, New York 10020
Attention: Barbara Paulsen
Telephone: (212) 278-6496
Fax: (212) 278-7417

NATIXIS , acting through its New York Branch,
as a Bank

By: /s/ SEVERINE PARDO

Name: Severine Pardo
Title: Director

By: /s/ JULIEN MATHIEU

Name: Julien Mathieu
Title: Associate Director

1251 Avenue of the Americas, 34th Floor
New York, New York 10020
Attention: David Pershad
Telephone: (212) 872-5015
Facsimile: (212) 354-9095

RZB FINANCE LLC,
as a Bank

By: /s/ NANCY REMINI

Name: Nancy Remini
Title: Vice President

By: /s/ PEARL GEFFERS

Name: Pearl Geffers
Title: First Vice President

1133 Avenue of the Americas
New York, New York 10036
Attention: Hermine Kirolos
Telephone: (212) 845-4114
Facsimile: (212) 944-6389

BROWN BROTHERS HARRIMAN & CO., as
a Bank

By: /s/ ERIC C. ANDREN

Name: Eric C. Andren

Title: Senior Vice President

140 Broadway
New York, NY 10005
Attention: Paul Feldman
Telephone: (212) 493-7732
Facsimile: (212) 493-8998

**THE ROYAL BANK OF SCOTLAND PLC, as
a Bank**

By: /s/ MATTHEW MAIN

Name: Matthew Main

Title: Managing Director

101 Park Avenue, 6th Floor
New York, New York 10178
Attention: Alisa Williams
Telephone: (212) 401-3200

SCHEDULE 1.01 - A
**CREDIT LIMITS FOR
BORROWER'S ELIGIBLE ACCOUNT COUNTERPARTIES**
I. Tier 1 Account Parties :

<u>Counterparty</u>	<u>Moody's</u>	<u>S&P</u>	<u>Credit Limit</u>	<u>Comments</u>
Aluminum Company of America, Inc.	A2	A-	\$2,000,000	
Atmos Energy Corp.	Baa3	BBB	50% of total receivables on Borrowing Base	Subsidiaries of Counterparty limited to \$5,000,000 (aggregate)
BP Canada Energy Marketing Corp.	Aa1	AA+	\$50,000,000	Aggregate limit with BP Energy Co.; Supported by \$75,000,000 guaranty from BP Corporation North America, Inc.
BP Energy Co. (f/k/a Amoco Energy Trading Corp.)	Aa1	AA+	\$50,000,000	Aggregate limit with BP Canada Energy Marketing Corp.; Supported by \$75,000,000 guaranty from BP Corporation North America, Inc.
Brazos Electric Power Cooperative, Inc.	n/a	A-	\$4,000,000	
Cargill Energy (division of Cargill, Inc.)	A2	A+	\$1,500,000	
Carolina Power & Light (d/b/a Progress Energy Carolinas Inc)	A3	BBB+	\$2,500,000	
Centerpoint Energy Resources Corp.	Baa3	BBB	\$40,000,000	
City of Cookeville, TN	A3		\$1,500,000	
City of Florence, AL	A2		\$1,500,000	
City of Lebanon, TN	Aa3		\$1,000,000	
City of Loudon, TN	A3		\$1,000,000	
ConocoPhillips	A3	A-	\$3,000,000	
Constellation Energy Commodities Group (f/k/a Constellation Power Source, Inc.)	Baa1	BBB+	\$4,000,000	Supported by \$5,000,000 guaranty from Constellation Energy Group, Inc.
Eastman Chemical Company	Baa2	BBB	\$3,500,000	
Entergy Gulf States, Inc.	Ba3	BBB	\$3,000,000	

Schedule 1.01-A-1

<u>Counterparty</u>	<u>Moody's</u>	<u>S&P</u>	<u>Credit Limit</u>	<u>Comments</u>
Entergy Louisiana, Inc.	Baa2	BBB	\$3,000,000	
Entergy Mississippi, Inc.	Baa3	BBB	\$3,000,000	
Exelon Energy Ohio Inc.	Baa2	BBB+	\$1,500,000	Supported by guaranty from Exelon Corp.
Johns Manville International Inc.	Aaa	AAA	\$2,000,000	
Macquarie Cook Energy, LLC (f/k/a Cook Inlet Energy Services)	A1	A	\$3,000,000	Supported by Macquarie Bank Ltd. Letter of Credit
New Jersey Natural Gas Co.	Aa3	A+	\$10,000,000	
NRG Power Marketing, Inc.	Ba3	B+	\$8,000,000	Supported by (i) \$5,000,000 guaranty from NRG Energy, and (ii) \$7,000,000 Deutsche Bank Letter of Credit
Oak Ridge Utility District	Aaa		\$1,500,000	
PPG Industries, Inc.	A2	A	\$2,500,000	
Procter & Gamble Company	Aa3	AA-	\$3,000,000	
PSEG Energy Resources & Trade LLC	Baa1	BBB	\$5,000,000	Supported by guaranty from Public Service Enterprises Group Inc.
Sempra Energy Trading Corp.	Baa1	BBB+	\$5,000,000	Supported by guaranty from Sempra Energy
Sequent Energy Management, LP, Sequent Energy Canada	Baa1	A-	\$5,000,000	Unlimited guaranty from AGL Resources
Total Gas & Power North America, Inc.	Aa1	AA	\$5,000,000	Supported by guaranty from Total S.A.
Weyerhaeuser Company	Baa2	BBB	\$4,000,000	

II. Tier 2 Account Parties :

<u>Counterparty</u>	<u>Moody's</u>	<u>S&P</u>	<u>Credit Limit</u>	<u>Comments</u>
AK Steel Corp.	Ba3	B+	\$2,000,000	
City of Hamilton, OH Dept of Gas & Water	A2		\$2,500,000	
City of Lawrenceburg	Baa1		\$1,000,000	
Delta Natural Gas Company			\$1,000,000	

Schedule 1.01-A-2

<u>Counterparty</u>	<u>Moody's</u>	<u>S&P</u>	<u>Credit Limit</u>	<u>Comments</u>
Duke Energy Trading & Mktg. LLC	Baa1	BBB	\$1,000,000	
Entergy New Orleans, Inc.	Ba2	BBB-	\$3,000,000	
Gallatin Public Utilities	A1		\$2,000,000	
Gerdau Ameristeel US Inc.	Ba1	BB+	\$1,500,000	
Goodyear Tire & Rubber Co.	Ba3	BB-	\$1,500,000	
Owens Corning			\$2,500,000	
Quebecor World Inc.		B+	\$1,000,000	
Tate & Lyle Ingredients Americas, Inc.	Baa2	BBB	\$1,500,000	
Tenaska Marketing Ventures		Aa2	\$4,000,000	Supported by \$5,000,000 from Tenaska Energy Holdings, LLC.
Valero Refining-New Orleans, LLC	Baa3	BBB	\$25,000,000	Supported by parent guaranty.

Schedule 1.01-A-3

SCHEDULE 2.01
**COMMITTED LINE AND
COMMITTED LINE PORTION
(EXCLUDING SWAP CONTRACTS AND PHYSICAL TRADE CONTRACTS)**
I. Committed Line :

A. Maximum Line:	\$450,000,000.00
B. Total Committed Line Portions	\$375,000,000.00
C. Total Committed Percentage:	83.33%

II. Committed Line Portions :

<u>Line:</u>	<u>Bank</u>	<u>Dollar Amount</u>
Borrowing Base Line	Fortis Bank SA/NV, New York Branch	\$86,000,000
	BNP Paribas	\$86,000,000
	Société Générale	\$86,000,000
	The Royal Bank of Scotland plc	\$52,000,000
	NATIXIS, acting through its New York Branch	\$35,000,000
	RZB Finance LLC	\$15,000,000
	Brown Brothers Harriman & Co.	\$15,000,000
Total Committed Line Portion:		\$375,000,000.00

Schedule 2.01-1

SCHEDULE 3.10**EXISTING LETTERS OF CREDIT**

BENEFICIARY	FORTIS	BNP PARIBAS	AMOUNT
	L/C#	L/C#	
Atlas America LLC	02801	770876	\$3,000,000
W & T Offshore, Inc.	02789	770877	\$750,000
Devon Gas Services, LP	N/A	91888931	\$6,700,000
ConocoPhillips Company	N/A	91902530	\$10,500,000
Shell Energy North America (US), LP	N/A	91902569	\$21,000,000
Fortis Energy Marketing & Trade GP	N/A	91904075	\$100,000
EL Paso Marketing, L.P.	N/A	91904424	\$3,000,000
Coronado Energy E&P Company, L.L.C	N/A	91904426	\$4,750,000
Equitable Energy, LLC	N/A	91904467	\$33,000,000
Castex Energy, Inc.	N/A	91905084	\$4,500,000
XTO Energy, Inc.	N/A	91905080	\$5,000,000
Louisville Gas & Electric Company	N/A	91905400	\$205,000
Exxonmobil Corporation	N/A	91905546	\$3,500,000
ConocoPhillips Company	N/A	91905725	\$6,000,000
Citizens Gas Utility, District of Scott & Morgan Counties	N/A	91905909	\$2,000,000
Total			\$104,005,000

Schedule 3.10-1

SCHEDULE 6.05

LITIGATION, AND PATENT, TRADEMARK, ETC. CLAIMS

None.

Schedule 6.05-1

SCHEDULE 6.07

ERISA MATTERS

None.

Schedule 6.07-1

SCHEDULE 6.12

ENVIRONMENTAL MATTERS

None.

Schedule 6.12-1

SCHEDULE 6.16

SUBSIDIARIES AND EQUITY INVESTMENTS

None.

Schedule 6.16-1

SCHEDULE 6.17

INSURANCE MATTERS

None.

Schedule 6.17-1

SCHEDULE 7.03(f)**LOCATIONS OF INVENTORY STORAGE**

1. North Liberty, Kansas
2. Saltville, Virginia
3. Barnsley, Kentucky
4. East Diamond, Kentucky
5. Bearcreek, Louisiana
6. Epps, Louisiana
7. Bethel, Texas
8. Bistineau, Louisiana
9. Egan, Louisiana
10. Portland, Kentucky
11. Columbus, Ohio
12. Helenwood, Tennessee
13. Kanawha, West Virginia
14. Monroe, Louisiana
15. Buffalo, New York
16. Ellisburg, Pennsylvania
17. Portland, Tennessee
18. Early Grove, Virginia
19. Birmingham, Alabama

Schedule 7.03(f)-1

SCHEDULE 8.01

PERMITTED INDEBTEDNESS AND LIENS

None.

Schedule 8.01-1

SCHEDULE 8.07

CONTINGENT OBLIGATIONS

None.

Schedule 8.07-1

SCHEDULE 11.02**ADDRESSES FOR NOTICES AND LENDING OFFICES****ATMOS ENERGY MARKETING, LLC**

Borrower's Address:
13430 Northwest Freeway, Suite 700
Houston, Texas 77040
Attention: Ronald W. Bahr
Telephone: (713) 688-7771
Facsimile: (713) 688-5124

BNP PARIBAS,

As Administrative Agent and Collateral Agent

787 Seventh Avenue
New York, New York 10019
Attention: Ed Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

BNP PARIBAS,

As Issuing Bank and a Bank

787 Seventh Avenue
New York, New York 10019
Attention: Ed Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

FORTIS BANK SA/NV, NEW YORK BRANCH,

As Documentation Agent, Issuing Bank and a Bank

15455 N. Dallas Parkway
Suite 1400
Addison, TX 75001
Attention: Marla Jennings
Telephone: (214) 953-9313
Facsimile: (214) 969-9332

Schedule 11.02-1

SOCIÉTÉ GÉNÉRALE

As Syndication Agent, an Issuing Bank and a Bank

1221 Avenue of the Americas
New York, New York 10020
Attention: Barbara Paulsen
Telephone: (212) 278-6496
Facsimile: (212) 278-7417

NATIXIS, acting through its New York Branch,
As a Bank

1251 Avenue of the Americas, 34th Floor
New York, New York 10020
Attention: David Pershad
Telephone: (212) 872-5015
Facsimile: (212) 354-9095

RZB FINANCE LLC

As a Bank

1133 Avenue of the Americas
New York, New York 10036
Attention: Hermine Kirolos
Telephone: (212) 845-4114
Facsimile: (212) 944-6389

BROWN BROTHERS HARRIMAN & Co.

As a Bank

140 Broadway
New York, New York 10005
Attention: Paul Feldman
Telephone: (212) 493-7732
Facsimile: (212) 493-8998

THE ROYAL BANK OF SCOTLAND plc

As a Bank

600 Steamboat Road,
Greenwich, CT 06830
Attention: Ellen Guo
Telephone: (203) 971-7627

With copies to:

600 Travis St., Suite 6500
Houston, Texas 77002
Attention: Matthew Main
Telephone: (713) 221-2441
Facsimile: (713) 221-2430

Schedule 11.02-2

SCHEDULE 11.21**COMMITTED LINE PORTION ADDENDUM**

Reference is made to the THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 30, 2008 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among ATMOS ENERGY MARKETING, LLC, a Delaware limited liability company (the "Borrower"), BNP PARIBAS, a bank organized under the laws of France ("BNP Paribas"), as a Bank, as an Issuing Bank, as Administrative Agent for the Banks (in such capacity, the "Administrative Agent"), as Collateral Agent, as a Joint Lead Arranger and as a Joint Bookrunner, Fortis Bank SA/NV, New York Branch, as a Bank, as an Issuing Bank, as a Joint Lead Arranger, as a Joint Bookrunner and as Documentation Agent, SOCIÉTÉ GENERALE, as Syndication Agent, an Issuing Bank and a Bank (together with the Administrative Agent, the "Agents"), and each other financial institution that may become a party thereto, including each financial institution that becomes a party thereto by executing this Committed Line Portion Addendum (collectively the "Banks"). Unless otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement are used herein as therein defined.

Upon execution and delivery of this Committed Line Portion Addendum (the "Addendum") by the parties hereto pursuant to Sections 11.01 and 11.21 of the Credit Agreement, the undersigned Bank hereby becomes or confirms that it is a Bank, as applicable, under the Credit Agreement as set forth herein, and accepts the Committed Line Portion set forth in Attachment 1 hereto, effective as of the date hereof, and Schedule 2.01 shall be updated to reflect the Committed Line Portion of the undersigned provided for herein. With respect to each entity signing this Addendum as a Bank who, immediately prior to the effectiveness of this Addendum, was not a Bank under the Credit Agreement, such entity hereby (i) confirms that it has received and reviewed a copy of the Credit Agreement and the other Loan Documents requested by it and (ii) agrees that by executing this Addendum, it hereby becomes a "Bank" under the Credit Agreement with the same force and effect as if originally named as a Bank therein, hereby expressly assumes all obligations and liabilities of a Bank thereunder. With respect to each entity signing this Addendum as a Bank who, immediately prior to the effectiveness of this Addendum, was already a Bank under the Credit Agreement, the Committed Line Portion set forth in Attachment 1 hereto shall be understood to represent the aggregate Committed Line Portion of such Bank and not a net increase in such Bank's Committed Line Portion as it existed immediately prior to the effectiveness of this Addendum.

Attachment 1 hereto sets forth the Committed Line Portion that the undersigned party wishes to accept in connection with the Credit Agreement.

THIS ADDENDUM SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

This Addendum may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page hereof by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

Schedule 11.21-1

[NAME OF [NEW] BANK],
a [_____] organized under the laws of
[_____], as a Bank

By: _____
Name:
Title:

[Signature Page to Addendum]

Accepted and Agreed :

ATMOS ENERGY MARKETING, LLC,
a Delaware limited liability company, as
Borrower

By: _____
Name:
Title:

[Signature Page to Bank Addendum]

Accepted and Agreed :

BNP PARIBAS, a bank organized
under the laws of France, as Administrative
Agent

By: _____

Name:

Title:

[Signature Page to Bank Addendum]

ATTACHMENT I
TO BANK ADDENDUM

Name of Bank: _____

Notice Address: _____

Attention: _____

Telephone: _____

Facsimile: _____

Commitments: _____

EXHIBIT A**FORM OF NOTICE OF BORROWING
(LETTERS OF CREDIT)****[Date]**

BNP Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Edward Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

Fortis Bank SA/NV, New York Branch
15455 North Dallas Parkway
Suite 1400
Addison, TX 75001
Attention: Marla Jennings
Telephone: (212) 953-9314
Facsimile: (212) 969-9332

Re: Third Amended and Restated Credit Agreement, dated to be effective as of December 30, 2008 (as amended or supplemented from time to time, the "Agreement"), by and among ATMOS ENERGY MARKETING, LLC (the "Borrower"), the banks that from time to time are parties thereto, BNP Paribas, as Administrative Agent, and Fortis Bank SA/NV, New York Branch, as Documentation Agent

Ladies and Gentlemen:

Reference is made to the Agreement (capitalized terms used herein that are not defined shall have the respective meanings ascribed thereto in the Agreement). The Borrower hereby gives notice of its intention to request the **[issuance, amendment, or renewal]** of Letters of Credit as is further described on the Letter of Credit Application attached hereto and that the requested Letter of Credit will be a(n) **[commercial documentary letter of credit, an SPT-Related Standby Letter of Credit, or other standby letter of credit¹]**.

The Borrower represents and warrants, as of the date hereof and as of the date any Letter of Credit is issued, amended or renewed, that (i) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the Letters of Credit requested above; (ii) that the lesser of the Borrowing Base Advance Cap or the Total Available Committed Line Portion will not be exceeded after giving effect to the Letters of Credit requested above; and (iii) all of Borrower's representations and warranties under the Agreement are true and correct, to Borrower's knowledge, as of the date hereof.

¹ With respect to any Letter of Credit that is characterized as an "other standby letter of credit" a purpose should be specified for such "other standby letter of credit" so that clause (ii) might read "(ii) that the requested Letter of Credit will be an other standby letter of credit for the purpose of purchasing natural gas from a source other than a Physical Trade Bank."

A-1

Very truly yours,

ATMOS ENERGY MARKETING, LLC,

By: _____

Name: _____

Title: _____

A-2

**FORM OF NOTICE OF BORROWING
(REVOLVING LOAN)**

[Date]

BNP Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Edward Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

Re: Third Amended and Restated Credit Agreement, dated to be effective as of [_____] (as amended or supplemented from time to time, the "Agreement"), by and among ATMOS ENERGY MARKETING, LLC (the "Borrower"), the banks that from time to time are parties thereto, BNP Paribas, as Administrative Agent, and Fortis Bank SA/NV, New York Branch, as Documentation Agent

Ladies and Gentlemen:

Reference is made to the Agreement (capitalized terms used herein that are not defined shall have the respective meanings ascribed thereto in the Agreement). The Borrower hereby gives notice of its intention to borrow under the Borrowing Base Line.

Please advance a Revolving Loan as follows:

Revocable/Irrevocable (check one)	[<input type="checkbox"/>] Revocable [<input type="checkbox"/>] Irrevocable
Date of Borrowing [^{a-1}]	: _____
Amount	: _____
Type of Advance (Base Rate or Offshore Rate)	: _____
Interest Period (if Offshore Rate)	: _____.

The Borrower represents and warrants, as of the date hereof and as of the date any Revolving Loan is made or renewed, that (i) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the Revolving

^{a-1} The aggregate amount of the Borrowing comprised of Offshore Rate Loans must be made in an amount equal to the Offshore Effective Amount. The date of the Borrowing must be a Business Day. With respect to any revocable notice, the Borrower must give four (4) Business Days' advance notice for Borrowings comprised of Offshore Rate Loans, and two (2) Business Days' advance notice for Borrowings comprised of Base Rate Loans; provided that with respect to any irrevocable notice, the Borrower must give three (3) Business Days' and one (1) Business Day's advance notice, respectively.

Loan requested above; (ii) that none of the Borrowing Base Advance Cap, the Total Available Committed Line Portion, or the Dollar Advance Cap will be exceeded after giving effect to the Revolving Loan requested above; and (iii) all of Borrower's representations and warranties under the Agreement are true and correct, to Borrower's knowledge, as of the date hereof.

Very truly yours,

ATMOS ENERGY MARKETING, LLC,

By: _____

Name: _____

Title: _____

A-4

**FORM OF NOTICE OF BORROWING
(SWING LINE LOAN)**

[Date]

BNP Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Edward Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

Re: Third Amended and Restated Credit Agreement, dated to be effective as of [_____] (as amended or supplemented from time to time, the "Agreement"), by and among ATMOS ENERGY MARKETING, LLC (the "Borrower"), the banks that from time to time are parties thereto, BNP Paribas, as Administrative Agent, and Fortis Bank SA/NV, New York Branch, as Documentation Agent

Ladies and Gentlemen:

Reference is made to the Agreement (capitalized terms used herein that are not defined shall have the respective meanings ascribed thereto in the Agreement). The Borrower hereby gives notice of its intention to borrow under the Borrowing Base Line.

Please advance a Revolving Loan as follows:

Date of Borrowing ^{a-1}	:	_____
Amount	:	_____
Type of Advance (Base Rate or Offshore Rate)	:	_____
Interest Period (if Offshore Rate)	:	_____

The Borrower represents and warrants, as of the date hereof and as of the date any Swing Line Loan is made or renewed, that (i) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the Swing Line Loan requested above; (ii) that none of the Borrowing Base Advance Cap, the Total Available Committed Line Portion, or the Swing Line Dollar Advance Cap will be exceeded after giving effect to the Swing Line Loan requested above; and (iii) all of Borrower's representations and warranties under the Agreement are true and correct, to Borrower's knowledge, as of the date hereof.

^{a-1} The aggregate amount of the Borrowing comprised of Offshore Rate Loans must be made in an amount equal to the Offshore Effective Amount. The date of the Borrowing must be a Business Day. Borrower must give four (4) Business Days advance notice for Borrowings comprised of Offshore Rate Loans, and the same Business Day advance notice for Borrowings comprised of Base Rate Loans.

Very truly yours,

ATMOS ENERGY MARKETING, LLC,

By: _____

Name: _____

Title: _____

A-6

Proposed Borrowing

Date of Conversion or Continuation ² : _____
 Aggregate Amount : _____
 Type of Advance : _____
 Interest Period : _____

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Borrowing:

(a) the representations and warranties contained in the Agreement are correct in all material respects, before and after giving effect to the proposed Borrowing and the application of the proceeds therefrom, as though made on the date of the proposed Borrowing;

(b) no Default has occurred and remains uncured, nor would result from the proposed Borrowing; and

(c) neither the Borrowing Base Advance Cap nor the Total Available Committed Line Portion will be exceeded after giving effect to the proposed Borrowing.

Very truly yours,

ATMOS ENERGY MARKETING, LLC,

By: _____

Name: _____

Title: _____

² The date of the proposed conversion or continuation must be a Business Day. Borrower must give not less than four (4) Business Days' advance notice for conversions into or continuations of Borrowings comprised of Offshore Rate Loans, and not less than two (2) Business Days' advance notice for conversions into or continuations of Borrowings comprised of Base Rate Loans; provided that with respect to any irrevocable notice, the Borrower must provide not less than three (3) Business Days' notice and one (1) Business Day's notice, respectively.

EXHIBIT C

**FORM OF
COMPLIANCE CERTIFICATE**

[Date]

BNP Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Edward Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

Fortis Bank SA/NV, New York Branch
15455 North Dallas Parkway
Suite 1400
Addison, TX 75001
Attention: Marla Jennings
Telephone: (212) 953-9314
Facsimile: (212) 969-9332

Re: Third Amended and Restated Credit Agreement, dated to be effective as of [_____] (as amended or supplemented from time to time, the “Agreement”), by and among ATMOS ENERGY MARKETING, LLC (the “Borrower”), the banks that from time to time are parties thereto, BNP Paribas, as Administrative Agent, and Fortis Bank SA/NV, New York Branch, as Documentation Agent

Ladies and Gentlemen:

The Borrower, acting through its duly authorized Responsible Officers (as that term is defined in the Agreement), certifies to each of the Banks that the Borrower is in compliance with the Agreement and in particular certifies the following as of _____:

- (i) Net Working Capital \$ _____;
- (ii) Tangible Net Worth \$ _____;
- (iii) Ratio of Total Liabilities to Tangible Net Worth _____:1;
- (iv) Borrowing Base Sub-Cap \$ _____;
- (v) Excess Tangible Net Worth \$ _____.

Further, the undersigned hereby certify that the Net Position has at no time exceeded the limitations set forth in Section 8.11, of the Agreement and that the undersigned has no knowledge of any Defaults under the Agreement which existed as of [_____] or which exist as of the date of this letter.

The undersigned also certifies that the accompanying financial statements present fairly, in all material respects, the financial condition of the Borrower as of [_____], and the related results of operations for the [_____] then ended, in conformity with generally accepted accounting principles.

Very truly yours,

ATMOS ENERGY MARKETING, LLC

By: _____

Name: _____

Title: _____

C-2

EXHIBIT D**FORM OF
ASSIGNMENT AND ACCEPTANCE**

[Date]

Reference is made to the Third Amended and Restated Credit Agreement dated to be effective as of [_____] (as amended or supplemented from time to time, the “Agreement”), among ATMOS ENERGY MARKETING, LLC (the “Borrower”), the banks that from time to time are signatories thereto, and BNP Paribas, as Administrative Agent. Capitalized terms used herein but not defined herein shall have the meanings specified in the Agreement.

Pursuant to the terms of the Agreement, [_____] (“Assignor”), wishes to assign and delegate to [_____] (“Assignee”), [_____]% of its rights and obligations under the Agreement. Therefore, Assignor, Assignee, and Administrative Agent agree as follows:

Section 1. The Assignor hereby sells and assigns and delegates to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, without recourse to the Assignor and without representation or warranty except for the representations and warranties specifically set forth in clauses (i), (ii), and (iii) of Section 2 of this Assignment and Acceptance, a [_____]% interest in and to all of the Assignor’s rights and obligations under the Agreement and the other Loan Documents as of the Effective Date (as defined below), including such percentage interest in the Assignor’s Committed Line Portion, the Loans owing to the Assignor, the Assignor’s Pro Rata Advance Share of the Letters of Credit, and the Note held by the Assignor.

Section 2. The Assignor (i) represents and warrants that, prior to executing this Assignment and Acceptance, its Committed Line Portion is \$[_____], the aggregate outstanding principal amount of Loans owed by the Borrower to the Assignor is \$[_____], and its Pro Rata Advance Share of the outstanding Effective Amount of L/C Obligations is \$[_____]; (ii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties, or representations made in or in connection with the Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency, or value of the Agreement or any other Loan Document or any other instrument or document furnished pursuant thereto; (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Agreement or any other Loan Document or any other instrument or document furnished pursuant thereto; and (v) attaches the Note referred to in Section 1 above and requests that Administrative Agent exchange such Note for a new Note dated [_____], in the principal amount of \$[_____] payable to the order of the Assignee[, and a new Note dated in the principal amount of \$[_____] payable to the order of Assignor].

D-1

3. The Assignee (i) confirms that it has received a copy of the Agreement, together with copies of the financial statements referred to in Section 7.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon Administrative Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement or any other Loan Document; (iii) appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Agreement and any other Loan Document as are delegated to Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Agreement or any other Loan Document are required to be performed by it as a Bank; (v) specifies as its Lending Office (and address for notices) the office set forth beneath its name on the signature pages hereof; (vi) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Agreement and Notes or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty; and (vii) represents that it is an Eligible Assignee.

4. The effective date for this Assignment and Acceptance shall be [_____] ("Effective Date"), and following the execution of this Assignment and Acceptance, Administrative Agent will record it in its records of the transactions under the Agreement.

5. Upon such recording, from and after the Effective Date, Administrative Agent shall make all payments under the Agreement and the Notes in respect of the interest assigned hereby (including all payments of principal, interest, and fees) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Agreement and the Notes for periods prior to the Effective Date directly between themselves.

6. This Assignment and Acceptance shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

The parties hereto have caused this Assignment and Acceptance to be duly executed as of the date first above written.

[ASSIGNOR]

By: _____
Name: _____
Title: _____

Address: _____

Attention: _____
Telecopy No: _____

[ASSIGNEE]

By: _____
Name: _____
Title: _____

Lending Office:

Address: _____

Attention: _____
Telecopy No: _____

BNP Paribas,
as Administrative Agent

By: _____
Name: _____
Title: _____

D-3

EXHIBIT E

**ATMOS ENERGY MARKETING, LLC, BORROWING BASE
COLLATERAL POSITION REPORT AS OF [DATE]**

In my capacity as Responsible Officer for ATMOS ENERGY MARKETING, LLC, I hereby certify that as of the date written above, the amounts indicated below were accurate and true as of the date of preparation. I also certify that the net long or short position has not exceeded the limitations set forth in Section 8.11, of the Credit Agreement.

I. COLLATERAL			
A. Cash Collateral	\$ _____	100%	\$ _____
B. Equity in Eligible Broker accounts	\$ _____	90%	\$ _____
C. Tier I Accounts	\$ _____	90%	\$ _____
D. Tier II Accounts	\$ _____	85%	\$ _____
E. Tier I Unbilled Accounts	\$ _____	85%	\$ _____
F. Tier II Unbilled Accounts	\$ _____	80%	\$ _____
G. Eligible Inventory	\$ _____	80%	\$ _____
H. Eligible Exchange Receivables	\$ _____	80%	\$ _____
I. Undelivered Product Value	\$ _____	80%	\$ _____
J. Realizable Unrealized Profits, up to a maximum amount of \$50,000,000; less	\$ _____	70%	\$ _____
K. First purchaser liability; less	\$ (_____)	100%	\$ (_____)
L. SPT Close-Out Amounts; less	\$ (_____)	125%	\$ (_____)
TOTAL COLLATERAL	<u>\$ _____</u>		<u>\$ _____</u>
BORROWING BASE SUB-CAP			<u>\$ _____</u>
BORROWING BASE ADVANCE CAP			<u>\$ _____</u>
TOTAL AVAILABLE COMMITTED LINE PORTION			<u>\$ _____</u>
II. BANK OUTSTANDINGS			
A. Loans from the Banks			\$ _____
B. L/C's from the Banks			\$ _____
C. Unilateral Overage Advances from the Banks			\$ _____
TOTAL OUTSTANDINGS UNDER BORROWING BASE LINE			\$ _____
III. EXCESS/(DEFICIT) (I-II)			\$ _____
IV. NET SHORT OR LONG POSITION _____ MMBTUS			\$ _____

Attached hereto are (i) an aging report, (ii) a schedule of netted qualified exchange balances, (iii) a schedule of qualified inventory and (iv) a schedule of all contras applied against (i), (ii), and (iii).

By: _____
Responsible Officer

EXHIBIT F

FORM OF NET POSITION REPORT AND EXPOSURE REPORT

[Date]

BNP Paribas
 787 Seventh Avenue
 New York, New York 10019
 Attention: Edward Chin
 Telephone: (212) 841-2020
 Facsimile: (212) 841-2536

Fortis Bank SA/NV, New York Branch
 15455 North Dallas Parkway
 Suite 1400
 Addison, TX 75001
 Attention: Marla Jennings
 Telephone: (212) 953-9314
 Facsimile: (212) 969-9332

Re: Net Positions

In my capacity as Responsible Officer of ATMOS ENERGY MARKETING, LLC, I hereby certify to you that as of the date written above, such company's aggregate net positions are as follows:

	<u>MMBTUS of</u>
	<u>Natural Gas</u>
Long	_____
(Short)	_____
Net Position	_____

To the best of my knowledge, these net positions have at no time exceeded the limitations set forth in Section 8.11, of that certain Third Amended and Restated Credit Agreement, dated to be effective as of [_____], as amended or supplemented from time to time, by and among ATMOS ENERGY MARKETING, LLC, the banks that from time to time are parties thereto, BNP Paribas, as Administrative Agent, and Fortis Bank SA/NV, New York Branch, as Documentation Agent.

Furthermore, at no time has the sum of the following:

- (a) 25% of the Borrower's Net Position Value, \$ _____, plus
- (b) Borrower's Storage and Unhedged Transportation Exposure, \$ _____, plus
- (c) Borrower's Below Index Sales Exposure, \$ _____, exceeded 33% of Borrower's Net Working Capital.

Very truly yours,

ATMOS ENERGY MARKETING, LLC ,

By: _____

Name: _____

Title: _____

Date: _____

F-2

EXHIBIT G**SUBORDINATION AGREEMENT**

THIS SUBORDINATION AGREEMENT (this "**Agreement**") is made as of the _____ day of _____, 20____, by and between **BNP PARIBAS**, a bank organized under the laws of France ("**Administrative Agent**"), as Administrative Agent for the ratable benefit of the Secured Parties (as defined in the Credit Agreement (hereinafter defined)), _____ (the "**Subordinated Creditor**") and acknowledged by **ATMOS ENERGY MARKETING, LLC**, a Delaware limited liability company ("**Borrower**").

RECITALS

WHEREAS, Administrative Agent and the Banks have made, or in the future may make, credit accommodations available to Borrower, pursuant to the terms and provisions of that certain Third Amended and Restated Credit Agreement dated to be effective as of [_____] (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Credit Agreement**") among Administrative Agent, the Borrower and the banks and financial institutions from time to time party thereto (collectively, the "**Banks**"); and

WHEREAS, Subordinated Creditor has made, or in the future may make, credit accommodations available to Borrower; and

WHEREAS, in order to induce Administrative Agent to consider making the credit accommodations described above available to Borrower in the future, Subordinated Creditor has agreed to subordinate certain of its rights and claims now existing or hereafter arising against Borrower to the rights and claims of Administrative Agent now existing or hereafter arising against Borrower, all in accordance with the terms and provisions of this Agreement; and

WHEREAS, the parties hereto are entering into this Agreement in order to set forth their agreements as to payment of the Senior Indebtedness (hereinafter defined) and the Junior Indebtedness (hereinafter defined) and their agreements as to certain other matters including but not limited to lien priorities.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements contained herein, the parties hereto hereby agree as follows:

AGREEMENT**ARTICLE I DEFINITIONS**

As used in this Agreement, the terms defined above shall have their respective meanings set forth above and the following terms shall have the following meanings:

"**Collateral**" shall mean any and all property which now constitutes or hereafter will constitute collateral or other security for payment of the Senior Indebtedness pursuant to the Senior Documents or otherwise.

“Default” shall have the meaning set forth in the Credit Agreement.

“Distribution” by any Person shall mean (a) with respect to any stock or membership interest issued by such Person, the retirement, redemption, purchase or other acquisition for value of any such stock or membership interest, (b) the declaration or payment of any dividend or other distribution on or with respect to any such stock or membership interest, (c) any loan or advance by such Person to, or other investment by such Person in, the holder of any such stock or membership interest, and (d) any other payment (other than ordinary salaries to employees or advances made in the ordinary course of business to employees for travel or other expenses incurred in the ordinary course of business) by such Person to or for the benefit of the holder of any such stock or membership interest.

“Event of Default” shall have the meaning set forth in the Credit Agreement.

“Federal Bankruptcy Code” shall have the meaning set forth in Article VIII of this Agreement.

“Junior Creditor” shall mean the Subordinated Creditor and its successors and assigns.

“Junior Documents” shall mean any and all agreements, documents and instruments evidencing, together with all amendments, supplements and restatements thereof, evidencing, governing or executed or delivered in connection with the Junior Indebtedness.

“Junior Indebtedness” shall mean any and all indebtedness, obligations and liabilities of every kind and character of Borrower now or hereafter owing to any party to this Agreement other than Senior Creditor, including, without limitation, the indebtedness evidenced and to be evidenced by the Junior Documents, whether such indebtedness, obligations and liabilities are direct or indirect, primary or secondary, joint, several or joint and several, fixed or contingent and whether incurred by Borrower as maker, endorser, guarantor or otherwise.

“Permitted Payments” shall have the meaning set forth in Article IV of this Agreement.

“Person” shall mean and include an individual, a partnership, a corporation, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a governmental authority.

“Proceeds” shall have the meaning assigned to it under the Uniform Commercial Code, shall also include “products” (as defined in the Uniform Commercial Code), and, in any event, shall include, but not be limited to (a) any and all proceeds of any insurance, indemnity, warranty, letter of credit or guaranty or collateral security payable to any grantor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the owner of the Collateral from time to time in connection with any

requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any Person acting under color of governmental authority) and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

“Senior Creditor” shall mean Administrative Agent and its successors and assigns.

“Senior Documents” shall mean any and all agreements, documents and instruments, together with all amendments, supplements and restatements thereof, evidencing, governing or executed or delivered in connection with the Senior Indebtedness or the Senior Creditor’s interests in the Collateral, including, without limitation, the Credit Agreement.

“Senior Indebtedness” shall mean any and all indebtedness, obligations and liabilities of every kind and character of Borrower now or hereafter owing to Senior Creditor, whether such indebtedness, obligations and liabilities are direct or indirect, primary or secondary, joint, several or joint and several, fixed or contingent and whether incurred by Borrower as maker, endorser, guarantor or otherwise, including, without limitation, any and all indebtedness, obligations and liabilities of Borrower now or hereafter owing to Senior Creditor pursuant to or evidenced by the Senior Documents.

ARTICLE II RIGHTS IN COLLATERAL

2.1 Priorities Regarding Collateral. The Junior Creditor covenants and agrees that it will not take or hold any liens or security interests on any property of Borrower. If for any reason, however, the Junior Creditor does obtain a lien or security interest in the Collateral, any and every lien and security interest in the Collateral in favor of or held for the benefit of the Senior Creditor has and shall have priority over any lien or security interest that Junior Creditor has or might have or acquire in the Collateral notwithstanding any statement or provision contained in the Junior Documents or otherwise to the contrary and irrespective of the time or order of filing or recording of financing statements, deeds of trust, mortgages or other notices of security interests, liens or assignments granted pursuant thereto, and irrespective of anything contained in any filing or agreement to which any party hereto or its respective successors and assigns may now or hereafter be a party, and irrespective of the ordinary rules for determining priorities under the Uniform Commercial Code or under any other law governing the relative priorities of secured creditors.

2.2 Management of Collateral. Senior Creditor shall have the exclusive right to manage, perform and enforce the terms of the Senior Documents with respect to the Collateral, to exercise and enforce all privileges and rights thereunder according to its discretion and the exercise of its business judgment including, but not limited to, the exclusive right to take or retake possession of the Collateral and to hold, prepare for sale, process, sell, lease, dispose of, or liquidate the Collateral, pursuant to a foreclosure or otherwise. Notwithstanding any rights or remedies available to the Junior Creditor under applicable law or under any document or instrument evidencing, securing or otherwise executed in connection with the incurrence of the obligations contemplated by the Junior Documents, Junior Creditor shall not be permitted to foreclose upon its security interest in any of the Collateral, or to exercise similar remedies with

respect thereto, so long as any of the Senior Indebtedness shall continue to exist, and only the Senior Creditor shall have the right to restrict or permit, or approve or disapprove, the sale, transfer or other disposition of Collateral. Junior Creditor will not in any manner interfere with Senior Creditor's security interests in the Collateral unless and until Borrower has satisfied in full the Senior Indebtedness and Senior Creditor has given Junior Creditor written notice thereof. The Junior Creditor waives notice of, and agrees not to challenge the method, manner, time, place or terms, of any disposition of the Collateral by Senior Creditor. Accordingly, should Senior Creditor elect to exercise its rights and remedies with respect to any of the Collateral, Senior Creditor may proceed to do so without regard to any interest of the Junior Creditor, and the Junior Creditor waives any claims that it may have against Senior Creditor for any disposition of the Collateral. The Junior Creditor agrees, whether or not a default has occurred in the payment of any indebtedness or the performance of any other obligations to it, that any liens on and security interests in the Collateral or any portion thereof that it might have or acquire shall automatically be fully released ipso facto as to all indebtedness and other obligations secured thereby owing to Junior Creditor if and when Senior Creditor releases its lien in and security interest on such Collateral in the event of any sale, disposition or other realization by Senior Creditor (or any agent therefor) upon such Collateral.

ARTICLE III PROCEEDS

3.1 Distribution of Proceeds of Collateral. At any time during which all or any part of the Senior Indebtedness remains outstanding, and whether or not the same is then due and payable, the Proceeds of any sale, disposition or other realization by Senior Creditor (or any agent therefor) upon all or any part of the Collateral shall be applied first to the payment in full of all Senior Indebtedness in such order as Senior Creditor shall determine in its sole discretion exercised in good faith.

3.2 Contingent Obligations. For purposes of distributing the Proceeds of Collateral pursuant to this Article III, the portion of Senior Indebtedness consisting of loans or advances not yet made by Senior Creditor to Borrower under the Senior Documents (including, but not limited to, amounts with respect to letters of credit outstanding and reimbursement for fees, costs and expenses) shall be considered Senior Indebtedness then outstanding, and the Senior Creditor shall have the right to retain, in a cash collateral account, cash collateral equal to the amount thereof which Senior Creditor determines, in its sole good faith discretion, may arise or exist from time to time.

3.3 Holding of Proceeds in Trust. Except as provided for in Article IV of this Agreement, in the event the Junior Creditor receives Proceeds of the Collateral, Junior Creditor shall be deemed to hold all of such Proceeds in trust for the benefit of Senior Creditor until the proper application thereof in accordance with Section 3.1 hereof. The Junior Creditor shall not seek to challenge the validity, enforceability, priority or perfection of any of the Senior Documents if the purpose or effect thereof would in any manner defeat or delay the distribution of the Proceeds of any Collateral in the manner set forth in Section 3.1 hereof.

ARTICLE IV SUBORDINATION

The Junior Creditor covenants and agrees that the Junior Indebtedness, howsoever evidenced and whether now existing or hereafter incurred, shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to all Senior Indebtedness:

(a) The holder of the Senior Indebtedness shall first be finally and irrevocably paid in cash an aggregate amount equal to the principal thereof and termination fees, if any, interest at the time due thereon, and all other costs, fees, expenses and/or obligations now or hereafter owing thereunder, before any payment or Distribution of any character, whether in cash, securities or other property, shall be made on account of the Junior Indebtedness or otherwise to or for the benefit of Junior Creditor; and any payment or Distribution of any character, whether in cash, securities or other property, which would otherwise, but for the provisions of this Article IV, be payable or deliverable in respect of the Junior Indebtedness or otherwise shall be paid or delivered directly to the holder of the Senior Indebtedness (or its duly authorized representatives), until all the Senior Indebtedness shall have been paid in full.

(b) Notwithstanding the provisions of subparagraph (a) of this Article IV, Borrower may (i) pay interest on the unpaid principal balance of the Junior Indebtedness on a monthly basis in arrears and make both scheduled payments and prepayments of principal on the terms and conditions set forth in the Junior Documents and (ii) make Distributions to Atmos Energy Holdings, Inc., a Delaware corporation (the "Permitted Payments"); provided, however, that as a condition precedent to Borrower's right to make (and the Junior Creditor's rights to receive) any and all such Permitted Payments, there shall not have occurred or then exist a Default or Event of Default under any of the Senior Indebtedness or any of the Senior Documents, or an event or condition which with notice, lapse of time or the making of such payment or Distribution would constitute a Default or Event of Default under any of the foregoing.

(c) The Junior Creditor agrees to promptly notify the Senior Creditor in writing of any default or event of default on any Junior Indebtedness or otherwise or under any of the Junior Documents and further agrees not to exercise any right or remedy or take any enforcement action with respect to any default or event of default on any of the Junior Indebtedness or otherwise or under any of the Junior Documents until such time as the Senior Indebtedness has been paid in full. Without limiting any of the foregoing, any failure of Borrower to perform any of its obligations to Junior Creditor as a result of any of the prohibitions, restrictions or limitations set forth in this Agreement shall not constitute the basis for a default or event of default on any Junior Indebtedness or under any Junior Documents.

(d) No reimbursement, payment, direct or indirect, or disbursement of other property or assets of Borrower shall be made by Borrower on account of the Junior Indebtedness or otherwise or received, accepted, retained or applied by the Junior Creditor (except for the account and benefit of Senior Creditor, which shall be held in trust for Senior Creditor or except for Permitted Payments as allowed in subparagraph (b) of this Article IV) until such time as the Senior Indebtedness has been finally and irrevocably paid in full in cash.

(e) Without affecting Junior Creditor's obligations set forth in this Agreement not to exercise any remedy as set forth in this Agreement, in the event that the Junior Creditor receives any payment of any character, whether in cash, securities, or other properties, payable or deliverable in respect of the Junior Indebtedness and (i) such payment would cause an event or condition to occur which, with notice, lapse of time, or both, would cause a Default or an Event of Default to occur under the Senior Documents; or (ii) such payment is made after a Default or an Event of Default has occurred under the Senior Documents; or (iii) such payment is made at a time that the management of Borrower knew or reasonably should have known that a Default or an Event of Default had occurred under the Senior Documents, or that such payment could reasonably be expected to cause a Default or an Event of Default to occur under the Senior Documents, then such cash, securities or other properties shall be held in trust for the benefit of the holder of the Senior Indebtedness and shall be paid or delivered to the holder of the Senior Indebtedness (or its authorized representatives), in the proportions in which it holds same, until all the Senior Indebtedness shall have been paid in full.

(f) The provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the holder of the Junior Indebtedness, on the one hand, and the holder of the Senior Indebtedness on the other hand. Nothing contained in this Agreement is intended to or shall impair, as between Borrower and its creditors other than the holder of the Senior Indebtedness and the holder of the Junior Indebtedness, the obligations of Borrower which are absolute and unconditional, to pay to the holder of the Junior Indebtedness the principal thereof and interest thereon as and when the same shall become due and payable in accordance with its terms, or is intended to or shall affect the relative rights against Borrower of the holder of the Senior Indebtedness.

(g) No right of any present or future holder of any of the Senior Indebtedness to enforce the subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of Borrower or by any act in good faith or failure to act in good faith by any such holder, or by any noncompliance by Borrower with the covenants, agreements and conditions of the Junior Indebtedness, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

(h) Senior Creditor shall have no obligation to preserve the rights of the Collateral against any prior parties or to marshal any of the Collateral for the benefit of any Person.

ARTICLE V BENEFIT OF AGREEMENT; AMENDMENT

This Agreement shall constitute a continuing offer to any person who, in reliance upon such provisions, become a Senior Creditor, and such provisions are made for the benefit of each Senior Creditor, acting on behalf of the Banks, and each of them may enforce such provisions. The Junior Creditor agrees not to assign or transfer, at any time this Agreement remains in effect, any rights, claim or interest of any kind in or to any Junior Indebtedness without first notifying Senior Creditor and making such assignment expressly subject to this Agreement. The provisions of the Junior Documents as in effect on the date hereof may not be amended or modified in any respect without the prior written consent of Senior Creditor.

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**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**

**December 2, 2008
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))
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

- (b) As reported in its news release dated December 2, 2008, John P. (Pat) Reddy, senior vice president and chief financial officer of Atmos Energy Corporation, has notified the company of his resignation, effective December 31, 2008.
- (c) As was also reported in its news release dated December 2, 2008, F.E. (Fred) Meisenheimer, vice president and controller, has been appointed by the board of directors of Atmos Energy to also serve as interim chief financial officer, effective January 1, 2009, until a successor is appointed. Mr. Meisenheimer, 64, has served as vice president and controller of Atmos Energy since July 2000. Atmos Energy has not entered into any new material plan, contract or arrangement to which Mr. Meisenheimer is a party or in which he participates, or any material amendment thereto, nor has Mr. Meisenheimer received any grant or award under any plan, contract or arrangement, in connection with the appointment described above.

A copy of the news release issued on December 2, 2008 announcing these management changes is filed herewith as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

- (d) Exhibits.

99.1 News Release issued by Atmos Energy Corporation dated December 2, 2008

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: December 3, 2008

By: /s/ LOUIS P. GREGORY

Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated December 2, 2008

4

Exhibit 99.1**News Release**

Analyst and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Announces
Resignation of Chief Financial Officer**

DALLAS (December 2, 2008)—Atmos Energy Corporation (NYSE: ATO) today announced that Pat Reddy has notified the company of his resignation as senior vice president and chief financial officer, effective December 31, 2008.

“Pat has decided to pursue another opportunity outside the company,” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. “I am very appreciative of his service to Atmos Energy and wish him all the best in his new endeavor.”

“It is with mixed emotions that I have decided to leave Atmos Energy,” said Reddy. “I am proud of the work that we have achieved together during a decade of unparalleled growth, but the time is right for me to move on to my next professional opportunity.”

Fred Meisenheimer, vice president and controller, has been appointed by the board of directors to serve as interim chief financial officer, effective January 1, 2009, until a successor is appointed.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

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**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 21, 2008
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:

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 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
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Item 8.01 Other Events.

The following updates the description of our common stock filed on Form 8-A pursuant to the Securities Exchange Act of 1934, as amended.

General

Our authorized capital stock consists of 200,000,000 shares of common stock, no par value, of which 91,133,742 shares were outstanding on November 12, 2008. Each of our shares of common stock is entitled to one vote on all matters voted upon by shareholders. Our shareholders do not have cumulative voting rights. Our issued and outstanding shares of common stock are fully paid and nonassessable. There are no redemption or sinking fund provisions applicable to the shares of our common stock and such shares are not entitled to any preemptive rights. Since we are incorporated in both Texas and Virginia, we must comply with the laws of both states when issuing shares of our common stock.

Holders of our shares of common stock are entitled to receive such dividends as may be declared from time to time by our board of directors from our assets legally available for the payment of dividends and, upon our liquidation, a pro rata share of all of our assets available for distribution to our shareholders.

American Stock Transfer and Trust Company, LLC is the registrar and transfer agent for our common stock.

Charter and Bylaw Provisions

Some provisions of our articles of incorporation and bylaws may be deemed to have an "anti-takeover" effect. The following description of these provisions is only a summary, and we refer you to our articles of incorporation and bylaws for more information. Our articles of incorporation and bylaws are included as exhibits to our annual reports filed with the Securities and Exchange Commission ("SEC") pursuant to the requirements of the Securities Exchange Act of 1934, as amended.

Classification of the Board. Our board of directors is divided into three classes, each of which consists, as nearly as may be possible, of one-third of the total number of directors constituting the entire board. There are currently 14 directors serving on the board. Each class of directors serves a three-year term. At each annual meeting of our shareholders, successors to the class of directors whose term expires at the annual meeting are elected for three-year terms. Our articles of incorporation prohibit cumulative voting. In general, in the absence of cumulative voting, one or more persons who hold a majority of our outstanding shares can elect all of the directors who are subject to election at any meeting of shareholders.

Removal of Directors. Our articles of incorporation and bylaws also provide that our directors may be removed only for cause and upon the affirmative vote of the holders of at least 75 percent of the shares then entitled to vote at an election of directors.

Fair Price Provisions. Article VII of our articles of incorporation provides certain “Fair Price Provisions” for our shareholders. Under Article VII, a merger, consolidation, sale of assets, share exchange, recapitalization or other similar transaction, between us or a company controlled by or under common control with us and any individual, corporation or other entity which owns or controls 10 percent or more of our voting capital stock, would be required to satisfy the condition that the aggregate consideration per share to be received in the transaction for each class of our voting capital stock be at least equal to the highest per share price, or equivalent price for any different classes or series of stock, paid by the 10 percent shareholder in acquiring any of its holdings of our stock. If a proposed transaction with a 10 percent shareholder does not meet this condition, then the transaction must be approved by the holders of at least 75 percent of the outstanding shares of voting capital stock held by our shareholders other than the 10 percent shareholder, unless a majority of the directors who were members of our board immediately prior to the time the 10 percent shareholder involved in the proposed transaction became a 10 percent shareholder have either:

- expressly approved in advance the acquisition of the outstanding shares of our voting capital stock that caused the 10 percent shareholder to become a 10 percent shareholder, or
- approved the transaction either in advance of or subsequent to the 10 percent shareholder becoming a 10 percent shareholder.

The provisions of Article VII may not be amended, altered, changed, or repealed except by the affirmative vote of at least 75 percent of the votes entitled to be cast thereon at a meeting of our shareholders duly called for consideration of such amendment, alteration, change, or repeal. In addition, if there is a 10 percent shareholder, such action must also be approved by the affirmative vote of at least 75 percent of the outstanding shares of our voting capital stock held by the shareholders other than the 10 percent shareholder.

Shareholder Proposals and Director Nominations. Our shareholders can submit shareholder proposals and nominate candidates for the board of directors if the shareholders follow the advance notice procedures described in our bylaws.

Shareholder proposals must be submitted to our corporate secretary at least 60 days, but not more than 85 days, before the annual meeting; provided, however, that if less than 75 days’ notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, notice by the shareholder to be timely must be received by the corporate secretary not later than the close of business on the 25th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. The notice must include a description of the proposal, the shareholder’s name and address and the number of shares held, and all other information which would be required to be included in a proxy statement filed with the SEC if the shareholder were a participant in a solicitation subject to the SEC proxy rules. To be included in our proxy statement for an annual meeting, our corporate secretary must receive the proposal at least 120 days prior to the anniversary of the date we mailed the proxy statement for the prior year’s annual meeting.

To nominate directors, shareholders must submit a written notice to our corporate secretary at least 60 days, but not more than 85 days, before a scheduled meeting; provided, however, that if less than 75 days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, such nomination shall have been received by the corporate secretary not later than the close of business on the 25th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. The notice must include the name and address of the shareholder and of the shareholder's nominee, the number of shares held by the shareholder, a representation that the shareholder is a holder of record of common stock entitled to vote at the meeting and that the shareholder intends to appear in person or by proxy to nominate the persons specified in the notice, a description of any arrangements between the shareholder and the shareholder's nominee, information about the shareholder's nominee required by the SEC and the written consent of the shareholder's nominee to serve as a director.

Shareholder proposals and director nominations that are late or that do not include all required information may be rejected. This could prevent shareholders from bringing certain matters before an annual or special meeting or making nominations for directors.

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 21, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

**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 11, 2008
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
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1-10042
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(Zip Code)

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Not Applicable
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- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On Tuesday, November 11, 2008, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the fourth quarter and full 2008 fiscal year, which ended September 30, 2008, and that certain of its officers would discuss such financial results in a conference call on Wednesday, November 12, 2008 at 8:00 a.m. Eastern Time. In the release, the Company also announced that the conference call would be webcast live and that slides for the webcast would be available on its Web site 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 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release dated November 11, 2008 (furnished under Item 2.02)

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 11, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated November 11, 2008 (furnished under Item 2.02)



Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for Fiscal 2008;
Affirms Fiscal 2009 Guidance**

DALLAS (November 11, 2008)— Atmos Energy Corporation (NYSE:ATO) today reported consolidated results for its 2008 fiscal year and fourth quarter ended September 30, 2008.

- Fiscal 2008 net income was \$180.3 million, or \$2.00 per diluted share, compared with net income of \$168.5 million, or \$1.92 per diluted share, the prior year. Fiscal 2007 net income included a noncash after-tax charge of \$4.1 million, or \$0.05 per diluted share, related to the write-off of obsolete software and a nonregulated gas gathering project.
- Regulated operations contributed \$134.1 million of net income, or \$1.49 per diluted share during fiscal 2008, compared with \$107.9 million of net income, or \$1.23 per diluted share, during fiscal 2007.
- Nonregulated operations contributed \$46.2 million of net income during fiscal 2008, or \$0.51 per diluted share, compared with \$60.6 million of net income, or \$0.69 per diluted share, during fiscal 2007. Unrealized margins contributed \$0.20 and \$0.14 of net income per diluted share for fiscal 2008 and 2007.
- Atmos Energy affirmed its fiscal 2009 earnings guidance of \$2.05 to \$2.15 per diluted share.

For the three months ended September 30, 2008, net income was \$1.6 million, or \$0.02 per diluted share, compared with a net loss of \$5.9 million, or (\$0.07) per diluted share, for the same period last year. Regulated operations reported a seasonal net loss of \$14.7 million, or (\$0.16) per diluted share, during the fiscal 2008 fourth quarter, compared with a seasonal net loss of \$13.7 million, or (\$0.15) per diluted share, in the prior-year period. Nonregulated operations contributed \$16.3 million of net income during the fourth quarter of fiscal 2008, or \$0.18 per diluted share, compared with \$7.8 million of net income, or \$0.08 per diluted share, in the prior-year quarter. Results for nonregulated operations for the prior-year quarter included an after-tax charge of \$2.0 million, or \$0.02 per diluted share, to write off costs associated with a nonregulated natural gas gathering project. Unrealized margins contributed \$0.11 and \$0.12 of net income per diluted share for the three months ended September 30, 2008 and 2007.

“We are extremely pleased with the financial results achieved in fiscal 2008,” said Robert W. Best, chairman and chief executive officer of Atmos Energy Corporation. “Regulated operations contributed 74 percent of our consolidated net income and experienced a year-over-year boost in

earnings per share of more than 20 percent. We remain committed to enhancing the stability and predictability of our regulated earnings by making incremental improvements to rate design and making prudent, strategic investments in rate base. Our nonregulated operations contributed the remaining 26 percent of consolidated net income, reflecting the tenacity of this business in an environment of weakened natural gas market volatility and economic downturn.

“Looking forward to fiscal 2009 and beyond, we remain focused on continuing to achieve annual earnings growth per share in the 4 percent to 6 percent range, on average,” Best said.

Results for the Year Ended September 30, 2008

Natural gas distribution gross profit increased to \$1.0 billion for the year ended September 30, 2008, compared with \$952.7 million in the same period last year, before intersegment eliminations. The \$53.4 million year-over-year increase primarily reflects a net \$40.7 million increase in rates and a \$7.5 million accrual recorded during the fiscal 2007 fourth quarter for estimated unrecoverable gas costs that did not recur in the current year.

Regulated transmission and storage gross profit increased \$32.7 million to \$195.9 million for the year ended September 30, 2008, compared with \$163.2 million in the prior year, before intersegment eliminations. The 20 percent increase primarily reflects higher revenues resulting from the company's 2006 and 2007 filings under the Texas Gas Reliability Infrastructure Program (GRIP). Regulated transmission and storage gross profit also benefited from continued favorable market conditions in the Barnett Shale gas producing region in Texas, resulting in an 18 percent increase in consolidated throughput and higher per-unit margins.

Natural gas marketing gross profit decreased \$11.3 million to \$93.0 million for the year ended September 30, 2008, compared with \$104.3 million in the prior year, before intersegment eliminations. The decrease primarily reflects a \$35.0 million decrease in Atmos Energy Marketing's (AEM) realized storage and trading activities resulting from a less-volatile natural gas market as well as AEM's decision to defer physical storage withdrawals and reset its associated financial positions to forward months to increase the potential gross profit in future periods. Delivered gas margins increased \$16.6 million as a result of capturing favorable basis gains coupled with a 5 percent increase in consolidated sales volumes. AEM's unrealized margins increased \$7.1 million during the 2008 fiscal year compared with the prior year, principally due to a narrowing of the spreads between current cash prices and forward natural gas prices.

Pipeline, storage and other gross profit decreased \$4.3 million to \$28.3 million for the year ended September 30, 2008, compared with \$32.6 million in the prior year, before intersegment eliminations. The decrease was largely due to lower realized margins from storage and asset optimization activities in a less-volatile natural gas market, which created fewer opportunities to capitalize on price fluctuations.

Consolidated operation and maintenance expense for the year ended September 30, 2008, was \$500.2 million, compared with \$463.4 million last year. The \$36.8 million increase primarily reflects higher pipeline maintenance, odorization, fuel and administrative costs. Additionally, the prior-year expense included the favorable effect of the Louisiana Public Service Commission's decision to permit the recovery of \$4.3 million of Hurricane-Katrina-related expenses from customers.

Continued effective collection efforts during fiscal 2008 partially offset the increase in consolidated operation and maintenance expense. Bad debt expense decreased \$4.0 million to \$15.7 million, from \$19.7 million last year, despite a 12 percent year-over-year increase in gas costs.

Interest charges for the year ended September 30, 2008, were \$137.9 million, compared with \$145.2 million in the prior year. The \$7.3 million year-over-year decrease primarily was due to lower average short-term debt balances experienced in the current period. This favorable variance was partially offset by a \$6.3 million decrease in interest income principally associated with lower average cash balances in the current fiscal year. Interest income is reported as a component of miscellaneous income.

Operating expenses for the year ended September 30, 2007, included a \$6.3 million noncash charge associated with the write-off of approximately \$3.0 million of costs related to a nonregulated natural gas gathering project and about \$3.3 million of obsolete software costs.

The capitalization ratio at September 30, 2008, was 54.6 percent, compared with 53.7 percent at September 30, 2007. Short-term debt of \$350.5 million was comprised of \$330.5 million of borrowings under the company's existing lines of credit and \$20.0 million of commercial paper. Short-term debt was \$150.6 million at September 30, 2007, representing amounts outstanding under the company's commercial paper program.

Operating cash flow for the year ended September 30, 2008, was \$370.9 million, compared with \$547.1 million during fiscal 2007. The \$176.2 million decrease primarily reflects the unfavorable timing of gas cost collections, an increase in cash required to collateralize risk management accounts as of September 30, 2008, and changes in various other working capital items.

Capital expenditures increased to \$472.3 million for the year ended September 30, 2008, from \$392.4 million for the same period last year. The \$79.9 million increase principally reflects spending in the Mid-Tex Division for the replacement of mains and regulatory compliance, the company's new automated metering initiative in its natural gas distribution business and spending associated with two nonregulated growth projects.

Results for the 2008 Fourth Quarter Ended September 30, 2008

Natural gas distribution gross profit increased \$22.2 million to \$175.4 million for the three months ended September 30, 2008, compared with \$153.2 million in the same period last year, before intersegment eliminations. The increase primarily reflects a net \$9.1 million increase in rates and the aforementioned \$7.5 million accrual for estimated unrecoverable gas costs that did not recur in the current period.

Regulated transmission and storage gross profit increased \$12.5 million to \$53.1 million for the three months ended September 30, 2008, compared with \$40.6 million for the prior-year quarter. This increase primarily reflects higher revenues resulting from the company's 2006 and 2007 filings under the Texas Gas Reliability Infrastructure Program (GRIP). Regulated transmission and storage gross profit also benefited from continued favorable market conditions in the Barnett Shale gas producing area, resulting in the realization of higher per-unit margins and a 14 percent increase in consolidated throughput.

Natural gas marketing gross profit increased \$14.7 million to \$33.4 million for the three months ended September 30, 2008, compared to \$18.7 million for the same period one year ago, before

intersegment eliminations. The increase primarily reflects increased storage and trading margins as AEM realized a portion of the storage withdrawal gains that it captured earlier in the fiscal year after deferring storage withdrawals and resetting financial positions to forward months. Delivered gas margins increased \$5.3 million largely due to AEM's ability to earn higher per-unit margins from volatility attributable to weather-related events, which more than offset a 14 percent decrease in consolidated sales volumes. AEM's unrealized margins decreased \$4.6 million during the current quarter, compared with the prior-year quarter, principally due to a widening of the spreads between current cash prices and forward natural gas prices.

Pipeline, storage and other gross profit increased \$3.7 million to \$9.5 million for the three months ended September 30, 2008, from \$5.8 million for the three months ended September 30, 2007, before intersegment eliminations. The increase primarily reflects higher unrealized margins.

Consolidated operation and maintenance expense for the three months ended September 30, 2008, was \$141.2 million, compared with \$121.0 million for the three months ended September 30, 2007. The \$20.2 million increase primarily reflects higher pipeline maintenance, employee and other administrative costs. Bad debt expense for the quarter was essentially flat compared with the prior-year quarter.

Operating expenses for the three months ended September 30, 2007, included a \$3.0 million noncash charge associated with the write-off of costs related to a nonregulated natural gas gathering project.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. In October 2008, Atmos Energy announced that it expected fiscal 2009 earnings to be in the range of \$2.05 to \$2.15 per diluted share, excluding any material mark-to-market impact. Net income from regulated operations is expected to be in the range of \$140 million to \$145 million, and net income from nonregulated operations is expected to be in the range of \$47 million to \$52 million. Capital expenditures for fiscal 2009 are expected to range from \$510 million to \$525 million. Operation and maintenance expense is expected to range from \$480 million to \$490 million in fiscal 2009. The average number of shares outstanding in fiscal 2009 is expected to be between 91 million and 92 million.

However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2009, and changes in events or other circumstances that the company cannot currently anticipate or predict, including adverse credit market conditions, could result in earnings for fiscal 2009 that are significantly above or below this outlook. Factors that could cause such changes are described below in Forward-Looking Statements and in other company documents on file with the Securities and Exchange Commission.

Atmos Energy believes it has sufficient liquidity to support its operating and capital spending plans. Amounts available to the company under existing and new credit facilities coupled with operating cash flow should provide the necessary liquidity to fund the company's common stock dividend, working capital needs and capital expenditures for fiscal 2009.

Conference Call to be Webcast November 12, 2008

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the 2008 fiscal year on Wednesday, November 12, 2008, at 8 a.m. ET. The telephone number is 800-218-8862. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A slide presentation and a playback of the call will be available on the Web site later that day. Atmos Energy officers who will participate in the conference call include: Bob Best, chairman and chief executive officer; Kim Cocklin, president and chief operating officer; Pat Reddy, senior vice president and chief financial officer; Mark Johnson, senior vice president, nonregulated operations; Fred Meisenheimer, vice president and controller; Laurie Sherwood, vice president, corporate development, and treasurer; and Susan Giles, vice president, investor relations.

Other Highlights and Recent Developments

Election of New Director

On August 6, 2008, Ruben E. Esquivel was elected to the Board of Directors, effective September 1, 2008, with his term expiring at the 2009 annual meeting of shareholders. Mr. Esquivel was also appointed to serve as a member of the Audit Committee and Human Resources Committee. With Mr. Esquivel's election, the company currently has 14 directors serving on its Board of Directors.

Appointment of President and Chief Operating Officer

Effective October 1, 2008, Kim R. Cocklin became the president and chief operating officer of Atmos Energy Corporation. Mr. Cocklin previously served as senior vice president of the company's regulated operations. Robert W. Best continues to serve as the chairman and chief executive officer.

\$212.5 Million Revolving Credit Facility

On October 29, 2008, Atmos Energy Corporation entered into a \$212.5 million, 364-day committed revolving credit facility. The credit facility will expire on October 27, 2009. This credit facility replaces the company's \$300 million, 364-day revolving credit facility on essentially the same terms but at a substantially higher cost.

This news release should be read in conjunction with the attached unaudited financial information.

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 capital markets and the other factors discussed in the company's filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007, and in the company's Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2008. 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, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u> (000s)	September 30, 2008	September 30, 2007
Net property, plant and equipment	\$4,136,859	\$3,836,836
Cash and cash equivalents	46,717	60,725
Accounts receivable, net	477,151	380,133
Gas stored underground	576,617	515,128
Other current assets	<u>184,619</u>	<u>111,189</u>
Total current assets	1,285,104	1,067,175
Goodwill and intangible assets	739,086	737,692
Deferred charges and other assets	<u>225,650</u>	<u>253,494</u>
	<u>\$6,386,699</u>	<u>\$5,895,197</u>
Shareholders' equity	\$2,052,492	\$1,965,754
Long-term debt	<u>2,119,792</u>	<u>2,126,315</u>
Total capitalization	4,172,284	4,092,069
Accounts payable and accrued liabilities	395,388	355,255
Other current liabilities	460,372	408,273
Short-term debt	350,542	150,599
Current maturities of long-term debt	<u>785</u>	<u>3,831</u>
Total current liabilities	1,207,087	917,958
Deferred income taxes	441,302	370,569
Deferred credits and other liabilities	<u>566,026</u>	<u>514,601</u>
	<u>\$6,386,699</u>	<u>\$5,895,197</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)
Condensed Statements of Cash Flows
(000s)

Year Ended September 30
2008 2007
Cash flows from operating activities

Net income	\$ 180,331	\$ 168,492
Impairment of long-lived assets	—	6,344
Depreciation and amortization	200,589	199,055
Deferred income taxes	97,940	62,121
Changes in assets and liabilities	(127,132)	89,813
Other	19,205	21,270
Net cash provided by operating activities	<u>370,933</u>	<u>547,095</u>

Cash flows from investing activities

Capital expenditures	(472,273)	(392,435)
Other, net	(10,736)	(10,436)
Net cash used in investing activities	<u>(483,009)</u>	<u>(402,871)</u>

Cash flows from financing activities

Net increase (decrease) in short-term debt	200,174	(213,242)
Net proceeds from long-term debt offering	—	247,217
Settlement of Treasury lock agreement	—	4,750
Repayment of long-term debt	(10,284)	(303,185)
Cash dividends paid	(117,288)	(111,664)
Net proceeds from equity offering	—	191,913
Issuance of common stock	25,466	24,897
Net cash provided by (used in) financing activities	<u>98,068</u>	<u>(159,314)</u>
Net decrease in cash and cash equivalents	(14,008)	(15,090)
Cash and cash equivalents at beginning of period	60,725	75,815
Cash and cash equivalents at end of period	<u>\$ 46,717</u>	<u>\$ 60,725</u>

<u>Statistics</u>	<u>Three Months Ended</u>		<u>Year Ended September 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Consolidated natural gas distribution throughput (MMcf as metered)	62,057	60,789	429,354	427,869
Consolidated regulated transmission and storage transportation volumes (MMcf)	165,784	146,046	595,542	505,493
Consolidated natural gas marketing sales volumes (MMcf)	91,041	106,343	389,392	370,668
Natural gas distribution meters in service	3,191,779	3,187,127	3,191,779	3,187,127
Natural gas distribution average cost of gas	\$ 11.39	\$ 7.29	\$ 9.05	\$ 8.09
Natural gas marketing net physical position (Bcf)	8.0	12.3	8.0	12.3

###

10

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 29, 2008

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))
-
-

Item 1.01. Entry into a Material Definitive Agreement.

On October 29, 2008, Atmos Energy Corporation (the "Company") entered into a \$212.5 million Revolving Credit Agreement (364 Day Facility) (the "credit facility"), with SunTrust Bank as Administrative Agent, Bank of America, N.A. as Syndication Agent, U.S. Bank National Association as Documentation Agent and Wells Fargo Bank, N.A. as Managing Agent and a syndicate of 10 lenders identified therein. The credit facility replaces the \$300 million Revolving Credit Agreement (364 Day Facility) with SunTrust Bank, as Administrative Agent, Wachovia Bank, N.A. as Syndication Agent and Bank of America, N.A., JPMorgan Chase Bank, N.A. and the Royal Bank of Scotland plc as Co-Documentation Agents, and a syndicate of 14 lenders identified therein, which was entered into on November 1, 2007 and expired October 29, 2008. The credit facility will continue to supplement the Company's \$600 million working capital facility (the "5 Year Facility") entered into on December 15, 2006 and contains substantially the same terms as both the previous 364 day facility and the 5 Year Facility. The credit facility will be used to provide up to \$212.5 million of additional working capital to the Company.

Borrowings under the credit facility will bear interest at a rate dependent on the Company's credit ratings at the time of such borrowing and based, at the Company's election, on a base rate or LIBOR for the applicable interest period (one, two, three or six months). In the case of borrowings based either on the base rate or on LIBOR, an applicable margin ranging from 1.25% to 2.50% per annum would be added, 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 SunTrust Bank 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. Based on the current prime rate charged by SunTrust Bank, the current Federal Funds Rate, the one-month LIBOR and the Company's current credit ratings, borrowings at the base rate would bear interest at 4.50% per annum, plus an applicable margin of 2.00% per annum, or an effective total interest rate of 6.50% per annum. Based on the current LIBOR for a one-month period and the Company's current credit ratings, borrowings at LIBOR would bear interest at 3.1175% per annum, plus an applicable margin of 2.00% per annum, or an effective total interest rate of 5.1175% per annum.

The Company must also pay commitment fees quarterly in arrears on the average daily unused portion of the credit facility at rates ranging from 0.250% to 0.750% per annum, dependent on the Company's credit ratings. Based upon the Company's current credit ratings, the commitment fee would be at the rate of 0.500%.

The credit facility will expire on October 27, 2009, 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, SunTrust Bank may, upon the consent of a certain minimum number of lenders, and shall, upon the request and direction of such lenders, terminate the commitments made under the credit facility, declare the amount 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 commitments are automatically terminated and the amounts outstanding automatically become payable immediately.

With respect to the other parties to the credit facility, most of whom are also parties to the 5 Year Facility discussed above, the Company also has or may have had customary banking relationships based on the provision of a variety of financial services, including pension fund, 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. A copy of the credit facility is attached hereto as Exhibit 10.1 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the credit facility.

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 hereby incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

- 10.1 Revolving Credit Agreement (364 Day Facility), dated as of October 29, 2008, among Atmos Energy Corporation, the Lenders from time to time parties thereto, SunTrust Bank as Administrative Agent, Bank of America, N.A. as Syndication Agent, U.S. Bank National Association as Documentation Agent and Wells Fargo Bank, N.A. as Managing Agent

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 3, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

4

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Revolving Credit Agreement (364 Day Facility), dated as of October 29, 2008, among Atmos Energy Corporation, the Lenders from time to time parties thereto, SunTrust Bank as Administrative Agent, Bank of America, N.A. as Syndication Agent, U.S. Bank National Association as Documentation Agent and Wells Fargo Bank, N.A. as Managing Agent

5

Exhibit 10.1*Execution Version*

**REVOLVING CREDIT AGREEMENT
(364 Day Facility)**

dated as of October 29, 2008

among

ATMOS ENERGY CORPORATION,
as Borrower,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

SUNTRUST BANK,
as Administrative Agent,

BANK OF AMERICA, N.A.
as Syndication Agent,

U.S. BANK NATIONAL ASSOCIATION
as Documentation Agent,

and

WELLS FARGO BANK, N.A.
as Managing Agent

SUNTRUST ROBINSON HUMPHREY, INC.

and

BANC OF AMERICA SECURITIES LLC,
As Joint Lead Arrangers and Joint Book Managers

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; CONSTRUCTION	1
Section 1.1. Definitions	1
Section 1.2. Classifications of Loans and Borrowings	14
Section 1.3. Accounting Terms and Determination	15
Section 1.4. Terms Generally	15
ARTICLE II AMOUNT AND TERMS OF THE COMMITMENTS	15
Section 2.1. General Description of Facilities	15
Section 2.2. Loans	15
Section 2.3. Procedure for Borrowings	16
Section 2.4. Funding of Borrowings	16
Section 2.5. Interest Elections	17
Section 2.6. Optional Reduction and Termination of Commitments	18
Section 2.7. Repayment of Loans	18
Section 2.8. Evidence of Indebtedness	18
Section 2.9. Optional Prepayments	19
Section 2.10. Interest on Loans	19
Section 2.11. Fees	20
Section 2.12. Computation of Interest and Fees	20
Section 2.13. Inability to Determine Interest Rates	21
Section 2.14. Illegality	21
Section 2.15. Increased Costs	21
Section 2.16. Funding Indemnity	22
Section 2.17. Taxes	23
Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs	24
Section 2.19. Mitigation of Obligations	26
Section 2.20. Replacement of Lenders	26
Section 2.21. Increase of Commitments; Additional Lenders	26
ARTICLE III CONDITIONS PRECEDENT TO LOANS	28
Section 3.1. Conditions To Effectiveness	28
Section 3.2. Each Credit Event	29
Section 3.3. Delivery of Documents	30
ARTICLE IV REPRESENTATIONS AND WARRANTIES	30
Section 4.1. Organization and Good Standing	30
Section 4.2. Due Authorization	30
Section 4.3. No Conflicts	30
Section 4.4. Consents	31
Section 4.5. Enforceable Obligations	31
Section 4.6. Financial Condition	31
Section 4.7. Intentionally Omitted	31
Section 4.8. No Default	31
Section 4.9. Intentionally Omitted	31
Section 4.10. Taxes	31
Section 4.11. Compliance with Law	32

Section 4.12. Material Agreements	32
Section 4.13. ERISA	32
Section 4.14. Use of Proceeds	33
Section 4.15. Government Regulation	33
Section 4.16. Disclosure	33
Section 4.17. Intentionally Omitted	34
Section 4.18. Insurance	34
Section 4.19. Franchises, Licenses, Etc.	34
Section 4.20. Secured Indebtedness	34
Section 4.21. Subsidiaries	34
ARTICLE V AFFIRMATIVE COVENANTS	34
Section 5.1. Information Covenants	34
Section 5.2. Debt to Capitalization Ratio	36
Section 5.3. Preservation of Existence, Franchises and Assets	37
Section 5.4. Books and Records	37
Section 5.5. Compliance with Law	37
Section 5.6. Payment of Taxes and Other Claims	37
Section 5.7. Insurance	37
Section 5.8. Use of Proceeds	37
Section 5.9. Audits/Inspections	38
ARTICLE VI NEGATIVE COVENANTS	38
Section 6.1. Nature of Business	38
Section 6.2. Consolidation and Merger	38
Section 6.3. Sale or Lease of Assets	38
Section 6.4. Arm's-Length Transactions	38
Section 6.5. Fiscal Year; Organizational Documents	39
Section 6.6. Liens	39
ARTICLE VII EVENTS OF DEFAULT	40
Section 7.1. Events of Default	40
Section 7.2. Acceleration; Remedies	42
Section 7.3. Allocation of Payments After Event of Default	43
ARTICLE VIII THE ADMINISTRATIVE AGENT	44
Section 8.1. Appointment of Administrative Agent	44
Section 8.2. Nature of Duties of Administrative Agent	44
Section 8.3. Lack of Reliance on the Administrative Agent	45
Section 8.4. Certain Rights of the Administrative Agent	45
Section 8.5. Reliance by Administrative Agent	45
Section 8.6. The Administrative Agent in its Individual Capacity	45
Section 8.7. Successor Administrative Agent	46
Section 8.8. Authorization to Execute other Credit Documents	46
Section 8.9. Documentation Agent; Syndication Agent; Managing Agent	46
ARTICLE IX MISCELLANEOUS	47
Section 9.1. Notices	47
Section 9.2. Waiver; Amendments	49
Section 9.3. Expenses; Indemnification	50
Section 9.4. Successors and Assigns	51

Section 9.5. Governing Law; Jurisdiction; Consent to Service of Process	55
Section 9.6. WAIVER OF JURY TRIAL	55
Section 9.7. Right of Setoff	56
Section 9.8. Counterparts; Integration	56
Section 9.9. Survival	56
Section 9.10. Severability	57
Section 9.11. Confidentiality	57
Section 9.12. Interest Rate Limitation	57
Section 9.13. Waiver of Effect of Corporate Seal	58
Section 9.14. Patriot Act	58
Section 9.15. Location of Closing	58
Section 9.16. No Fiduciary Duty	58

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 Continuation/Conversion
Exhibit 3.1(b)(iv)	---	Form of Secretary's Certificate
Exhibit 3.1(b)(vii)	---	Form of Officer's Certificate
Exhibit 5.1(c)	---	Form of Compliance Certificate

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT (this "Agreement") is made and entered into as of October 29, 2008, 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 SUNTRUST 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 \$300,000,000 revolving credit facility having a scheduled term of 364 days;

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):

"Additional Commitment Amount" shall have the meaning set forth in Section 2.21.

"Additional Lender" shall have the meaning set forth in Section 2.21.

"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 \$212,500,000.

“Aggregate Commitments” shall mean, collectively, all Commitments of all Lenders at any time outstanding.

“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 either 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 III 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 III 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.

“ 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 publicly 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, *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. The Administrative Agent’s prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers. 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.

“ 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 Atlanta, Georgia and 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 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 such Lender’s parent corporation, 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.

“ 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 in an aggregate principal amount not exceeding the amount set forth with respect to such Lender on Schedule II, as such schedule may be amended pursuant to Section 2.21, 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) October 27, 2009, (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).

“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.

“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.

“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” means, at any time, any Lender that, at such time (a) is a Non-Funding Lender, or (b) has otherwise failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of any Credit Document.

“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.

“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.

“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 to which the Administrative Agent is subject 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).

“Existing Credit Agreement” shall mean that certain Revolving Credit Agreement, dated as of November 1, 2007, among the Borrower, the lenders identified therein and SunTrust Bank, as administrative agent, as amended, modified, supplemented or replaced from time to time.

“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 arranged by Federal funds brokers, 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 October 22, 2008, executed by SunTrust Bank and SunTrust Robinson Humphrey, Inc. and accepted by the Borrower.

“Financial Officer” shall mean any one of the chief financial officer, the controller or the treasurer of the Borrower.

“Fitch” shall mean Fitch Ratings Ltd., or any successor or assignee of the business of such company in the business of rating securities.

“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.

“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.

“Information Memorandum” shall mean the Confidential Executive Summary dated October 2008 relating to the Borrower and the transactions contemplated by this Agreement and the other Credit Documents.

“Interest Period” shall mean with respect to any Eurodollar Borrowing, a period of one, two, three 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.

“Lenders” shall have the meaning assigned to such term in the opening paragraph of this Agreement and shall include, where appropriate, each Additional Lender that joins this Agreement pursuant to Section 2.21.

“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 any successor page) 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. If for any reason such rate is not available, LIBOR shall be, for any Interest Period, the rate per annum reasonably determined by the Administrative Agent as the rate of interest at which Dollar deposits in the approximate amount of the Eurodollar Loan comprising part of such borrowing would be offered by the Administrative Agent to major banks in the London interbank Eurodollar market at their request at or about 10:00 a.m. two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period.

“Lien” shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind.

“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 Credit Agreement or (c) the validity or enforceability of this Credit 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 Credit 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-Funding Lender ” shall have the meaning set forth in Section 2.18 .

“ 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) .

“ 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.

“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.

“Participant” shall have the meaning set forth in Section 9.4(d).

“Payment Office” shall mean the office of the Administrative Agent located at 303 Peachtree Street, N.E., Atlanta, Georgia 30308, 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.

“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 Maturity 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 Maturity 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 (i) 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) and (ii) with respect to all Commitments of any Lender at any time, the numerator of which shall be the sum of such Lender's Commitments (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 all Lenders' Commitments (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 funded under such Commitments).

“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, officers, employees, agents and advisors of such Person and such Person's Affiliates.

“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.

“SEC” shall mean the Securities and Exchange Commission or any successor agency.

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“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.

“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.

“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, Trustee, and all Supplemental Indentures 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.

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.

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. General Description of Facilities. 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, 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) one (1) Business Day prior to 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 11:00 a.m. (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 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 made by the Lenders 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 Continuation/Conversion 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 Continuation/Conversion, 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 Continuation/Conversion 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. 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.

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 Non-Funding 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 Non-Funding 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) and (c) above shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on December 31, 2008 and on the Commitment Termination Date.

Section 2.12. Computation of Interest and Fees. All computations of interest and fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable (to the extent computed on the basis of days elapsed). 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 . 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.

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 requirements has or would have the effect of reducing the rate of return on such Lender's capital (or on the capital of such Lender's parent corporation) as a consequence of its obligations hereunder to a level below that which such Lender or such Lender's parent corporation could have achieved but for such Change in Law (taking into consideration such Lender's policies or the policies of such Lender's parent corporation with respect to capital adequacy) 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 such Lender's parent corporation for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or such Lender's parent corporation, 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).

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.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.4(b), 2.18(d), or 9.3(d), (a "Non-Funding Lender") then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

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. Increase of Commitments; Additional Lenders.

(a) So long as no Event of Default has occurred and is continuing, from time to time after the Closing Date and provided that the Borrower shall have received 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, Borrower may, upon at least 30 days' written notice to the Administrative Agent (who shall promptly provide a copy of such notice to each Lender), propose to increase the Aggregate Commitments to an aggregate amount not to exceed \$300,000,000 (the amount of any such increase, the "Additional Commitment Amount"). Each Lender shall have the right, for a period

of 20 days following receipt of such notice, to elect by written notice to the Borrower and the Administrative Agent to increase its Commitment by a principal amount equal to its Pro Rata Share of the Additional Commitment Amount. No Lender (or any successor thereto) shall have any obligation to increase its Commitment or its other obligations under this Agreement and the other Credit Documents, and any decision by a Lender to increase its Commitment shall be made in its sole discretion independently from any other Lender.

(b) If any Lender shall not elect to increase its Commitment pursuant to subsection (a) of this Section 2.21, the Borrower may designate another bank or other financial institution (which may be, but need not be, one or more of the existing Lenders) which at the time agrees to, in the case of any such Person that is an existing Lender, increase its Commitment and in the case of any other such Person (an “Additional Lender”), become a party to this Agreement; provided, however, that any new bank or financial institution must be acceptable to the Administrative Agent, which acceptance will not be unreasonably withheld or delayed. The sum of the increases in the Commitments of the existing Lenders pursuant to this subsection (b) plus the Commitments of the Additional Lenders shall not in the aggregate exceed the Additional Commitment Amount.

(c) An increase in the Aggregate Commitment Amount pursuant to this Section 2.21 shall become effective upon the receipt by the Administrative Agent of a supplement or joinder in form and substance reasonably satisfactory to the Administrative Agent executed by the Borrower and by each Additional Lender and by each existing Lender whose Commitment is to be increased, setting forth the new Commitments of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof, and such evidence of appropriate corporate authorization on the part of the Borrower with respect to the increase in the Commitments and such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request.

(d) Upon the acceptance of any such agreement by the Administrative Agent, the Aggregate Commitment Amount shall automatically be increased by the amount of the Commitments added or increased through such agreement and Schedule II shall automatically be deemed amended to reflect the Commitments of all Lenders after giving effect to the addition and increase of such Commitments.

(e) Upon any increase in the Aggregate Commitment Amount pursuant to this Section 2.21 that is not pro rata among all Lenders, within five Business Days, in the case of any Base Rate Loans then outstanding, and at the end of the then current Interest Period with respect thereto, in the case of any Eurodollar Loans then outstanding, the Borrower shall prepay such Loans in their entirety and, to the extent the Borrower elects to do so and subject to the conditions specified in Article III, the Borrower shall reborrow Loans from the Lenders in proportion to their respective Commitments after giving effect to such increase, until such time as all outstanding Loans are held by the Lenders in proportion to their respective Commitments after giving effect to such increase.

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 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 SunTrust Robinson Humphrey, Inc., as Arranger.

(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 transmission of an executed signature page of this Agreement) that such party has signed a counterpart of this Agreement;

(ii) [Reserved];

(iii) evidence satisfactory to Administrative Agent that the Existing Credit Agreement has been terminated and all amounts owing to the Lenders thereunder have been paid in full;

(iv) a certificate of the Secretary or Assistant Secretary of the Borrower in the form of Exhibit 3.1(b)(iv), 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;

(v) 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;

(vi) 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;

(vii) a certificate in the form of Exhibit 3.1(b)(vii), 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, 2007, there shall have been no change that has had or could be reasonably expected to have a Material Adverse Effect, (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;

(viii) 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;

(ix) 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; and

(x) 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 June 30, 2008, and (B) the audited consolidated financial statements for the Borrower and its subsidiaries for the Fiscal Years ending September 30, 2005, 2006 and 2007.

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 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, information or legal opinions 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 matters 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)(x) 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, 2007, 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)(x) 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.

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. Intentionally Omitted.

Section 4.18. Insurance. The Borrower and its Subsidiaries maintain insurance with insurance companies or associations rated by A.M. Best "A" or better 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.

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 Securities Exchange Act of 1934, 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 and (ii) 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 a 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.

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, casualty insurance and business interruption insurance) with insurance companies or associations rated by A.M. Best "A" or better 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 refinance the indebtedness under the Existing Credit Agreement on the Closing Date, (b) to maintain a liquidity facility for the issuance of commercial paper, (c) to fund future permitted acquisitions and (d) for working capital, capital expenditures and other lawful corporate purposes

of the Borrower; provided, however, that in no event may the proceeds of any Loan be used to make any principal or interest payments on extensions of credit made under that certain 5-Year Revolving Credit Agreement, dated as of December 15, 2006, among the Borrower, the Administrative Agent and the lenders party thereto.

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 or Section 803 of the 2007 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 on Fixed Assets 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, and (u) 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 (t) 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)(vii)) 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), 5.9 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 Borrower 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, 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 SunTrust 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. 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. Authorization to Execute other Credit Documents . Each Lender hereby authorizes the Administrative Agent to execute on behalf of all Lenders all Credit Documents other than this Agreement.

Section 8.9. Documentation Agent; Syndication Agent; Managing Agent . Each of the Lenders and the Borrower hereby acknowledges and agrees that the Documentation Agent, the Syndication Agent and the Managing 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
700 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Laurie Sherwood
Telecopy Number: (214) 550-9318
Email Address:
laurie.sherwood@atmosenergy.com

With a copy to: Atmos Energy Corporation
700 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Treasury Department
Telecopy Number: (972) 855-3266
Email Address: treasury@atmosenergy.com

To the Administrative Agent: SunTrust Bank
303 Peachtree Street, N.E.
Atlanta, Georgia 30308
Attention: Andrew Johnson
Telecopy Number: (404) 827-6270
Email Address: Andrew.Johnson@suntrust.com

With a copy to: SunTrust Bank
Agency Services
303 Peachtree Street, N. E./ 25th Floor
Atlanta, Georgia 30308
Attention: Ms. Tecla Hurley
Telecopy Number: (404) 658-4906
Email Address: agency.services@suntrust.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
Agreement 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.

(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.

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, 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 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; (vii) release all or substantially all collateral (if any) securing any of the Obligations, without the written consent of each Lender; 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 to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender. 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), 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 Environmental Liability 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 \$1,000,000, 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;

(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 with a Commitment.

(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. No such assignment shall be made to a natural person.

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. If the consent of the Borrower to an assignment is required hereunder (including a consent to an assignment which does not meet the minimum assignment thresholds specified above), the Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has actually been delivered by the assigning Lender (through the Administrative Agent) to the Borrower, unless such consent is expressly refused by the Borrower prior to such fifth Business Day.

(c) The Administrative Agent shall maintain at one of its offices in Atlanta, Georgia 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, 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, 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, the Borrower or any of the Borrower's Affiliates or Subsidiaries) (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. 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 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.

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, (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, and (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 relating to Borrower and its obligations, or (vii) 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. Location of Closing. Each Lender acknowledges and agrees that it has delivered, with the intent to be bound, its executed counterparts of this Agreement to Agent, c/o King & Spalding LLP, 1185 Avenue of the Americas, New York, New York 10036. Borrower acknowledges and agrees that it has delivered, with the intent to be bound, its executed counterparts of this Agreement and each other Loan Document, together with all other documents, instruments, opinions, certificates and other items required under Section 3.1, to Agent, c/o King & Spalding LLP, 1185 Avenue of the Americas, New York, New York 10036. All parties agree that closing of the transactions contemplated by this Credit Agreement shall be deemed to have occurred in New York.

Section 9.16. No Fiduciary Duty. The Administrative Agent, the Syndication Agent, the Documentation Agent, 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."

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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/ LAURIE M. SHERWOOD

Name: Laurie M. Sherwood

Title: Vice President, Corporate Development
and Treasurer

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

**SUNTRUST BANK,
as Administrative Agent and as a Lender**

By /s/ ANDREW JOHNSON

Name: Andrew Johnson

Title: Director

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

**BANK OF AMERICA, N.A., as Syndication
Agent and as a Lender**

By /s/ ALLISON W. CONNALLY

Name: Allison W. Connally

Title: Vice President

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

**U.S. BANK NATIONAL ASSOCIATION, as
Documentation Agent and as a Lender**

By /s/ KEVIN S. MCFADDEN

Name: Kevin S. McFadden

Title: Vice President

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

**THE ROYAL BANK OF SCOTLAND PLC, as
a Lender**

By /s/ MATTHEW MAIN

Name: Matthew Main

Title: Managing Director

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

**THE BANK OF TOKYO-MITSUBISHI UFJ,
LTD., as a Lender**

By /s/ LINDA TERRY

Name: Linda Terry

Title: Vice President and Manager

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

**WELLS FARGO BANK, N.A., as Managing
Agent and as a Lender**

By /s/ SCOTT BJELDE
Name: Scott Bjelde
Title: Senior Vice President

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

NORTHERN TRUST, as a Lender

By /s/ MORGAN A. LYONS

Name: Morgan A. Lyons

Title: Vice President

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

MERRILL LYNCH BANK USA, as a Lender

By /s/ DAVID MILLETT

Name: David Millett

Title: Vice President

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

GOLDMAN SACHS BANK USA, as a Lender

By /s/ MARK WALTON

Name: Mark Walton

Title: Authorized Signatory

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

COMERICA BANK, as a Lender

By /s/ CATHERINE M. YOUNG

Name: Catherine M. Young

Title: Vice President

[SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT]

Schedule I

APPLICABLE MARGINS AND APPLICABLE PERCENTAGES

<u>Level</u>	<u>Rating Category Moody's/S&P/Fitch</u>	<u>Applicable Margin for Eurodollar Advances</u>	<u>Applicable Margin for Base Rate Advances</u>	<u>Applicable Commitment Fee Percentage</u>
I	≥ A3/A-/ A-	1.250%	1.250%	0.250%
II	Baa1/ BBB+/ BBB+	1.500%	1.500%	0.375%
III	Baa2/ BBB/ BBB	2.000%	2.000%	0.500%
IV	Baa3/ BBB-/ BBB-	2.250%	2.250%	0.625%
V	≤ Ba1/ BB+/ BB+	2.500%	2.500%	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. If the ratings established or deemed to have been established by Moody's, S&P and Fitch 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, if the rating is the same by two rating agencies, and the third agency rating is lower, then the higher rating shall govern and otherwise, the governing rating shall be the rating next below the highest of the three. If the Borrower is not rated by Moody's, S&P or Fitch, then the rate shall be established by reference to Level V.

If the rating system of Moody's, S&P or Fitch 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>
SunTrust Bank	\$ 35,416,667.00
Bank of America, N.A.	\$ 35,416,667.00
U.S. Bank National Association	\$ 30,000,000.00
Wells Fargo Bank, N.A.	\$ 25,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, LTD	\$ 20,000,000.00
Merrill Lynch Bank USA	\$ 16,666,666.00
Northern Trust	\$ 15,000,000.00
The Royal Bank of Scotland PLC	\$ 15,000,000.00
Goldman Sachs Bank USA	\$ 10,000,000.00
Comerica Bank	\$ 10,000,000.00
TOTAL	212,500,000.00

[SCHEDULE II]

SCHEDULE 4.20**Secured Indebtedness as of June 30, 2008**

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Balance at</u> <u>6/30/08</u>
Rental Property fixed rate term notes	various	due 2013	due in installments
Total Secured Indebtedness			<u>\$1,647,818.23</u>

[SCHEDULE 4.20]

SCHEDULE 4.21
SUBSIDIARIES ⁽¹⁾

<u>Name</u>	<u>State or Country of Incorporation</u>
BLUE FLAME INSURANCE SERVICES, LTD (wholly-owned subsidiary of Atmos Energy Corporation)	Bermuda
MISSISSIPPI ENERGIES, INC. (wholly-owned subsidiary of Atmos Energy Corporation)	Mississippi
LEGENDARY LIGHTING, LLC (50% owned by Mississippi Energies, Inc.)	Mississippi
UNITARY GH&C PRODUCTS, LLC (28% owned by Mississippi Energies, Inc.)	Delaware
ATMOS ENERGY HOLDINGS, INC. (wholly-owned subsidiary of Atmos Energy Corporation)	Delaware
ATMOS ENERGY SERVICES, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Delaware
ENERGAS ENERGY SERVICES TRUST (a business trust, wholly-owned by Atmos Energy Services, LLC)	Pennsylvania
EGASCO, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Texas
ENERMART ENERGY SERVICES TRUST (a business trust, wholly-owned by Atmos Energy Holdings, Inc.)	Pennsylvania
ATMOS ENERGY MARKETING, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Delaware
ATMOS POWER SYSTEMS, INC. (a wholly-owned subsidiary of Atmos Energy Holdings, Inc.)	Georgia

[SCHEDULE 4.21]

<u>Name</u>	<u>State or Country of Incorporation</u>
ATMOS PIPELINE AND STORAGE, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Delaware
UCG STORAGE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
WKG STORAGE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
ATMOS EXPLORATION AND PRODUCTION, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
TRANS LOUISIANA GAS PIPELINE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Louisiana
TRANS LOUISIANA GAS STORAGE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
ATMOS GATHERING COMPANY, LLC (a limited liability company, wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
PHOENIX GAS GATHERING COMPANY ⁽²⁾ (wholly-owned by Atmos Gathering Company, LLC)	Delaware
Atmos-HNNG, LLC ⁽³⁾ (a limited liability company, jointly owned by Atmos Gathering Company, LLC (70%) and HNNG Midstream Partners, LLC (30%))	Delaware

- (1) No Subsidiary of the Borrower currently qualifies as a Material Subsidiary as that term is defined in the Credit Agreement.
- (2) Conversion and name change of Straight Creek Gathering GP, LLC to Phoenix Gas Gathering Company became effective June 8, 2007.
- (3) Entity formed October 15, 2007.

[SCHEDULE 4.21]

EXHIBIT A**FORM OF ASSIGNMENT AND ACCEPTANCE**
(364 Day Facility)

[Date]

Reference is made to the Revolving Credit Agreement dated as of October 29, 2008 (as amended and in effect on the date hereof, the "Credit Agreement"), among Atmos Energy Corporation, a Texas and Virginia corporation, the lenders from time to time party thereto and SunTrust Bank, as Administrative Agent for such lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

[*Name of Assignor*] (the "Assignor") hereby sells and assigns, without recourse, to [*name of Assignee*] (the "Assignee"), and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the Commitment of the Assignor on the Assignment Date and Credit Exposure owing to the Assignor which are outstanding on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The Assignee shall pay the fee payable to the Administrative Agent pursuant to Section 9.4(b)(iv) of the Credit Agreement.

The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby, and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

A-1

The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an eligible assignee under Section 9.4 of the Credit Agreement (subject to receipt of such consents as may be required under Section 9.4(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.1 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

Choose in the alternative [**Alternative A** : From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.] [**Alternative B** : From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.]

This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Assignment Date:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment:
(" *Effective Date* "):

Percentage Assigned of Commitment (set forth,
to at least 8 decimals, as a percentage of the
aggregate Commitments of all Lenders
thereunder)

Facility

Principal Amount Assigned

Commitment:

\$

%

The terms set forth above are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: _____

Name:

Title:

[NAME OF ASSIGNEE], as Assignee

By: _____

Name:

Title:

A-3

The undersigned hereby consents to the within assignment ¹:

ATMOS ENERGY CORPORATION

SUNTRUST BANK, as Administrative Agent:

By: _____

By: _____

Name:

Name:

Title:

Title:

¹ Consents to be included to the extent required by Section 9.4(b)(iii) of the Credit Agreement.

EXHIBIT 2.3
FORM OF NOTICE OF BORROWING
(364 Day Facility)
[*Date*]

SunTrust Bank,
 as Administrative Agent
 for the Lenders referred to below
 303 Peachtree Street, N.E.
 Atlanta, GA 30308

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of October 29, 2008 (as amended and in effect on the date hereof, the "Credit Agreement"), among the undersigned, as Borrower, the lenders from time to time party thereto, and SunTrust Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This notice constitutes a Notice of Borrowing, and the Borrower hereby requests a Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Borrowing requested hereby:

- (A) Aggregate principal amount of Borrowing ²: _____
- (B) Date of Borrowing (which is a Business Day): _____
- (C) Interest Rate basis ³: _____
- (D) Interest Period ⁴: _____
- (E) Location and number of Borrower's account to which proceeds of Borrowing are to be disbursed: _____

² Not less than \$5,000,000 for Eurodollar Borrowing or \$1,000,000 for Base Rate Borrowing.

³ Eurodollar Borrowing or Base Rate Borrowing.

⁴ Which must comply with the definition of "Interest Period" and end not later than the Commitment Termination Date.

The Borrower hereby represents and warrants that the conditions specified in paragraphs (a) and (b) of Section 3.2 of the Credit Agreement are satisfied.

Very truly yours,

ATMOS ENERGY CORPORATION

By: _____
Name:
Title:

2.3-2

EXHIBIT 2.5

FORM OF NOTICE OF CONTINUATION/CONVERSION
(364 Day Facility)

[Date]

SunTrust Bank,
as Administrative Agent
for the Lenders referred to below
303 Peachtree Street, N.E.
Atlanta, GA 30308

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of October 29, 2008 (as amended and in effect on the date hereof, the "Credit Agreement"), among the undersigned, as Borrower, the lenders named therein, and SunTrust Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This notice constitutes a Notice of Continuation/Conversion and the Borrower hereby requests the conversion or continuation of a Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Borrowing to be converted or continued as requested hereby:

- (A) Borrowing to which this request applies: _____
- (B) Principal amount of Borrowing to be converted/continued: _____
- (C) Effective date of election (which is a Business Day): _____
- (D) Interest rate basis: _____
- (E) Interest Period: _____

Very truly yours,

ATMOS ENERGY CORPORATION

By: _____
Name:
Title:

2.5-1

EXHIBIT 3.1(b)(iv)**FORM OF SECRETARY'S CERTIFICATE OF ATMOS ENERGY CORPORATION
(364 Day Facility)**

Reference is made to the Revolving Credit Agreement dated as of October 29, 2008 (the "Credit Agreement"), among Atmos Energy Corporation (the "Borrower"), the lenders named therein, and SunTrust Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This certificate is being delivered pursuant to Section 3.1 of the Credit Agreement.

I, _____, Secretary of the Borrower, DO HEREBY CERTIFY that:

(a) annexed hereto as Exhibit A is a true, correct and complete copy of the Amended and Restated Articles of Incorporation of the Borrower, and all amendments thereto, for each of the State of Texas and the Commonwealth of Virginia. Except as shown on Exhibit A, each of such Amended and Restated Articles of Incorporation of the Borrower has not been amended or otherwise modified since [*date*] and at all times hereafter through the date hereof;

(b) annexed hereto as Exhibit B is a true and correct copy of the Amended and Restated Bylaws of the Borrower as in effect on [*date*]⁵ and at all times thereafter through the date hereof;

(c) annexed hereto as Exhibit C is a true and correct copy of certain resolutions duly adopted by the Board of Directors of the Borrower at its meeting on [*Month*] __, 2008, with respect to the transactions contemplated by the Credit Agreement, which resolutions are the only resolutions adopted by the Board of Directors of the Borrower or any committee thereof relating to the Credit Agreement and the other Loan Documents to which the Borrower is a party and the transactions contemplated therein and have not been revoked, amended, supplemented or modified and are in full force and effect on the date hereof; and

⁵ This date should be prior to the date of the resolutions referred to in clause (d).

3.1(b)(iv)-1

(d) each of the persons named below is and has been at all times since [*date*] a duly elected and qualified officer of the Borrower holding the office set forth opposite her name and the signature set forth opposite her name is her genuine signature:

<i>Name</i>	<i>Title</i>	<i>Specimen Signature</i>
<i>[Include all officers who are signing the Credit Agreement or any other Loan Documents.]</i>		

IN WITNESS WHEREOF, I have hereunto signed my name this ___ day of [*month*], [*year*].

Name
Secretary

I, _____, [_____] of the Borrower, do hereby certify that _____ has been duly elected, is duly qualified and is the [*Assistant*] Secretary of the Borrower, that the signature set forth above is [*his/her*] genuine signature and that [*he/she*] has held such office at all times since [*date*].⁶

Name
Title:

⁶ This certification should be included as part of the Secretary's certificate and signed by one of the officers whose incumbency is certified pursuant to clause (e) above.

3.1(b)(iv)-2

Exhibit A

[Articles of Incorporation]

3.1(b)(iv)-3

Exhibit B

[Bylaws]

3.1(b)(iv)-4

Exhibit C

[Resolutions]

3.1(b)(iv)-5

EXHIBIT 3.1(b)(vii)**FORM OF OFFICER'S CERTIFICATE OF ATMOS ENERGY CORPORATION
(364 Day Facility)**

Reference is made to the Revolving Credit Agreement dated as of October 29, 2008 (the "Credit Agreement"), among Atmos Energy Corporation (the "Borrower"), the lenders from time to time party thereto, and SunTrust Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This certificate is being delivered pursuant to Section 3.1(b)(vi) of the Credit Agreement.

I, _____, [_____] of the Borrower, DO HEREBY CERTIFY that:

(a) no Default or Event of Default exists;

(b) the representations and warranties of the Borrower set forth in the Credit Agreement are true and correct in all material respects;

(c) since September 30, 2007, there has been no change which has had or could reasonably be expected to have a Material Adverse Effect;

(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 their properties which would have or be reasonably expected to have a Material Adverse Effect;

(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 such properties or the businesses operated by the Borrower or its Subsidiaries (the "Businesses"), and (c) there are no conditions relating to the Businesses or such properties that would reasonably be expected to give rise to a material liability under any applicable Environmental Laws; and

(f) attached hereto as Exhibit A are true, correct and complete 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 are in full force and effect and all applicable waiting periods have expired, and no investigation or inquiry by any governmental authority regarding the Commitments or any transaction being financed with the proceeds thereof is ongoing.

3.1(b)(vii)-1

IN WITNESS WHEREOF, I have hereunto signed my name this ___day of [*month*], [*year*].

Name:

Title:

3.1(b)(vii)-2

Exhibit A

[third party consents and approvals]

3.1(b)(vii)-3

EXHIBIT 5.1(c)

FORM OF COMPLIANCE CERTIFICATE
(364 Day Facility)

To: SunTrust Bank, as Administrative Agent
303 Peachtree St., N.E.
Atlanta, GA 30308
Attention: Mark Huffstetler

Ladies and Gentlemen:

Reference is made to that certain Revolving Credit Agreement dated as of October 29, 2008 (as amended and in effect on the date hereof, the "Credit Agreement"), among Atmos Energy Corporation (the "Borrower"), the lenders named therein, and SunTrust Bank, as Administrative Agent. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

I, _____, being the duly elected and qualified, and acting in my capacity as treasurer of the Borrower, hereby certify to the Administrative Agent and each Lender as follows:

1. The consolidated financial statements of the Borrower and its Subsidiaries attached hereto for the fiscal [*quarter*] [*year*] ending _____ fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as at the end of such fiscal [*quarter*] [*year*] on a consolidated basis, and the related statements of income cash flows of the Borrower and its Subsidiaries for such fiscal [*quarter*] [*year*], in accordance with generally accepted accounting principles consistently applied (subject, in the case of such quarterly financial statements, to normal year-end audit adjustments and the absence of footnotes).

2. The calculations set forth in Attachment 1 are computations of the financial covenants set forth in Article V of the Credit Agreement calculated from the financial statements referenced in clause 1 above in accordance with the terms of the Credit Agreement.

3. Based upon a review of the activities of Borrower and its Subsidiaries and the financial statements attached hereto during the period covered thereby, as of the date hereof, there exists no Default or Event of Default.

Name:
Title: Treasurer

5.1(c)-1

Attachment 1 to Compliance Certificate

5.1(c)-2

**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, 2008
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))
-
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

As reported in its news release issued September 25, 2008, Kim R. Cocklin, currently senior vice president, regulated operations of Atmos Energy Corporation, has been appointed president and chief operating officer of Atmos Energy Corporation, effective October 1, 2008. Robert W. Best, currently chairman, president and chief executive officer of the company, will continue to serve as chairman and chief executive officer. Prior to joining Atmos Energy as senior vice president in June 2006, Mr. Cocklin, 57, was formerly senior vice president, general counsel and chief compliance officer of Piedmont Natural Gas Company from February 2003 through May 2006, where he was responsible for all legal, governmental and community affairs, corporate communications and Sarbanes-Oxley compliance.

Like all other Atmos Energy executive officers, Mr. Cocklin is an "at will" employee of the company and therefore does not have an employment agreement with the company. Beginning October 1, 2008, Mr. Cocklin's annual salary will increase to \$541,080 and he will continue to participate in all other applicable incentive, benefit, change in control and deferred compensation plans offered by the company. In addition, in connection with his appointment, Mr. Cocklin will receive a one-time grant of 50,000 restricted shares of Atmos Energy common stock under its 1998 long-term incentive plan. Restrictions on 25,000 shares of the stock will lapse on October 1, 2009 with the restrictions on the remaining 25,000 shares lapsing on October 1, 2010.

A copy of the news release issued on September 25, 2008 announcing these management changes is filed herewith as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits.**

99.1 News Release issued by Atmos Energy Corporation dated September 25, 2008

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: September 25, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release issued by Atmos Energy Corporation dated September 25, 2008

4

Exhibit 99.1



News Release

MEDIA CONTACT:

Gerald Hunter (972) 855-3116

ANALYSTS CONTACT:

Susan Giles (972) 855-3729

**Atmos Energy Names Kim R. Cocklin as New
President and Chief Operating Officer**

Industry veteran to oversee both regulated and nonregulated operations

DALLAS (September 25, 2008)—Atmos Energy Corporation (NYSE: ATO) today announced it has promoted Kim R. Cocklin to the newly-created position of president and chief operating officer, effective October 1, 2008. In his new role, Mr. Cocklin will oversee all regulated and nonregulated operations of the company and will continue to report to Robert W. Best, who will remain chairman and chief executive officer.

“Succession planning is perhaps the single most important obligation of a company’s management and board of directors,” said Best. “Kim’s promotion is the result of an extensive and deliberate process designed to select the right person to lead our company into the future,” Best stated.

Cocklin joined Atmos Energy on June 1, 2006, and has served as senior vice president, regulated operations since that date. Cocklin came to Atmos Energy from Piedmont Natural Gas Company, where he was senior vice president, general counsel and chief compliance officer. In this role, he was responsible for numerous areas, including all legal, governmental and community affairs, corporate communications and Sarbanes-Oxley compliance. Prior to joining Piedmont, Cocklin was senior vice president of Williams Gas Pipeline, in charge of the operations of Texas Gas and Central Pipelines, where he later oversaw planning, rates and regulatory and business development for all Williams’ pipelines.

“Kim has the vision, experience and leadership skills necessary to ensure continued success in both our regulated and nonregulated businesses,” Best added. “Complementing his business skills is his understanding of our culture and values and with this promotion, all business units will have the benefit of Kim’s skill and leadership.”

Cocklin holds a bachelor of science degree, as well as a master’s degree, from Wichita State University. He earned his J.D. degree from Washburn University School of Law.

“We have a great company,” Cocklin said. “I look forward to the opportunity to work with the board of directors, Bob Best and the rest of management, as we continue to execute the strategy of the company while preserving and nurturing our culture and values.”

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country’s largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

**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 6, 2008
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)
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 - 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))
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On August 6, 2008, Ruben E. Esquivel was elected to the Board of Directors of the Company, effective September 1, 2008, with his term expiring at the 2009 annual meeting of shareholders on February 4, 2009. The Board of Directors also appointed Mr. Esquivel to serve as a member of the Audit Committee and Human Resources Committee, also effective September 1, 2008.

A copy of a news release issued on August 8, 2008 announcing Mr. Esquivel's election to the Board of Directors is filed herewith as Exhibit 99.1 and is incorporated herein into this Item 5.02 by reference.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits.**

99.1 News Release issued by Atmos Energy Corporation dated August 8, 2008

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 8, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated August 8, 2008

4

Exhibit 99.1**News Release**

MEDIA CONTACT:
Gerald Hunter (972) 855-3116

ANALYSTS CONTACT:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Names
Ruben E. Esquivel to Board of Directors**

DALLAS (August 8, 2008)—Atmos Energy Corporation (NYSE: ATO) said today that Ruben E. Esquivel has been elected to its board of directors as a Class I director. His election, effective September 1, 2008, will increase the size of the natural gas distribution company's board to 14 directors. Esquivel will join the Board's Audit Committee and Human Resources Committee.

Esquivel, 65, has been vice president for community and corporate relations since 1995 at The University of Texas Southwestern Medical Center at Dallas, one of the country's leading academic medical centers, patient-care providers and research institutions.

"Ruben Esquivel is a highly respected business and civic leader who has contributed his service in numerous public roles on behalf of the citizens of Texas," said Robert W. Best, chairman, president and chief executive officer of Atmos Energy Corporation. "We are pleased to have his wise counsel and valuable experience as our company continues to grow and serve the needs of our customers."

A native of Cuba, Esquivel started work in 1961 as an assembler at AVO International, Inc., a manufacturer of test and measurement equipment for electrical power applications. He was named president and CEO of AVO in 1985 and its vice chairman in 1994.

Esquivel is a director and past chairman of the Texas Guaranteed Student Loan Corporation and a member of the North Texas District Export Council appointed by the United States Secretary of Commerce. He also is on the board of directors of Comerica Bank-Texas.

Long active in community affairs, Esquivel serves as chairman of the State Fair of Texas and as a director of the Baylor Oral Health Foundation, Bio DFW, Dallas Center for the Performing Arts Foundation, Dallas County Community College District Foundation, The Thanks-Giving Foundation, YMCA of Metropolitan Dallas and as a trustee of Dallas-Fort Worth Hospital Council Education and Research Foundation. He is a director or member of many other civic groups, including the Dallas Citizens Council, the Oak Cliff Lions Club and the Salesmanship Club of Dallas.

Esquivel served as a member of the board of managers of the Dallas County Hospital District from 1985 to 1989 and as the board chairman from 1989 to 1991. He was elected to the board of trustees of the DeSoto Independent School District in 1982 and re-elected in 1985, serving as board president from 1983 to 1988. Esquivel also has served as chairman of the Dallas County Historical Foundation, Dallas Foundation, The Dallas Opera, North Texas Commission and YMCA of Metropolitan Dallas; as vice chairman of the Stemmons Corridor Business Association and the Dallas Symphony Association; and as president of the Greater Dallas Community of Churches, the Community Council of Greater Dallas and the DeSoto Chamber of Commerce.

He has been honored for his community service and leadership by the Dallas Historical Society, Dallas-Fort Worth Hospital Council, TACA, YMCA, Circle Ten Council of the Boy Scouts of America, Boys and Girls Clubs of Greater Dallas, Dallas Concilio of Hispanic Service Organizations, Daughters of the American Revolution, DeSoto City Council and others.

Esquivel earned a Bachelor of Science degree in electrical engineering from the New Jersey Institute of Technology and completed graduate courses in business administration at Rutgers University and at the University of Texas at Arlington. He is married and has two children and three grandchildren. He resides in DeSoto, Texas.

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

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2

**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 5, 2008

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))

Item 2.02. Results of Operations and Financial Condition.

On Tuesday, August 5, 2008, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the third quarter of its 2008 fiscal year, which ends September 30, 2008, and that certain of its officers would discuss such financial results in a conference call on Wednesday, August 6, 2008 at 8:00 a.m. Eastern Time. In the release, the Company also announced that the conference call would be webcast live and that slides for the webcast would be available on its Web site 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, as amended, 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release issued by Atmos Energy Corporation dated August 5, 2008

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.

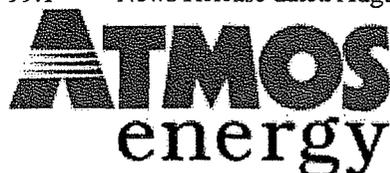
ATMOS ENERGY CORPORATION
(Registrant)

DATE: August 5, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated August 5, 2008 (furnished under Item 2.02)

**Exhibit 99.1****News Release**

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the
 Fiscal 2008 Third Quarter and Nine Months; Reaffirms Fiscal 2008 Guidance**

DALLAS (August 5, 2008)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2008 third quarter and nine months ended June 30, 2008.

- Fiscal 2008 third quarter net loss was \$6.6 million, or \$0.07 per diluted share, compared with a net loss of \$13.4 million, or \$0.15 per diluted share in the prior-year quarter.
- Regulated operations experienced a \$2.1 million net loss, or \$0.02 per diluted share in the fiscal 2008 third quarter, compared with a net loss of \$9.5 million, or \$0.11 per diluted share in the same period last year.
- Nonregulated operations experienced a \$4.5 million net loss in the fiscal 2008 third quarter, or \$0.05 per diluted share, compared with a net loss of \$3.9 million, or \$0.04 per diluted share, in the prior year.
- Atmos Energy reaffirms its fiscal 2008 earnings guidance of \$1.95 to \$2.05 per diluted share.

For the nine months ended June 30, 2008, net income was \$178.7 million, or \$1.99 per diluted share, compared with net income of \$174.4 million, or \$2.00 per diluted share for the same period last year. Diluted earnings per share for the current nine-month period fully reflect the effect of a 3.4 percent increase in weighted average diluted shares outstanding, primarily associated with the company's December 2006 equity offering. For the current nine-month period, the regulated operations contributed \$148.8 million of net income, or \$1.66 per diluted share, and the nonregulated operations contributed \$29.9 million of net income, or \$0.33 per diluted share.

“Because of the seasonal nature of our natural gas distribution operations, the third quarter of the fiscal year is typically a loss quarter” said Robert W. Best, chairman, president and chief executive officer of Atmos Energy Corporation. “However, compared to last year’s third quarter, we have trimmed the loss by about 50 percent as a result of improved rate design in our regulated distribution operations and increased throughput and margins on the regulated Texas intrastate pipeline. However, we now anticipate an even greater decline in the nonregulated marketing and storage operations than originally projected primarily due to the prolonged reduction in natural gas price volatility,” Best said.

“Due to the complementary nature of our regulated and nonregulated businesses, we remain confident we can achieve our fiscal 2008 earnings guidance of between \$1.95 and \$2.05 per diluted share,” Best concluded.

Results for the 2008 Third Quarter Ended June 30, 2008

Natural gas distribution gross profit increased \$9.3 million to \$199.9 million for the fiscal 2008 third quarter, compared with \$190.6 million in the prior-year quarter, before intersegment eliminations. The key driver in the period-over-period improvement was an \$8.9 million increase in rates, primarily in the company’s Mid-Tex Division and six other service areas.

Regulated transmission and storage gross profit increased \$9.6 million to \$46.3 million for the three months ended June 30, 2008, compared with \$36.7 million for the three months ended June 30, 2007, before intersegment eliminations. This increase primarily reflects higher revenues resulting from the company’s 2006 and 2007 filings under the Texas Gas Reliability Infrastructure Program (GRIP). Regulated transmission and storage gross profit also benefited from favorable market conditions that have continued in the Barnett Shale gas producing region in Texas, resulting in a 21 percent increase in consolidated throughput and the realization of higher per-unit margins.

Natural gas marketing gross profit reflected a loss of \$2.6 million for the fiscal 2008 third quarter, compared with a loss of \$0.6 million for the fiscal 2007 third quarter, before intersegment eliminations. This decrease primarily reflects a \$4.2 million decrease in the realized storage and trading activities of Atmos Energy Marketing (AEM), as AEM realized losses in the current quarter from its decision to reset financial positions to forward months without corresponding storage withdrawals, in an attempt to increase the potential gross profit in future periods. Delivered gas margins increased \$1.2 million, as a result of capturing favorable basis gains, which increase was partially offset by a four percent decrease in consolidated sales volumes. AEM’s unrealized gains increased \$0.9 million during the current quarter compared with the prior-year quarter, principally due to a narrowing of the spreads between current cash prices and forward natural gas prices.

Pipeline, storage and other gross profit increased \$1.4 million to \$3.2 million for the three months ended June 30, 2008, compared with \$1.8 million for the same period last year, before intersegment eliminations. The increase was largely due to smaller margin losses generated from asset optimization activities.

Consolidated operation and maintenance expense for the third quarter of fiscal 2008 was \$117.8 million, compared with \$115.1 million for the third quarter last year. Excluding the provision for doubtful accounts, operation and maintenance expense for the current quarter increased \$2.4 million, compared with the prior-year quarter, primarily due to higher administrative costs.

The provision for doubtful accounts increased slightly to \$2.9 million for the three months ended June 30, 2008, compared with \$2.6 million for the same period last year, despite a 46 percent increase in gas costs, which reflects the impact of continued successful collection efforts.

Results for the Nine Months Ended June 30, 2008

Natural gas distribution gross profit increased \$31.2 million to \$830.7 million for the nine months ended June 30, 2008, compared with \$799.5 million in the prior-year period, before intersegment eliminations. This increase primarily reflects a net \$31.7 million increase in rates, principally in the Mid-Tex Division, and in six other service areas.

Regulated transmission and storage gross profit increased \$20.2 million to \$142.8 million for the nine months ended June 30, 2008, compared with \$122.6 million for the same period last year, before intersegment eliminations. This increase reflects higher revenues resulting from the company's GRIP filings, a 20 percent increase in consolidated throughput, primarily associated with increased production in the Barnett Shale region in Texas and higher per-unit margins earned due to greater demand.

Natural gas marketing gross profit decreased \$25.9 million to \$59.7 million for the fiscal 2008 nine-month period, compared with \$85.6 million for the prior-year period, before intersegment eliminations. The decrease primarily reflects a \$48.9 million decrease in AEM's realized storage and trading activities resulting from a less volatile natural gas market and AEM's decision to reset its financial positions to forward months without corresponding storage withdrawals to increase the potential gross profit in future periods, combined with increased storage fees charged by third parties. Delivered gas margins increased \$11.3 million as a result of a 13 percent increase in consolidated sales volumes combined with capturing favorable basis gains. Unrealized gains increased \$11.7 million period over period, principally due to a narrowing of the spreads between the current cash prices and forward natural gas prices.

Pipeline, storage and other gross profit decreased \$7.9 million to \$18.9 million for the nine months ended June 30, 2008, compared with \$26.8 million for the nine months ended June 30, 2007, before intersegment eliminations. The decrease primarily was due to lower realized margins from storage and asset optimization activities in a less volatile natural gas market, which created fewer opportunities to capitalize on price fluctuations along with lower unrealized margins.

Consolidated operation and maintenance expense for the nine months ended June 30, 2008, was \$359.1 million, compared with \$342.4 million for the prior-year period. Excluding the provision for doubtful accounts, operation and maintenance expense for the current nine months was \$349.8 million, compared with \$329.1 million for the prior-year period. The \$20.7 million increase was mainly due to higher pipeline maintenance, odorization, fuel and other administrative costs. Additionally, the prior-year expense was abnormally low due to \$4.3 million of previously incurred operation and maintenance expenses related to Hurricane Katrina recovery efforts being reversed and deferred due to a Louisiana Public Service Commission's decision to permit the recovery of these expenses from customers.

The provision for doubtful accounts was \$9.3 million for the nine months ended June 30, 2008, compared with \$13.3 million for the same period last year. The \$4.0 million decrease reflects the effect of successful customer collection efforts.

Interest charges for the nine months ended June 30, 2008, were \$103.8 million, compared with \$109.3 million for the nine months ended June 30, 2007. The \$5.5 million period-over-period decrease primarily was due to lower average short-term debt balances experienced in the current period.

The capitalization ratio at June 30, 2008, was 51.5 percent, compared with 53.7 percent at September 30, 2007, and 55.0 percent at June 30, 2007. In June 2007, the Company completed a \$250 million senior notes offering, the net proceeds of which along with available cash were used to reduce long-term debt by \$300 million in July 2007. Had the repayment occurred as of June 30, 2007, the company's debt capitalization ratio on that date would have been 51.7 percent. Short-term debt was \$113.3 million at June 30, 2008, and \$150.6 million at September 30, 2007. There was no short-term debt outstanding at June 30, 2007.

For the nine months ended June 30, 2008, operating activities provided cash of \$417.4 million, compared with \$552.7 million for the nine months ended June 30, 2007. Period over period, the decrease in operating cash flow primarily reflects an increase in cash required to collateralize risk management accounts as of June 30, 2008, coupled with net unfavorable changes in various working capital items.

Capital expenditures increased to \$312.9 million for the nine months ended June 30, 2008, compared with \$263.0 million for the same period last year. The \$49.9 million increase principally reflects spending in the Mid-Tex Division for the replacement of mains and for the company's new automated metering initiative in its natural gas distribution business.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to anticipate fiscal 2008 earnings to be in the range of \$1.95 to \$2.05 per diluted share, excluding any material mark-to-market impact at the end of the fiscal year, with capital expenditures expected to range from \$455 million to \$465 million. Major assumptions underlying the earnings projection include a reduced contribution from the natural gas marketing segment due to less volatility in natural gas prices, continued successful execution of the rate strategy in the natural gas distribution segment and an average annual short-term interest rate of 6.5 percent. However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2008, and changes in events or other circumstances that the company cannot currently anticipate or predict could result in earnings for fiscal 2008 that are significantly above or below this outlook.

Conference Call to be Webcast August 6, 2008

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2008 third quarter and first nine months on Wednesday, August 6, 2008, at 8:00 a.m. EDT. The telephone number is 800-218-4007. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A playback of the call will be available on the Web site later that day. Atmos Energy officers who will participate in the conference call include: Bob Best, chairman, president and chief executive officer; Pat Reddy, senior vice president and chief financial officer; Kim Cocklin, senior vice president, regulated operations; Mark Johnson, senior vice president, nonregulated operations; Fred Meisenheimer, vice president and controller; Laurie Sherwood, vice president, corporate development and treasurer; and Susan Giles, vice president, investor relations.

Highlights and Recent Developments

Fort Necessity Gas Storage Project

On July 10, 2008, Atmos Pipeline and Storage, LLC, completed a nonbinding open season for its proposed Fort Necessity salt dome gas storage facility located in Franklin Parish, Louisiana. The open season participants requested storage capacity that was three times greater than the 5 billion cubic feet of capacity proposed in Phase One of the project.

Drilling operations recently began to obtain core samples necessary to complete the FERC 7C application. Pending regulatory approval, the first cavern is projected to go into operation by 2011, with the other two caverns in operation by 2012 and 2014. Based on market demand, four additional storage caverns could potentially be developed.

Mid-Tex Division Rate Case Decision

On June 24, 2008, the Railroad Commission of Texas (RRC) issued a final order in the rate case originally filed by the Mid-Tex Division in September 2007. The final order applies to the remaining 20 percent of customers served by the Mid-Tex Division that were not included in previously announced settlement agreements. The final order from the RRC resulted in a \$19.6 million system-wide annual rate increase, of which approximately \$3.9 million related to customers in the City of Dallas and the unincorporated areas. New rates were implemented in July 2008 for these customers. The rates for the remaining 80 percent of the customers, which are represented by 438 of the 439 incorporated cities served by the Mid-Tex Division, had already been established through settlements by these cities with the company.

Additional findings of the RRC order include a 10 percent return on equity, a capital structure of 52 percent debt and 48 percent equity, the recovery of bad debt gas cost via a Gas Cost Recovery mechanism and approval of a conservation and energy efficiency tariff.

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 capital markets and the other factors discussed in the company's filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007, and in the company's Quarterly Report on Form 10-Q for the three and six months ended March 31, 2008. 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, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets

(000s)	June 30, 2008	September 30, 2007
Net property, plant and equipment	\$4,012,888	\$3,836,836
Cash and cash equivalents	46,501	60,725
Cash held on deposit in margin account	62,152	—
Accounts receivable, net	601,164	380,133
Gas stored underground	571,532	515,128
Other current assets	<u>115,609</u>	<u>112,909</u>
Total current assets	1,396,958	1,068,895
Goodwill and intangible assets	737,221	737,692
Deferred charges and other assets	<u>237,723</u>	<u>253,494</u>
	<u>\$6,384,790</u>	<u>\$5,896,917</u>
Shareholders' equity	\$2,105,407	\$1,965,754
Long-term debt	<u>2,119,729</u>	<u>2,126,315</u>
Total capitalization	4,225,136	4,092,069
Accounts payable and accrued liabilities	582,353	355,255
Other current liabilities	472,088	409,993
Short-term debt	113,257	150,599
Current maturities of long-term debt	<u>1,059</u>	<u>3,831</u>
Total current liabilities	1,168,757	919,678
Deferred income taxes	450,669	370,569
Deferred credits and other liabilities	<u>540,228</u>	<u>514,601</u>
	<u>\$6,384,790</u>	<u>\$5,896,917</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)
Condensed Statements of Cash Flows
(000s)

	Nine Months Ended June 30	
	2008	2007
Cash flows from operating activities		
Net income	\$ 178,749	\$ 174,406
Depreciation and amortization	147,765	149,183
Deferred income taxes	77,864	37,266
Changes in assets and liabilities	236	173,856
Other	12,767	17,959
Net cash provided by operating activities	<u>417,381</u>	<u>552,670</u>
Cash flows from investing activities		
Capital expenditures	(312,878)	(263,023)
Other, net	(4,303)	(9,867)
Net cash used in investing activities	<u>(317,181)</u>	<u>(272,890)</u>
Cash flows from financing activities		
Net decrease in short-term debt	(35,721)	(382,416)
Net proceeds from long-term debt offering	—	247,461
Settlement of Treasury lock agreement	—	4,750
Repayment of long-term debt	(9,945)	(2,685)
Cash dividends paid	(87,821)	(83,118)
Net proceeds from equity offering	—	191,913
Issuance of common stock	19,063	18,883
Net cash used in financing activities	<u>(114,424)</u>	<u>(5,212)</u>
Net increase (decrease) in cash and cash equivalents	(14,224)	274,568
Cash and cash equivalents at beginning of period	60,725	75,815
Cash and cash equivalents at end of period	<u>\$ 46,501</u>	<u>\$ 350,383</u>

	Three Months Ended June 30		Nine Months Ended June 30	
	2008	2007	2008	2007
Statistics				
Consolidated natural gas distribution throughput (MMcf as metered)	73,483	74,563	367,297	367,080
Consolidated regulated transmission and storage transportation volumes (MMcf)	152,450	125,639	429,758	359,447
Consolidated natural gas marketing sales volumes (MMcf)	82,122	85,413	298,351	264,325
Natural gas distribution meters in service	3,205,456	3,194,304	3,205,456	3,194,304
Natural gas distribution average cost of gas	\$ 11.53	\$ 7.90	\$ 8.77	\$ 8.19
Natural gas marketing net physical position (Bcf)	17.5	21.5	17.5	21.5

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10

**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 1, 2008
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:

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- 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))

Item 2.02. Results of Operations and Financial Condition.

On Thursday, May 1, 2008, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the second quarter of its 2008 fiscal year, which ends September 30, 2008, and that certain of its officers would discuss such financial results in a conference call on Friday, May 2, 2008 at 10:00 a.m. Eastern Time. In the release, the Company also announced that the conference call would be webcast live and that slides for the webcast would be available on its Web site 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, as amended, 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 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release issued by Atmos Energy Corporation dated May 1, 2008

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 1, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated May 1, 2008 (furnished under Item 2.02)



Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the
Fiscal 2008 Second Quarter and Six Months; Affirms Fiscal 2008 Guidance**

DALLAS (May 1, 2008)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2008 second quarter and six months ended March 31, 2008.

- Fiscal 2008 second quarter net income was \$111.5 million, or \$1.24 per diluted share, compared with net income of \$106.5 million, or \$1.20 per diluted share, in the fiscal 2007 second quarter.
- Regulated operations contributed \$100.9 million of net income, or \$1.12 per diluted share in the fiscal 2008 second quarter, compared with \$89.6 million of net income, or \$1.01 per diluted share in the same period last year.
- Nonregulated operations contributed \$10.6 million of net income in the fiscal 2008 second quarter, or \$0.12 per diluted share, compared with \$16.9 million of net income, or \$0.19 per diluted share, in the prior year.
- Atmos Energy affirms its fiscal 2008 earnings guidance of \$1.95 to \$2.05 per diluted share.

For the six months ended March 31, 2008, net income was \$185.3 million, or \$2.06 per diluted share, compared with net income of \$187.8 million, or \$2.18 per diluted share for the same period last year. Diluted earnings per share for the current six-month period fully reflect the effect of a 4.4 percent increase in weighted average diluted shares outstanding, primarily associated with the company's December 2006 equity offering. For the current six-month period, the regulated operations contributed \$150.9 million of net income, or \$1.68 per diluted share, and the nonregulated operations contributed \$34.4 million of net income, or \$0.38 per diluted share.

“Our strategy of combining complementary regulated and nonregulated operations continues to drive results,” said Robert W. Best, chairman, president and chief executive officer of Atmos Energy Corporation. “Once again, our regulated operations benefited from regulatory enhancements that have further stabilized margins and provided accelerated recognition of capital expenditures in rates, which more than offset the anticipated decrease in our nonregulated operations as a result of reduced natural gas price volatility in the market,” Best said.

“As a result, we expect our earnings contributions to return to a more historical mix, with about 70 percent derived from the regulated businesses and about 30 percent from the nonregulated businesses. We remain confident that Atmos Energy is on track to meet our previously announced guidance for fiscal 2008 of earning between \$1.95 and \$2.05 per diluted share,” Best concluded.

Results for the 2008 Second Quarter Ended March 31, 2008

Natural gas distribution gross profit increased \$11.3 million to \$357.5 million for the fiscal 2008 second quarter, compared with \$346.2 million in the prior-year quarter, before intersegment eliminations. This increase mainly reflects a net \$13.4 million increase in rates in the company's Mid-Tex, Louisiana, Tennessee, Missouri and Kentucky service areas.

Regulated transmission and storage gross profit increased \$5.3 million to \$51.4 million for the three months ended March 31, 2008, compared with \$46.1 million for the three months ended March 31, 2007, before intersegment eliminations. This increase primarily reflects higher revenues resulting from the company's 2006 filing under the Texas Gas Reliability Infrastructure Program (GRIP). Regulated transmission and storage gross profit also benefited from favorable market conditions that continue in the Barnett Shale and Carthage gas producing regions in Texas, resulting in a 21 percent increase in consolidated throughput and the realization of higher per-unit margins.

Natural gas marketing gross profit decreased \$6.8 million to \$16.3 million for the fiscal 2008 second quarter, compared with \$23.1 million for the fiscal 2007 second quarter, before intersegment eliminations. This decrease primarily reflects a \$50.0 million decrease in Atmos Energy Marketing's (AEM) storage and trading activities, resulting from smaller gains earned from the settlement of financial positions combined with increased storage fees charged by third parties. Delivered gas margins increased \$11.9 million, as a result of an 18 percent increase in consolidated sales volumes combined with capturing favorable gains due to the location of gas sold. Additionally, AEM's unrealized losses decreased \$31.3 million during the current quarter compared with the prior-year quarter, principally due to a narrowing of the spreads between the current cash prices and forward natural gas prices.

Pipeline, storage and other gross profit decreased \$4.1 million to \$9.7 million for the three months ended March 31, 2008, compared with \$13.8 million for the same period last year, before intersegment eliminations. The decrease was largely due to lower realized margins from storage and asset optimization activities in a less volatile natural gas market, which creates less opportunity to capitalize on price fluctuations, partially offset by lower unrealized losses.

Consolidated operation and maintenance expense for the second quarter of fiscal 2008 was \$120.1 million, compared with \$111.9 million for the second quarter last year. Excluding the provision for doubtful accounts, operation and maintenance expense for the current quarter increased \$10.5 million, compared with the prior-year quarter. The increase primarily was due to higher pipeline maintenance, odorization, fuel and other administrative costs. The prior-year quarter expense was abnormally low due to \$4.3 million of previously incurred operation and maintenance expenses related to Hurricane Katrina recovery efforts being reversed and deferred due to a Louisiana Public Service Commission's decision to permit the recovery of these expenses from customers.

The provision for doubtful accounts decreased \$2.3 million to \$1.8 million for the three months ended March 31, 2008, compared with \$4.1 million for the same period last year, as a result of increased collection efforts.

Results for the Six Months Ended March 31, 2008

Natural gas distribution gross profit increased \$21.9 million to \$630.7 million for the six months ended March 31, 2008, compared with \$608.8 million in the prior-year period, before intersegment eliminations. This increase primarily reflects a net \$22.8 million increase in rates in the company's Mid-Tex, Louisiana, Tennessee, Missouri and Kentucky service areas.

Regulated transmission and storage gross profit increased \$10.6 million to \$96.5 million for the six months ended March 31, 2008, compared with \$85.9 million for the same period last year, before intersegment eliminations. This increase reflects higher revenues resulting from the company's 2006 GRIP filing, a 19 percent increase in consolidated throughput, primarily associated with increased production in the Barnett Shale and Carthage regions in Texas and higher per-unit margins earned due to greater demand.

Natural gas marketing gross profit decreased \$23.9 million to \$62.3 million for the fiscal 2008 six-month period, compared with \$86.2 million for the prior-year period, before intersegment eliminations. This decrease primarily reflects a \$44.7 million decrease in AEM's storage and trading activities, primarily attributable to smaller gains earned from the settlement of financial positions combined with increased storage fees charged by third parties. Delivered gas margins increased \$10.0 million as a result of a 21 percent increase in consolidated sales volumes combined with capturing favorable gains due to the location of gas sold. Additionally, unrealized losses decreased \$10.8 million period over period, principally due to a narrowing of the spreads between the current cash prices and forward natural gas prices.

Pipeline, storage and other gross profit decreased \$9.3 million to \$15.7 million for the six months ended March 31, 2008, compared with \$25.0 million for the six months ended March 31, 2007, before intersegment eliminations. The decrease primarily was due to lower realized margins from storage and asset optimization activities in a less volatile natural gas market, which creates less opportunity to capitalize on price fluctuations along with lower unrealized margins.

Consolidated operation and maintenance expense for the six months ended March 31, 2008, was \$241.2 million, compared with \$227.2 million for the prior-year period. Excluding the provision for doubtful accounts, operation and maintenance expense for the current six months was \$234.8 million, compared with \$216.4 million for the prior-year period. The \$18.4 million increase was mainly due to higher pipeline maintenance, odorization, fuel and other administrative costs. Additionally, the increase reflects the aforementioned absence in the current period of the hurricane expense recovery reflected in the prior-year period.

The provision for doubtful accounts was \$6.4 million for the six months ended March 31, 2008, compared with \$10.8 million for the same period last year. The \$4.4 million decrease reflects the effect of increased customer collection efforts.

Interest charges for the six months ended March 31, 2008, were \$70.3 million, compared with \$74.8 million for the six months ended March 31, 2007. The \$4.5 million period-over-period decrease primarily was due to lower average short-term debt balances experienced in the current period.

The capitalization ratio at March 31, 2008, was 50.0 percent, compared with 53.7 percent at September 30, 2007, and 51.9 percent at March 31, 2007. No short-term debt was outstanding as of March 31, 2008 and March 31, 2007, while short-term debt was \$150.6 million at September 30, 2007.

For the six months ended March 31, 2008, operating activities provided cash of \$479.2 million, compared with \$511.9 million for the six months ended March 31, 2007. Period over period, the decrease in operating cash flow primarily reflects an increase in cash required to collateralize risk management accounts as of March 31, 2008, coupled with net unfavorable changes in various working capital items.

Capital expenditures increased to \$198.7 million for the six months ended March 31, 2008, compared with \$172.8 million for the same period last year. The \$25.9 million increase principally reflects spending in the Mid-Tex Division for the replacement of mains and for the company's new automated metering initiative in its natural gas distribution business.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to project fiscal 2008 earnings to be in the range of \$1.95 to \$2.05 per diluted share, excluding any material mark-to-market impact, with capital expenditures expected to range from \$450 million to \$465 million. Major assumptions underlying the earnings projection include a reduced contribution from the natural gas marketing segment due to less volatility in natural gas prices, continued successful execution of the rate strategy in the natural gas distribution segment, an average annual short-term interest rate of 6.5 percent and no material acquisitions. However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2008, and changes in events or other circumstances that the company cannot currently anticipate or predict could result in earnings for fiscal 2008 that are significantly above or below this outlook.

Conference Call to be Webcast May 2, 2008

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2008 second quarter and first six months on Friday, May 2, 2008, at 10 a.m. EDT. The telephone number is 800-240-4186. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A playback of the call will be available on the Web site later that day. Atmos Energy officers who will participate in the conference call include: Bob Best, chairman, president and chief executive officer; Pat Reddy, senior vice president and chief financial officer; Kim Cocklin, senior vice president, regulated operations; Mark Johnson, senior vice president, nonregulated operations; Fred Meisenheimer, vice president and controller; Laurie Sherwood, vice president, corporate development and treasurer; and Susan Giles, vice president, investor relations.

Highlights and Recent Developments

Mid-Tex Division Rate Case Update

On February 13, 2008, Atmos Energy announced that it had entered into a settlement agreement with the Atmos Texas Municipalities (ATM), representing 49 cities located in the division. The terms of this agreement were subsequently adopted by the cities comprising the Atmos Cities Steering Committee (ACSC), which had reached an earlier settlement with the company in January 2008. All remaining cities in the division, other than the City of Dallas, have agreed to the terms of the settlement reached with ATM. In late March 2008, hearings were conducted at the Railroad Commission of Texas (RRC) on the rate case with the City of Dallas. The RRC subsequently ordered mediation, which was scheduled for today, in an attempt to reach a settlement with the City of Dallas. Meanwhile, a proposal for decision from the RRC is expected in May 2008, with a final order expected in June 2008.

Effective April 1, 2008, the Mid-Tex Division implemented new rates for the cities that had agreed to the settlement, which is equivalent to an approximate \$10 million increase in rates on a systemwide basis. Additionally, on April 14, 2008, the Mid-Tex Division filed its first rate adjustment of \$33.5 million under the rate review mechanism contained in the ATM settlement agreement. Pending the settling cities' review and approval, the rate adjustment will be reflected in rates effective October 1, 2008.

Park City Gathering Project

During the fiscal 2008 second quarter, Atmos Pipeline and Storage, LLC completed construction on a 23-mile low-pressure natural gas gathering system northeast of Bowling Green, Kentucky. Final testing is under way with operational startup expected in early May 2008.

AEM \$580 Million Uncommitted Demand Credit Facility Renewal

In March 2008, Atmos Energy Marketing, LLC, renewed its \$580 million uncommitted demand credit facility to extend the term of the facility for an additional 12 months to March 31, 2009, on substantially similar terms.

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 capital markets and the other factors discussed in the company's SEC filings. These factors include the risks and uncertainties discussed in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007, and in the company's Quarterly Report on Form 10-Q for the three months ended December 31, 2007. 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, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Balance Sheets</u>	<u>March 31,</u>	<u>September 30,</u>
(000s)	<u>2008</u>	<u>2007</u>
Net property, plant and equipment	\$3,948,866	\$3,836,836
Cash and cash equivalents	139,636	60,725
Cash held on deposit in margin account	29,591	—
Accounts receivable, net	805,940	380,133
Gas stored underground	421,980	515,128
Other current assets	<u>95,567</u>	<u>112,909</u>
Total current assets	1,492,714	1,068,895
Goodwill and intangible assets	737,380	737,692
Deferred charges and other assets	<u>242,034</u>	<u>253,494</u>
	<u>\$6,420,994</u>	<u>\$5,896,917</u>
Shareholders' equity	\$2,125,993	\$1,965,754
Long-term debt	<u>2,119,696</u>	<u>2,126,315</u>
Total capitalization	4,245,689	4,092,069
Accounts payable and accrued liabilities	809,140	355,255
Other current liabilities	408,575	409,993
Short-term debt	—	150,599
Current maturities of long-term debt	<u>8,453</u>	<u>3,831</u>
Total current liabilities	1,226,168	919,678
Deferred income taxes	420,232	370,569
Deferred credits and other liabilities	<u>528,905</u>	<u>514,601</u>
	<u>\$6,420,994</u>	<u>\$5,896,917</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)Condensed Statements of Cash Flows
(000s)**Cash flows from operating activities**

Net income
Depreciation and amortization
Deferred income taxes
Changes in assets and liabilities
Other
 Net cash provided by operating activities

Six Months Ended	
March 31	
<u>2008</u>	<u>2007</u>
\$185,337	\$187,766
97,370	100,179
72,277	72,755
117,355	141,755
6,853	9,472
<u>479,192</u>	<u>511,927</u>

**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 31, 2008

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))

Item 1.01. Entry into a Material Definitive Agreement.

On March 31, 2008, Atmos Energy Marketing, LLC ("AEM"), a Delaware limited liability company, which is wholly-owned by Atmos Energy Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Atmos Energy Corporation, entered into the Fourth Amendment dated as of March 31, 2008, to the Uncommitted Second Amended and Restated Credit Agreement, dated as of March 30, 2005, as amended by the First Amendment dated November 28, 2005, the Second Amendment dated March 31, 2006, and the Third Amendment dated March 30, 2007, by and among AEM; Fortis Capital Corp., a Connecticut corporation, as joint lead arranger and joint bookrunner, as administrative agent for the banks, as collateral agent, as an issuing bank and as a bank; BNP Paribas, a bank organized under the laws of France, as joint lead arranger and joint bookrunner, as documentation agent, as an issuing bank and as a bank; Société Générale, as syndication agent and as a bank; and a syndicate of five additional banks identified therein.

The Fourth Amendment amended the credit facility, primarily to (i) extend the term of the facility for an additional 12 months to March 31, 2009; (ii) remove the financial covenant of AEM in the facility relating to the amount of cumulative losses that could be incurred by AEM and its subsidiaries over a specific period of time; and (iii) include provisions in the facility permitting banks participating in the facility, or their affiliates, to engage in transactions with AEM involving the sale, purchase or exchange of physical commodities pursuant to contracts executed by each of such banks or their affiliates, and permitting such banks or their affiliates to use collateral provided by AEM under such contracts to offset obligations due from AEM under those contracts. The specific rights and obligations of AEM as well as the banks or their affiliates participating in such transactions are set forth in the Intercreditor Agreement dated March 31, 2008.

The credit facility, as amended, will continue to be used, on an uncommitted and fully discretionary basis, to provide loans to AEM and issue letters of credit for the account of AEM, primarily in order to continue to provide working capital for its natural gas marketing business. Borrowings made as revolving loans under the credit facility will continue to bear interest at a floating rate equal to a base rate, defined as the higher of (i) .50% per annum above the federal funds rate or (ii) the per annum rate of interest established by JPMorgan Chase Bank, N.A. as its prime rate at the time of such borrowing plus an applicable margin, which is defined as .25% per annum. Based upon the current prime rate, revolving loans would bear interest at 5.5% per annum. Borrowings made as offshore rate loans will continue to bear interest at a floating rate equal to an offshore rate, which is equal to a base rate based upon LIBOR for the applicable interest period plus an applicable margin, which will range from 1.250% to 1.625% per annum, depending on the excess tangible net worth of AEM, as defined in the credit facility. Based upon the current LIBOR rate for a seven day period, offshore rate loans would bear interest at 4.204% per annum. Fees for letters of credit issued by the banks will continue to range from 1.000% to 1.875% per annum, depending on the excess tangible net worth of AEM and whether the letters of credit are swap-related.

The credit facility will expire on March 31, 2009, at which time all amounts outstanding under the facility will be due and payable, except for any letters of credit outstanding at that date, all of which will be due no later than March 31, 2010. The credit facility contains usual and customary covenants for transactions of this type, including covenants limiting liens, additional indebtedness and mergers. In addition, AEM will be required to not exceed a maximum ratio of total liabilities to tangible net worth of 5.00 to 1.00, along with maintaining minimum levels of net working capital ranging from \$20 million to \$120 million, and tangible net worth ranging from \$21 million to \$121 million, as all such terms are defined in the credit facility, depending on the

total amount of borrowing elected from time to time by AEM. The credit facility is secured by substantially all of the assets of AEM and is guaranteed by its parent company, Atmos Energy Holdings, Inc.

In the event of a default by AEM under the credit facility, including cross-defaults relating to specified other indebtedness of AEM having a principal amount of more than \$250,000 in the aggregate, the administrative agent may, and shall upon the request of a certain minimum number of the banks, terminate the obligations of the banks to make loans or issue letters of credit under the credit facility, declare the amount outstanding payable immediately, including all accrued interest and unpaid fees, 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.

With respect to the other parties to the credit facility, AEM has or may have had customary banking relationships based on the provision of a variety of financial services, including the purchase and sale of financial instruments traded on various commodity exchanges, none of which are material individually or in the aggregate with respect to any individual party, other than BNP Paribas, which relationship is material to AEM. These financial instruments include, but are not limited to, NYMEX futures and over-the-counter natural gas hedges. In addition, AEM or its affiliates have or may have purchased natural gas on an arm's length basis based upon market prices from one of more affiliates of the other parties to the credit facility. Copies of the Fourth Amendment and the Intercreditor Agreement are attached hereto as Exhibits 10.1 and 10.2, respectively, each of which are incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Fourth Amendment and the Intercreditor Agreement.

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 hereby incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

- 10.1 Fourth Amendment, dated as of March 31, 2008, to the Uncommitted Second Amended and Restated Credit Agreement, dated as of March 30, 2005, as amended by the First Amendment, dated November 28, 2005, the Second Amendment, dated March 31, 2006, and the Third Amendment, dated March 30, 2007, and as otherwise amended, restated, supplemented or modified prior to the date hereof, among Atmos Energy Marketing, LLC, a Delaware limited liability company, the financial institutions from time to time parties thereto (the "Banks"), Fortis Capital Corp., a Connecticut corporation, as Joint Lead Arranger and Joint Bookrunner, as Administrative Agent for the Banks, as Collateral Agent, as an Issuing Bank, and as a Bank; BNP Paribas, a bank organized under the laws of France, as Joint Lead Arranger and Joint Bookrunner, and as Documentation Agent, as an Issuing Bank, and as a Bank; and Société Générale, as Syndication Agent and as a Bank
- 10.2 Intercreditor Agreement, dated as of March 31, 2008 (as amended, supplemented and otherwise modified from time to time, the "Agreement"), among Fortis Capital Corp., a Connecticut corporation, in its capacity as Collateral Agent (together with its successors and assigns in such capacity, the "Agent") for the Banks hereinafter referred to, and each bank and other financial institution which is now or hereafter a party to this Agreement in its capacity as a Bank and, as applicable, as a Swap Bank (collectively, the "Swap Banks") and as a Physical Trade Bank (collectively, the "Physical Trade Banks")

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 4, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

5

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Fourth Amendment, dated as of March 31, 2008, to the Uncommitted Second Amended and Restated Credit Agreement, dated as of March 30, 2005, as amended by the First Amendment, dated November 28, 2005, the Second Amendment, dated March 31, 2006, the Third Amendment, dated March 30, 2007, and as otherwise amended, restated, supplemented or modified prior to the date hereof, among Atmos Energy Marketing, LLC, a Delaware limited liability company, the financial institutions from time to time parties thereto (the "Banks"), Fortis Capital Corp., a Connecticut corporation, as Joint Lead Arranger and Joint Bookrunner, as Administrative Agent for the Banks, as Collateral Agent, as an Issuing Bank, and as a Bank; BNP Paribas, a bank organized under the laws of France, as Joint Lead Arranger and Joint Bookrunner, and as Documentation Agent, as an Issuing Bank, and as a Bank; and Société Générale, as Syndication Agent and as a Bank
10.2	Intercreditor Agreement, dated as of March 31, 2008 (as amended, supplemented and otherwise modified from time to time, the "Agreement"), among Fortis Capital Corp., a Connecticut corporation, in its capacity as Collateral Agent (together with its successors and assigns in such capacity, the "Agent") for the Banks hereinafter referred to, and each bank and other financial institution which is now or hereafter a party to this Agreement in its capacity as a Bank and, as applicable, as a Swap Bank (collectively, the "Swap Banks") and as a Physical Trade Bank (collectively, the "Physical Trade Banks")

6

Exhibit 10.1

EXECUTION VERSION

**FOURTH AMENDMENT TO THE
UNCOMMITTED SECOND AMENDED AND RESTATED
CREDIT AGREEMENT**

This FOURTH AMENDMENT, dated as of March 31, 2008 (this "Amendment") to the UNCOMMITTED SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 30, 2005 (as amended by the First Amendment, dated as of November 28, 2005 (the "First Amendment"), the Second Amendment dated as of March 31, 2006 (the "Second Amendment"), the Third Amendment dated as of March 30, 2007 (the "Third Amendment") and as otherwise amended, restated, supplemented or modified prior to the date hereof, the "Credit Agreement") among ATMOS ENERGY MARKETING, LLC, a Delaware limited liability company (the "Borrower"), the financial institutions from time to time parties thereto (the "Banks"), FORTIS CAPITAL CORP., a Connecticut corporation ("Fortis"), as Joint Lead Arranger and Joint Bookrunner, as Administrative Agent for the Banks, as Collateral Agent, as an Issuing Bank, and as a Bank, BNP PARIBAS, a bank organized under the laws of France ("BNP Paribas"), as Joint Lead Arranger and Joint Bookrunner, as Documentation Agent (together with the Administrative Agent, the "Agents"), as an Issuing Bank and as a Bank, and SOCIÉTÉ GÉNÉRALE, as Syndication Agent and as a Bank.

WHEREAS, the Borrower has requested that the financial institutions party hereto make certain amendments to the Credit Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, the financial institutions party hereto have indicated their willingness to consider such amendments on the terms and conditions of this Amendment;

NOW, THEREFORE, in consideration of the premises herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings ascribed to them in the Credit Agreement.

2. Amendments to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby amended by deleting the following definitions: "360-Day L/C Maturity Date," "Adjusted Pro Rata Share," "Applicable Margin," "Banks," "Borrowing Base Advance Cap," "Borrowing Base Line," "Borrowing Base Sub-Cap," "Eligible Assignee," "Expiration Date," "Indebtedness," "Loan Documents," "Maturity Date," "Obligations," "Swap Banks," and "Swap Contracts" in their respective entirety and substituting in lieu thereof the following in the appropriate alphabetical order:

"360-Day L/C Maturity Date" means March 31, 2010.

"Adjusted Pro Rata Share" has the meaning ascribed to such term in the Intercreditor Agreement.

“ Applicable Margin ” means (i) with respect to Base Rate Loans, .250% per annum and (ii) with respect to Offshore Rate Loans and Letters of Credit, for any day, the applicable rate per annum set forth below, based upon the Excess Tangible Net Worth determined as the last day of the most recently ended fiscal quarter:

<u>Excess Tangible Net Worth</u>	<u>Applicable Margin for Offshore Rate Loans</u>	<u>Applicable Margin for Letters of Credit (including Physical Trade Delivery-Related Standby Letters of Credit)</u>	<u>Applicable Margin for SPT-Related Standby Letters of Credit (other than Physical Trade Delivery-Related Standby Letters of Credit)</u>
Less than or equal to \$25,000,000	1.625%	1.375%	1.875%
Greater than \$25,000,000 and less than or equal to \$50,000,000	1.500%	1.250%	1.750%
Greater than \$50,000,000 and less or equal to \$75,000,000	1.375%	1.125%	1.625%
Greater than \$75,000,000	1.250%	1.000%	1.500%

For the purposes of the foregoing, the Excess Tangible Net Worth shall be determined based upon the Borrower’s most recent consolidated financial statements delivered pursuant to Section 7.01(c), and each change in the Applicable Margin resulting from a change in the Excess Tangible Net Worth shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; provided that the Excess Tangible Net Worth shall be deemed to be less than or equal to \$25,000,000 at any time that an Event of Default has occurred and is continuing.

“ Banks ” shall mean Fortis, BNP Paribas, Société Générale, NATIXIS, acting through its New York Branch, RZB Finance, LLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (as successor by merger to UFJ Bank Limited, New York Branch), Brown Brothers Harriman & Co., The Royal Bank of Scotland plc and each additional lending institution added to this Agreement, through an amendment to this Agreement, by execution of an Uncommitted Line Portion Addendum, or through an Assignment and Acceptance in accordance with Subsection 11.08(a) hereof. References to the “Banks” shall include Fortis and BNP Paribas, including each in its capacity as an Issuing Bank; for purposes of clarification only, to the extent that Fortis or BNP Paribas may have any rights or obligations in addition to those of the Banks due to their status as an Issuing Bank and as Agents, Fortis’ and BNP Paribas’ status as such will be specifically referenced.

“ Borrowing Base Advance Cap ” means at any time an amount equal to the least of:

- (a) \$580,000,000;

- (b) the Total Subscribed Line Portions;
- (c) the Borrowing Base Sub-Cap; or
- (d) the sum of:

(i) the amount of Cash Collateral and other liquid investments which are acceptable to the Banks in their sole discretion and which are subject to a first perfected security interest in favor of Administrative Agent, as collateral agent for the Banks, and which have not been used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(ii) 90% of Borrower's equity in Eligible Broker accounts from and after the date that a tri-party agreement with respect to such accounts is entered into, to the extent such equity is not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(iii) 90% of the amount of Tier I Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance, net of deductions, offsets and counterclaims; plus

(iv) 85% of the amount of Tier II Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance, net of deductions, offsets and counterclaims; plus

(v) 85% of the amount of Tier I Unbilled Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(vi) 80% of the amount of Tier II Unbilled Accounts which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(vii) 80% of the amount of Eligible Inventory which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(viii) 80% of the amount of Eligible Exchange Receivables which are not being used in determining availability for any other advance (other than advances made under the Borrowing Base Line) or Letter of Credit Issuance; plus

(ix) 80% of the amount of Undelivered Product Value; plus

(x) 70% of Realizable Unrealized Profits, up to a maximum amount of \$50,000,000, less

(xi) the amounts which would be subject to a so-called "First Purchaser Lien" as defined in Texas Bus. & Com. Code Section 9.343, comparable laws of the states of Oklahoma, Kansas or New Mexico, or any other comparable law of any other state, unless a Letter of Credit secures payment of all amounts subject to such First Purchaser Lien; less

(xii) 125% of the SPT Bank Close-Out Amounts of all SPT Banks, as of the date of determination of the Borrowing Base Advance Cap; and less

(xiii) 100% of the Borrower's Unrealized Mark-to-Market Losses as of the date of determination of the Borrowing Base Advance Cap.

In no event shall any amounts described in (d)(i) through (d)(x) above which may fall into more than one of such categories be counted more than once when making the calculation under this definition.

"Borrowing Base Line" means the uncommitted line of credit for the purpose of (a) providing working capital and to fund payments to suppliers of Product; (b) to provide for Letters of Credit to secure suppliers of Product; and (c) to fund payments due to any SPT Bank under any SPT Contract.

"Borrowing Base Sub-Cap" means (a) from the date of this Agreement until the date the first election is made by the Borrower pursuant to clause (b) of this definition, \$250,000,000, and (b) thereafter, at any time, the amount set forth in the table below under the heading "Borrowing Base Sub-Cap" elected by the Borrower from time to time by written notice to the Agents, provided that, at the time of any such election of any such amount as the Borrowing Base Sub-Cap, but not for any other purpose herein, each of the Borrower's Net Working Capital, Tangible Net Worth and ratio of Total Liabilities to Tangible Net Worth at such time of election, each as determined by the most recent monthly financial statements received pursuant to Section 7.01(c) are within the requirements set forth opposite such amount in the table below. For purposes of testing whether such requirements have been met, the highest amount elected by the Borrower for the month being tested shall be used, where during the same month being tested the Borrower elected to either increase or decrease the availability by selecting a different amount under the column entitled "Borrowing Base Sub-Cap".

<u>Borrowing Base Sub-Cap</u>	<u>Minimum Net Working Capital</u>	<u>Minimum Tangible Net Worth</u>	<u>Maximum Ratio at Total Liabilities to Tangible Net Worth</u>
\$100,000,000	\$20,000,000	\$21,000,000	5.00 to 1
\$125,000,000	\$25,000,000	\$26,000,000	5.00 to 1
\$150,000,000	\$30,000,000	\$31,000,000	5.00 to 1
\$175,000,000	\$35,000,000	\$36,000,000	5.00 to 1
\$200,000,000	\$40,000,000	\$41,000,000	5.00 to 1
\$225,000,000	\$45,000,000	\$46,000,000	5.00 to 1
\$250,000,000	\$50,000,000	\$51,000,000	5.00 to 1
\$275,000,000	\$55,000,000	\$56,000,000	5.00 to 1
\$300,000,000	\$60,000,000	\$61,000,000	5.00 to 1
\$325,000,000	\$65,000,000	\$66,000,000	5.00 to 1
\$350,000,000	\$70,000,000	\$71,000,000	5.00 to 1
\$375,000,000	\$75,000,000	\$76,000,000	5.00 to 1
\$400,000,000	\$80,000,000	\$81,000,000	5.00 to 1
\$425,000,000	\$85,000,000	\$86,000,000	5.00 to 1
\$450,000,000	\$90,000,000	\$91,000,000	5.00 to 1
\$475,000,000	\$95,000,000	\$96,000,000	5.00 to 1
\$500,000,000	\$100,000,000	\$101,000,000	5.00 to 1
\$525,000,000	\$105,000,000	\$106,000,000	5.00 to 1
\$550,000,000	\$110,000,000	\$111,000,000	5.00 to 1
\$575,000,000	\$115,000,000	\$116,000,000	5.00 to 1
\$580,000,000	\$120,000,000	\$121,000,000	5.00 to 1

“Eligible Assignee” means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the “OECD”), or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000, provided, however, that such bank is acting through a branch or agency located in the United States; and (c) a Person that is primarily engaged in the business of commercial lending and that is (i) a Subsidiary of a Bank (or bank referred to in the preceding clauses (a) or (b)), (ii) a Subsidiary of a Person of which a Bank (or bank referred to in the preceding clauses (a) or (b)) is a Subsidiary, or (iii) a Person of which a Bank (or bank referred to in the preceding clauses (a) or (b)) is a Subsidiary.

“Expiration Date” means the earliest to occur of:

- (a) March 31, 2009; or
- (b) the date demand for payment is made by the Administrative Agent; or
- (c) the date an Event of Default occurs.

“Indebtedness” of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all obligations with respect to capital leases; (g) all obligations with respect to swap contract and physical trade contracts (including, for the avoidance of doubt, all SPT Contracts); (h) all indebtedness referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise,

to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness; and (i) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above.

“Loan Documents” means this Agreement, the Notes, the Guaranty, the Security Agreements, the L/C-Related Documents, SPT Contracts, the Three Party Agreement, the Atmos Support Agreement, the Intercreditor Agreement and all other documents delivered to the Administrative Agent or any Bank in connection herewith.

“Maturity Date” means June 30, 2009.

“Obligations” means all advances, debts, liabilities, obligations, covenants and duties arising under (a) any Loan Document, owing by the Borrower to any Bank, or any affiliate of any Bank, Agents, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising, including, without limitation, all obligations of the Borrower under Revolving Loans and with respect to Letters of Credit, (b) any Swap Contract, and (c) any Physical Trade Contract.

“Swap Banks” means each of (a) Fortis Capital Corp., BNP Paribas, Société Générale, The Royal Bank of Scotland plc, and NATIXIS, acting through its New York Branch, or their respective Affiliates, and (b) any other Bank or any Affiliate thereof approved by the Required Banks, in the case of each of the foregoing clauses, in its capacity as a party to a Swap Contract, to the extent that such Bank, or its Affiliate (as the case may be) signs and becomes a party to the Intercreditor Agreement prior to entering into such Swap Contract.

“Swap Contract” means any agreement entered between a Swap Bank and the Borrower, whether or not in writing, relating to any single transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, currency option or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and, unless the context clearly requires, any master agreement relating to or governing any or all of the foregoing.

3. Amendment to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby further amended by deleting the definitions of “Assets from Risk Management Activities,” “Cumulative Loss,” and “Liabilities from Risk Management Activities” in their respective entirety.

4. Amendment to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby further amended by adding the following new terms: “Adjusted Uncommitted Line Portion,” “Cross-Affiliate Creditor,” “Cross-Affiliate Debtor,” “Cross-Affiliate Netting Liens,” “Cross-Affiliate Pair,” “Intercreditor Agreement,” “Physical Trade

Bank," "Physical Trade Bank Close-Out Amount," "Physical Trade Contract," "Physical Trade Delivery-Related Standby Letter of Credit," "Physical Trade-Related Standby Letter of Credit," "Sharing Event," "SPT Activity Report," "SPT Bank," "SPT Bank Close Out Amount," "SPT Contract," "SPT-Related Standby Letter of Credit," "Swap Bank Close-Out Amount," "Unilateral Overage Advance," "Unilateral Overage Pro Rata Share," "Unilateral Physical Trade Bank Overage Advance" and "Unilateral Swap Bank Overage Advance" in the appropriate alphabetical order and as defined below:

"Adjusted Uncommitted Line Portion" has the meaning ascribed to it in Section 2.14.

"Cross-Affiliate Creditor" means as of any date of determination, with respect to any Cross-Affiliate Pair, each entity, if any, with a positive Swap Bank Close-Out Amount or Physical Trade Bank Close-Out Amount, as applicable. For the avoidance of doubt as of any date of determination (i) both entities comprising a Cross-Affiliate Pair might qualify as Cross-Affiliate Creditors, and (ii) a Cross-Affiliate Creditor is an entity that is owed money by Borrower under a SPT Contract (or would be owed money by the Borrower if its SPT Contracts were terminated as of such date of determination).

"Cross-Affiliate Debtor" means as of any date of determination, with respect to any Cross-Affiliate Pair, each entity, if any, with a negative Swap Bank Close-Out Amount or Physical Trade Bank Close-Out Amount, as applicable. For the avoidance of doubt as of any date of determination (i) both entities comprising a Cross-Affiliate Pair may qualify as Cross-Affiliate Debtors and (ii) a Cross-Affiliate Debtor is an entity that owes money to the Borrower under a SPT Contract (or would owe money to the Borrower if its SPT Contracts were terminated as of such date of determination).

"Cross-Affiliate Netting Lien" means any pledge by the Borrower securing only obligations under a SPT Contract in favor of a Cross-Affiliate Creditor of general intangibles or receivables due from the affiliated Cross-Affiliate Debtor to the Borrower under a Swap Contract or Physical Trade Contract (as the case may be) to the extent such contract (which in the case of master agreements, shall refer to date of the applicable "confirmation" thereunder) was entered into prior to the Bank affiliated with the Cross-Affiliate Pair becoming a Declining Bank hereunder. For the avoidance of doubt, a Cross-Affiliate Netting Lien will be available only where one Cross-Affiliate Pair entity is a Cross-Affiliate Creditor and the other entity is a Cross-Affiliate Debtor.

"Cross-Affiliate Pair" means (i) any Swap Bank that is an Affiliate of a Physical Trade Bank and (ii) any Physical Trade Bank that is an Affiliate of a Swap Bank, in each case, so long as the affiliated Swap Bank and Physical Trade Bank are separate legal entities.

"Intercreditor Agreement" means the Intercreditor Agreement dated on or about the Fourth Amendment Effective Date, among the Agent, the Banks, the Swap Banks and the Physical Trade Banks relating to, among other things, the sharing of Collateral with and among the Swap Banks and Physical Trade Banks upon the occurrence of a Sharing Event.

“Physical Trade Bank” means each of (a) Fortis Capital Corp., BNP Paribas, Société Générale, and The Royal Bank of Scotland plc, or their respective Affiliates, and (b) any other Bank or any Affiliate thereof approved by the Required Banks, in the case of each of the foregoing clauses, in its capacity as a party to a Physical Trade Contract, to the extent that such Bank, or its Affiliate (as the case may be) signs and becomes a party to the Intercreditor Agreement prior to entering into such Physical Trade Contract.

“Physical Trade Bank Close-Out Amount” has the meaning ascribed to such term in the Intercreditor Agreement.

“Physical Trade Contract” means any agreement entered between a Physical Trade Bank and the Borrower, whether or not in writing, relating to any single transaction 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, unless the context clearly requires, any master agreement relating to or governing any or all of the foregoing.

“Physical Trade Delivery-Related Standby Letter of Credit” means any Physical Trade-Related Standby Letter of Credit issued to support payment obligations of the Borrower owed or to become due to a Physical Trade Bank for natural gas that has been delivered or will be delivered to the Borrower by such Physical Trade Bank.

“Physical Trade-Related Standby Letter of Credit” means any Letter of Credit issued under the Letter of Credit Facility to support obligations of the Borrower under a Physical Trade Contract.

“Sharing Event” has the meaning ascribed to such term in the Intercreditor Agreement.

“SPT Activity Report” means a report detailing all SPT Close-Out Amounts and the SPT Activity Utilization Ratio (as defined therein) to be used for monitoring the availability of SPT-Related Letters of Credit and compliance with the covenant set forth in Section 8.16, which report shall be substantially in the form attached hereto as Exhibit J.

“SPT Bank” means each Swap Bank and each Physical Trade Bank.

“SPT Bank Close-Out Amounts” has the meaning ascribed to such term in the Intercreditor Agreement.

“SPT Contract” means each Swap Contract and each Physical Trade Contract.

“SPT-Related Standby Letter of Credit” means any Letter of Credit issued under the Letter of Credit Facility to support obligations of the Borrower under (i) any SPT Contract or (ii) any other swap contract or physical trade contract.

“Swap Bank Close-Out Amount” has the meaning ascribed to such term in the Intercreditor Agreement.

“Unilateral Overage Advance” means (i) any Unilateral Swap Bank Overage Advance, and (ii) any Unilateral Physical Trade Bank Overage Advance.

“Unilateral Overage Pro Rata Share” means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s (i) aggregate Unilateral Overage Advances *plus* all interest due thereon, *divided by* (ii) the combined total Unilateral Overage Advances of all Banks *plus* all interest due thereon.

“Unilateral Physical Trade Bank Overage Advance” has the meaning ascribed to such term in Section 2.01(c) hereof.

“Unilateral Swap Bank Overage Advance” has the meaning ascribed to such term in Section 2.01(b) hereof.

5. Amendment to Section 2.01 of the Credit Agreement. (a) Section 2.01(b) is hereby amended by deleting the existing Section 2.01(b) in its entirety and inserting in lieu thereof the following:

(b) *Advances Related to the Swap Contracts*. In addition to advances requested from time to time by the Borrower, in the event that any amounts owing to any Swap Bank or any of its Affiliates under any Swap Contract are not paid within two (2) Business Days after such obligation becomes due thereunder (whether at a scheduled date, by acceleration, early termination, on demand, or otherwise) then such Swap Bank shall notify the Administrative Agent of such failure to pay and the Administrative Agent (without the necessity of any instructions or request from the Borrower) shall, during the period from the Closing Date until the Expiration Date, make a Revolving Loan in accordance with the provisions of Section 2.03 of this Agreement under the Borrowing Base Line but only to the extent approved (after notice from the Administrative Agent that the requested advance is to be made to cover obligations of the Borrower under a Swap Contract) and funded in accordance with the procedures set forth in such Section 2.03 by each Bank with respect to its Pro Rata Share (or to the extent that a Conversion to Reduced Funding Banks Date has occurred as of such date, the then Approving Banks with respect to their respective Pro Rata Shares), or, with respect to any amount in excess of the Borrowing Base Advance Cap (measured against the then-outstanding amount of Borrower Obligations hereunder (which, for the avoidance of doubt shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the then-current Unilateral Swap Bank Overage Advance made pursuant to this Section 2.01(b), if any)), pursuant to a Unilateral Swap Bank Overage Advance as set forth in this Section 2.01(b) but only to the extent approved and funded in accordance with the procedures set forth in Section 2.03 by the applicable Swap Bank or if such Swap Bank is not itself a Bank hereunder, its Bank Affiliate hereunder for any amounts due by the Borrower to such Swap Bank or any of its Affiliates under any Swap Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), and then apply the proceeds of such advance to pay to such Swap Bank or any of its Affiliates all amounts owed to such Person under such Swap Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith). Upon making any such advance as provided above, the Administrative Agent shall send notice of such advance to the Borrower and the Banks. Any such advance shall initially be a Base Rate Loan. In the event that after giving effect to any such advance made to fund such Swap Bank or any of its Affiliates, the then-outstanding amount of the Borrower Obligations hereunder (which, for the avoidance of doubt shall include

all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the Unilateral Swap Bank Overage Advance resulting from such advance, if any) would exceed the Borrowing Base Advance Cap, the Banks shall have no duty to fund their pro rata share of any excess resulting from such advance made to repay amounts owing to such Swap Bank or any of its Affiliates under any Swap Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), but such Swap Bank's (or if such Swap Bank is not itself a Bank hereunder, its Bank Affiliate's) outstandings hereunder shall be deemed to be increased by the amount of such excess funded by such Swap Bank (or if such Swap Bank is not itself a Bank, its Bank Affiliate hereunder) as provided above in accordance with Section 2.03 (any such increase, a "Unilateral Swap Bank Overage Advance"). With respect to any Unilateral Swap Bank Overage Advance, the Borrower shall pay to the Administrative Agent, for the benefit of the applicable Swap Bank (or its Bank Affiliate hereunder), the amount of such Unilateral Swap Bank Overage Advance, together with interest thereon, within one (1) Business Day after the date of such advance and, notwithstanding anything to the contrary herein, no other Bank shall share in the payment of such Unilateral Swap Bank Overage Advance."

(b) Section 2.01 is hereby amended by adding the following new Section 2.01(c) in the appropriate alphabetical order:

(c) Advances Related to the Physical Trade Contracts. In addition to advances requested from time to time by the Borrower, in the event that any amounts owing to any Physical Trade Bank or any of its Affiliates under any Physical Trade Contract are not paid within two (2) Business Days after such obligation becomes due thereunder (whether at a scheduled date, by acceleration, early termination, on demand, or otherwise) then such Physical Trade Bank shall notify the Administrative Agent of such failure to pay and the Administrative Agent (without the necessity of any instructions or request from the Borrower) shall, during the period from the Closing Date until the Expiration Date, make a Revolving Loan in accordance with the provisions of Section 2.03 of this Agreement under the Borrowing Base Line but only to the extent approved (after notice from the Administrative Agent that the requested advance is to be made to cover obligations of the Borrower under a Physical Trade Contract) and funded in accordance with the procedures set forth in such Section 2.03 by each Bank with respect to its Pro Rata Share (or to the extent that a Conversion to Reduced Funding Banks Date has occurred as of such date, the then Approving Banks with respect to their respective Pro Rata Shares), or, with respect to any amount in excess of the Borrowing Base Advance Cap (measured against the then-outstanding amount of Borrower Obligations hereunder (which, for the avoidance of doubt shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the then-current Unilateral Physical Trade Bank Overage Advance made pursuant to this Section 2.01(c), if any)), pursuant to a Unilateral Physical Trade Bank Overage Advance as set forth in this Section 2.01(c) but only to the extent approved and funded in accordance with the procedures set forth in Section 2.03 by the applicable Physical Trade Bank or if such Physical Trade Bank is not itself a Bank hereunder, its Bank Affiliate hereunder for any amounts due by the Borrower to such Physical Trade Bank or any of its Affiliates under any Physical Trade Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), and then apply the proceeds of such advance to pay to such Physical Trade Bank or any of its Affiliates all amounts owed to such Person under such Physical Trade Contract (including, without

limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith). Upon making any such advance as provided above, the Administrative Agent shall send notice of such advance to the Borrower and the Banks. Any such advance shall initially be a Base Rate Loan. In the event that after giving effect to any such advance made to fund such Physical Trade Bank or any of its Affiliates, the then-outstanding amount of the Borrower Obligations hereunder (which, for the avoidance of doubt shall include all then-outstanding Unilateral Overage Advance amounts of any Bank and shall exclude the amount of the Unilateral Physical Trade Bank Overage Advance resulting from such advance, if any) would exceed the Borrowing Base Advance Cap, the Banks shall have no duty to fund their pro rata share of any excess resulting from such advance made to repay amounts owing to such Physical Trade Bank or any of its Affiliates under any Physical Trade Contract (including, without limitation, any amounts required to be deposited as cash collateral by the Borrower in connection therewith), but such Physical Trade Bank's (or if such Physical Trade Bank is not itself a Bank hereunder, its Bank Affiliate's) outstandings hereunder shall be deemed to be increased by the amount of such excess funded by such Physical Trade Bank (or if such Physical Trade Bank is not itself a Bank, its Bank Affiliate hereunder) as provided above in accordance with Section 2.03 (any such increase, a "Unilateral Physical Trade Bank Overage Advance"). With respect to any Unilateral Physical Trade Bank Overage Advance, the Borrower shall pay to the Administrative Agent, for the benefit of the applicable Physical Trade Bank (or its Bank Affiliate hereunder), the amount of such Unilateral Physical Trade Bank Overage Advance, together with interest thereon, within one (1) Business Day after the date of such advance and, notwithstanding anything to the contrary herein, no other Bank shall share in the payment of such Unilateral Physical Trade Bank Overage Advance.

THE BORROWER ACKNOWLEDGES AND AGREES THAT THE BANKS HAVE ABSOLUTELY NO DUTY TO FUND ANY REVOLVING LOAN REQUESTED BY THE BORROWER BUT WILL EVALUATE EACH LOAN REQUEST AND IN EACH BANK'S ABSOLUTE AND SOLE DISCRETION WILL DECIDE WHETHER TO FUND SUCH LOAN REQUEST. THE BORROWER FURTHER ACKNOWLEDGES AND AGREES THAT THE SWAP BANKS HAVE ABSOLUTELY NO DUTY TO ENTER INTO ANY SWAP CONTRACT, AND THE ENTERING INTO OF ANY SWAP CONTRACT SHALL BE AT THE ABSOLUTE AND SOLE DISCRETION OF THE SWAP BANKS. THE BORROWER FURTHER ACKNOWLEDGES AND AGREES THAT THE PHYSICAL TRADE BANKS HAVE ABSOLUTELY NO DUTY TO ENTER INTO ANY PHYSICAL TRADE CONTRACT, AND THE ENTERING INTO OF ANY PHYSICAL TRADE CONTRACT SHALL BE AT THE ABSOLUTE AND SOLE DISCRETION OF THE PHYSICAL TRADE BANKS."

6. Amendment to Section 2.07 of the Credit Agreement. Section 2.07 is hereby amended by deleting the existing Section 2.07 in its entirety and inserting in lieu thereof the following:

"2.07 Repayment. The Borrower shall repay the principal amount of each Revolving Loan to the Administrative Agent on behalf of the Banks, on the Advance Maturity Date for such Loan. All amounts owing a Swap Bank under any Swap Contract, to the extent such amounts have not been repaid from the proceeds of a

Revolving Loan pursuant to Section 2.01(b) hereof, shall be paid on demand, or if no demand is made, on the first (1st) Business Day after the Borrower receives notice that such amount was advanced by or becomes owing to a Swap Bank. All amounts owing a Physical Trade Bank under any Physical Trade Contract, to the extent such amounts have not been repaid from the proceeds of a Revolving Loan pursuant to Section 2.01(c) hereof, shall be paid on demand, or if no demand is made, on the first (1st) Business Day after the Borrower receives notice that such amount was advanced by or becomes owing to a Physical Trade Bank.”

7. Amendment to Section 2.08(a) of Credit Agreement. Section 2.08(a) is hereby amended by deleting the existing Section 2.08(a) in its entirety and inserting in lieu thereof the following:

“(a) Each Revolving Loan (except for a Revolving Loan made as a result of a drawing under a Letter of Credit or a Reducing L/C Borrowing) shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a floating rate per annum equal to the Base Rate plus the Applicable Margin at all times such Loan is a Base Rate Loan or at the Offshore Rate plus the Applicable Margin at all times such Loan is an Offshore Rate Loan. Each Revolving Loan made as a result of a drawing under a Letter of Credit or a Reducing L/C Borrowing and all amounts owing with respect to any Bank with respect to any Unilateral Overage Advance shall bear interest on the outstanding principal amount thereof from the date funded at a floating rate per annum equal to the Base Rate plus the Applicable Margin until such Loan or other amounts owing to a Bank with respect to a Unilateral Overage Advance has been outstanding for more than two (2) Business Days and, thereafter, shall bear interest on the outstanding principal amount thereof at a floating rate per annum equal to the Base Rate, plus three percent (3.0%) per annum (the “Default Rate”).”

8. Amendment to Section 2.11(a) of the Credit Agreement. Section 2.11(a) is hereby amended by deleting the existing Section 2.11(a) in its entirety and inserting in lieu thereof the following:

“(a) All payments to be made by the Borrower shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Borrower in respect of Obligations hereunder, shall be made to the Administrative Agent for the account of the Banks at the Administrative Agent’s Payment Office, and shall be made in dollars and in immediately available funds, no later than 1:00 p.m. (New York City time) on the date specified herein. For any payment received by the Administrative Agent from or on behalf of the Borrower in respect of Obligations that are then due and payable (unless such payment is being made pursuant to Section 2.05) prior to the occurrence of a Sharing Event, the Administrative Agent will promptly distribute such payment in like funds as received as follows: first, to each Bank, its Pro Rata Share; and second, to each Bank, its Unilateral Overage Pro Rata Share, provided, however, that any payment received solely with respect to any Unilateral Overage Advance within one (1) Business Day of such advance in accordance with Sections 2.01(b) or (c) hereof, as applicable, shall be distributed to each Bank according to its Unilateral Overage Pro Rata Share.

For any payment received from or on behalf of the Borrower by the Administrative Agent on or after the occurrence of a Sharing Event, the Administrative Agent will promptly distribute such payment in accordance with Section 2.01 of the Intercreditor Agreement. Any payment received by the Administrative Agent later than 1:00 p.m. (New York City time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue. If and to the extent the Borrower makes a payment in full to the Administrative Agent no later than 1:00 p.m. (New York City time) on any Business Day and the Administrative Agent does not distribute to each Bank its Pro Rata Share of such payment in like funds as received on the same Business Day, the Administrative Agent shall pay to each Bank on demand interest on such amount as should have been distributed to such Bank at the Federal Funds Rate for each day from the date such payment was received until the date such amount is distributed.”

9. Amendment to Section 2.13 of the Credit Agreement. Section 2.13 is hereby amended by deleting the existing Section 2.13 in its entirety and inserting in lieu thereof the following:

“2.13 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein (or, after the occurrence of a Sharing Event, as provided in the Intercreditor Agreement), any Bank shall obtain on account of the Loans (or other Obligations referenced in clause (a) of the definition of such term) made or undertaken by such Bank any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share such Bank shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Banks such participations in the Loans (or other Obligations referenced in clause (a) of the definition of such term) made or undertaken by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank’s ratable share (according to the proportion of (i) the amount of such paying Bank’s required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.09) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.”

10. Amendment to Section 2.14 of the Credit Agreement. Section 2.14 is hereby amended by deleting it in its entirety and substituting the following new Section 2.14 in lieu thereof:

“Section 2.14. The Election of Approving Banks to Continue Funding.

(a) Notice of Disapproval . If on any Business Day one or more Banks (the “ Declining Bank ” or “ Declining Banks ”) provides the Administrative Agent with, and the Administrative Agent has actually received, a written notice in the form of Exhibit H of its disapproval, for reasons other than a Default, of further advances and issuances of Letters of Credit, and the other Bank or Banks approve further Revolving Loans (including the conversion and extension of such Revolving Loans) or the further issuances of, extensions of, the automatic renewal of or amendment to Letters of Credit, the Administrative Agent shall notify the Banks by 6:00 p.m. (New York City time) that same day.

(b) Further Credit Extensions . If the Bank or Banks which are not the Declining Banks desire, they may (on a pro rata basis, based on the Uncommitted Line Portion of all Banks that have elected to continue funding, as adjusted after such Conversion to Reduced Funding Banks Date (the “ Adjusted Uncommitted Line Portion ”), after which such date the Uncommitted Line Portion of all Declining Banks shall be reduced to zero) make the full or partial amount of such requested Revolving Loan or issue or amend the requested Letter of Credit irrespective of the Declining Banks’ disapproval (in such case, the Banks that elect to continue funding shall be referred to as the “ Approving Banks ” in respect of such Conversion to Reduced Funding Banks Date) but not in an aggregate amount that would exceed such Bank’s Adjusted Uncommitted Line Portion unless agreed in writing by such Bank. In such event, from each such date (each, a “ Conversion to Reduced Funding Banks Date ”) forward (or until the next Conversion to Reduced Funding Banks Date, if any, at which time one or more Banks that had been Approving Banks may become a Declining Bank), all subsequent Revolving Loans and Issuances of Letters of Credit or amendments to Letters of Credit that increase the face amount of a Letter of Credit (subject to Section 11.01) or extend the term of a Letter of Credit shall be made or issued and participated in unilaterally by the Approving Banks in respect of such Conversion to Reduced Funding Banks Date and no Letter of Credit thereafter Issued or amended to increase the amount or extended shall be participated in by the Declining Banks in respect of such Conversion to Reduced Funding Banks Date.

(c) Swap Banks . A Bank that becomes a Declining Bank shall not (nor shall its Affiliates) be considered a Swap Bank with respect to Swap Contracts (which, in the case of master agreements, shall refer to the date of the applicable “confirmation” thereunder) executed after it has become a Declining Bank. Accordingly, if a Swap Bank should execute a Swap Contract with the Borrower after it or its Affiliate has become a Declining Bank, the Borrower’s obligations under such Swap Contract shall not be secured by the Collateral hereunder, and the Declining Bank shall not be entitled to any sharing of amounts pursuant to the Intercreditor Agreement with respect to such Swap Contracts executed after it has become a Declining Bank. For the avoidance of doubt, the Borrower’s then-existing obligations under any Swap Contract entered with such Swap Bank prior to such Swap Bank’s Affiliate becoming a Declining Bank shall remain secured by the Collateral as provided in the Intercreditor Agreement to the extent that such obligations are not subsequently amended, supplemented or otherwise modified.

(d) Physical Trade Banks. A Bank that becomes a Declining Bank shall not (nor shall its Affiliates) be considered a Physical Trade Bank with respect to Physical Trade Contracts (which, in the case of master agreements, shall refer to the date of the applicable "confirmation" thereunder) executed after it has become a Declining Bank. Accordingly, if a Physical Trade Bank should execute a Physical Trade Contract with the Borrower after it or its Affiliate has become a Declining Bank, the Borrower's obligations under such Physical Trade Contract shall not be secured by the Collateral hereunder, and the Declining Bank shall not be entitled to any sharing of amounts pursuant to the Intercreditor Agreement with respect to such Physical Trade Contracts executed after it has become a Declining Bank. For the avoidance of doubt, the Borrower's then-existing obligations under any Physical Trade Contract entered with such Physical Trade Bank prior to such Physical Trade Bank's Affiliate becoming a Declining Bank shall remain secured by the Collateral as provided in the Intercreditor Agreement, to the extent that such obligations are not subsequently amended, supplemented or otherwise modified.

(e) Repayments. Until all Declining Banks are fully repaid, repayments (including realizations from Collateral) shall be applied as follows:

(i) For purposes of allocating repayments prior to the occurrence of a Sharing Event, the Pro Rata Share of each Bank with respect to Loans and Letters of Credit outstanding on a specified Conversion to Reduced Funding Banks Date shall remain fixed at the percentage held by such Bank the day before such specified Conversion to Reduced Funding Banks Date, without respect to any changes which may subsequently occur in such Bank's Pro Rata Share (prior to the next Conversion to Reduced Funding Banks Date) until such time, if any, that all Declining Banks are fully repaid. Upon the occurrence of the first Conversion to Reduced Funding Banks Date and thereafter, repayments of all outstanding Loans shall be applied to the Loans with the earliest advance date, notwithstanding the tenor of the Loans.

(ii) Following the occurrence of a Sharing Event and thereafter, repayments shall be allocated according to Section 2.01 of the Intercreditor Agreement."

11. Amendment to Section 2.15 of the Credit Agreement. Section 2.15 is hereby amended by deleting it in its entirety and substituting the following new Section 2.15 in lieu thereof:

"2.15 Payments from Guarantor and Liquidation of Collateral. So long as no Sharing Event has occurred and notwithstanding anything to the contrary contained herein, in the event repayment is made to the Banks with respect to the Obligations of the Borrower (or any Affiliate thereof) hereunder by Guarantor or pursuant to a liquidation of Collateral, such repayment shall be shared by the Banks as provided in Section 2.11(a) hereof and upon the occurrence of a Sharing Event, such repayment shall be shared by the Banks in accordance with the Intercreditor Agreement."

12. Amendment to Section 3.01 of the Credit Agreement. (a) Section 3.01(a) is hereby amended by deleting the fourth sentence therein, which begins "No Swap-Related Standby Letter of Credit shall be issued if" in its entirety and inserting in lieu thereof the following new sentence:

"No SPT-Related Standby Letter of Credit shall be Issued if, after giving effect to such Issuance, the outstanding amounts of all SPT-Related Standby Letters of Credit (excluding all Physical Trade Delivery-Related Standby Letters of Credit) *plus* the aggregate SPT Bank Close-Out Amounts of all SPT Banks *plus* the aggregate outstanding Unilateral Overage Advances of all Banks would exceed \$50,000,000."

(b) Section 3.01(b)(iii) is hereby amended by deleting it in its entirety and inserting in lieu thereof the following new Section 3.01(b)(iii) in lieu thereof:

"(iii) the expiry date of any requested Letter of Credit is after the earlier to occur of (A) 90 days after the date of Issuance of such Letter of Credit or solely in the case of any 360-Day Letter of Credit, 360 days after the date of Issuance of such 360-Day Letter of Credit or (B) the Maturity Date, or, solely in the case of a 360-Day Letter of Credit, the 360-Day L/C Maturity Date, unless all the Banks have approved such expiry date in writing, but any SPT-Related Standby Letter of Credit may by its terms be renewable for successive 90-day periods unless a notice that the applicable Issuing Bank declines to renew such Letter of Credit is given to the applicable Issuing Bank and the Administrative Agent on or prior to any date for notice of non-renewal to the beneficiary set forth in such SPT-Related Standby Letter of Credit, but in any event at least five Business Days prior to the date of the notice of non-renewal of such SPT-Related Standby Letter of Credit, any such automatic renewal of a Letter of Credit being subject to the fulfillment of the applicable conditions set forth in Article V; provided that the terms of each of the SPT-Related Standby Letters of Credit that is automatically renewable (1) shall require the applicable Issuing Bank to give the beneficiary of such SPT-Related Standby Letter of Credit notice of any non-renewal prior to the expiry date, (2) shall permit such beneficiary, upon receipt of such notice, to draw under such SPT-Related Standby Letter of Credit prior to the expiry date of the SPT-Related Standby Letter of Credit, and (3) shall not permit the expiry date (after giving effect to any renewal) of such SPT-Related Standby Letter of Credit in any event to be extended to a date that is later than the Maturity Date. If a notice of non-renewal is given by the applicable Issuing Bank pursuant to the immediately preceding sentence, the related SPT-Related Standby Letter of Credit shall expire on its expiry date;"

13. Amendment to Section 3.02 of the Credit Agreement. (a) Section 3.02 is hereby amended by replacing each reference to "Swap-Related Standby Letter of Credit" with the new term, "SPT-Related Standby Letter of Credit".

(b) Section 3.02(a)(ii) is hereby further amended by adding, immediately after the first reference to "SPT-Related Standby Letter of Credit" appearing in such clause (ii) and immediately before the existing language "or other standby letter of credit" in such clause (ii), the following new language " , Physical Trade Delivery-Related Standby Letter of Credit".

14. Amendment to Section 7.02 of the Credit Agreement. Section 7.02 is hereby amended by deleting the word "and" as it appears at the end of subsection 7.02(d); by deleting "." at the end of subsection 7.02(e) and adding in lieu thereof, "; and"; and by adding the following new subsection as 7.02(f):

"(f) a SPT Activity Report executed by a Responsible Officer of the Borrower as of 15th day of each month and as of the last Business Day of each month, in each case delivered within ten (10) days of such reporting date; provided that if any such SPT Activity Report evidences that the Borrower has a "SPT Activity Utilization Ratio" (as defined therein) of 90% or more, then the Borrower shall provide additional SPT Activity Reports on the 7th day and the 22nd day of each month, in each case delivered within seven (7) days of such reporting date, until such time as the last delivered SPT Activity Report evidences a "SPT Activity Utilization Ratio" of 80% or less."

15. Amendment to Section 7.15 of the Credit Agreement. Section 7.15 is hereby amended by deleting it in its entirety and substituting the following new Section 7.15 in lieu thereof:

"The Borrower will, at all times, maintain, with respect to the elected Borrowing Base Sub-Cap for such time, (a) Net Working Capital and Tangible Net Worth, each at a level not less than the minimum threshold set forth opposite such applicable Borrowing Base Sub-Cap under the heading "Minimum Net Working Capital" and "Minimum Tangible Net Worth", as applicable, under the definition of Borrowing Base Sub-Cap, and (b) the Ratio of Total Liabilities to Tangible Net Worth, at a level not more than the maximum threshold set forth opposite such applicable Borrowing Base Sub-Cap under the heading "Maximum Ratio at Total Liabilities to Tangible Net Worth" under the definition of "Borrowing Base Sub-Cap".

16. Amendment to Article VII of the Credit Agreement. Article VII is hereby amended by adding the following new Sections 7.16 and 7.17 in the appropriate numerical order:

7.16 Swap Contracts. The Borrower shall promptly notify the Administrative Agent of the "early termination," or its equivalent, of any Swap Contract and the Administrative Agent shall promptly notify the Banks of the same.

7.17 Physical Trade Contracts. The Borrower shall promptly notify the Administrative Agent of the "early termination," or its equivalent, of any Physical Trade Contract and the Administrative Agent shall promptly notify the Banks of the same."

17. Amendment to Section 8.01 of the Credit Agreement. Section 8.01 is hereby amended by deleting the "and" at the end of clause (j); by deleting "." at the end of clause (k) and inserting ";" in lieu thereof; by deleting "." at the end of clause (l) and inserting "; and" in lieu thereof; and by adding the following new clause (m) at the end of Section 8.01:

"(m) Cross-Affiliate Netting Liens."

18. Amendment to Section 8.06 of the Credit Agreement. Section 8.06(b) of the Credit Agreement is hereby amended by deleting such subsection in its entirety and inserting in lieu thereof the following new language:

“(b) swap contracts (including for the avoidance of doubt, any Swap Contract) entered into in the ordinary course of business as bona fide hedging transactions and physical trade contracts (including for the avoidance of doubt, any Physical Trade Contract) entered into in the ordinary course of business; and”

19. Amendment to Section 8.16 of the Credit Agreement. Section 8.16 is hereby amended by deleting the existing section in its entirety and inserting in lieu thereof the following new language:

“8.16 SPT-Related Standby Letters of Credit. The Borrower shall not permit outstanding SPT-Related Standby Letters of Credit (excluding all Physical Trade Delivery-Related Standby Letters of Credit) *plus* the aggregate SPT Bank Close-Out Amounts of all SPT Banks *plus* the aggregate outstanding Unilateral Overage Advances of all Banks to exceed \$50,000,000.”

20. Amendment to Article IX of the Credit Agreement. Article IX is hereby amended by adding the following new Section 9.04 in the appropriate numerical order:

“9.04 Application of Payments. Except as expressly provided in this Agreement, from and after the date of the occurrence of any Sharing Event, all amounts thereafter received or recovered under this Agreement or any other Loan Document whether as a result of a payment by the Borrower, the exercise of remedies by the Administrative Agent under any of the Loan Documents, liquidation of collateral or otherwise, shall be applied according to Section 2.01 of the Intercreditor Agreement.”

21. Amendment to Section 11.01 of the Credit Agreement. Section 11.01 is hereby amended by inserting the immediately after the language “(iii) amend, modify or waive any provision of Section 10 without the written consent of the Agents” and immediately before the phrase “ provided, further ” the following language:

“; or (iv) amend, modify or waive any provision contained in Sections 7.16, 7.17, 8.16, 9.04 or 11.21 or any other Section of this Agreement which amendment, modification or waiver would affect the rights and duties of the Swap Banks or Physical Trade Banks hereunder, unless in writing and signed by the Administrative Agent and each Bank that is a Swap Bank or Physical Trade Bank at the time of such amendment, waiver or consent,”

22. Amendment to Section 11.21 of the Credit Agreement. Section 11.21 is hereby amended by deleting the existing section in its entirety and inserting in lieu thereof the following new language:

“11.21 Joinder. From and after the Closing Date, each financial institution, acceptable to the Agents and the Borrower, that executes and delivers an Uncommitted

Line Portion Addendum, substantially in the form of Schedule 11.21 (an “Uncommitted Line Portion Addendum”), shall become a party to the Credit Agreement and the Intercreditor Agreement and have the rights and obligations of a Bank hereunder and under the other Loan Documents and shall be bound by the other provisions hereof and thereof.”

23. Amendment to the Recitals to the Credit Agreement. The second recital of the Credit Agreement is hereby amended by inserting “and physical trade” immediately after the phrase “to secure swap” and immediately before the word “counterparties” and also immediately after the phrase “for out-of-the-money swap” and immediately before the word “obligations”.

24. Amendment to Schedule 2.01 of the Credit Agreement. Schedule 2.01 is hereby amended by inserting the language “AND PHYSICAL TRADE CONTRACTS” immediately after the language “(EXCLUDING SWAP CONTRACTS)” and immediately before the punctuation “)”.

25. Amendment to Exhibit A to the Credit Agreement. Exhibit A to the Credit Agreement is hereby amended by deleting the Form of Notice of Borrowing in its entirety and substituting the new Exhibit A, substantially in the form of Exhibit E hereof.

26. Amendment to Exhibit E to the Credit Agreement. Exhibit E is hereby amended by deleting the Borrowing Base Collateral Position Report in its entirety and substituting the new Exhibit E, substantially in the form of Exhibit C hereof.

27. Amendment to Exhibit G to the Credit Agreement. Exhibit G is hereby amended by deleting the reference to “Banks (hereinafter defined)” as it appears in the preamble thereto, and inserting in lieu thereof the following “Secured Parties (as defined in the Credit Agreement (hereinafter defined))”.

28. Addition of Exhibit J to Credit Agreement. The Credit Agreement is hereby amended by adding new Exhibit J as the SPT Activity Report substantially in the form of Exhibit D hereof.

29. Representations. To induce the Administrative Agent and the Banks to enter into this Amendment, the Borrower ratifies and confirms each representation and warranty set forth in the Credit Agreement as if such representations and warranties were made on even date herewith, and further represents and warrants that (a) no material adverse change has occurred in the financial condition or business prospects of the Borrower since the date of the last financial statements delivered to the Administrative Agent and the Banks, (b) no Default or Event of Default has occurred and is continuing, and (c) the Borrower is fully authorized to enter into this Amendment. **THE BORROWER ACKNOWLEDGES THAT THE CREDIT AGREEMENT PROVIDES FOR A CREDIT FACILITY THAT IS COMPLETELY OPTIONAL ON THE PART OF THE BANKS AND THAT THE BANKS HAVE ABSOLUTELY NO DUTY OR OBLIGATION TO ADVANCE ANY REVOLVING LOAN OR TO ISSUE ANY LETTER OF CREDIT. BORROWER REPRESENTS AND WARRANTS TO THE BANKS THAT BORROWER IS AWARE OF THE RISKS ASSOCIATED WITH CONDUCTING BUSINESS UTILIZING AN UNCOMMITTED FACILITY.**

30. Tier I Account Parties. The Required Banks hereby agree that the Physical Trade Banks shall be deemed to be Tier I Account Parties for purposes of this Credit Agreement.

31. Conditions Precedent. This Amendment shall become effective on the first date (the “Fourth Amendment Effective Date”) on which each of the following conditions precedent shall have been satisfied:

(a) Fees and Expenses. The Agents and the Banks shall have received payment of all fees and expenses owed to them by the Borrower as of the Fourth Amendment Effective Date;

(b) Delivered Documents. On the Fourth Amendment Effective Date, the Administrative Agent shall have received executed originals of:

(i) this Amendment, executed by a duly authorized officer of each of the Borrower and the Banks;

(ii) the Acknowledgement and Consent set forth in Exhibit B hereto, each executed by a duly authorized officer of the party named therein, consenting to this Amendment and affirming the Loan Documents specified therein;

(iii) a legal opinion of counsel to the Borrower and counsel to Guarantor each addressed to the Administrative Agent and the Banks, in form and substance acceptable to the Administrative Agent and the Banks;

(iv) copies of the resolutions of the members of the Borrower authorizing the amendments and transactions contemplated hereby, certified as of the Fourth Amendment Effective Date by the Secretary of the Borrower, and certifying the names and true signatures of the officers of the Borrower authorized to execute, deliver and perform, as applicable, this Amendment and all other documents to be delivered by the Borrower hereunder; and

(v) such other documents or certificates as the Administrative Agent or counsel to the Administrative Agent may reasonably request.

32. Miscellaneous.

(a) Limited Effect. Except as expressly consented to hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their respective terms, without any consent, amendment, waiver or modification of any provision thereof; provided, however, that upon the Fourth Amendment Effective Date, all references herein and therein to the "Loan Documents" shall be deemed to include, in any event, the Amendment to the Guaranty, dated as of October 1, 2003, the First Amendment to Subordination Agreement, dated as of February 18, 2004, Amendment No. 1 to the Security Agreement and Reaffirmation dated March 30, 2005, the First Amendment, the Second Amendment, the Third Amendment, and this Amendment, and all other documents delivered to the Administrative Agent or any Bank in connection therewith. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended hereby.

(b) Severability. In case any of the provisions of this Amendment shall for any reason be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Amendment shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

(c) Execution in Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or telecopier shall be effective as delivery of an originally executed counterpart of this Amendment.

(D) GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT THE ADMINISTRATIVE AGENT, THE BANKS AND ALL AGENT-RELATED PERSONS SHALL RETAIN ALL RIGHTS UNDER FEDERAL LAW.

(e) Rights of Third Parties. All provisions herein are imposed solely and exclusively for the benefit of the Borrower, Administrative Agent, the Banks, Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Amendment or any of the other Loan Documents.

(f) COMPLETE AGREEMENT. THIS WRITTEN AMENDMENT AND THE OTHER WRITTEN AGREEMENTS ENTERED INTO AMONG THE PARTIES REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[SIGNATURES FOLLOW]

-21-

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BORROWER

**ATMOS ENERGY MARKETING ,
LLC** , a Delaware
limited liability company

By: /s/ C. RICHARD ALFORD
Name: C. Richard Alford
Title: Senior Vice President

GUARANTOR

ATMOS ENERGY HOLDINGS, INC.

By: /s/ LAURIE M. SHERWOOD
Name: Laurie M. Sherwood
Title: Senior Vice President and Treasurer

[Signature Page to Fourth Amendment]

FORTIS CAPITAL CORP., a Connecticut corporation, as Joint Lead Arranger and Joint Bookrunner, Administrative Agent, Collateral Agent, Issuing Bank, and a Bank

By: /s/ IRENE C. RUMMEL

Name: Irene C. Rummel

Title: Director

By: /s/ CHAD CLARK

Name: Chad Clark

Title: Director

[Signature Page to Fourth Amendment]

BNP PARIBAS, a bank organized under the laws of France, as Joint Lead Arranger and Joint Bookrunner, Documentation Agent, Issuing Bank and a Bank

By: /s/ EDWARD K. CHIN

Name: Edward K. Chin

Title: Managing Director

By: /s/ ANDREW STRATOS

Name: Andrew Stratos

Title: Vice President

[Signature Page to Fourth Amendment]

SOCIÉTÉ GÉNÉRALE, as Syndication Agent
and as a Bank

By: /s/ BARBARA PAULSEN

Name: Barbara Paulsen

Title: Managing Director

By: /s/ EMMANUEL CHESNEAU

Name: Emmanuel Chesneau

Title: Managing Director

[Signature Page to Fourth Amendment]

NATIXIS, acting through its New York Branch,
as a Bank

By: /s/ DAVID PERSHAD

Name: David Pershad

Title: Managing Director

By: /s/ JULIEN MATHIEU

Name: Julien Mathieu

Title: Associate Director

[Signature Page to Fourth Amendment]

RZB FINANCE LLC, as a Bank

By: /s/ HERMINE KIROLOS

Name: Hermine Kirolos

Title: Group Vice President

By: /s/ ASTRID WILKE

Name: Astrid Wilke

Title: Vice President

[Signature Page to Fourth Amendment]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
as a Bank

By: /s/ LINDA TERRY

Name: Linda Terry

Title: Vice President & Manager

[Signature Page to Fourth Amendment]

BROWN BROTHERS HARRIMAN & CO.,
as a Bank

By: /s/ MICHAEL H. VELLUCCI

Name: Michael H. Vellucci

Title: Senior Vice President

[Signature Page to Fourth Amendment]

THE ROYAL BANK OF SCOTLAND plc,
as a Bank

By: /s/ MATTHEW MAIN
Name: Matthew Main
Title: Managing Director

By: _____
Name: _____
Title: _____

[Signature Page to Fourth Amendment]

SCHEDULE 11.02
ADDRESSES FOR NOTICES AND LENDING OFFICES

ATMOS ENERGY MARKETING, LLC

Borrower's Address:
13430 Northwest Freeway, Suite 700
Houston, Texas 77040
Attention: Ronald W. Bahr
Telephone: (713) 688-7771
Facsimile: (713) 688-5124

FORTIS CAPITAL CORP.

As Administrative Agent and Collateral Agent

15455 N. Dallas Parkway
Suite 1400
Addison, TX 75001
Telephone: (214) 953-9313
Facsimile: (214) 969-9332

FORTIS CAPITAL CORP.

As Issuing Bank and a Bank

15455 N. Dallas Parkway
Suite 1400
Addison, TX 75001
Attention: Marla Jennings
Telephone: (214) 953-9313
Facsimile: (214) 969-9332

BNP PARIBAS

As Documentation Agent, Issuing Bank and a Bank

787 Seventh Avenue
New York, New York 10019
Attention: Ed Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

SOCIÉTÉ GÉNÉRALE

As Syndication Agent and as a Bank

1221 Avenue of the Americas
New York, New York 10020
Attention: Barbara Paulsen
Telephone: (212) 278-6496
Facsimile: (212) 278-7417

NATIXIS, acting through its New York Branch,

As a Bank

1251 Avenue of the Americas, 34th Floor
New York, New York 10020
Attention: David Pershad
Telephone: (212) 872-5015
Facsimile: (212) 354-9095

RZB FINANCE LLC

As a Bank

1133 Avenue of the Americas
New York, New York 10036
Attention: Hermine Kirolos
Telephone: (212) 845-4114
Facsimile: (212) 944-6389

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

As a Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,
New York Branch
1251 Avenue of the Americas,
New York, New York 10020-1104
Attention: USCB Portfolio Management Group
Facsimile: (212) 782-4979

with a copy to :

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,
Houston Agency
1100 Louisiana Street,
Suite 2800
Houston, Texas 77002
Attention: Damain Sullivan
Telephone: (713) 655-3808
Facsimile: (713) 658-0116

BROWN BROTHERS HARRIMAN & Co.

As a Bank

140 Broadway
New York, New York 10005
Attention: Paul Feldman
Telephone: (212) 493-7732
Facsimile: (212) 493-8998

THE ROYAL BANK OF SCOTLAND plc

As a Bank

101 Park Avenue, 6th Floor
New York, New York 10178
Attention: Alisa Williams
Telephone: (212) 401-3200

With copies to:

600 Travis St, Suite 6500
Houston, Texas 77002
Attention: Matthew Main
Telephone: (713) 221-2441
Facsimile: (713) 221-2430

EXHIBIT B TO
FOURTH AMENDMENT

ACKNOWLEDGEMENT AND CONSENT

Reference is made to (i) the FOURTH AMENDMENT, dated as of March 31, 2008 (the "Fourth Amendment"), to the SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 30, 2005 (as amended by the First Amendment, dated November 28, 2005, the "First Amendment", the Second Amendment, dated as of March 31, 2006, the "Second Amendment", the Third Amendment, dated as of March 30, 2007, and as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among ATMOS ENERGY MARKETING, LLC, a Delaware limited liability company (the "AEM"), FORTIS CAPITAL CORP., a Connecticut corporation ("Fortis"), as a Bank, as an Issuing Bank, and as Administrative Agent for the Banks (in such capacity, the "Administrative Agent"), as Collateral Agent, as a Joint Lead Arranger and as a Joint Bookrunner, BNP PARIBAS, a bank organized under the laws of France ("BNP Paribas"), as a Bank, as an Issuing Bank, as a Joint Lead Arranger, as a Joint Bookrunner and as Documentation Agent, SOCIÉTÉ GÉNÉRALE, as Syndication Agent and as a Bank (together with the Administrative Agent, the "Agents"), and each other financial institution that may become a party thereto (collectively the "Banks"), (ii) that certain INTERCREDITOR AGREEMENT, dated as of March 31, 2008, (the "Intercreditor Agreement") by and among the Banks, Swap Banks, Physical Trade Banks, the Agent (as defined therein) and the Borrower, (iii) that certain SECURITY AGREEMENT, dated as of December 1, 2001 (as amended by AMENDMENT NO. 1 to the SECURITY AGREEMENT, dated as of March 30, 2005 and as further amended, restated, supplemented or otherwise modified in writing from time to time, the "Security Agreement") executed by AEM as grantor (the "Grantor") and the Collateral Agent, (iv) that certain GUARANTY, dated March 30, 2005 (as further amended, restated, supplemented or otherwise modified in writing from time to time, the "AEH Guaranty") executed for the ratable benefit of the Banks by Atmos Energy Holdings, Inc. ("AEH") as guarantor (the "Guarantor"), (v) that certain ATMOS SUPPORT AGREEMENT, dated March 30, 2005 (as further amended, restated, supplemented or otherwise modified in writing from time to time, the "Atmos Support Agreement") executed by Atmos Energy Corporation, a Texas and Virginia corporation ("Atmos") as support sponsor (the "Support Provider"), and (vi) that certain SUBORDINATION AGREEMENT dated as of March 30, 2005 (as further amended, restated, supplemented or otherwise modified in writing from time to time, the "Subordination Agreement") by and between Fortis and AEH (the "Subordinated Creditor," together with the Security Agreement, the AEH Guaranty and the Atmos Support Agreement, collectively, the "Security Documents" and individually, a "Security Document") and acknowledged by the Borrower. Unless otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement are used herein as therein defined.

Each of the Grantor, the Guarantor, the Support Provider and the Subordinated Creditor hereby:

- (a) acknowledges that the Borrower has requested certain other amendments to the Credit Agreement on the terms and subject to the conditions set forth in the Fourth Amendment;
- (c) acknowledges that such requests were in order and that the benefits of such extensions and other amendments pursuant to the Fourth Amendment will directly or indirectly accrue to such party;
- (d) consents to the Fourth Amendment;

(e) confirms and agrees that its respective obligations under the applicable Security Documents shall continue in full force and effect and is hereby ratified and confirmed in all respects;

(f) acknowledges the receipt and sufficiency of such benefits and other good and valuable consideration to support its continuing obligations under the applicable Security Documents, including as such obligations may be affected by the effectiveness of the Fourth Amendment;

(g) acknowledges the Intercreditor Agreement.

Each party hereto, in its capacity as grantor, guarantor, support provider and subordinated creditor, hereby ratifies that certain Fourth Amendment to Credit Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Acknowledgement and Consent to be duly executed and delivered by their respective proper and duly authorized officers as of March 31st, 2008.

ATMOS ENERGY MARKETING, LLC
as Grantor

By: _____
Name: C. Richard Alford
Title: Senior Vice President

ATMOS ENERGY HOLDINGS, INC.,
as Guarantor and as Subordinated Creditor

By: _____
Name: Laurie M. Sherwood
Title: Senior Vice President and Treasurer

ATMOS ENERGY CORPORATION,
as Support Provider

By: _____
Name: Laurie M. Sherwood
Title: Vice President, Corporate Development and Treasurer

By: _____
Name:
Title:

[Signature Page to Acknowledgement and Consent to Fourth Amendment]

EXHIBIT C
TO FOURTH AMENDMENT

EXHIBIT E

**ATMOS ENERGY MARKETING, LLC, BORROWING BASE
COLLATERAL POSITION REPORT AS OF [DATE]**

In my capacity as Responsible Officer for ATMOS ENERGY MARKETING, LLC, I hereby certify that as of the date written above, the amounts indicated below were accurate and true as of the date of preparation. I also certify that the net long or short position has not exceeded the limitations set forth in Section 8.11 of the Credit Agreement.

I. COLLATERAL			
A. Cash Collateral	\$ _____	100%	\$ _____
B. Equity in Eligible Broker accounts	\$ _____	90%	\$ _____
C. Tier I Accounts	\$ _____	90%	\$ _____
D. Tier II Accounts	\$ _____	85%	\$ _____
E. Tier I Unbilled Accounts	\$ _____	85%	\$ _____
F. Tier II Unbilled Accounts	\$ _____	80%	\$ _____
G. Eligible Inventory	\$ _____	80%	\$ _____
H. Eligible Exchange Receivables	\$ _____	80%	\$ _____
I. Undelivered Product Value	\$ _____	80%	\$ _____
J. Realizable Unrealized Profits, up to a maximum amount of \$50,000,000; less	\$ _____	70%	\$ _____
K. First purchaser liability; less	\$ (_____)	100%	\$ (_____)
L. SPT Close-Out Amounts; less	\$ (_____)	125%	\$ (_____)
M. Unrealized Mark-to-Market Losses	\$ (_____)	100%	\$ (_____)
TOTAL COLLATERAL	\$ _____		\$ _____
BORROWING BASE SUB-CAP	_____		\$ _____
BORROWING BASE ADVANCE CAP	_____		\$ _____
II. BANK OUTSTANDINGS			\$ _____
A. Loans from the Banks			\$ _____
B. L/C's from the Banks			\$ _____
C. Unilateral Overage Advances from the Banks			_____
TOTAL OUTSTANDINGS UNDER BORROWING BASE LINE			_____
III. EXCESS/(DEFICIT) (I-II)			_____
IV. NET SHORT OR LONG POSITION _____MMBTUS			\$ _____

Attached hereto are (i) an aging report, (ii) a schedule of netted qualified exchange balances, (iii) a schedule of qualified inventory and (iv) a schedule of all contras applied against (i), (ii), and (iii).

By: _____
Responsible Officer

EXHIBIT D
TO FOURTH AMENDMENT

EXHIBIT J

SPT ACTIVITY REPORT AS OF [DATE]

In my capacity as Responsible Officer for ATMOS ENERGY MARKETING, LLC, I hereby certify that as of the date written above, the amounts indicated below were accurate and true as of the date of preparation. I also certify that SPT Contract related activity has not exceeded the limitations set forth in Section 8.16 of the Credit Agreement.

<u>SPT Bank</u>	<u>Maximum Swap Bank Close-Out Amount</u>	<u>Maximum Physical Trade Bank Close-Out Amount</u>	<u>Maximum SPT Bank Close-Out Amount</u>	<u>Current Swap Bank Close-Out Amount</u>	<u>Current Physical Trade Bank Close-Out Amount</u>	<u>Current Aggregate SPT Bank Close-Out Amount</u>	<u>Available SPT Close-Out Amount</u>
BNP Paribas	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 20,000,000		\$ 20,000,000	\$ 5,000,000
Fortis Capital Corp.	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000		\$ 20,000,000	\$ 20,000,000	\$ 5,000,000
Société Générale	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000				
The Royal Bank of Scotland plc	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000				
NATIXIS, acting through its New York Branch	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000				
The Bank of Tokyo- Mitsubishi UFJ, Ltd.	N/A	N/A	N/A				
RZB Finance LLC	N/A	N/A	N/A				
Brown Brothers Harriman & Co.	N/A	N/A	N/A				
Totals	N/A	N/A	N/A	N/A	N/A	\$ 40,000,000	N/A

CALCULATION OF SPT ACTIVITY UTILIZATION RATIO

Total Current Aggregate SPT Bank Close-Out Amount	Amount of Outstanding SPT-Related Standby Letters of Credit (excluding all Physical Trade Delivery-Related Standby Letters of Credit)	Total Outstanding Unilateral Overage Advances	Covenant Cap	"SPT Activity Utilization Ratio" = ((Total CO Amount) + (Total SPT L/C Amount) + (Total UOA)) /(Covenant Cap)
<u>("Total CO Amount")¹</u>	<u>("Total SPT L/C Amount")</u>	<u>("Total UOA")</u>	<u>("Covenant Cap")²</u>	<u>expressed as a percentage, rounded to the second decimal place</u>
\$40,000,000	[_____]	[_____]	\$ 50,000,000	

By: _____
Responsible Officer

- 1 Determined by reference to the U.S. Dollar amount listed in the last row under the heading "Current Aggregate SPT Bank Close-Out Amount".
- 2 Determined by reference to the limit set in Section 8.16 of the Credit Agreement, which as of the Fourth Amendment is \$50,000,000.

EXHIBIT E
TO FOURTH AMENDMENT

EXHIBIT A

FORM OF NOTICE OF BORROWING
(LETTERS OF CREDIT)

[Date]

Fortis Capital Corp.
15455 North Dallas Parkway
Suite 1400
Addison, TX 75001
Attention: Marla Jennings
Telephone: (214) 953-9314
Facsimile: (214) 969-9332

BNP Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Edward Chin
Telephone: (212) 841-2020
Facsimile: (212) 841-2536

Re: Uncommitted Second Amended and Restated Credit Agreement, dated to be effective as of March 30, 2005 (as amended or supplemented from time to time, the "Agreement"), by and among ATMOS ENERGY MARKETING, LLC (the "Borrower"), the banks that from time to time are parties thereto, Fortis Capital Corp., as Administrative Agent, and BNP Paribas, as Documentation Agent

Ladies and Gentlemen:

Reference is made to the Agreement (capitalized terms used herein that are not defined shall have the respective meanings ascribed thereto in the Agreement). The Borrower hereby gives notice (i) of its intention to request the **[issuance, amendment, or renewal]** of Letters of Credit as is further described on the Letter of Credit Application attached hereto and (ii) that the requested Letter of Credit will be a(n) **[commercial documentary letter of credit, a SPT-Related Standby Letter of Credit, Physical Trade Delivery-Related Standby Letter of Credit, or other standby letter of credit³]**.

The Borrower represents and warrants, as of the date hereof and as of the date any Letter of Credit is Issued, amended or renewed, that (i) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the Letters of Credit requested above; (ii) that the Borrowing Base Advance Cap will not be exceeded after giving effect to the Letters of Credit requested above; and (iii) all of Borrower's representations and warranties under the Agreement are true and correct, to Borrower's knowledge, as of the date hereof.

³ With respect to any Letter of Credit that is characterized as an "other standby letter of credit" a purpose should be specified for such "other standby letter of credit" so that clause (ii) might read "(ii) that the requested Letter of Credit will be an other standby letter of credit for the purpose of purchasing natural gas from a source other than an Physical Trade Bank."

Very truly yours,

ATMOS ENERGY MARKETING, LLC,

By: _____
Name: _____
Title: _____

**FORM OF NOTICE OF BORROWING
(REVOLVING LOAN)**

[Date]

Fortis Capital Corp.
15455 North Dallas Parkway
Suite 1400
Addison, TX 75001
Attention: Marla Jennings
Telephone: (214) 953-9314
Facsimile: (214) 969-9332

Re: Uncommitted Second Amended and Restated Credit Agreement, dated to be effective as of March 30, 2005 (as amended or supplemented from time to time, the "Agreement"), by and among ATMOS ENERGY MARKETING, LLC (the "Borrower"), the banks that from time to time are parties thereto, Fortis Capital Corp., as Administrative Agent, and BNP Paribas, as Documentation Agent

Ladies and Gentlemen:

Reference is made to the Agreement (capitalized terms used herein that are not defined shall have the respective meanings ascribed thereto in the Agreement). The Borrower hereby gives notice of its intention to borrow under the Borrowing Base Line. Please advance a Revolving Loan as follows:

Date of Borrowing ^{a-1}	:	_____
Amount	:	_____
Type of Advance (Base Rate or Offshore Rate)	:	_____
Interest Period (if Offshore Rate)	:	_____

The Borrower represents and warrants, as of the date hereof and as of the date any Revolving Loan is made or renewed, that (i) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the Revolving Loan requested above; (ii) that neither the Borrowing Base Advance Cap nor the Dollar Advance Cap will be exceeded after giving effect to the Revolving Loan requested above; and (iii) all of Borrower's representations and warranties under the Agreement are true and correct, to Borrower's knowledge, as of the date hereof.

^{a-1} The aggregate amount of the Borrowing comprised of Offshore Rate Loans must be made in an amount equal to the Offshore Effective Amount. The date of the Borrowing must be a Business Day. Borrower must give four (4) Business Days advance notice for Borrowings comprised of Offshore Rate Loans, and the same Business Day advance notice for Borrowings comprised of Base Rate Loans.

Very truly yours,

ATMOS ENERGY MARKETING, LLC,

By: _____
Name: _____
Title: _____

Exhibit 10.2

EXECUTION VERSION

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT is dated as of March 31, 2008 (as amended, supplemented and otherwise modified from time to time, the “Agreement”), among FORTIS CAPITAL CORP., a Connecticut corporation, in its capacity as Collateral Agent (together with its successors and assigns in such capacity, the “Agent”) for the Banks hereinafter referred to, and each bank and other financial institution which is now or hereafter a party to this Agreement in its capacity as a Bank and, as applicable, as a Swap Bank (collectively, the “Swap Banks”) and as a Physical Trade Bank (collectively, the “Physical Trade Banks”);

WHEREAS, Atmos Energy Marketing, LLC (the “Borrower”), certain banks and financial institutions (the “Banks”), and the Agent are parties to the Uncommitted Second Amended and Restated Credit Agreement dated as of March 30, 2005 (as amended, modified, supplemented or restated from time to time, the “Credit Agreement”);

WHEREAS, the Swap Banks may be parties to Swap Contracts with the Borrower;

WHEREAS, the Physical Trade Banks may be parties to Physical Trade Contracts with the Borrower; and

WHEREAS, the Agent and the Banks, the Swap Banks and the Physical Trade Banks desire to enter into this Agreement to provide for the rights of the Agent, the Banks, the Swap Banks and the Physical Trade Banks with respect to Collateral and other matters;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I
DEFINITIONS

1.01 Certain Defined Terms.

(a) Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Credit Agreement.

(b) The following terms have the following meanings:

“Adjusted Pro Rata Share” means, as to any Bank, SPT Bank or, in the case of a SPT Bank that together with any other SPT Bank comprises a Cross-Affiliate Pair, such Cross-Affiliate Pair, in each case, as of the opening of business on the date of the occurrence of a Sharing Event hereunder, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of (a) the sum of such Bank’s, SPT Bank’s or Cross-Affiliate Pair’s (as the case may be): (i) Effective Amount relating to Obligations arising under the Borrowing Base Line, (ii) Permitted Unilateral Overage Advance Amount, plus (iii) Permitted SPT Bank Close-Out Amounts, divided by (b) the sum of (x) Effective Amounts of all the Banks relating to Obligations arising under the Borrowing Base Line, (y) Permitted Unilateral Overage Advance Amounts of all Banks, plus (y) the Permitted SPT Bank Close-Out Amounts of all Banks, SPT Banks, and Cross-Affiliate Pairs. For the avoidance of doubt, “Adjusted Pro Rata Share” shall be calculated for a SPT Bank or a Cross-Affiliate Pair on a stand alone basis only to the extent that such SPT Bank or both SPT Banks comprising such Cross-Affiliate Pair are not also Banks.

“Excess SPT Bank Close-Out Amounts” means, with respect to any SPT Bank, or in the case of a SPT Bank that together with any other SPT Bank comprises a Cross-Affiliate Pair, such Cross-Affiliate Pair, as of any date of determination, the positive difference (if any) of: (a) the SPT Bank Close-Out Amount of such SPT Bank (or Cross-Affiliate-Pair, as the case may be) minus (b) the Permitted SPT Bank Close-Out Amount for such SPT Bank (or Cross-Affiliate Pair, as the case may be).

“Excess Unilateral Overage Advance Amounts” means, with respect to any Bank, as of any date of determination, the positive difference (if any) of: (a) the outstanding Unilateral Overage Advances of such Bank as of such date minus (b) the Permitted Unilateral Overage Advance Amounts for such Bank.

“Final Date” shall have the meaning set forth in Section 2.01(f) hereof.

“ISDA Master Agreement” means the standard form of ISDA Master Agreement as in effect on the date hereof and as amended, modified, supplemented or replaced from time to time.

“Payment” means, as to any Bank, Swap Bank or Physical Trade Bank at any time, any payment (whether voluntary, involuntary, through exercise of any right of set-off, through liquidation or collection of any Collateral or otherwise). The term “Payment” shall not include any payment to a Swap Bank or Physical Trade Bank from the proceeds of a Loan made by the Banks or the Administrative Agent for the purpose of paying Obligations under clauses (b) and (c) of such term or providing cash collateral in connection with an increase in a Swap Bank Close-Out Amount or Physical Trade Bank Close-Out Amount pursuant to Section 2.01(c) or any payment to a Swap Bank or Physical Trade Bank from the proceeds of collateral held solely by such Swap Bank or Physical Trade Bank or drawings under letters of credit naming such Swap Bank or Physical Trade Bank as beneficiary or any payment due from a Swap Bank pursuant to a swap settlement that is held by such Swap Bank as cash collateral to cover obligations owing under a Swap Contract to the Swap Bank from the Borrower or any payment due from a Physical Trade Bank pursuant to a physical trade settlement that is held by such Physical Trade Bank as cash collateral to cover obligations owing under a Physical Trade Contract to the Physical Trade Bank from the Borrower; provided that, the Swap Bank Close-Out Amount or Physical Trade Bank Close-Out Amount had netted the Swap Contract or Physical Trade Contract under which such payments held as cash collateral were made; provided further that, in the case of such collateral, such Swap Bank or Physical Trade Bank holds a perfected Lien in such collateral and such collateral is not subject to the Agent’s prior or equal perfected Lien under any Loan Document.

“Permitted SPT Bank Close-Out Amounts” means, with respect to any SPT Bank, or in the case of a SPT Bank that together with any other SPT Bank comprises a Cross-Affiliate Pair, such Cross-Affiliate Pair, as of any date of determination, an amount equal to the lesser of (a) the sum (which shall not be less than zero) of (i) the Swap Bank Close-Out Amounts, plus (ii) the Physical Trade Bank Close-Out Amounts, and (b) the Maximum SPT Bank Close-Out Amount set opposite such SPT Bank in the table below; provided, however, that with respect to any SPT Bank, the Swap Bank Close-Out Amount and the Physical Trade Bank Close-Out Amount of such SPT Bank (or such Cross-Affiliate Pair, as the case may be) that may be included in the calculation of the amount determined under clause (a) above shall be limited to the applicable amount set forth opposite such SPT Bank under the heading “*Maximum Swap Bank Close-Out Amount*” and “*Maximum Physical Trade Bank Close-Out Amount*”; provided further that with respect to any SPT Bank that together with any other SPT Bank comprises a Cross-Affiliate Pair, the “Permitted SPT Bank Close-Out Amount” shall be determined on a consolidated basis as though the two SPT Banks comprising such Cross-Affiliate Pair are one SPT Bank, as follows, the calculation of the amount to be determined under clause (a) above shall be the sum (which shall not be less than zero) of the aggregate Swap Bank Close-Out Amounts and the aggregate Physical Trade Bank Close-Out Amounts for both SPT Banks comprising such Cross-Affiliate Pair (as may be limited, in the case of each SPT Bank, by the “*Maximum Swap Bank Close-Out Amount*” and “*Maximum Physical Trade Bank Close-Out Amount*,” as applicable, as set forth in the initial *proviso* above):

<u>SPT Bank (and its SPT Bank Affiliates, in the aggregate)</u>	<u>Maximum Swap Bank Close-Out Amount</u>	<u>Maximum Physical Trade Bank Close-Out Amount</u>	<u>Maximum SPT Bank Close-Out Amount</u>
BNP Paribas	25,000,000	25,000,000	25,000,000
Fortis Capital Corp.	25,000,000	25,000,000	25,000,000
Société Générale	25,000,000	25,000,000	25,000,000
The Royal Bank of Scotland	25,000,000	25,000,000	25,000,000
NATIXIS, acting through its New York Branch	25,000,000	N/A	25,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	N/A	N/A	N/A
RZB Finance LLC	N/A	N/A	N/A
Brown Brothers Harriman & Co.	N/A	N/A	N/A

“Permitted Unilateral Overage Advance Amount” means, with respect to any Bank, as of any date of determination, an amount equal to the *lesser of* (a) the outstanding Unilateral Overage Advance of such Bank as of such date, and (b) the positive difference (if any) of (i) the Maximum SPT Bank Close-Out Amount for such Bank (to the extent that such Bank is a SPT Bank) or its affiliated SPT Bank (or Cross-Affiliate Pair, as the case may be, which, in the case of a Cross-Affiliate Pair, shall be determined in accordance with the last *proviso* of the above definition of “Permitted SPT Bank Close-Out Amount”) *minus* (ii) the Permitted SPT Bank Close-Out Amount for such Bank (to the extent that such Bank is a SPT Bank) or its affiliated SPT Bank (or Cross-Affiliate Pair, as the case may be, which, in the case of a Cross-Affiliate Pair shall be determined in accordance with the last *proviso* of the above definition of “Permitted SPT Bank Close-Out Amount”).

“Physical Trade Bank Close-Out Amount” means, with respect to any Physical Trade Bank as of any date of calculation thereof, the net amount that would be due from the Borrower, if any, upon the designation of an “early termination date” or its equivalent or a “termination event” or its equivalent with respect to all Physical Trade Contracts with a particular Physical Trade Bank under the applicable ISDA Master Agreement (or other applicable Physical Trade Contract documents), net of (a) the face amount of letters of credit naming such Physical Trade Bank as beneficiary supporting payment obligations under Physical Trade Contracts with such Physical Trade Bank and (b) the value of collateral subject to the first priority perfected Lien of the Physical Trade Bank and which is not collateral in which the Agent has a prior or equal perfected Lien under the Security Agreements or any other Loan Document, which, for the avoidance of doubt, shall include the value of all collateral pledged in favor of such Physical Trade Bank pursuant to a Cross-Affiliate Netting Lien (if any). Section 2.01(f) hereof contains certain provisions relating to the calculation of a Physical Trade Bank Close-Out Amount under a Physical Trade Contract.

“Physical Trade Obligations” means obligations referred to in clause (c) of the definition of Obligations in the Credit Agreement.

“SPT Bank Close-Out Amount” means, with respect to any SPT Bank, the sum (which shall not be less than zero) of its Swap Bank Close-Out Amount and its Physical Trade Bank Close-Out Amount.

“Sharing Event” means the occurrence of any Event of Default under Section 9.01(e) or Section 9.01(f) of the Credit Agreement or any acceleration of the Obligations referred to in clause (a) of the definition of such term under the Credit Agreement after the occurrence of any other Event of Default or the determination by the Required Banks at any time after the occurrence of any Event of Default that a Sharing Event has occurred.

“Swap Bank Close-Out Amount” means, with respect to any Swap Bank, as of any date of calculation thereof, the net amount that would be due from the Borrower, if any, upon the designation of an “early termination date” or its equivalent or a “termination event” or its equivalent with respect to all Swap Contracts with a particular Swap Bank under the applicable ISDA Master Agreement or its equivalent (e.g., long-form confirmations), net of (a) the face amount of letters of credit naming such Swap Bank as beneficiary supporting payment obligations under Swap Contracts with such Swap Bank, and (b) the value of collateral subject to the first priority perfected Lien of the Swap Bank and which is not collateral in which the Agent has a prior or equal perfected Lien under the Security Agreements or any other Loan Document, which, for the avoidance of doubt, shall include the value of all collateral pledged in favor of such Swap Bank pursuant to a Cross-Affiliate Netting Lien (if any). Section 2.01(i) hereof contains certain provisions relating to the calculation of a Swap Bank Close-Out Amount under a Swap Contract.

“Swap Obligations” means obligations referred to in clause (b) of the definition of Obligations in the Credit Agreement.

1.02 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “hereof,” “herein,” “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The term “documents” includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(d) The term “including” is not limiting and means “including without limitation.”

(e) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(f) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(g) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(h) This Agreement is the result of negotiations among and has been reviewed by counsel to each of the parties, and is the product of all parties. Accordingly, it shall not be construed against any party merely because of such party's involvement in its preparation.

ARTICLE II SHARING

2.01 Sharing after Sharing Event.

(a) Except as expressly provided in this Agreement, from and after the date of the occurrence of any Sharing Event, the provisions of Sections 2.01(b) through (k) hereof shall apply rather than Section 2.11(a) of the Credit Agreement:

(b) (i) Both (x) the proceeds of all Collateral included in the then most recent Borrowing Base Collateral Position Report and each subsequent Borrowing Base Collateral Position Report (and all other Collateral not included in any such report) and (y) any other Payments received by the Agent, any Bank or any SPT Bank shall be applied to payment of and/or cash collateral for (1) first, the Obligations (A) arising from the Borrowing Base Line (which, for the avoidance of doubt shall not include any Unilateral Overage Advance obligations), (B) with respect to the Permitted Unilateral Overage Advance Amounts and (C) with respect to the Permitted SPT Bank Close-Out Amounts (other than amounts arising under Swap Obligations or Physical Trade Obligations excluded from the calculation of Swap Bank Close-Out Amounts under Section 2.01(i) and Physical Trade Bank Close-Out Amounts under Section 2.01(j), respectively), and (2) second, Obligations with respect to (A) the Excess SPT Bank Close-Out Amounts, (B) the Excess Unilateral Overage Advance Amounts, and (C) Swap Obligations and Physical Trade Obligations excluded from the calculation of Swap Bank Close-Out Amounts under Section 2.01(i) and Physical Trade Bank Close-Out Amounts under Section 2.01(j), respectively, in each case under clause first above ratably in accordance with each Bank's, Swap Bank's and Physical Trade Bank's Adjusted Pro Rata Share, as applicable, and in each case under clause second above ratably in accordance with the amount of such Obligations; provided that, if any such report is not correct and complete in any material respect (as determined by the Agent in its sole, good faith discretion), the Agent shall use reasonable efforts to correct any error or deficiency prior to making such application. Such proceeds and Payments applied to Obligations arising from the Borrowing Base Line, Swap Obligations and Physical Trade Obligations shall be applied in accordance with Sections 2.01(b) through (j).

(ii) If any Bank, Swap Bank or Physical Trade Bank shall obtain on account of the Loans made by it under the Borrowing Base Line or any other Obligations owed to it any Payment in excess of its Adjusted Pro Rata Share, such Bank, Swap Bank or Physical Trade Bank shall immediately (A) notify the Agent of such fact, and (B) purchase from the other Banks, Swap Banks and Physical Trade Banks such participations in the Loans made by them under the Borrowing Base Line and other Obligations owed to them as shall be necessary to cause such purchasing Bank, Swap Bank or Physical Trade Bank to share the excess payment *pro rata*, in accordance with the Adjusted Pro Rata Share, with each of them; provided, however, if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, Swap Bank or Physical Trade Bank, such purchase shall to that extent be rescinded and each other Bank, Swap Bank and Physical Trade Bank shall repay to the purchasing Bank, Swap Bank or Physical Trade Bank the purchase price paid to it therefor, together with an amount equal to such paying Bank's,

Swap Bank's or Physical Trade Bank's ratable share (according to the proportion of (1) the amount of such paying Bank's, Swap Bank's or Physical Trade Bank's required repayment to (2) the total amount so recovered from the purchasing Bank, Swap Bank or Physical Trade Bank) of any interest or other amount paid or payable by the purchasing Bank, Swap Bank or Physical Trade Bank in respect of the total amount so recovered. The Borrower agrees that any Bank, Swap Bank or Physical Trade Bank so purchasing a participation from another Bank, Swap Bank or Physical Trade Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.09 of the Credit Agreement) with respect to such participation as fully as if such Bank, Swap Bank or Physical Trade Bank were the direct creditor of the Borrower in the amount of such participation. Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks, Swap Banks and Physical Trade Banks following any such purchases or repayments.

(iii) The provisions of Sections 2.01(b)(ii) and 2.01(f) shall not apply to Payments to the Banks with respect to interest on the Loans, L/C Borrowings, Physical Trade Obligations (if any), Swap Obligations (if any) or fees payable pursuant to Sections 2.09 and 3.08 of the Credit Agreement.

(iv) For purposes of applying the provisions of Sections 2.01(b)(ii) and 2.01(f), the Adjusted Pro Rata Share shall be calculated initially as soon as practicable after the date of the Sharing Event and, thereafter, pursuant to Section 2.01(f), shall be recalculated from time to time. Such recalculations shall (A) in all cases, except the recalculation pursuant to Section 2.01(f) as of the Final Date, be made in accordance with the definition of Adjusted Pro Rata Share, but shall be made (1) as of the date of such recalculation, and (2) solely to give effect to (x) increases and decreases in any Permitted SPT Bank Close-Out Amounts as a result of fluctuations in market values and interest rates and (y) new Loans and L/C Obligations under the Borrowing Base Line arising on or after the date of the Sharing Event, to the extent such new Loans or L/C Obligations have been consented to by the Required Banks without regard to the application of Payments pursuant to Section 2.01(b)(ii) or payments made pursuant to Section 2.01(f) and (B) in the case of the final recalculation as of the Final Date, be made in accordance with the definition of Adjusted Pro Rata Share but as of the date of recalculation.

(c) After the date of the occurrence of any Sharing Event, if any SPT Bank Close-Out Amount due to any Swap Bank or any Physical Trade Bank from the Borrower shall increase or decrease as a result of changes in market values or interest rates:

(i) In the event of any such increase, nothing contained herein shall modify or impair any right of such Swap Bank to terminate its Swap Contract or such Physical Trade Bank to terminate its Physical Trade Contract or exercise any other rights or remedies available to it, and any such Swap Bank or Physical Trade Bank may also, in its sole discretion from time to time, notify the Agent of such increase, who shall promptly notify the then Approving Banks of such increase. If all Approving Banks determine in their sole discretion to approve a Loan to the Borrower for the purpose of providing cash collateral in the amount of such increase to such Swap Bank or Physical Trade Bank, then all such Approving Banks shall make such Loan in such amount which shall be disbursed to such Swap Bank or Physical Trade Bank and the Swap Bank or Physical Trade Bank shall apply the proceeds of such Loan to the cash collateralization of the obligations under the relevant Swap Contract or Physical Trade Contract; provided that (A) the payment of such funds to the Swap Bank or Physical Trade Bank for use as such cash collateral shall be deemed not to constitute a Payment hereunder, and (B) no such Loan

shall, without consent of all the Approving Banks, cause the sum of the Effective Amounts of all outstanding Loans plus L/C Obligations to exceed the aggregate Uncommitted Line Portions or the Effective Amount of all outstanding Loans plus L/C Obligations to exceed the Borrowing Base Advance Cap.

(ii) Each Swap Bank or Physical Trade Bank shall, at the Agent's request, notify the Agent not later than five (5) Business Days after the date of a Sharing Event of its SPT Bank Close-Out Amount as of the date of such Sharing Event and not later than five (5) Business Days after each month of the amount of its SPT Bank Close-Out Amount and the components thereof as of the last Business Day of the preceding month.

(d) If an Event of Default occurs, the Agent shall, if instructed by Required Banks in their sole discretion, notify any or all of the Swap Banks to terminate any or all Swap Contracts, exercise the right to draw under any letter of credit supporting payment of the Borrower's Obligations under the Swap Contracts or realize on collateral held by such Swap Banks for such Obligations, or any combination of such rights and remedies. Each of the Swap Banks shall, on the next Business Day after receipt of such notice, or on such later Business Day as is set forth in such notice, terminate all or any of its Swap Contracts and exercise such other remedies, all as set forth in such notice, except if prohibited from doing so by applicable law or court order. The foregoing shall not limit the right of any Swap Bank to terminate any or all Swap Contracts to the extent permitted by its Swap Contracts prior to receipt of such notice.

(e) If an Event of Default occurs, the Agent shall, if instructed by Required Banks in their sole discretion, notify any or all of the Physical Trade Banks to terminate any or all Physical Trade Contracts, exercise the right to draw under any letter of credit supporting payment of the Borrower's Obligations under the Physical Trade Contracts or realize on collateral held by such Physical Trade Banks for such Obligations, or any combination of such rights and remedies. Each of the Physical Trade Banks shall, on the next Business Day after receipt of such notice, or on such later Business Day as is set forth in such notice, terminate all or any of its Physical Trade Contracts and exercise such other remedies, all as set forth in such notice, except if prohibited from doing so by applicable law or court order. The foregoing shall not limit the right of any Physical Trade Bank to terminate any or all Physical Trade Contracts to the extent permitted by its Physical Trade Contracts prior to receipt of such notice.

(f) Each Swap Bank and Physical Trade Bank shall promptly notify the Agent, within one (1) Business Day following the Agent's request from time to time, of the SPT Bank Close-Out Amount due to such Swap Bank or such Physical Trade Bank on a particular date. The Agent shall, upon request of any Bank, notify the Banks each week of the gross and net SPT Bank Close-Out Amount due to each Swap Bank and each Physical Trade Bank. The Agent shall, at the request of any Bank (but not more than one time each month unless the Agent consents to do so) and promptly after the date of termination of all Swap Contracts and all Physical Trade Contracts which are counted for purposes of determining SPT Bank Close-Out Amounts (the "Final Date"), recalculate the Adjusted Pro Rata Share as provided in Section 2.01(b)(iv). In the case of the recalculation as of the Final Date, only, the Agent shall notify the Banks, Swap Banks and Physical Trade Banks as to any adjustment in prior payments and distributions to them as a result of such recalculation. Each Bank, Swap Bank and Physical Trade Bank shall promptly upon receipt of such notice pay to the Agent for distribution to the other Banks, Swap Banks and Physical Trade Banks such amounts, if any, as shall be specified in each such notice. Such calculations and adjustments shall be conclusive in the absence of manifest error.

(g) [RESERVED].

(h) If, in accordance with the provisions hereof, the Agent recalculates the Adjusted Pro Rata Share more than once in any calendar month, the Borrower shall, upon the Agent's request, immediately pay an administrative fee for the account of the Agent in an amount equal to \$2,500 for each such recalculation more than once in any calendar month.

(i) In order to qualify as a Swap Bank Close-Out Amount under a Swap Contract, such Swap Contract must provide for calculation of payments due on an "early termination date" or its equivalent or upon a "termination date" or its equivalent on the basis of Market Quotations (as defined in the applicable ISDA Master Agreement) or its equivalent. If (i) any Swap Bank shall receive notice of the occurrence of a Sharing Event and thereafter shall enter into any new Swap Contract or amendment of any Swap Contract without consent of the Required Banks or (ii) any Swap Bank shall receive notice from the Required Banks following the declaration of an Event of Default to terminate any or all Swap Contracts, but fails to immediately do so, then unless otherwise agreed by the Required Banks, any increases in the Swap Bank Close-Out Amount owing to any Swap Bank resulting therefrom shall be excluded in calculating Swap Bank Close-Out Amounts.

(j) In order to qualify as a Physical Trade Bank Close-Out Amount under a Physical Trade Contract, such Physical Trade Contract must provide for calculation of payments due on an "early termination date" or its equivalent or upon a "termination date" or its equivalent on the basis of Market Quotations (as defined in the applicable ISDA Master Agreement) or its equivalent. If (i) any Physical Trade Bank shall receive notice of the occurrence of a Sharing Event and thereafter shall enter into any new Physical Trade Contract or amendment of any Physical Trade Contract without consent of the Required Banks or (ii) any Physical Trade Bank shall receive notice from the Required Banks following the declaration of an Event of Default to terminate any or all Physical Trade Contracts, but fails to immediately do so, then unless otherwise agreed by the Required Banks, any increases in the Physical Trade Bank Close-Out Amount owing to any Physical Trade Bank resulting therefrom shall be excluded in calculating Physical Trade Bank Close-Out Amounts.

(k) Each Bank, Swap Bank and Physical Trade Bank party hereto hereby acknowledges and agrees that the security interests granted in favor of the Collateral Agent for the benefit of the Secured Parties are subject in right of priority to each Cross-Affiliate Netting Lien and that proceeds of any Collateral pledged by the Borrower to a Cross-Affiliate Creditor pursuant to a Cross-Affiliate Netting Lien shall be distributed first to the applicable Cross-Affiliate Creditor with the remainder, if any, being distributed as provided in Section 2.01(b)(i) hereof.

2.02 The Election of Banks to Continue Funding. After the Conversion to Reduced Funding Banks Date, if a Sharing Event shall have occurred, the Approving Banks' and other Banks' Adjusted Pro Rata Share shall be adjusted on the basis of each advance and Issuance of a Letter of Credit after such date.

2.03 Swap Banks.

(a) All payments required to be made to or by any Swap Bank pursuant to the provisions of Section 2.01 hereof or pursuant to any participation purchased or sold under Section 2.01 hereof shall be paid to or by the Bank that is the Affiliate of such Swap Bank. Each such Bank irrevocably and unconditionally agrees to pay such obligations of the Swap Bank that is its Affiliate. Each of the Banks shall also cause its affiliated Swap Bank to comply with all provisions of Section 2.01 hereof.

(b) Each Swap Bank that is an Affiliate of a Bank hereby appoints the Agent as its agent for purposes of the Security Agreements; provided that, (i) no Swap Bank shall have any right, remedy or claim of any nature against the Agent, all of which are released; provided that, such release shall not affect any claim of the Bank which is an Affiliate of such Swap Bank under Section 2.03(a) hereof, and (ii) each Swap Bank shall be entitled to recover only from its Affiliate Bank any amount to which it may be entitled hereunder and under the Security Agreement.

2.04 Physical Trade Banks.

(a) All payments required to be made to or by any Physical Trade Bank pursuant to the provisions of Section 2.01 hereof or pursuant to any participation purchased or sold under Section 2.01 hereof shall be paid to or by the Bank that is the Affiliate of such Physical Trade Bank. Each such Bank irrevocably and unconditionally agrees to pay such obligations of the Physical Trade Bank that is its Affiliate. Each of the Banks shall also cause its affiliated Physical Trade Bank to comply with all provisions of Section 2.01 hereof.

(b) Each Physical Trade Bank that is an Affiliate of a Bank hereby appoints the Agent as its agent for purposes of the Security Agreements provided that (i) no Physical Trade Bank shall have any right, remedy or claim of any nature against the Agent, all of which are released, provided that such release shall not affect any claim of the Bank which is an Affiliate of such Physical Trade Bank under Section 2.04(a) hereof, and (ii) each Physical Trade Bank shall be entitled to recover only from its Affiliate Bank any amount to which it may be entitled hereunder and under the Security Agreement.

ARTICLE III MISCELLANEOUS

3.01 Amendments and Waivers.

(a) No amendment or waiver of any provision of this Agreement, and no consent with respect to any departure by a party therefrom, shall be effective unless the same shall be in writing signed by all the parties hereto, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that, any such amendment or waiver may be effected without the consent of the Borrower so long as the Borrower is not directly affected thereby.

(b) No party shall have any duty to disclose any financial or other information available to it to any other party, except as expressly provided herein.

3.02 Notices.

(a) All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission) and mailed, faxed or delivered, to the address or facsimile number specified on the signature pages hereof; or to such other address as shall be designated by such party in a written notice to the other parties.

(b) All such notices, requests and communications shall, when transmitted by mail, 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 U.S. mail, or if delivered, upon delivery.

3.03 No Waiver; Cumulative Remedies. No failure by any party hereto to exercise and no delay by such Person in exercising any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

3.04 Payments Set Aside. To the extent that the Borrower makes a payment to the Agent, any Bank, any Swap Bank or any Physical Trade Bank, or Agent, any Bank, any Swap Bank or any Physical Trade Bank exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Person in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any debtor relief law or otherwise, then (a) to the extent of such recovery, the obligation or part to such Person originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank, Swap Bank and Physical Trade Bank severally agrees to pay to such Person upon demand its applicable share of any amount so recovered from or repaid by such Person which such Person had paid to such Bank, Swap Bank or Physical Trade Bank, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

3.05 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns as provided in Section 11.08 of the Credit Agreement, except that (a) Borrower may not assign or transfer any of its rights or Obligations under this Agreement without the prior written consent of all Banks, (b) no Bank shall assign its rights or obligations hereunder except to a Bank, and (c) no Swap Bank or Physical Trade Bank shall assign its rights or obligations hereunder except to a Bank or an Affiliate of a Bank which agrees to be bound hereby pursuant to an agreement satisfactory to the Agent.

3.06 Integration. This Agreement comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control.

3.07 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

3.08 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

3.09 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of, the Agent, the Banks, the Swap Banks and the Physical Trade Banks and their permitted successors and assigns, and no other Person (including, without limitation, the Borrower) shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement.

3.10 Survival, etc.

(a) All covenants and agreements contained herein shall survive the execution and delivery hereof.

(b) The terms of this agreement shall survive and shall continue in full force and effect in any bankruptcy or other proceeding referred to in Section 9.01(e) and (f) of the Credit Agreement. References to the Borrower herein shall include the Borrower as a debtor and debtor in possession and any receiver or trustee appointed in any such proceeding.

(c) No party shall have any right to terminate its obligations hereunder except if (i) all Obligations to such party shall have been indefeasibly paid in full and (ii) such party releases all of its rights in and liens on the Collateral and rights hereunder.

(d) All rights, interests, agreements and obligations of the party hereto shall remain in full force and effect irrespective of:

(i) any lack of validity or enforceability of any Loan Documents, Swap Contract, Physical Trade Contract or Obligations or validity or perfection of any liens thereunder;

(ii) except as otherwise set forth in this Agreement, any change in the time, manner or place of payment of, or in any other terms of, all or any of the Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any Loan Document, Swap Contract, Physical Trade Contract or Obligation;

(iii) any release or subordination of any security interest in any Collateral or any other collateral, any substitution of collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of any such security interest;

(iv) any other circumstances which otherwise might constitute a defense available to, or a discharge or, the obligations under this Agreement.

3.11 Governing Law and Jurisdiction.

(a) **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF OTHER THAN SECTION 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK .**

(b) **ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE STATE COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, AGENT, EACH SWAP BANK AND EACH PHYSICAL TRADE BANK CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, AGENT, EACH BANK,**

SWAP BANK AND EACH PHYSICAL TRADE BANK IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT.

3.12 Waiver of Jury Trial. THE PARTIES EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE PARTIES AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

3.13 Entire Agreement. THIS AGREEMENT EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE PARTIES RELATING TO ITS SUBJECT MATTER, AND SUPERSEDES ALL PRIOR OR CONTEMPORANEOUS AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, VERBAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF.

3.14 Intercreditor Agreement. Each party hereto agrees that it shall take no action to terminate its obligations under this Agreement and will otherwise be bound by and take no actions contrary to this Agreement; provided that the foregoing shall not limit or impair the right of any Bank to assign its rights and delegate its obligations arising under the Credit Agreement pursuant to Section 11.08 of the Credit Agreement.

3.15 SPT CONTRACTS. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS CREATING ON BEHALF OF ANY SPT BANK AN OBLIGATION OF ANY KIND TO ENTER INTO A SPT CONTRACT AT ANY TIME.

3.16 Joinder. From and after the date hereof, any entity that would qualify as a SPT Bank (as defined in the Credit Agreement) upon becoming a party to this Agreement, join this Agreement by executing an Intercreditor Agreement Addendum in the form attached hereto as Exhibit A.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FORTIS CAPITAL CORP., as Agent

By: /s/ IRENE C. RUMMEL
Name: Irene C. Rummel
Title: Director

By: /s/ CHAD CLARK
Name: Chad Clark
Title: Director

Address for Notices :

15455 North Dallas Parkway, Suite 1400
Addison, Texas 75001
Attention: Irene C. Rummel
Telephone: (214) 953-9313
Facsimile: (214) 969-9332

FORTIS CAPITAL CORP., as a Bank

By: /s/ IRENE C. RUMMEL
Name: Irene C. Rummel
Title: Director

By: /s/ CHAD CLARK
Name: Chad Clark
Title: Director

FORTIS ENERGY MARKETING & TRADING GP , as a Swap Bank and a Physical Trade Bank

By: /s/ DAVID J. GREEN
Name: David J. Green
Title: Managing Director

By: /s/ WILLIAM DAVID DURAN
Name: William David Duran
Title: Managing Director

Address for Notices :

1100 Louisiana Street, Suite 4900
Houston, Texas 77002
Attention: Credit Manager
Telephone: (713) 393-6800
Facsimile: (713) 890-3111

[Signature Page to Intercreditor Agreement]

BNP PARIBAS,
as a Bank and as a Swap Bank

By: /s/ EDWARD K. CHIN
Name: Edward K. Chin
Title: Managing Director

By: /s/ ANDREW STRATOS
Name: Andrew Stratos
Title: Vice President

Address for Notices :

787 Seventh Avenue
New York, NY 10019
Attention: Ed Chin
Phone: (212) 841-2020
Fax: (212) 841-2536

[Signature Page to Intercreditor Agreement]

SOCIÉTÉ GÉNÉRALE,
as a Bank and as a Swap Bank

By: /s/ BARBARA PAULSEN
Name: Barbara Paulsen
Title: Managing Director

By: /s/ EMMANUEL CHESNEAU
Name: Emmanuel Chesneau
Title: Managing Director

Address for Notices :

1221 Avenue of the Americas
New York, NY 10020
Attn: Barbara Paulsen
Phone: (212) 278-6496
Fax: (212) 278-7953

[Signature Page to Intercreditor Agreement]

NATIXIS, acting through its New York Branch,
as a Bank and Swap Bank

By: /s/ DAVID PERSHAD

Name: David Pershad

Title: Managing Director

By: /s/ JULIEN MATHIEU

Name: Julien Mathieu

Title: Associate Director

Address for Notices :

1251 Avenue of the Americas, 34th Floor

New York, New York 10020

Attention: David Pershad

Telephone: (212) 872-5015

Facsimile: (212) 354-9095

[Signature Page to Intercreditor Agreement]

RZB FINANCE LLC, as a Bank

By: /s/ HERMINE KIROLOS

Name: Hermine Kirolos

Title: Group Vice President

By: /s/ ASTRID WILKE

Name: Astrid Wilke

Title: Vice President

Address for Notices :

1133 Avenue of the Americas

New York, New York 10036

Attention: Hermine Kirolos

Telephone: (212) 845-4114

Facsimile: (212) 944-6389

[Signature Page to Intercreditor Agreement]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
as a Bank

By: /s/ LINDA TERRY
Name: Linda Terry
Title: Vice President and Manager

Address for Notices :

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,
New York Branch
1251 Avenue of the Americas
New York, New York 10020-1104
Attention: USCB Portfolio Management Group
Facsimile: (212) 782-4979

with a copy to :

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,
Houston Agency
1100 Louisiana Street,
Suite 2800
Houston, Texas 77002
Attention: Damain Sullivan
Telephone: (713) 655-3808
Facsimile: (713) 658-0116

[Signature Page to Intercreditor Agreement]

BROWN BROTHERS HARRIMAN & CO.,
as a Bank

By: /s/ MICHAEL L. VELLUCCI .

Name: Michael L. Vellucci

Title: Senior Vice President

Address for Notices :

140 Broadway
New York, NY 10005
Attention: Paul Feldman
Telephone: (212) 493-7732
Facsimile: (212) 493-8998

[Signature Page to Intercreditor Agreement]

THE ROYAL BANK OF SCOTLAND plc,
as a Bank

By: /s/ MATTHEW MAIN

Name: Matthew Main

Title: Managing Director

By: _____

Name:

Title:

Address for Notices :

101 Park Avenue, 6th Floor
New York ,New York 10178
Attention: Alisa Williams
Telephone: (212) 401-3200

With copies to :

600 Travis St, Suite 6500
Houston, Texas 77002
Attention: Matthew Main
Telephone: (713) 221-2441
Facsimile: (713) 221-2430

[Signature Page to Intercreditor Agreement]

CONSENTED AND AGREED TO:

ATMOS ENERGY MARKETING, LLC

By: /s/ C. RICHARD ALFORD

Name: C. Richard Alford

Title: Senior Vice President

Address for Notices :

13430 Northwest Freeway, Suite 700

Houston, TX 77040

Attention: Ronald W. Bahr

Telephone: (713) 688-7771

Facsimile: (713) 688-5124

[Signature Page to Intercreditor Agreement]

EXHIBIT A TO
INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT ADDENDUM

Reference is made to the INTERCREDITOR AGREEMENT ADDENDUM, dated as of March 31, 2008 (as amended, supplemented or otherwise modified from time to time, the "Agreement"), among FORTIS CAPITAL CORP., a Connecticut corporation, in its capacity as Collateral Agent (together with its successors and assigns in such capacity, the "Agent") for the Banks, Swap Banks, Physical Trade Banks and each other financial institution from time to time party thereto. Unless otherwise defined herein, capitalized terms used herein and defined in the Agreement are used herein as therein defined.

Upon execution and delivery of this Addendum, the undersigned shall, pursuant to Section 3.16 of the Agreement and to the extent that the undersigned otherwise qualifies as a SPT Bank under the Credit Agreement, become a SPT Bank under the Agreement effective as of the date hereof, with the maximum close out amounts set forth in Schedule 1 hereto; provided that each close-out amount listed on Schedule 1 hereto shall not be greater than the largest maximum amount listed in the applicable column of the table of close-out amounts set forth under the definition of "Permitted SPT Bank Close-Out Amounts" and if any amount on Schedule 1 hereto exceeds such amount, such amount set forth in Schedule 1 will be reduced by the required amount so that such amount matches the largest maximum amount listed in such table. The table of close-out amounts set out under the definition of "Permitted SPT Bank Close-Out Amounts" shall be updated, as of the date hereof, to reflect the new SPT Bank and its maximum close-out amounts as set forth on Schedule 1 subject to the foregoing limitations.

THIS ADDENDUM SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

This Addendum may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page hereof by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

IN WITNESS WHEREOF, the undersigned hereto has caused this Addendum to be duly executed and delivered by its proper and duly authorized officer as of this ____ day, of _____, 200 ____.

[NAME OF NEW SPT BANK]

By: _____
Name:
Title:

SCHEDULE 1 TO
INTERCREDITOR ADDENDUM

<u>SPT Bank (and its SPT Bank Affiliates, in the aggregate)</u>	<u>Maximum Swap Bank Close-Out Amount</u>	<u>Maximum Physical Trade Bank Close-Out Amount</u>	<u>Maximum SPT Bank Close-Out Amount</u>
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**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, 2008

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))

Item 2.02. Results of Operations and Financial Condition.

On Tuesday, February 5, 2008, Atmos Energy Corporation (the "Company") announced in a news release its financial results for the first quarter of the 2008 fiscal year, which ends September 30, 2008 and that certain of its officers would discuss such financial results in a conference call on Wednesday, February 6, 2008 at 8:00 a.m. Eastern time. In the release, the Company also announced that the conference call would be webcast live and that slides for the webcast would be available on its Web site 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 attached hereto shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 News Release issued by Atmos Energy Corporation dated February 5, 2008

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 5, 2008

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President and General Counsel

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated February 5, 2008 (furnished under Item 2.02)

Exhibit 99.1



News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

**Atmos Energy Corporation Reports Earnings for the Fiscal 2008 First Quarter;
Company Affirms Fiscal 2008 Guidance**

DALLAS (February 5, 2008)—Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2008 first quarter ended December 31, 2007.

- Fiscal 2008 first quarter net income was \$73.8 million, or \$0.82 per diluted share, compared with net income of \$81.3 million, or \$0.97 per diluted share in the prior-year quarter.
- Regulated operations contributed \$50.0 million of net income, or \$0.56 per diluted share for the fiscal 2008 first quarter, compared with \$41.5 million of net income or \$0.50 per diluted share in the prior-year quarter.
- Nonregulated operations contributed \$23.8 million of net income in the fiscal 2008 first quarter, or \$0.26 per diluted share, compared with \$39.8 million of net income or \$0.47 per diluted share for the same period last year.
- The tentative Mid-Tex Division rate case settlement, with a group representing 52 percent of the division's customers announced in January 2008, is anticipated to have no material impact on fiscal 2008 results.
- Atmos Energy affirms its fiscal 2008 earnings guidance of \$1.95 to \$2.05 per diluted share.

"The year is off to a fine start," said Robert W. Best, chairman, president and chief executive officer of Atmos Energy Corporation. "Our regulated gas distribution business performed solidly this quarter, with net income rising over 25 percent from a year ago. Successful execution of our regulatory strategy has further stabilized margins in this core segment. And, in our nonregulated marketing business, although dampening natural gas price volatility provided less opportunity to generate the margins achieved over the last couple of years, we are encouraged that our marketing efforts continue to generate increasing sales volumes."

Natural gas distribution gross profit increased \$10.6 million to \$273.2 million for the fiscal 2008 first quarter, compared with \$262.6 million in the prior-year quarter, before intersegment eliminations. This increase primarily reflects a net \$9.3 million increase in rates in the company's Mid-Tex, Louisiana, Tennessee and Kentucky service areas.

Regulated transmission and storage gross profit increased \$5.1 million to \$45.0 million for the three months ended December 31, 2007, compared with \$39.9 million for the three months ended December 31, 2006, before intersegment eliminations. This increase reflects higher revenues resulting from the company's 2006 filing under the Texas Gas Reliability Infrastructure Program (GRIP), a 17 percent increase in throughput, primarily associated with increased production in the Barnett Shale and Carthage regions in Texas and higher per unit margins attributable to more favorable market conditions. These increases were partially offset by lower fees for storage, parking and lending services.

Natural gas marketing gross profit decreased \$17.1 million to \$46.0 million for the fiscal 2008 first quarter, compared with \$63.1 million for the fiscal 2007 first quarter, before intersegment eliminations. This decrease primarily reflects a \$20.5 million reduction in unrealized margins quarter over quarter. Additionally, delivered gas margins decreased \$1.9 million, compared with the prior-year quarter, despite a 24 percent increase in sales volumes, due to significantly lower unit margins earned in a less volatile market. Realized losses incurred from Atmos Energy Marketing's (AEM) storage and trading activities decreased \$5.3 million during the current-year quarter compared to the prior-year quarter. The decrease reflects smaller losses incurred on the settlement of financial positions, partially offset by lower margins earned from cycling gas in a less volatile natural gas market.

Pipeline, storage and other gross profit decreased \$5.1 million to \$6.0 million for the three months ended December 31, 2007, compared with \$11.1 million for the three months ended December 31, 2006, before intersegment eliminations. The decrease primarily was due to lower unrealized margins associated with storage and trading activities.

Consolidated operation and maintenance expense for the first quarter of fiscal 2008 was \$121.2 million, compared with \$115.4 million for the first quarter last year. Excluding the provision for doubtful accounts, operation and maintenance expense for the current quarter increased \$7.9 million, compared with the prior-year quarter. The increase primarily was attributable to higher employee, pipeline maintenance, odorization and fuel costs.

The provision for doubtful accounts decreased \$2.1 million to \$4.6 million for three months ended December 31, 2007, compared with \$6.7 million for the three months ended December 31, 2006. The decrease primarily was due to a reduction in revenues associated with lower natural gas prices. In the natural gas distribution segment, the average cost of natural gas for the three months ended December 31, 2007, was \$7.73 per thousand cubic feet (Mcf), compared with \$8.12 per Mcf for the three months ended December 31, 2006.

Interest charges for the three months ended December 31, 2007 were \$36.8 million, compared with \$39.5 million for the three months ended December 31, 2006. The \$2.7 million quarter-over-quarter decrease primarily was due to lower average short-term debt balances experienced in the current period.

The capitalization ratio at December 31, 2007, was 53.4 percent, compared to 53.7 percent at September 30, 2007, and 54.9 percent at December 31, 2006. Short-term debt was \$202.2 million at December 31, 2007, compared to \$150.6 million at September 30, 2007, and \$154.5 million at December 31, 2006.

For the three months ended December 31, 2007, operating activities provided cash of \$61.4 million, compared with \$165.0 million for the three months ended December 31, 2006. Quarter over quarter, the decrease in operating cash flow reflects unfavorable changes in various working capital items, primarily related to the natural gas marketing business and matters related to the timing of tax payments and receivables.

Capital expenditures increased to \$94.2 million for the current quarter, compared with \$87.0 million for the same period last year. The \$7.2 million increase primarily reflects spending in the natural gas distribution segment related to the company's new automated metering initiative.

Outlook

The leadership of Atmos Energy remains focused on enhancing shareholder value by delivering consistent earnings growth. Atmos Energy continues to project fiscal 2008 earnings to be in the range of \$1.95 to \$2.05 per diluted share and capital expenditures are expected to range from \$450 million to \$465 million. Major assumptions underlying the earnings projection remain unchanged. The assumptions include a reduced contribution from the natural gas marketing segment due to less volatility in natural gas prices, continued successful execution of the rate strategy in the natural gas distribution segment, normal weather, an average annual short term-interest rate of 6.5 percent and no material acquisitions. However, the mark-to-market impact on the nonregulated marketing company's physical storage inventory at September 30, 2008, and changes in events or other circumstances that the company cannot currently anticipate or predict, could result in earnings for fiscal 2008 that are significantly above or below this outlook.

Conference Call to be Webcast February 6, 2008

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2008 first quarter on Wednesday, February 6, 2008, at 8 a.m. EST. The telephone number is 800-240-4186. The conference call will be webcast live on the Atmos Energy Web site at www.atmosenergy.com. A playback of the call will be available on the Web site later that day. Atmos Energy officers who will participate in the conference call include: Bob Best, chairman, president and chief executive officer; Pat Reddy, senior vice president and chief financial officer; Kim Cocklin, senior vice president, regulated operations; Mark Johnson, senior vice president, nonregulated operations; Fred Meisenheimer, vice president and controller; Laurie Sherwood, vice president, corporate development, and treasurer; and Susan Giles, vice president, investor relations.

Highlights and Recent Developments

Mid-Tex Division Tentative Rate Case Settlement

On January 10, 2008, the company announced that it had entered into a settlement agreement with the Atmos Cities Steering Committee ("ACSC"), on behalf of its 151 cities located in the division. Such cities represent about 52 percent of the total number of residential customers in the Mid-Tex Division. The settlement agreement is subject to approval by each of the cities in the ACSC. Key provisions of the settlement include an increase of about 20 cents per month in the average residential customer's bill, effective March 1, 2008, the implementation of a Rate Review Mechanism (RRM) to be effective for a three-year trial period that will reflect annual changes in the Mid-Tex Division's cost of service and rate base and an authorized return on equity of 9.6 percent, with the cost of debt and capital structure substantially unchanged from the Mid-Tex Division's prior rate case.

The company remains in negotiations with cities which represent the majority of the remaining Mid-Tex customers. Hearings are scheduled to begin February 25, 2008, for the cities that have not reached a settlement by that date. As a result of the uncertainty surrounding the final outcome of these negotiations and the timing of the implementation of the new rates granted in the tentative settlement agreement, Atmos Energy anticipates that the settlement will not have a material impact on fiscal 2008 results.

FERC Investigation

On December 13, 2007, the company received data requests from the Division of Investigations of the Office of Enforcement of the Federal Energy Regulatory Commission (the "Commission") in connection with its investigation into possible violations of the Commission's posting and competitive bidding regulations for pre-arranged released firm capacity on natural gas pipelines. The company submitted its responses to the data requests on a timely basis and intends to fully cooperate with the Commission during its investigation.

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 capital markets and the other factors discussed in the company's SEC filings. These factors include the risks and uncertainties discussed in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007. 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, headquartered in Dallas, is the country's largest natural-gas-only distributor, serving about 3.2 million natural gas distribution customers in more than 1,600 communities in 12 states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also provides natural gas marketing and procurement services to industrial, commercial and municipal customers in 22 states and manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Atmos Energy is a Fortune 500 company. For more information, visit www.atmosenergy.com.

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

	December 31,	September 30,
<u>Condensed Balance Sheets</u>	<u>2007</u>	<u>2007</u>
(000s)		
Net property, plant and equipment	\$3,888,126	\$3,836,836
Cash and cash equivalents	51,874	60,725
Cash held on deposit in margin account	—	—
Accounts receivable, net	776,866	380,133
Gas stored underground	564,426	515,128
Other current assets	<u>126,855</u>	<u>112,909</u>
Total current assets	1,520,021	1,068,895
Goodwill and intangible assets	737,536	737,692
Deferred charges and other assets	<u>254,080</u>	<u>253,494</u>
	<u>\$6,399,763</u>	<u>\$5,896,917</u>
Shareholders' equity	\$2,032,483	\$1,965,754
Long-term debt	<u>2,124,915</u>	<u>2,126,315</u>
Total capitalization	4,157,398	4,092,069
Accounts payable and accrued liabilities	739,807	355,255
Other current liabilities	389,937	409,993
Short-term debt	202,244	150,599
Current maturities of long-term debt	<u>3,618</u>	<u>3,831</u>
Total current liabilities	1,335,606	919,678
Deferred income taxes	378,425	370,569
Deferred credits and other liabilities	<u>528,334</u>	<u>514,601</u>
	<u>\$6,399,763</u>	<u>\$5,896,917</u>

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

<u>Condensed Statements of Cash Flows</u> (000s)	<u>Three Months Ended</u> <u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Net income	\$ 73,803	\$ 81,261
Depreciation and amortization	48,536	49,078
Deferred income taxes	11,978	13,869
Changes in assets and liabilities	(77,286)	16,043
Other	4,406	4,718
Net cash provided by operating activities	61,437	164,969
Cash flows from investing activities		
Capital expenditures	(94,155)	(86,986)
Other, net	(1,874)	(1,324)
Net cash used in investing activities	(96,029)	(88,310)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	50,690	(227,945)
Repayment of long-term debt	(1,741)	(1,717)
Cash dividends paid	(29,178)	(26,261)
Net proceeds from equity offering	—	192,261
Issuance of common stock	5,970	5,594
Net cash provided by (used in) financing activities	25,741	(58,068)
Net increase (decrease) in cash and cash equivalents	(8,851)	18,591
Cash and cash equivalents at beginning of period	60,725	75,815
Cash and cash equivalents at end of period	<u>\$ 51,874</u>	<u>\$ 94,406</u>

<u>Statistics</u>	<u>Three Months Ended</u> <u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Heating degree days *	1,081	1,135
Percent of normal *	98%	101%
Consolidated natural gas distribution throughput (MMcf as metered)	118,516	119,094
Consolidated regulated transmission and storage transportation volumes (MMcf)	136,200	116,813
Consolidated natural gas marketing sales volumes (MMcf)	96,206	77,526
Natural gas distribution meters in service	3,222,330	3,213,413
Natural gas distribution average cost of gas	\$ 7.73	\$ 8.12
Natural gas marketing net physical position (Bcf)	17.7	21.0

* Adjusted for weather-normalized operations.

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