ATMOS ENERGY CORP
Form DEF 14A
December 22, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Atmos Energy Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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December 22, 2011

Dear Atmos Energy Shareholder:

You are cordially invited to attend the annual meeting of shareholders on Wednesday, February 8, 2012, at 9:30 a.m. Central Standard Time. The meeting will be held in the Lincoln Ballroom at the Hilton Hotel Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas 75240.

The matters to be acted upon at the meeting are described in the Notice of Annual Meeting of Shareholders and Proxy Statement. In addition, we will review the affairs and progress of the Company during the past year and discuss the results of operations for the first quarter of our 2012 fiscal year.

Your vote is very important, regardless of the number of shares you hold. Whether or not you plan to attend the meeting in person, please cast your vote, as instructed in the Notice of Internet Availability of Proxy Materials (Notice) or proxy card, over the Internet, by telephone or on the proxy card, as promptly as possible. If you received only a Notice in the mail or by electronic mail, you may also request a paper proxy card to submit your vote by mail, if you prefer. However, we encourage you to vote over the Internet or by telephone because it is more convenient and saves printing costs and postage fees, as well as natural resources.

On behalf of your Board of Directors, thank you for your continued support and interest in Atmos Energy Corporation.

Sincerely,

Robert W. Best Executive Chairman of the Board	Kim R. Cocklin President and Chief Executive Officer

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ATMOS ENERGY CORPORATION

P.O. Box 650205

Dallas, Texas 75265-0205

NOTICE OF ANNUAL MEETING

OF SHAREHOLDERS

To Our Shareholders:

The annual meeting of the shareholders of Atmos Energy Corporation will be held in the Lincoln Ballroom at the Hilton Hotel Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas 75240 on Wednesday, February 8, 2012, at 9:30 a.m. Central Standard Time for the following purposes:

1. To elect eight directors for one-year terms expiring in 2013;

2. To ratify the Audit Committee s appointment of Ernst & Young LLP (Ernst & Young) to serve as the Company s independent registered public accounting firm for fiscal 2012;

3. To act upon a proposal for a non-binding, advisory vote by the shareholders to approve the compensation of the named executive officers of the Company for fiscal 2011 (Say on Pay); and

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record of our common stock at the close of business on December 12, 2011, will be entitled to notice of, and to vote at, such meeting. The stock transfer books will not be closed. Your vote is very important to us. Regardless of the number of shares you own, please vote. All shareholders of record may vote (i) over the Internet, (ii) by toll-free telephone (please see the proxy card for instructions), (iii) by written proxy by signing and dating the proxy card and mailing it to us or (iv) by attending the annual meeting and voting in person. These various options for voting are described in the Notice or proxy card. For all shareholders who participate in our Retirement Savings Plan and Trust (RSP), your vote over the Internet, by telephone or on your proxy card will serve as voting instructions to the trustee of the RSP. If you have shares of our common stock issued to you under the RSP, only the trustee may vote your plan shares even if you attend the annual meeting in person.

All shareholders who hold their shares in street name in the name of a broker, bank or other nominee (broker) may submit their written votes through voting instruction forms provided by their brokers. If you hold your shares in street name, you may also generally vote your proxy over the Internet or by telephone, in accordance with voting instructions provided by your broker. Pursuant to recent amendments of the rules of the New York Stock Exchange (NYSE), brokers no longer have the discretion to vote the shares of customers who fail to provide voting instructions on any of the proposals listed above except the proposal to ratify the Audit Committee s appointment of Ernst & Young to serve as the Company s independent registered public accounting firm for fiscal 2012. Therefore, if you do not provide instructions to your broker to vote your shares, the broker may vote your shares only on that one proposal at our annual meeting. In addition, if you own your shares in street name and you intend to vote in person at the meeting, you must first obtain a legal proxy from your broker and bring that legal proxy to the annual meeting.

We encourage you to receive all proxy materials in the future electronically to help us save printing costs and postage fees, as well as natural resources in producing and distributing these materials. If you wish to receive these materials electronically next year, please follow the instructions on the proxy card or on our website at *www.atmosenergy.com*.

By Order of the Board of Directors,

Dwala Kuhn
Corporate Secretary

December 22, 2011

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ATMOS ENERGY CORPORATION

P.O. Box 650205

Dallas, Texas 75265-0205

PROXY STATEMENT

for the

2012 ANNUAL MEETING OF SHAREHOLDERS

to be Held on February 8, 2012

GENERAL MEETING MATTERS

Date, Time, Place and Purpose of Meeting

Our 2012 annual meeting of shareholders will be held on Wednesday, February 8, 2012, at 9:30 a.m. Central Standard Time in the Lincoln Ballroom at the Hilton Hotel Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas 75240. The purpose of the 2012 annual meeting is set forth in the Notice of Annual Meeting of Shareholders to which this proxy statement is attached. Atmos Energy Corporation is referred to as Atmos Energy, the Company, our, us or we in this proxy statement.

Internet Availability of Proxy Materials

Under rules of the U.S. Securities and Exchange Commission (SEC), we are furnishing proxy materials to our shareholders primarily over the Internet, rather than mailing paper copies of the materials (including our Summary Annual Report and Annual Report on Form 10-K for fiscal 2011) to each shareholder. If you received only a Notice by mail or electronic mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet. The Notice will also instruct you as to how you may access your proxy card to vote over the Internet. If you received a Notice by mail or electronic mail and would like to receive a paper copy of our proxy materials, free of charge, please follow the instructions included in the Notice.

We anticipate that the Notice will be mailed to our shareholders on or about December 22, 2011, and will be sent by electronic mail to our shareholders who have opted for such means of delivery on or about December 23, 2011.

Revocability and Voting of Proxies

Any shareholder of record giving a proxy has the power to revoke the proxy at any time prior to its exercise by (1) submitting a new proxy with a later date, including a proxy given over the Internet or by telephone; (2) notifying our Corporate Secretary in writing before the meeting; or (3) voting in person at the meeting. Any shareholder owning shares in street name who wishes to revoke voting instructions previously given to a broker should contact such broker for further instructions. An independent inspector will count the votes. Your vote will not be disclosed to us and will remain confidential except under special circumstances. For example, a copy of your proxy card will be sent to us if you add any written comments to the card. If you are a shareholder of record and give us your signed proxy, but do not specify how to vote on any particular proposal, we will vote your shares in favor of the nominees for the election of directors (see *Proposal One Election of Directors*, beginning on page 13), in favor of the proposal to ratify the Audit Committee s appointment of Ernst & Young as the independent registered public accounting firm for the Company for fiscal 2012 (see *Proposal Two Ratification of Appointment of Independent Registered Public Accounting Firm* on page 56) and in favor of the advisory proposal to approve executive compensation for fiscal 2011 (see *Proposal Three Non-Binding, Advisory Vote on Approval of Executive Compensation*, beginning on page 57).

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Solicitation of Proxies

The proxy accompanying this statement is solicited by the management of the Company at the direction of our Board of Directors. It is expected that these materials will be first sent to our shareholders on or about December 22, 2011. We expect to solicit proxies primarily by mail, but our directors, officers, employees and agents may also solicit proxies in person or by telephone or other electronic means. We will pay for all costs of preparing, assembling and distributing the proxies and accompanying materials for the annual meeting of shareholders, including the costs of reimbursing brokers for forwarding proxies and proxy materials to their principals. We will ask brokers to prepare and send a Notice to customers or clients for whom they hold shares and forward copies of the proxy materials to such beneficial owners who request a paper copy. In addition, Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902 (Morrow) will assist us in the solicitation of proxies. We will pay approximately $7,500 in fees, plus expenses and disbursements, to Morrow for its proxy solicitation services.

Common Stock Information; Record Date

As of December 12, 2011, our record date, there were 90,218,531 shares of our common stock, no par value, issued and outstanding, all of which are entitled to vote. These shares constitute the only class of our stock issued and outstanding. As stated in the Notice, only shareholders of record at the close of business on December 12, 2011, will be entitled to vote at the meeting. Each share is entitled to one vote.

Quorum Requirement

Our bylaws provide that if the holders of a majority of the issued and outstanding shares of our common stock entitled to vote are present in person or represented by proxy, there will be a quorum. The aggregate number of votes entitled to be cast by all shareholders present in person or represented by proxy at the annual meeting, whether those shareholders vote for, against or abstain from voting on any matter, will be counted for purposes of determining whether a quorum exists. Broker non-votes, which are described below, will also be considered present for purposes of determining whether a quorum exists.

Broker Non-Votes and Vote Required

If a broker holds your shares and you have previously elected to receive a paper copy of your proxy materials, this proxy statement and other proxy materials have been sent to your broker. You may have received this proxy statement directly from your broker, together with instructions as to how to direct the broker to vote your shares. If you desire to have your vote counted, it is important that you return your voting instructions to your broker. Rules of the NYSE determine whether proposals presented at shareholder meetings are considered routine or non-routine. If a proposal is routine, a broker holding shares for an owner in street name may vote on the proposal without voting instructions from the owner. If a proposal is non-routine, the broker may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker is unable to vote on a proposal because the proposal is non-routine and the owner does not provide instructions. Broker non-votes have no effect on the vote on such a proposal because they are not considered present and entitled to vote. Proposals One and Three are considered non-routine proposals. Therefore, brokers may vote on these proposals only if voting instructions are provided by the owner of the shares. Only Proposal Two, the proposal to ratify the appointment of Ernst & Young as the independent registered

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public accounting firm for the Company for fiscal 2012, is considered a routine proposal under the rules of the NYSE. As a result, brokers holding shares for an owner in street name may vote on Proposal Two, even if no voting instructions are provided by the owner of the shares.

For all proposals, the number of votes required for approval is a majority of the shares of our common stock present or represented by proxy and entitled to vote at the meeting. Abstentions will have the same effect as an against vote but, as discussed above, broker non-votes will have no effect on the vote for these proposals. If any other proposals are properly presented to the shareholders at the meeting, the number of votes required for approval will depend on the nature of the proposal. Generally, under Texas and Virginia law and our bylaws, the number of votes required to approve a proposal is a majority of the shares of common stock present or represented by proxy and entitled to vote at the meeting. The proxy gives discretionary authority to the proxy holders to vote on any matter not included in this proxy statement that is properly presented to the shareholders at the meeting. The persons named as proxies on the proxy card are Robert W. Best, Executive Chairman, Charles K. Vaughan, Director and Lead Director and Nancy K. Quinn, Director and Chair of the Audit Committee.

CORPORATE GOVERNANCE AND OTHER BOARD MATTERS

Corporate Governance

In accordance with, and pursuant to, the corporate governance-related listing standards of the NYSE, the Board has adopted and periodically updated our Corporate Governance Guidelines (Guidelines), which govern the structure and proceedings of the Board and contain the Board s position on many governance issues. The Board has also adopted and periodically updated the Code of Conduct for our directors, officers and employees. The Code of Conduct provides guidance to the Board and management in areas of ethical business conduct and risk and provides guidance to employees and directors by helping them to recognize and deal with ethical issues including, but not limited to (i) conflicts of interest, (ii) gifts and entertainment, (iii) confidential information, (iv) fair dealing, (v) protection of corporate assets and (vi) compliance with rules and regulations. We have provided to our directors, officers and other employees a toll-free compliance hotline and a website by which they may report on an anonymous basis any observation of unethical behavior or suspected violation of our Code of Conduct. In addition, the Board has adopted and 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 under the Investors tab of our website at *www.atmosenergy.com*.

Independence of Directors

The Board is comprised of a majority of independent directors in accordance with NYSE corporate governance-related listing standards. In accordance with rules of the SEC and the NYSE as well as our Guidelines, to be considered independent, a director must not have a direct or indirect material relationship with the Company or its management, other than as a director. To assist it in making its determination of the independence of each of its members, the Board has adopted its Categorical Standards of Director Independence (Standards). The Standards specify the criteria by which the independence of our directors will be determined and the types of relationships the Board has determined to be categorically immaterial, including relationships of directors and their immediate families with respect to past employment or affiliation with the Company, our management or our

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independent registered public accounting firm. For purposes of the Standards, the Board has adopted the definition of an immediate family member as set forth by the NYSE, which includes a director s spouse, parents, children, siblings and in-laws of the director, as well as anyone else (other than domestic employees) who shares such director s home. The Standards and our Guidelines are posted on the Corporate Governance page of our website.

Based on its review of the Standards, as well as applicable SEC and NYSE rules, and taking into consideration all business relationships between the Company and each non-employee director and non-employee director nominee, the Board has concluded that none of such relationships are material other than the relationship with Mr. Springer described below. Accordingly, the Board has affirmatively determined that Ms. Quinn, Dr. Meredith and Messrs. Douglas, Esquivel, Gordon, Grable, Vaughan and Ware, as well as the non-employee directors who are continuing to serve the remainder of their terms, are independent members of the Board. In addition, the Board has affirmatively determined that each member of the Audit, Human Resources and Nominating and Corporate Governance Committees are independent under the Standards, as well as applicable SEC and NYSE rules.

In recommending to the Board that each non-employee director and nominee be found independent, the Nominating and Corporate Governance Committee reviewed and considered the following transactions, relationships or arrangements during the past three fiscal years, as discussed below. All matters described below fall within the Standards**,** including the monetary thresholds set forth in such Standards. Such matters are more fully discussed below under *Related Person Transactions*.

Mr. Ware is president of Amarillo National Bank in Amarillo, Texas, which provides a $25 million short-term line of credit to the Company and serves as a depository bank for us; and

Several of our other directors either are natural gas customers or are affiliated with businesses that are natural gas customers of the Company in the ordinary course of business.

Because Mr. Springer s son-in-law is a partner with the firm of Ernst & Young, our independent registered public accounting firm, the Board has determined that Mr. Springer may not be considered independent from the Company under the Standards. However, Mr. Springer s son-in-law is not involved in our audit and is not considered a covered person with respect to us, as defined under the SEC s independence-related rules and regulations for auditors. Thus, this relationship has no effect on Ernst & Young s independence as our independent registered public accounting firm. Further, Mr. Springer does not serve on our Audit, Human Resources or Nominating and Corporate Governance Committees.

Related Person Transactions

In accordance with applicable SEC rules and in recognition that transactions into which we enter with related persons may present potential or actual conflicts of interest, our Board has adopted written guidelines with respect to related person transactions. For purposes of these guidelines, a reportable related person transaction is a transaction between the Company and any related person (i) involving more than $120,000 when aggregated with all similar transactions during any fiscal year and (ii) where such related person has or will have a direct or indirect material interest in such transaction (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity). A related person is any (a) person who is or was (since the beginning of the last fiscal year) an executive officer, director or nominee for election as a director of the Company; (b) person who

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beneficially owns more than five percent of the Company s common stock or (c) immediate family member of any of the foregoing. An immediate family member includes a person s spouse, parents, children, siblings, in-laws and anyone residing in such person s home (other than domestic employees).

Under the guidelines, all executive officers, directors and director nominees are required to identify, to the best of their knowledge after reasonable inquiry, business and financial affiliations involving themselves or their immediate family members who could reasonably be expected to give rise to a related person transaction. Executive officers, directors and director nominees are required to advise the Corporate Secretary of the Company promptly of any change in the information provided and are asked periodically to review and reaffirm this information.

The Nominating and Corporate Governance Committee reviews the material facts of all related person transactions and either approves or disapproves of the entry into any such transaction. However, if advance committee approval of a related person transaction is not feasible, then it shall be considered and, if the committee determines it to be appropriate, ratified at the committee s next regularly scheduled meeting. In determining whether to approve or ratify a related person transaction, the committee takes into account, among other factors it deems appropriate, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person s interest in the transaction.

No director is allowed to participate in any discussion or approval of a related person transaction for which he or she is a related person, except that the director shall provide all material information concerning the transaction to the committee. If a related person transaction will be ongoing, the committee may establish guidelines for the Company s management to follow in its ongoing dealings with the related person. Thereafter, the committee, on at least an annual basis, shall review and assess ongoing relationships with the related person to see that they remain in compliance with the committee s related person transaction guidelines and that the related person transaction remains appropriate. In addition, the committee will periodically review the related person guidelines to determine if changes or modifications may be appropriate.

The committee also makes a recommendation to the Board as to whether the committee determines that an identified transaction is required to be reported as a related person transaction under SEC rules. Under SEC rules, certain transactions are deemed not to involve a material interest and thus, not reportable (including transactions in which the amount involved in any 12-month period is less than $120,000 and transactions with entities where a related person s interest is limited to service as a non-employee director). In determining materiality for this purpose, information is considered material if, in light of all the facts and circumstances of the transaction, there is a substantial likelihood a reasonable investor would consider the information important in deciding whether to buy, sell or vote shares of Company stock. The types of transactions specified below, which are pre-approved by the committee, are presumed not to be material.

Transactions in the ordinary course of business with an entity for which a related person serves as an executive officer, provided (i) the affected director or executive officer does not participate in the decision on the part of the Company to enter into such transactions and (ii) the amount involved in any related category of transactions during any particular fiscal year is the lesser of (a) $1 million or (b) an amount which is less than one percent of the entity s gross revenue for the most recently completed fiscal year for which data is publicly available;

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Charitable gifts made in the ordinary course of business to a foundation, university or other nonprofit organization, provided (i) the affected director or executive officer does not participate in the decision on the part of the Company to make such gifts and (ii) the amount of gifts during any particular fiscal year is the lesser of (a) $120,000 or (b) an amount which is less than one percent of the nonprofit entity s gross revenue for the most recently completed fiscal year for which data is publicly available;

Employment by the Company of a family member of an executive officer, provided the executive officer does not participate in decisions regarding the hiring, performance evaluation, or compensation of the family member; and

Payments under the Company s employee benefit plans and other programs that are available generally to the Company s employees (including contributions under the Company s educational matching gift programs and payments to providers under the Company s health care plans).

The committee has reviewed the Company s ordinary course of business transactions during fiscal 2011 with companies for which related persons serve as executive officers and all other related person transactions, including the following transactions, which represent the only significant transactions of this type during fiscal 2011:

As noted above, in the discussion on the independence of our directors, Mr. Ware is president of Amarillo National Bank in Amarillo, Texas, which provides a $25 million short-term line of credit to the Company and serves as a depository bank for us. In addition, from October 2010 through March 2011, Amarillo National Bank was the trustee for our 1998 Long-Term Incentive Plan (LTIP). During fiscal 2011, we paid a total of $287,674 to Amarillo National Bank for these services, which amount is reasonable and customary for these types of services and are substantially on the same terms as comparable third-party transactions. The committee has received written confirmation that such amount represents less than one percent of the gross revenues of the bank for the applicable period.

Mr. Esquivel is Vice President for Community and Corporate Relations for UT Southwestern Medical Center in Dallas, Texas, which is a natural gas distribution customer of the Company in the ordinary course of business. For the 2011 fiscal year, the Company received total revenues from UT Southwestern Medical Center in the amount of $921,058. Our sales of natural gas to UT Southwestern Medical Center are made on substantially the same terms as other comparable third-party transactions. The committee has received written confirmation that such amount represents less than one percent of the gross revenues of UT Southwestern for the applicable period.

Accordingly, the committee has determined that none of those transactions involved a material interest. In addition, the Company is not aware of any related person transactions required to be reported under applicable SEC rules since the beginning of the last fiscal year where our policies and procedures did not require review or where such policies and procedures were not followed.

Board Leadership Structure

The Company s bylaws and Guidelines provide that our Board of Directors has the right to exercise its discretion to either separate or combine the offices of the Chairman of the Board and the Chief Executive Officer (CEO). This decision is based upon the Board s determination of what is in the best interests of the Company and its shareholders, in light of the circumstances and taking into consideration succession planning, skills and experience of the individuals filling those positions and

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other relevant factors. Until October 1, 2010, the Board had historically determined that the offices of the Chairman of the Board and the CEO should be combined, primarily to provide unified leadership and direction for the Company. However, Mr. Best was appointed by the Board as Executive Chairman effective October 1, 2010, while Mr. Cocklin was appointed as President and CEO also effective October 1, 2010. Considering the skills and experience of Messrs. Best and Cocklin, the need to provide an orderly leadership transition from Mr. Best to Mr. Cocklin, and the completion of the execution of the Company s succession planning process, the Board determined that the Board and Company s leadership structure that is most appropriate is to have an Executive Chairman separate from its CEO. The current leadership structure is based on the experienced leadership provided by a full-time Executive Chairman (currently Mr. Best) and a full-time CEO (currently Mr. Cocklin), with both positions being subject to oversight and review by the Company s independent directors. The Board recognizes that if the circumstances change in the future, other leadership structures might also be appropriate and it has the discretion to revisit this determination of the Company s leadership structure. A combined Chairman and CEO Board leadership structure has previously worked well for the Company and its shareholders and may do so in the future.

The Board s leadership structure is designed so that independent directors exercise oversight of the Company s management and key issues related to strategy and risk. Only independent directors serve on the Audit Committee, the Human Resources Committee and the Nominating and Corporate Governance Committee of the Board and all standing Board committees are chaired by independent directors. Additionally, independent directors regularly hold executive sessions of the Board outside the presence of the Executive Chairman, the President and CEO or any other Company employee and they generally meet in a private session with the Executive Chairman and the President and CEO at every regularly scheduled Board meeting.

Each year, the independent directors of the Board select an independent director to serve as a Lead Director (the Lead Director). The Lead Director performs the following duties: (i) convenes and chairs meetings of the non-management directors in executive sessions as may be necessary; (ii) coordinates and develops the agenda for executive sessions of the non-management directors; (iii) coordinates feedback to the Executive Chairman and the President and CEO on behalf of the non-management directors regarding business, management or other issues; (iv) collaborates with the Executive Chairman and the President and CEO in developing the agenda for meetings of the Board; (v) consults with the Executive Chairman and the President and CEO on related information that is sent to the Board; (vi) discusses the results of the performance evaluation of both the Executive Chairman and the President and CEO with the Chair of the Human Resources Committee; (vii) reports to the Executive Chairman and President and CEO the results of their respective performance evaluations and (viii) identifies and develops with the Executive Chairman and the President and CEO along with the Chair of the Nominating and Corporate Governance Committee, the Board s compositional needs and criteria for the selection of candidates to serve as directors. In performing the duties described above, the Lead Director is expected to consult with the chairs of the appropriate Board committees and solicit their participation. The Lead Director also performs such other duties as may be assigned to the Lead Director by the Board of Directors, the independent directors, the Executive Chairman or the President and CEO.

Risk Oversight Process

Our Board of Directors has the primary responsibility for risk oversight of the Company as a whole. However, the Board has delegated primary oversight responsibility to the Audit Committee.

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The Audit Committee is responsible for overseeing risks associated with financial and accounting matters, including compliance with all legal and regulatory requirements and internal control over financial reporting. In addition, the Audit Committee has oversight responsibility for the Company s overall business risk management process, which includes the identification, assessment, mitigation and monitoring of key business risks on a company-wide basis. To assist the Audit Committee in performing this function, for the last several years, the Audit Committee has engaged the firm of KPMG LLP (KPMG), which also serves as the Company s internal auditor, to perform an annual enterprise risk assessment, upon which KPMG reports to the Audit Committee at its meeting each spring. For fiscal 2011, 14 key business risks were assessed by KPMG, including physical infrastructure, competition, transaction processing, business disruption, gas supply, credit, liquidity, regulatory and compliance. The Chairman of the Audit Committee then reports to the Board at its next meeting on such risk assessment and the overall effectiveness of the key business risk processes and controls. In addition, KPMG presents a report on its internal audit activities during the prior quarter to the Audit Committee at its regularly-scheduled quarterly meetings. The report includes the audit activities performed the previous quarter, which address the key business risks previously identified during the annual enterprise risk assessment, including evaluations and assessments of internal controls and procedures.

In addition, at each quarterly Audit Committee meeting, the Audit Committee reviews with management the steps taken by management to ensure compliance with established risk management policies and procedures relating to the Company s marketing and trading affiliate, Atmos Energy Marketing, LLC (AEM). Compliance with these risk management policies and procedures is monitored on a monthly basis by the AEM Risk Management Committee, which is comprised of officers of the Company and AEM along with other key employees. Such risk management policies and procedures address credit risk, liquidity risk, operational risk and legal/contract/regulatory risks. If appropriate, the Chairman of the Audit Committee then reports to the Board on any significant deviations from the risk management policies and procedures.

The Board has also charged the Human Resources Committee (HR Committee) with ensuring that our executive compensation policies and practices support the retention and development of executive talent with the experience required to manage risks inherent to our business and do not encourage or reward excessive risk-taking by our executives. See the discussion in *Compensation Risk Assessment*, beginning on page 12 for more information on the specific processes used by the HR Committee to assess the risk profile of our compensation program. The Nominating and Corporate Governance Committee oversees risks associated with corporate governance, including Board leadership structure, succession planning and other matters. The Board s role in risk oversight has had no significant effect on the Board s leadership structure. In addition, we believe that the current leadership structure of the Board supports effective oversight of the Company s risk management processes described above by providing independent leadership at the Board committee level, with ultimate oversight by the full Board as led by the Executive Chairman, the President and CEO and the Lead Director.

Lead Director and Communications with Directors

In accordance with the corporate governance-related listing standards of the NYSE, the independent directors of the Board have designated Charles K. Vaughan as the Lead Director at all meetings of non-management directors during fiscal 2012, which meetings will continue to be held by the Board on a regular basis. In addition, all independent members of the Board meet as a group at least once annually. Shareholders and other interested parties may communicate with Mr. Vaughan, individual non-management directors, or the non-management directors as a group, by writing to Board of Directors, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas, 75265-0205 or by electronic mail at *boardofdirectors@atmosenergy.com*. Our Senior Vice President and General Counsel, Louis P. Gregory, receives all such communications initially and forwards the communications to Mr. Vaughan or another individual non-management director, if applicable, as he deems appropriate. Interested parties may also contact our directors who are members of management, Robert W. Best, Executive Chairman (*robert.best@atmosenergy.com*) and Kim R. Cocklin, President and CEO (*kim.cocklin@atmosenergy.com*); by mail at Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205, or by telephone at 972-934-9227.

Committees of the Board of Directors

Standing Committees. We have certain standing committees, each of which is described below. The Executive Committee consists of the chairpersons of each of our standing committees and our Lead Director, Mr. Vaughan. Current members of the Executive Committee are Dr. Meredith, Ms. Quinn and Messrs. Gordon, Vaughan and Ware. Mr. Vaughan, as Lead Director, serves as chairman of the committee. In accordance with our bylaws, the Executive Committee has, and may exercise, all of the powers of the Board of Directors during the intervals between the Board s meetings, subject to certain limitations and restrictions as set forth in the bylaws or as may be established by resolution of the Board from time to time. The Executive Committee held no meetings during fiscal 2011.

The Board has established a separately-designated standing Audit Committee in accordance with applicable provisions of the Securities Exchange Act of 1934 (Exchange Act). The Audit Committee consists of Ms. Quinn, Dr. Meredith and Messrs. Esquivel, Grable and Ware. Ms. Quinn serves as chair of the committee. As discussed in *Independence of Directors*, beginning on page 3, the Board has determined that each member of the committee satisfies the independence requirements of the NYSE and SEC. The Audit Committee oversees our accounting and financial reporting processes and procedures; reviews the scope and procedures of the internal audit function; appoints our independent registered public accounting firm and is responsible for the oversight of its work and the review of the results of its independent audits. The Audit Committee held five meetings during the last fiscal year and has adopted a charter that it follows in conducting its activities, which is available on the Corporate Governance page of our website.

The Human Resources Committee consists of Messrs. Douglas, Esquivel, Gordon and Grable. Mr. Gordon serves as chairman of the committee. As previously discussed, the Board has determined that each member of the committee satisfies the independence requirements of the NYSE and SEC. This committee reviews and makes recommendations to the Board regarding executive compensation policy and strategy and specific compensation recommendations for the CEO as well as our other officers and division presidents. This committee retained the worldwide consulting firm of Pay Governance LLC during fiscal 2011 to serve as its executive compensation consultant, which was directly accountable to the committee for the performance of its consulting services. In addition, the committee determines, develops and makes recommendations to the Board regarding severance agreements, succession planning and other related matters concerning our CEO as well as other officers and division presidents. This committee also administers our LTIP and Annual Incentive Plan for Management (Incentive Plan). During the last fiscal year, the committee held four meetings. The committee has adopted a charter that it follows in conducting its activities, which is available on the Corporate Governance page of our website.

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The Nominating and Corporate Governance Committee consists of Ms. Quinn, Dr. Meredith and Messrs. Gordon and Ware. Mr. Ware serves as chairman of the committee. As previously discussed, the Board has determined that each member of the committee satisfies the independence requirements of the NYSE and SEC. This committee makes recommendations to the Board regarding the nominees for director to be submitted to our shareholders for election at each annual meeting of shareholders, selects candidates for consideration by the full Board to fill any vacancies on the Board, which may occur from time to time, and oversees all of our corporate governance matters. The committee held three meetings during the last fiscal year. The committee has adopted a charter that it follows in conducting its activities, which is available on the Corporate Governance page of our website.

The Work Session/Annual Meeting Committee consists of Dr. Meredith and Messrs. Douglas, Springer and Ware. Dr. Meredith serves as chairman of the committee. This committee selects the site and plans the meeting and agenda for the work session meeting of the Board held each year for the purpose of focusing on long-range planning and corporate strategy issues and selects the site for the annual meeting of shareholders. During the last fiscal year, the Work Session/Annual Meeting Committee held two meetings.

Other Board and Board Committee Matters

Human Resources Committee Interlocks and Insider Participation. As discussed above, the members of the HR Committee during the last fiscal year were Messrs. Douglas, Esquivel, Gordon and Grable. None of the committee members were, during fiscal 2011 or previously, an officer or employee of the Company or any of our subsidiaries. In addition, there were no interlocking relationships between any executive officer of the Company and any other corporation during fiscal 2011.

Attendance at Board Meetings. During fiscal 2011, our Board held 14 meetings and each director attended at least 75 percent of the aggregate of (a) all meetings of the Board and (b) all meetings of the committees of the Board on which such director served. We strongly support and encourage each member of our Board to attend our annual meeting of shareholders. However, on February 9, 2011, the date of our 2011 annual meeting of shareholders, only four of our directors were physically able to attend the annual meeting due to a major ice and snowstorm in the Dallas-Ft.Worth Metroplex on the day of the meeting.

Independence of Audit Committee Members, Financial Literacy and Audit Committee Financial Experts

In addition to being declared as independent under the NYSE listing standards, applicable NYSE and SEC rules and regulations require that each member of an audit committee satisfy additional independence and financial literacy requirements and at least one of these members must satisfy the additional requirement of having accounting or related financial management expertise. This additional requirement can be satisfied if the Board determines that at least one Audit Committee member is an audit committee financial expert, within the meaning of applicable SEC rules and regulations. Generally, the additional independence requirements provide that (i) a member of the Audit Committee, or his or her immediate family members, are prohibited from receiving any direct or indirect compensation or fee from the Company or its affiliates and (ii) he or she may not be an affiliated person of the Company or any of its subsidiaries. An immediate family member is defined by applicable NYSE rules to include a director s spouse, parents, children, siblings and in-laws of the director, as well as anyone else (other than domestic employees) who shares the director s home.

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Generally, the financial literacy requirements provide that the Board, in its business judgment, shall determine if each member is financially literate, taking into account factors such as the member s education, experience and ability to read and understand financial statements of public companies. Audit committee financial experts must have the following five additional attributes: (i) an understanding of generally accepted accounting principles and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company s financial statements, or experience actively supervising one or more persons engaged in such activities, (iv) an understanding of internal control over financial reporting and (v) an understanding of how an audit committee functions.

Based on its review of the independence, financial literacy and audit committee financial expert requirements previously discussed, as well as its review of their individual backgrounds and qualifications, the Board has determined that all members of the Audit Committee satisfy the additional independence and financial literacy requirements required by the SEC and NYSE for members of an audit committee. The Board has also designated Ms. Quinn and Mr. Ware each as an audit committee financial expert, as such term is defined by applicable rules and regulations of the SEC. As provided by the safe harbor contained in applicable SEC rules and regulations, our audit committee financial experts will not be deemed experts for any purpose as a result of being so designated. In addition, such designation does not impose on such persons any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on such persons as members of the Audit Committee or the Board in the absence of such designation. This designation also does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board.

Audit Committee Pre-Approval Policy

The Audit Committee has adopted a pre-approval policy relating to the provision of both audit and non-audit services by Ernst & Young. Our Audit Committee Pre-Approval Policy provides for the pre-approval of audit, audit-related, tax and other services specifically described in appendices to the policy on an annual basis. Such services are pre-approved up to a specified fee limit. All other permitted services, as well as proposed services exceeding the pre-approved fee limit, must be separately pre-approved by the Audit Committee. Requests for services that require separate approval by the Audit Committee must be submitted to the Audit Committee by both our Chief Financial Officer and our independent registered public accounting firm and must include a joint statement as to whether, in their view, the request is consistent with the SEC s rules on auditor independence. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. The Audit Committee did not delegate any such pre-approval authority in fiscal 2011 and it pre-approved all audit, audit-related and tax fees for services performed by Ernst & Young in fiscal 2011 in accordance with such pre-approval policy. The Audit Committee further concluded that the provision of these services by Ernst & Young was compatible with maintaining its independence. The Audit Committee Pre-Approval Policy is available on the Corporate Governance page of our website.

Compensation Risk Assessment

The HR Committee has periodically engaged Pay Governance LLC, the executive compensation consulting firm (Pay Governance), which is the committee s independent executive compensation consultant, to assist the committee in assessing the risk profile of the compensation program of the Company. Pay Governance has reviewed all of the compensation arrangements of the Company to gauge whether any compensation arrangement encourages employees to engage in excessively risky behaviors detrimental to the Company and its shareholders. Our two annual incentive compensation plans are the Variable Pay Plan (VPP) and the Incentive Plan. Pay Governance has also evaluated our long-term incentive plan, the LTIP, which includes grants of both time-lapse restricted share units (RSU s) and performance-based RSU s. The review by Pay Governance of these incentive plans has included an evaluation of the plans design features and provisions, including such provisions as the establishment of target levels, the determination of awards, the types of performance criteria measured, the capping of maximum award opportunities, the balance between annual and long-term opportunities, the role of the HR Committee in its governance and oversight and other issues. At the conclusion of its review and evaluation, Pay Governance has reported that the features shown below help to mitigate any excessive risk-taking on the part of the participants in these plans:

- Both the Incentive Plan and VPP annual plans place an appropriate cap on the size of any cash awards earned.
- Long-term incentives are granted each year to participants to appropriately balance short-term interests with long-term value creation.
- Fifty percent of the long-term awards are performance-based RSU s, which are tied to both three-year earnings per share (EPS) performance and the return to shareholders (share price appreciation plus accrued dividends) for all participants, including our named executive officers.
- A key feature of the Incentive Plan that encourages long-term value creation is the plan s provision to allow for a premium value of voluntary conversion of annual cash awards, in 25 percent increments, to three-year time-lapse RSU s with a 50 percent premium value (20 percent beginning in fiscal 2012).
- Another key feature of the Incentive Plan that encourages long-term value creation is the plan s provision to allow for a premium value of voluntary conversion of annual cash awards, in 25 percent increments, to bonus stock with a 10 percent premium value (five percent beginning in fiscal 2012).
- Once the threshold levels are achieved, both the annual and long-term performance incentive plans use mathematical interpolation to calculate payouts between performance levels, thereby removing any payout cliffs or steep payout curves.
- The Company has a policy for the recoupment of executive compensation (clawback policy) that provides for the repayment or forfeiture of any incentive awards earned due to fraud, misconduct or misstatement of financial results, described in *Executive Compensation Recoupment Policy*, beginning on page 37.
- Key executives are subject to share ownership guidelines which encourage the executives to align their interests with the long-term interests of shareholders and all other constituents.

In addition, the HR Committee has periodically (i) reviewed the competitiveness of the compensation program for our affiliate, Atmos Energy Holdings, Inc. (AEH), (ii) assessed the alignment of the AEH compensation program with the risk profile of the trading/marketing company in relation to the overall energy marketing and trading spectrum and (iii) approved enhancements to the compensation program that better align compensation with the Company s business strategy. Based on such review and evaluation, the HR Committee has determined that AEH s compensation program contains risks that are appropriate to the nature, size and scope of its operations. Accordingly, the HR Committee has determined that none of the plans comprising the compensation plans of either the Company or AEH encourage our executive officers or other employees to take excessive risks and that the risks arising from these plans are not reasonably likely to have a material adverse effect on the Company or AEH.

PROPOSAL ONE ELECTION OF DIRECTORS

Background

Pursuant to an amendment to our Articles of Incorporation that was approved by our shareholders at our annual meeting of shareholders in February 2010, since February 2010, the Board of Directors has not been divided into three classes. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting thereafter, all directors elected at the annual meeting have been and shall be elected for a one-year term expiring at the next annual meeting thereafter. However, this change to a declassified Board has not and will not affect the unexpired terms of directors elected prior to the change. The Board is nominating Ms. Quinn, Dr. Meredith and Messrs. Cocklin, Douglas, Esquivel, Gordon, Springer and Ware to continue serving as directors whose one-year terms will expire in 2013. Messrs. Cocklin, Douglas, Esquivel and Gordon were last elected to one-year terms by the shareholders at the 2011 annual meeting and Ms. Quinn, Dr. Meredith and Messrs. Springer and Ware were last elected to three-year terms by the shareholders at the 2009 annual meeting. All nominees were recommended for nomination by the Nominating and Corporate Governance Committee of the Board. We did not pay a fee to any third party to identify, evaluate or assist in identifying or evaluating potential nominees for the Board. In addition, the Nominating and Corporate Governance Committee did not receive any recommendations from a shareholder or a group of shareholders who, individually or in the aggregate, beneficially owned greater than five percent of our common stock for at least one year.

The other directors listed under *Directors Continuing in Office*, beginning on page 19, will continue to serve in their positions for the remainder of their current terms. The names, ages, biographical summaries and qualifications of (i) the persons who have been nominated to serve as our directors are set forth under *Nominees for Director*, beginning on page 15 and (ii) the directors who are continuing in office until the expiration of their terms are set forth in *Directors Continuing in Office* below. Each of the nominees has consented to be a nominee and to serve as a director if elected. If we receive proxies that are signed but do not specify how to vote, we will vote those shares FOR all of the nominees. To be elected as a director, our bylaws require a nominee to receive the vote of a majority of all outstanding shares of our common stock entitled to vote and represented in person or by proxy at a meeting of shareholders at which a quorum is present.

Procedures for Nomination of Candidates for Director

According to our bylaws, any shareholder may make nominations for the election of directors if notice of such nominations is delivered to, or mailed and received by the Corporate Secretary of the Company at our principal executive offices, not less than 60 days nor more than 85 days prior to the date of the originally scheduled meeting. However, if less than 75 days notice or prior public disclosure of the date of the meeting is given by the Company, notice of such nominations must be so received no later than the close of business on the 25th day following the earlier of the day on which notice of the meeting was sent or the day on which such public disclosure was made. Since we are providing less than 75 days notice or prior public disclosure of the date of the 2012 annual meeting, shareholders may make nominations for the election of directors at the 2012 annual meeting, if notice of such nominations is delivered to, or mailed and received by the Corporate Secretary of the Company at our principal executive offices no later than the close of business on January 16, 2012, the 25th day following the day on which notice of the meeting is to be sent, December 22, 2011. If no nominations are so made, only the nominations made by the Board of Directors may be voted upon at the 2012 annual meeting.

There are no differences in the manner in which the committee evaluates nominees for director based on whether or not the nominee is presented by a shareholder. All director candidates shall, at a minimum, possess the qualifications for director discussed below. Such notices should include the following: (i) name, address and number of shares owned by the nominating shareholder, (ii) the nominee s name and address, (iii) a listing of the nominee s background and qualifications, (iv) a description of all arrangements between such shareholder and each nominee and any other person and (v) all other information relating to such person that is required to be disclosed in the solicitations for proxies for election of directors under applicable SEC and NYSE rules and regulations. A signed statement from the nominee should accompany the notice of nomination indicating that he or she consents to being considered as a nominee and that, if nominated by the Board and elected by the shareholders, he or she will serve as a director.

Qualifications for Directors

The Nominating and Corporate Governance Committee uses a variety of methods to identify nominees for director, including considering potential director candidates who come to the committee s attention through current officers, directors, professional search firms, shareholders or other persons. Nominees for director must possess, at a minimum, the level of education, experience, sophistication and expertise required to perform the duties of a member of the board of directors of a public company of our size and scope. Once a person is nominated, the committee will assess the qualifications of the nominee, including an evaluation of his or her judgment and skills. The Board has adopted guidelines outlining the qualifications sought when considering non-employee director nominees, which are discussed in our Guidelines posted on the Corporate Governance page of our website.

Based on the Guidelines, the specific qualifications and skills the Board seeks across its membership to achieve a balance of experiences important to the Company include, but are not limited to, outstanding achievement in personal careers; prior board experience; wisdom, integrity and ability to make independent, analytical inquiries; understanding of our business environment; and willingness to devote adequate time to Board duties. Other required specific qualifications and skills include a basic understanding of principal operational and financial objectives and plans and strategies of a corporation or organization of our stature; results of operations and financial condition of an organization and of any significant subsidiaries or business segments and a relative understanding of an organization and its business segments in relation to its competitors.

The Board is committed to diversified membership. The Board does not discriminate on the basis of race, color, national origin, gender, religion or disability in selecting nominees. Although the Board

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has not established a formal policy on diversity, the Board and the committee believe it is important that our directors represent diverse viewpoints and backgrounds. Our Guidelines provide that the committee shall evaluate each director s continued service on the Board, at least annually, by considering the appropriate skills and characteristics of members of the Board of Directors in the context of the then current makeup of the Board. This assessment includes the following factors: diversity (including diversity of skills, background and experience); age; business or professional background; financial literacy and expertise; availability and commitment; independence and other criteria that the committee or the full Board finds to be relevant. It is also the practice of the committee to consider these factors when screening and evaluating candidates for nomination to the Board.

Nominees for Director

Each of the following eight current directors has been nominated to serve an additional one-year term on the Board of Directors with such term expiring in 2013.

Kim R. Cocklin, President and Chief Executive Officer of Atmos Energy since October 2010; formerly President and Chief Operating Officer of Atmos Energy from October 2008 through September 2010 and Senior Vice President, Regulated Operations of Atmos Energy from June 2006 through September 2008; formerly Senior Vice President, General Counsel and Chief Compliance Officer of Piedmont Natural Gas Company in Charlotte, North Carolina from February 2003 through May 2006. Mr. Cocklin, 60, has been a director of Atmos Energy since 2009.

Mr. Cocklin was promoted to lead Atmos Energy as President and Chief Executive Officer in October 2010 and has been on the Company s senior management team since June 2006. Mr. Cocklin has over 30 years of experience in the natural gas industry, most of that serving in senior management positions at Atmos Energy, Piedmont Natural Gas Company and The Williams Companies. Mr. Cocklin has a strong background in the natural gas industry, including interstate pipeline companies, local distribution companies and gas treatment facilities. He also has extensive experience in rates and regulatory matters, business development and Sarbanes-Oxley compliance matters. Mr. Cocklin has held leadership roles within leading natural gas industry associations, including the Southern Gas Association and American Gas Association. As a result of such professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section above, the Board has nominated Mr. Cocklin to continue serving as a director of Atmos Energy.

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Richard W. Douglas, Executive Vice President for Jones Lang LaSalle LLC in Dallas, Texas since July 2008; formerly Executive Vice President with The Staubach Company in Dallas, Texas from October 2004 to July 2008, having served in numerous other executive officer positions with the Staubach Company from February 1999 to October 2004. Mr. Douglas, 64, has been a director of Atmos Energy since 2007.

Mr. Douglas gained leadership experience with Jones Lang LaSalle LLC, a global real estate management and investment firm and developed business and strategic planning expertise while at The Staubach Company, a nationally renowned real estate brokerage and services firm with international partnerships. Mr. Douglas also possesses outside board experience on numerous civic and nonprofit boards such as the United Way of Metropolitan Dallas. In addition, Mr. Douglas has experience as a leader in community organizations such as the Greater Dallas Chamber of Commerce. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Mr. Douglas to continue serving as a director of Atmos Energy.

Ruben E. Esquivel, Vice President for Community and Corporate Relations for UT Southwestern Medical Center in Dallas, Texas since December 1995; formerly President and Chief Executive Officer of AVO International (formerly known as Multi-Amp Corporation). Mr. Esquivel, 68, has been a director of Atmos Energy since 2008.

Mr. Esquivel has led the community and corporate relations efforts for The University of Texas Southwestern Medical Center at Dallas, one of the nation s leading academic medical and research institutions, for the past 16 years. During his 34-year career with AVO International, Mr. Esquivel gained valuable leadership and managerial experience. Mr. Esquivel also has served as a leader on the boards of numerous publicly-held and non-profit organizations, including his past appointment as chairman of the Texas Guaranteed Student Loan Corporation, and chairman of several boards including the Dallas County Hospital District, North Texas Commission and YMCA of Metropolitan Dallas. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Mr. Esquivel to continue serving as a director of Atmos Energy.

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Richard K. Gordon, General Partner of Juniper Capital LP in Houston, Texas, since March 2003 and General Partner of Juniper Energy LP in Houston, Texas since August 2006; and formerly Vice Chairman Investment Banking for Merrill Lynch & Co. in Houston, Texas from October 1994 to February 2003. Mr. Gordon, 62, has been a director of Atmos Energy since 2001.

For both Juniper Capital LP and Juniper Energy LP, Mr. Gordon has been responsible for the past 10 years for managing a portfolio comprised of approximately $2 billion of power generation, mineral, oil and gas, natural gas gathering and oilfield services assets. Prior to working with Juniper Capital and Juniper Energy, Mr. Gordon spent 29 years working with such financial services firms as Dillon, Read & Co. Inc., The First Boston Corporation and Merrill Lynch & Co. At such firms, Mr. Gordon was responsible for investment banking activities related to energy and power companies, including natural gas distribution companies. Based on his extensive business experience, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Mr. Gordon to continue serving as a director of Atmos Energy.

Thomas C. Meredith, Ed.D, President, Effective Leadership LLC from April 2009 to present; formerly Commissioner of Mississippi Institutions of Higher Learning in Jackson, Mississippi from October 2005 until November 2008; and Chancellor of the University System of Georgia in Atlanta, Georgia from January 2002 through September 2005. Dr. Meredith, 70, has been a director of Atmos Energy since 1995.

Dr. Meredith has exhibited leadership skills over the past 14 years as an administrative and financial consultant to university boards and presidents, Commissioner of Mississippi Institutions of Higher Learning, Chancellor of the University System of Georgia and Chancellor of the University of Alabama System. He also led an economic development task force for the State of Alabama, which led to the implementation of a major economic development plan for that state. Dr. Meredith is a recognized consultant in executive leadership and board development matters and he has experience in supervising executive level accounting staff, which has added to his financial and macroeconomic knowledge and related skills. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Dr. Meredith to continue serving as a director of Atmos Energy.

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Nancy K. Quinn, Principal of Hanover Capital, LLC in East Hampton, New York since July 1996; currently a director of Endeavor International Corporation and Helix Energy Solutions Group, Inc. Ms. Quinn, 58, has been a director of Atmos Energy since 2004.

Hanover Capital, LLC, a privately-owned advisory firm, provides senior financial and strategic expertise, primarily to clients in the energy and natural resources industries. Prior to joining Hanover Capital, Ms. Quinn held a senior advisory role with the Beacon Group, focusing on energy industry private equity opportunities and merger and acquisition transactions. Ms. Quinn gained extensive experience in independent exploration and production, as well as in diversified natural gas and oilfield service sectors, while holding leadership positions at such firms as PaineWebber Incorporated and Kidder, Peabody & Co. Incorporated. Ms. Quinn has corporate governance leadership experience as chair of the audit committee of Endeavor International and has outside board experience as a member of the boards of Endeavour International and Helix Energy Solutions Group. Ms. Quinn was also previously a member of the boards of Louis Dreyfus Natural Gas and DeepTech International. As a result of her professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Ms. Quinn to continue serving as a director of Atmos Energy.

Stephen R. Springer, Retired, formerly Senior Vice President and General Manager of the Midstream Division of The Williams Companies, Inc. in Tulsa, Oklahoma from January 1999 to February 2002; currently a director of DCP Midstream Partners, LP. Mr. Springer, 65, has been a director of Atmos Energy since 2005.

Mr. Springer s professional career includes 32 years in the regulated and nonregulated energy industry, while holding leadership roles at Texas Gas Transmission Corporation, Transco Energy Company and The Williams Company. Mr. Springer s vast knowledge of the natural gas industry includes natural gas transmission, marketing, supply, transportation, business development, distribution and gathering and processing segments of the industry. Mr. Springer also has outside board experience as a member of the boards of DCP Midstream Partners LP and the Indiana University Foundation. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Mr. Springer to continue serving as a director of Atmos Energy.

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Richard Ware II, President of Amarillo National Bank in Amarillo, Texas since 1981. Mr. Ware, 65, has been a director of Atmos Energy since 1994.

Mr. Ware has developed substantial knowledge of the financial services industry during his 36-year career with a nationally recognized banking institution. Mr. Ware s strong background in assessing and overseeing complex financial matters, his leadership experience in supervising principal financial officers and his experience on the audit or finance committees of Atmos Energy, Southwest Coca Cola Bottling Company and the board of trustees of Southern Methodist University is a valuable asset to the Company. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has nominated Mr. Ware to continue serving as a director of Atmos Energy.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS

VOTE FOR EACH OF THE ABOVE NOMINEES FOR DIRECTOR.

Directors Continuing in Office

The following directors will continue to serve until the expiration of their terms as noted below.

Robert W. Best, Executive Chairman of the Board of Atmos Energy since October 2010; formerly Chairman of the Board and Chief Executive Officer of Atmos Energy from October 2008 to September 2010 and Chairman of the Board, President and Chief Executive Officer from March 1997 to September 2008; currently a director of Associated Electric & Gas Insurance Limited. Mr. Best, 65, has been a director of Atmos Energy since 1997. *Term expires in 2013.*

Mr. Best led the senior management team of the country s largest natural gas-only distributor, Atmos Energy, from March 1997 until his retirement as Chief Executive Officer on September 30, 2010. Prior to joining Atmos Energy, Mr. Best had an extensive background in the natural gas industry, especially in the interstate pipeline, gas marketing and gas distribution segments of the industry, while serving in leadership roles at Consolidated Natural Gas Company, Transco Energy Company and Texas Gas Transmission Corporation during his 37-year career. Mr. Best also has outside board experience as a member of the boards of Maguire Energy Institute in the Cox School of Business at Southern Methodist University, Associated Electric & Gas Insurance Services Limited and the Gas Technology Institute, with leadership experience as chairman of the boards of Atmos Energy, American Gas Association, Southern Gas Association and Dallas Regional Chamber of Commerce. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has determined that Mr. Best should serve as a director of Atmos Energy.

Robert C. Grable, Founding Partner, Kelly Hart & Hallman LLP, Fort Worth, Texas, since April 1979. Mr. Grable, 65, has been a director of Atmos Energy since 2009. *Term expires in 2013.*

Mr. Grable possesses advanced leadership skills developed as partner and one of seven founders of Kelly Hart & Hallman LLP, a large regional law firm. Mr. Grable has extensive experience in representing companies in the oil and gas industry, having represented oil and gas producers, pipelines and utilities in transactions, regulatory matters and litigation for over 31 years. Mr. Grable also has outside board experience as Trustee of the University of Texas Law Foundation and as an advisory board member for the local division of a global financial services firm. Mr. Grable is also a member of the McDonald Observatory and Astronomy Board of Visitors at the University of Texas at Austin. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has determined that Mr. Grable should serve as a director of Atmos Energy.

Charles K. Vaughan, Retired, formerly Chairman of the Board of Atmos Energy from October 1983 until March 1997. Mr. Vaughan, 74, has been a director of Atmos Energy since 1983 and Lead Director of Atmos Energy since 2003. *Term expires in 2013*.

Mr. Vaughan has been involved in some capacity with Atmos Energy for over 54 years. His leadership experience as former Chairman, President and Chief Executive Officer of the Company, his vision for strategic development and his leadership in the successful implementation of multiple acquisitions for the Company have greatly contributed to the Company s success. Mr. Vaughan s outside board experience on the boards of Texas Gas Association, Southern Gas Association and American Gas Association and his affiliations in gas industry, business and community organizations have benefited not only the Company but the entire natural gas distribution industry. As a result of his professional experience and leadership abilities, as well as possessing those attributes discussed in the *Qualifications for Directors* section, the Board has determined that Mr. Vaughan should serve as a director of Atmos Energy.

DIRECTOR COMPENSATION

Annual Compensation

As compensation for serving as a director during fiscal 2011, each of our non-employee directors received an annual retainer of $75,000 payable in advance on a quarterly basis. Since June 1, 2007, our Lead Director, Mr. Vaughan, has received an annual fee of $25,000 for additional services he has performed in connection with being the Lead Director. Committee chairpersons are also paid an additional annual fee of $5,000 for additional services performed in connection with their committee duties and responsibilities.

The Company also provides our non-employee directors the option to receive all or part of their director fees (in 10 percent increments) in Atmos Energy common stock through the Atmos Energy

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Corporation Outside Directors Stock-for-Fee Plan (Stock-for-Fee Plan). The purpose of this plan is to increase the proprietary interest of our non-employee directors in the Company s long-term prospects and the strategic growth of our business. The common stock portion of the payment of the fee earned in each quarter is issued as soon as possible following the first business day of each quarter. The number of shares issued is equal to the amount of the fee that would have been paid to the non-employee director during a quarter divided by the fair market value (mean of the highest and lowest prices as reported on the NYSE Consolidated Tape) on the first business day of such quarter. Only whole numbers of shares of common stock may be issued; fractional shares are paid in cash.

With respect to other director compensation matters, all directors are reimbursed for reasonable expenses incurred in connection with attendance at Board and committee meetings. A director who is also an officer or employee receives no compensation for his or her service as a director. We provide business travel accident insurance for non-employee directors and their spouses. The policy provides $100,000 coverage to directors and $50,000 coverage to their spouses per accident while traveling on Company business.

Long-Term Compensation

Each non-employee director participates in the Atmos Energy Corporation Equity Incentive and Deferred Compensation Plan for Non-Employee Directors (Directors Plan). This plan allows each such director to defer receipt of his or her annual retainer fee or other director fees and to invest such deferred fees in either a cash account or a stock account (in 10 percent increments). Each non-employee director also receives an annual grant of share units under the LTIP for each year he or she serves on the Company s Board of Directors. The grants occur on the 30th day following the Company s annual meeting of shareholders each plan year. The Directors Plan is intended to encourage qualified individuals to accept nominations as directors of the Company and to better align the interests between the non-employee directors and the Company s other shareholders.

The amount of the fee allocated as a credit to the cash account is converted to a cash balance as of the first business day of each quarter to be credited with interest at a rate equal to 2.5 percent plus the annual yield reported on a 10-year U.S. Treasury Note for the first business day of January for each plan year. The amount of the fee allocated as a credit to the stock account is converted to share units. The fee payable for the quarter is converted to a number of whole and, if applicable, fractional share units on the first business day of that quarter. Share units are also credited with dividend equivalents as and when dividends are declared on shares of the Company s common stock. Such dividend equivalent credits are converted to whole and, if applicable, fractional share units on the last business day of the month in which such dividends are paid. At the time of a participating director s retirement, plan benefits paid from the cash account are paid in the form of cash. Plan benefits paid from the stock account are paid in the form of shares of common stock equal in number to whole share units in the director s stock account. Any fractional share units are rounded up to a whole share unit prior to distribution.

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Summary of Cash and Other Compensation

The following table sets forth all compensation paid to our non-employee directors for fiscal 2011.

Director Compensation for Fiscal Year 2011(a)

Name	Fees Earned or Paid in Cash ($)(b)	Stock Awards ($)(c)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(d)	All Other Compensation ($)(e)	Total ($)
Richard W. Cardin	27,009	110,651		16,086	153,746
Richard W. Douglas	75,000	116,663			191,663
Ruben E. Esquivel	45,000	112,757	1,848		159,605
Richard K. Gordon	80,000	133,872			213,872
Robert C. Grable	52,571	131,479			184,050
Dr. Thomas C. Meredith	80,000	148,849	1,605		230,454
Phillip E. Nichol	27,009	150,558		19,252	196,819
Nancy K. Quinn	55,240	152,199	2		207,441
Stephen R. Springer	75,000	123,349			198,349
Charles K. Vaughan	105,000	162,397			267,397
Richard Ware II	24,294	200,957			225,251

(a) No options were awarded to our directors and no non-equity incentive plan compensation was earned by our directors in fiscal 2011.

(b) Non-employee directors may defer all or a part of their annual cash retainer under our Directors Plan. During fiscal 2011, $53,250 of the total amount payable for directors fees was deferred, at the election of two of our directors, under our Directors Plan. Ms. Quinn and Mr. Esquivel elected to defer all or a portion of their director fees in fiscal 2011, as described in the table immediately below. Deferred amounts are invested, at the election of the participating director, either in a stock account or a cash account. Although Dr. Meredith did not participate in the deferred compensation feature of the Directors Plan in fiscal 2011, his accumulated balance associated with participation in previous years has continued to earn interest payable monthly.

(c) The amounts in this column reflect the fair value on the date of grant, calculated in accordance with FASB ASC Topic 718, of the share units awarded to our directors (except for Messrs. Cardin and Nichol) under our LTIP for service on our Board in fiscal 2011. The share units do not contain restrictions and are valued at $33.91 per share, which was the fair market value (mean of the highest and lowest prices as reported on the NYSE Consolidated Tape) on the date of grant on March 11, 2011. The amounts for Messrs. Cardin and Nichol were calculated as of the effective date of retirement, February 9, 2011, at the fair market value of $33.29.

The amounts described above also reflect the fair value of shares of stock issued under our Stock-for-Fee Plan to Messrs. Grable and Ware, who elected to receive all or a portion of their director s fees in the form of shares of stock in lieu of cash retainers for service on our Board in fiscal 2011. These shares also do not contain any restrictions. Shares are awarded on the first trading day of the quarter in which such fees were earned at the fair market value on that date. As a result, shares were issued to Messrs. Grable and Ware on the following dates and at the following values during fiscal 2011: (i) October 1, 2010, with a value of $29.33 per share; (ii) January 3, 2011, with a value of $31.50 per share; (iii) April 1, 2011, with a value of $34.45 per share and (iv) July 1, 2011, with a value of $33.57 per share.

(d) The amounts in this column represent the amount of above-market portion of interest earned during fiscal 2011 on the accumulated amount of Board fees deferred to cash accounts. Interest considered above-market is the incremental rate of interest earned above 120 percent of the 10-year U.S. Treasury Note rate, which is reset on January 1 each year.

(e) No director received perquisites and other personal benefits with an aggregate value equal to or exceeding $10,000 during fiscal 2011 other than Messrs. Cardin and Nichol. These perquisites and other benefits were received primarily relating to retirement gifts and related items in recognition of their individual valued and lengthy service on the Board of Directors. Such perquisites and other benefits were valued at the aggregate incremental cost to the Company. Messrs. Cardin and Nichol served as directors during fiscal 2011 until their retirement on February 9, 2011, following our 2011 annual meeting of shareholders.

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Director Deferred Board Fees

The following table sets forth, for each participating non-employee director, the amount of director compensation deferred during fiscal 2011 and cumulative deferred compensation as of September 30, 2011.

Director Deferred Board Fees for Fiscal Year 2011

Director	Board Fees Deferred to Stock Account ($)(a)	Dividend Equivalents Earned on Stock Account and Reinvested ($)(b)	Cumulative Board Fees Deferred to Stock Account at September 30 ($)	Board Fees Deferred to Cash Account ($)	Interest Earned on Cash Account ($)(c)	Cumulative Board Fees Deferred to Cash Account at September 30 ($)
Ruben E. Esquivel				30,000	5,995	116,394
Dr. Thomas C. Meredith		2,422	44,026		5,231	91,366
Nancy K. Quinn	23,250	2,316	59,409		7	120

(a) Ms. Quinn elected to receive 30 percent of her director fees in deferred stock. The $23,250 amount represents 721 share units received in fiscal 2011. Deferrals of amounts in the stock account are treated as though the deferred amounts are invested in our common stock at the fair market value of the shares on the date earned. Shares of our common stock equal to the number of share units in a director s stock account are issued to such director on the last day of the director s service or a later date selected by the director.

(b) Dividend equivalents earned on amounts of share units in the stock account are reinvested in additional share units based on the fair market value of the shares on the last trading day of each quarter. Such stock prices for fiscal 2011 were as follows: $31.33 on December 31, 2010, $34.00 on March 31, 2011, $33.22 on June 30, 2011 and $32.87 on September 30, 2011.

(c) The amounts in this column represent interest earned on accumulated amount of Board fees deferred to the cash account, during fiscal 2011, including deferrals made to the cash account in fiscal 2011, at a rate equal to the 10-year U.S. Treasury Note rate on the first day of each plan year (January 1) plus 250 basis points.

Director Share Units and Stock-for-Fee Awards

The following table sets forth the number of share units issued to our non-employee directors during fiscal 2011 for service on our Board or a Board committee and the number of share units earned as dividend equivalents during fiscal 2011 on the accumulated balances of share units for each director. The table also shows the amount of shares granted to directors in fiscal 2011 who elected to take all or a portion of their directors fees in stock under our Stock-for-Fee Plan.

Director Share Units and Stock-for-Fee Awards for Fiscal Year 2011(a)

Director	Share Units Awarded(#)(b)	Share Units Earned as Dividend Equivalents(#)(c)	Shares Received as Stock-for-Fee Awards(#)(d)	Aggregate Grant Date Fair Value($)
Richard W. Cardin(e)	3,000	344		110,651
Richard W. Douglas	3,000	454		116,663
Ruben E. Esquivel	3,000	335		112,757
Richard K. Gordon	3,000	978		133,872
Robert C. Grable	3,000	222	699	131,479
Dr. Thomas C. Meredith	3,000	1,434		148,849
Phillip E. Nichol(f)	3,000	1,547		150,558

Nancy K. Quinn	3,721	835		152,199
Stephen R. Springer	3,000	658		123,349
Charles K. Vaughan	3,000	1,847		162,397
Richard Ware II	3,000	1,371	1,686	200,957

(a) All awards of share units under our LTIP vest immediately upon grant. Accordingly, no outstanding awards of share units are presented in this table.

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(b) This amount represents annual grants of share units awarded to each non-employee director under our LTIP on the 30th calendar day following our annual meeting and the amount of share units held in a stock account which reflect the portion of director fees elected by the non-employee director for conversion to deferred share units as indicated above in the *Director Deferred Board Fees for Fiscal Year 2011,* table beginning on page 23. The share units are converted to common stock on a one-for-one basis at the time of retirement from our Board and directors have the option to take distribution in a single lump sum or in up to five annual installments.

(c) Share units earned as dividend equivalents are calculated based on the fair market value of the shares on the last trading day of each quarter. See footnote (b) to the *Director Deferred Board Fees for Fiscal Year 2011* table above.

(d) As discussed in footnote (c) to the *Director Compensation for Fiscal Year 2011* table on page 22, shares received as Stock-for-Fee awards are issued on the first trading day of the quarter in which they are earned and the number of shares awarded equals the amount of fees divided by the fair market value on that date. Only whole shares are issued; fractional shares are paid in cash.

(e) Upon his retirement from the Board of Directors, Mr. Cardin received a lump sum distribution of these shares, the total value of which was $1,166,948. The value was determined on February 9, 2011, based on the fair market value of the shares (mean of the highest and lowest prices as reported on the NYSE Consolidated Tape) of $33.29 per share.

(f) Upon his retirement from the Board of Directors, Mr. Nichol s equity incentive balance was 44,543 share units, which he elected to take in five annual installments. The first installment of 8,909 shares was issued on February 9, 2011, the total value of which was $296,581. The value was determined on February 9, 2011, based on the fair market value of the shares of $33.29 per share. Since the first distribution of 8,909 shares, Mr. Nichol s remaining equity incentive balance has accumulated quarterly dividend equivalents, bringing his aggregate share unit total to 36,735 share units.

BENEFICIAL OWNERSHIP OF COMMON STOCK

Security Ownership of Certain Beneficial Owners

The following table lists the beneficial ownership, as of December 1, 2011, with respect to each person known by us to be the beneficial owner of more than five percent of any class of our voting securities.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent (%) of Class
Common stock	BlackRock, Inc.(a) 40 East 52nd Street New York, NY 10022	6,618,115	7.33(b)
Common stock	The Vanguard Group, Inc.(c) 100 Vanguard Blvd. Malvern, PA 19355	4,765,911	5.28(b)

(a) Based solely upon information contained in the most recently filed Schedule 13G/A with the SEC on February 2, 2011, which was filed by BlackRock, Inc. reflecting beneficial ownership of 6,618,115 shares of common stock as of December 31, 2010. According to this filing, BlackRock, Inc. possessed sole voting power over 6,618,115 of these shares with no shared voting power and sole dispositive power over 6,618,115 shares with no shared dispositive power. BlackRock, Inc. has not subsequently filed any Schedules 13G or amendments thereto with respect to its beneficial ownership of the Company s common stock.

(b) The percent of voting securities is based on the number of outstanding shares of our common stock as of December 1, 2011.

(c) Based solely upon information contained in the most recently filed Schedule 13G with the SEC on February 10, 2011, which was filed by The Vanguard Group, Inc. (Vanguard) on behalf of its subsidiary, Vanguard Fiduciary Trust Company (VFTC), reflecting beneficial ownership of 60,726 shares by VFTC of the total of 4,765,911 shares of common stock as of December 31, 2010. According to this filing, Vanguard possessed sole voting power over 4,705,185 shares with no shared voting power and sole dispositive power over 4,705,185 shares with shared dispositive power with VFTC over 60,726 shares. In addition, VFTC possessed sole voting power over 60,726 shares with no shared voting power and no sole dispositive power with shared dispositive power with Vanguard over 60,726 shares. Vanguard has not subsequently filed any schedules 13G or amendments thereto with respect to its or its subsidiary s beneficial ownership of the Company s common stock.

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Security Ownership of Management and Directors

The following table lists the beneficial ownership, as of December 1, 2011, of our common stock, the only class of securities issued and outstanding, with respect to all our directors and nominees for director, our chief executive officer, chief financial officer and our three other most highly compensated executive officers (our named executive officers) and all our directors and named executive officers as a group. Except as otherwise noted, the directors, nominees and named executive officers, individually or as a group, have sole voting and investment power with respect to the shares listed.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(#)	Percent (%) of Class(a)
Robert W. Best	620,682(b)	
Kim R. Cocklin	224,509	
Richard W. Douglas	14,182(c)	
Ruben E. Esquivel	10,090(c)	
Richard K. Gordon	35,018(c)	
Robert C. Grable	9,317(c)	
Louis P. Gregory	83,203	
Michael E. Haefner	57,316	
Fred E. Meisenheimer	87,309	
Dr. Thomas C. Meredith	47,798(c)	
Nancy K. Quinn	23,977(c)	
Stephen R. Springer	18,080(c)(d)	
Charles K. Vaughan	86,244(c)	
Richard Ware II	68,400(c)	
All directors, nominees and named executive officers as a group (14 individuals)(b)(c)(d)	1,386,125	1.53

(a) The percentage of shares beneficially owned by any individual does not exceed one percent of the class so owned.

(b) Includes 62,900 shares issuable upon the exercise of options held by Mr. Best under our LTIP within 60 days of December 1, 2011.

(c) Includes cumulative share units credited to the following directors under our Directors Plan and LTIP in the following respective amounts: Mr. Douglas, 12,037 units; Mr. Esquivel, 9,090 units; Mr. Gordon, 25,018 units; Mr. Grable, 6,293 units; Dr. Meredith, 36,340 units; Ms. Quinn, 21,977 units; Mr. Springer, 17,080 units; Mr. Vaughan, 46,535 units and Mr. Ware, 34,739 units.

(d) Includes 1,000 shares owned by Mr. Springer s spouse with whom voting and investment power are shared.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than ten percent of our common stock to file with the SEC initial reports of ownership and reports of changes in their ownership in our common stock. Directors, certain executive officers and greater-than-ten-percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such reports furnished to us, we believe that, during fiscal 2011, all of our directors, named executive officers and greater-than-ten-percent beneficial owners were in compliance with the Section 16(a) filing requirements.

HUMAN RESOURCES COMMITTEE REPORT

The Human Resources Committee of the Board of Directors has the responsibility for reviewing and recommending to the full Board of Directors, the Company s executive compensation program. The committee is composed entirely of persons who qualify as independent directors under the listing standards of the NYSE. In this context, the committee has met, reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on this review and discussion, the committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the Compensation Discussion and Analysis in this proxy statement.

Respectfully submitted by the members of the Human Resources Committee of the Board of Directors:

Richard K. Gordon, Chairman

Richard W. Douglas

Ruben E. Esquivel

Robert C. Grable

COMPENSATION DISCUSSION AND ANALYSIS

Overview. In this section, we discuss our executive compensation objectives and strategy, the elements of compensation that we provide to our named executive officers, and the analysis we employed in reaching the decisions to pay the specific amounts and types of executive compensation discussed. Later, under *Named Executive Officer Compensation*, beginning on page 39, we present a series of tables containing specific information about the compensation paid to or earned by our named executive officers during fiscal 2011, as well as more information about the elements of our executive officer compensation program. The discussion below is intended to assist you in understanding the information provided in the tables and in putting that information into context.

Executive Summary

Our executive compensation program is built upon the strategy of Total Rewards, which we adopted for all employees in 1998. Under our Total Rewards strategy, we take a comprehensive view of the various compensation plans and employee benefits that comprise the total package of compensation that is offered to all our officers, including the named executive officers in this proxy statement, division presidents and other key employees. The Total Rewards strategy is based on the payment of (i) total cash compensation, composed of base salary and annual incentive compensation and (ii) total direct compensation, composed of total cash compensation and the annualized expected value of long-term incentive compensation awards, being targeted at the 50th percentile of all such compensation for equivalent positions at companies of comparable size in the natural gas distribution industry, which is represented by companies in our proxy peer group and in an energy services industry database, as discussed below. We believe this strategy also fosters a philosophy of pay for performance through the use of both annual and long-term incentive plans.

Our Total Rewards strategy, in which we limit the use of executive benefits and perquisites, is reviewed each year and updated as needed by our HR Committee with assistance from its independent executive compensation consultant. None of our employees, including our named executive officers, have an employment agreement with the Company. Our executive compensation program does not permit or include problematic pay practices such as (i) the re-pricing of underwater stock options without shareholder approval, (ii) excessive perquisites or tax gross-up payments, or (iii) change in control severance payments that (a) exceed three times base salary and most recent bonus, (b) are triggered without an involuntary job loss or substantial diminution of duties (single triggers) or (c) contain excise tax gross-up payments. We believe that our executive compensation program provides our executive officers with a balanced compensation approach each year by providing a reasonable base salary along with reasonable annual and long-term incentive compensation plans. These incentive plans are designed to reward our executive officers on both an annual and long-term basis if they attain specified target goals, the attainment of which do not require the taking of an unreasonable amount of risk, as discussed in *Compensation Risk Assessment*, beginning on page 12.

Overview of Annual Incentive Compensation Paid for Fiscal 2011 Financial Performance. The Company achieved its budgeted EPS goal of $2.27 per diluted share in fiscal 2011, representing a 3.2 percent increase over fiscal 2010. The Company s target EPS amount under the Incentive Plan was also $2.27 for fiscal 2011. Because the Company actually earned an EPS of $2.27, this performance attainment resulted in the named executive officers, and the other participants in the Incentive Plan, receiving awards equal to 100 percent of their respective target awards (as a specified percentage of base salary). See *Annual Incentive Compensation*, beginning on page 30.

Overview of Long-Term Incentive Compensation Paid for Fiscal 2009-2011 Financial Performance. The Company achieved a cumulative EPS amount of $6.54, compared to the cumulative EPS target amount of $6.63 during the three-year performance period ended September 30, 2011 (fiscal 2009-2011), for the grants of performance-based RSU s awarded in May 2009. The participants, including the named executive officers, earned a total number of performance-based RSU s equal to approximately 80 percent of the target plus dividend equivalents, in the form of shares of common stock issued in November 2011. See *Long-Term Incentive Compensation,* beginning on page 32.

Recently Adopted Changes in Executive Compensation. During the last couple of fiscal years, the HR Committee, along with its current executive compensation consultant, Pay Governance LLC, with the assistance of its former executive compensation consultant, Towers Watson, have completed periodic reviews of the Company s overall approach to executive benefits and perquisites, to ensure that the Company s current benefits, perquisites, policies and practices have continued to be in line with best practices of other companies in the natural gas distribution industry as well as other Fortune 500 companies. As a result of those reviews, the HR Committee has approved several changes to the Company s benefits, perquisites, policies and practices that have maintained the alignment of the Company s executive compensation plans with best practices utilized by other companies in our industry peer group as well as by other Fortune 500 companies in general and have reduced the overall cost of executive compensation for all of the Company s officers and division presidents. These changes, which were all approved by our Board of Directors, include those specifically discussed below:

Beginning in fiscal 2012, when participants in the Incentive Plan elect to convert all or a portion of their incentive payments to time-lapse RSU s or shares of bonus stock prior to the beginning of each fiscal year, the premium in value they will receive for the conversion to RSU s will be reduced from 50 percent to 20 percent of the value at the date of grant, while the premium received for shares of bonus stock will be reduced from 10 percent to five percent;

Beginning in fiscal 2012, the performance targets and actual performance attainment for both the Incentive Plan and performance-based RSU s granted under the LTIP will exclude any mark-to-market gains or losses recognized by the Company s nonregulated operations. See the discussion under *Annual Incentive Compensation*, beginning on page 30 and *Long-Term Incentive Compensation*, beginning on page 32;

Beginning in fiscal 2011, adoption of a clawback policy, known as the Executive Compensation Recoupment Policy, which provides for the recoupment by the Company under certain circumstances of incentive compensation, including annual incentive awards, stock-based awards, performance-based compensation and any other forms of cash or equity compensation other than salary. See the discussion under *Executive Compensation Recoupment Policy*, beginning on page 37;

Beginning in fiscal 2011, adoption of a policy that prohibits hedging transactions in our common stock by any employee or director of Atmos Energy through the purchase of any financial instruments that establish a short position in our common stock and are designed to hedge or offset any decrease in the market value of our common stock. See the discussion under *Policy Prohibiting Hedging-Related Transactions* on page 38;

Beginning in fiscal 2010, imposition of limits on the amount of awards earned as annual incentive compensation by our named executive officers with respect to the payouts under the Incentive Plan. If the total increase in the price of a share of Company common stock and the cumulative amount of dividends paid (Total Shareholder Return or TSR) during the fiscal year is negative, the payout of the award for each named executive officer will be reduced to the amount awarded at the target level of the applicable incentive opportunity for each named executive officer, should the Company s performance exceed the performance target. See the discussion under *Annual Incentive Compensation*, beginning on page 30;

Beginning in fiscal 2010, any distributions of awards of performance-based RSU s that have been granted to our named executive officers under our LTIP shall be reduced to the amount awarded at the target level of performance, unless the Total Shareholder Return during the three-year performance period is positive. See *1998 Long-Term Incentive Plan*, beginning on page 41;

Beginning in fiscal 2010, elimination of payment by the Company to our named executive officers, in the event that excise taxes will be due on the payment of severance benefits to our named executive officers in the case of a change in control (tax gross-up payment). See the discussion under *Change in Control Severance Benefits* on page 34; and

Beginning in fiscal 2010, enforcement of restriction period through the end of the relevant three-year restriction period on all equity grants under our LTIP for all recipients who have retired prior to the expiration of such restricted period.

Executive Compensation Objectives and Strategy

Our executive compensation program is designed to ensure that the interests of our executive officers are closely aligned with those of our shareholders and that our executive officers are paid an appropriate amount of incentive compensation only when the Company s performance warrants the payment of such compensation. At the same time, and in consideration of our ownership of regulated natural gas distribution properties and related nonregulated operations, our executive compensation plan considers the interests of both our regulated and nonregulated customers. We believe that our executive compensation program is effective in allowing the organization to attract and retain highly-qualified senior management who can deliver outstanding performance.

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As discussed above, our executive compensation plan is built on the Total Rewards strategy and is founded upon the following principles:

- Our compensation strategy should be aligned with the overall business strategy of providing safe, quality service to our customers, seeking ongoing improvements in operating efficiencies and focusing upon growth opportunities in both our regulated and nonregulated operations.
- Overall pay targets should reflect the intent to pay executive base salaries at the 50th percentile of the competitive market practice with targeted total cash compensation and targeted total direct compensation to be paid at the 50th percentile of competitive market practice, if established performance targets are reached.
- Key executives charged with the responsibility for establishing and executing business strategy should have incentive compensation opportunities that are aligned with the creation of shareholder value and include upside potential with commensurate downside risk.
- Incentive compensation plans, to the extent practical and consistent with our overall corporate business strategy, should comply with Section 162(m) of the Internal Revenue Code (the Code) so that full income tax deductions for executive compensation may be realized by the Company.
- Stock ownership is an important component of our executive compensation strategy and should closely align executives interests with those of our shareholders. To facilitate stock ownership for executives, stock-based incentive plans should be utilized, along with share ownership guidelines.
- Our compensation strategy should have a limited emphasis upon perquisites and other personal benefits.

Elements of Executive Compensation

The following discussion describes the various elements of executive compensation that we have provided to our named executive officers, as well as a discussion of why we pay each element, how we determine the amount we pay under each element and how each element fits into our overall compensation objectives.

Base Salary. The amount of base salary paid to each named executive officer is a major determinant of the amounts of all other elements of compensation paid to our named executive officers. For example, the annual awards under the Incentive Plan are based on a percentage of base salary. See *Annual Incentive Compensation*, beginning on page 30. In addition, the value of our long-term incentive compensation that the HR Committee has granted to our executive officers ranges from 100 percent to 150 percent of each named executive officer s midpoint of his respective salary range. See *Long-Term Incentive Compensation*, beginning on page 32. Base salaries represent a small percentage of total compensation (approximately 20 percent in fiscal 2011). Positions are compared on the basis of job content to similar positions in companies in our proxy peer group and the energy services industry database. Salary ranges are reviewed on an annual basis and proposed salary ranges are reviewed and considered by the HR Committee in October of each year. The midpoint of each salary range is designed to approximate the 50th percentile of base salaries of such comparable companies. Our CEO provided the committee with an oral presentation discussing his individual performance and contributions, along with a performance evaluation of each named executive officer (other than himself and Mr. Best) that reflected individual goals and areas of accountability. Mr. Best also provided the committee with an oral presentation discussing his individual performance and contributions as Executive Chairman. Each named executive officer s final base salary for 2011 (fiscal year 2011 for Messrs. Best and Cocklin and calendar year 2011 for the remainder of the named executive officers) was established by the committee after considering the competitive benchmarking data for each position, as discussed below, the committee s subjective evaluation of the performance of each named executive officer, the Company s overall salary increase budget and related salary increase guidelines established by the Company as well as current economic conditions. Generally, the base salary for each named executive officer, as finally determined by the committee for 2011, was established at or near the salary range midpoint for his pay grade, based upon the factors discussed above. In addition, in recognition of the beginning of the transition of duties and responsibilities from Mr. Best to Mr. Cocklin as chief executive officer of the Company, effective October 1, 2010, Mr. Best s base salary was decreased by 15 percent to $750,000 while Mr. Cocklin received a 35 percent increase in base salary to $750,000. In addition, the committee granted increases in base salaries to the remaining named executive officers in the following amounts, effective as of January 1, 2011: Mr. Meisenheimer, a six percent increase to $405,450; Mr. Gregory, a three percent increase to $334,180 and Mr. Haefner, a six percent increase to $310,050. The base salary increases were higher for Messrs. Meisenheimer and Haefner primarily because their base salaries were further below the midpoint of their salary ranges than the base salary of Mr. Gregory. The committee believes that the base salaries as finally determined for each of the named executive officers were appropriate and competitive with salaries offered for similar positions by companies in our proxy peer group and the energy services industry database and are consistent with our Total Rewards strategy.

Annual Incentive Compensation. We believe it is important to provide our named executive officers with a reasonable financial incentive to maximize the Company s financial performance each year. Through our Incentive Plan, we provide our named executive officers, along with other officers, division presidents and other key management employees, an opportunity to earn an annual incentive award based upon the Company s actual financial performance each year. The Incentive Plan, which has been designed to comply with Section 162(m) of the Code, is based on our ability to achieve a target level of EPS each year. The EPS performance measurement is the lynchpin of both our short-term (annual) and long-term compensation plans. The HR Committee believes that EPS is the most appropriate measurement of our financial performance both on an annual and long-term basis, because it reflects the growth of both our regulated and nonregulated operations. EPS is also one of the most well-known measurements of overall financial performance, which is widely used by financial analysts as well as the investing public. The committee believes that using this measurement as the basis for our incentive compensation plans aligns the interests of the participants in the Incentive Plan and the LTIP, including our named executive officers, with the interests of our shareholders.

For fiscal 2011, the HR Committee reviewed competitive compensation benchmarking data, as discussed below, to establish an annual target opportunity expressed as a percentage of salary earned for the fiscal year for each participant in the Incentive Plan. The committee has historically used varying percentages for annual target incentive award opportunities for all participants in the Incentive Plan, based on each participant s particular pay grade, which range from Grades 11-14 for our named executive officers. Our pay grades are based on competitive market data, as well as the job content and responsibility of each participant, and the potential impact that each participant could have on the operations and financial performance of the Company. The target incentive award opportunities for each participant are reviewed each year and benchmarked against the 50th percentile as described above.

The Incentive Plan targets for fiscal 2011 for each of the named executive officers were as follows:

Name	Fiscal Year 2011 Incentive Plan Target as Percent (%) of Salary Earned
Robert W. Best	80
Kim R. Cocklin	80
Fred E. Meisenheimer	60
Louis P. Gregory	55
Michael E. Haefner	55

At its meeting in October 2010, the HR Committee established the threshold, target and maximum performance levels of EPS presented below, upon which the Incentive Plan s awards would be based for fiscal 2011. The target EPS goal was based on our annual business plan and budget and took into account such factors in our regulated operations as the allowed rates of return in our established service areas, natural gas pricing and volatility, budgeted capital expenditures, expected growth within our service areas, competitive factors from other service providers and other business considerations embedded in the annual business planning process. The target EPS goal also took into account earnings expected from our nonregulated operations, including earnings from the provision of natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers as well as the provision of natural gas transportation and storage services to certain of our natural gas distribution divisions and third parties.

The Company s target level of EPS was $2.27 for fiscal 2011 and the HR Committee adopted this level as the Incentive Plan s target goal. A threshold level of performance was established at an EPS amount of $2.02. If we had earned an EPS less than $2.02, no awards would have been paid to any participant under the Incentive Plan. For fiscal 2011, we earned an EPS of $2.27. This performance attainment resulted in the named executive officers, and the other participants in the Incentive Plan, receiving awards equal to 100 percent of their respective target awards (as a specified percentage of salary earned for the fiscal year). The maximum payout opportunity under the Incentive Plan would have resulted in our named executive officers receiving an award equal to 200 percent of their target award, or a total of 110 percent to 160 percent of each of their respective salaries earned for the fiscal year, depending on each officer s pay grade. To achieve a maximum award under the Incentive Plan, we would have had to earn an equivalent of $2.53 in EPS. The HR Committee has the discretion under the Incentive Plan to make downward adjustments to earned awards but may not make upward adjustments. For fiscal 2011, the committee did not use its discretion to make negative adjustments to any awards for any participant in the Incentive Plan, including the named executive officers. However, the committee had previously decided to place a limit under certain conditions on the amount of earned awards for all members of the Management Committee, which is composed of all our named executive officers, beginning in fiscal 2010. If the Total Shareholder Return during any fiscal year is negative, the earned award for each such officer for that fiscal year will be limited to the amount earned at the target level of performance. This limitation was not operative in fiscal 2011 both because compensation was paid at the target level of performance, as discussed above and the Total Shareholder Return was positive for the fiscal year at 16.6 percent.

For two of the last three fiscal years prior to fiscal 2011, we either reached or exceeded our target level of performance based on EPS, with the payouts to participants averaging approximately 107

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percent of their target awards each year. Our EPS target levels under the plan have historically increased between 4 and 6 percent each year and typically have been within the range of announced EPS guidance provided to the public in October or November of each year. The following table summarizes the performance targets and actual performance attainment for the Incentive Plan for fiscal 2011:

Performances	**Company EPS Performance**	**Percent (%) of Target Award Earned**
Below Threshold	Less than $2.02	No award
Threshold	$2.02	50
Actual EPS Earned	$2.27	100
Target	$2.27	100
Maximum	$2.53	200

As discussed above in *Recently Adopted Changes in Executive Compensation*, beginning in fiscal 2012, the performance targets and actual performance attainment for the Incentive Plan will exclude any mark-to-market gains or losses recognized by the Company s nonregulated operations. This change was made in an effort to remove the impact of such gains or losses on earnings since they do not truly reflect the operating performance of the Company.

Long Term Incentive Compensation. From fiscal 2004 through fiscal 2008, we used time-lapse shares of restricted stock with a three-year cliff vesting period and performance-based RSU s that were subject to a three-year performance criteria expressed as a cumulative EPS target amount, as our two forms of long-term incentive compensation under our LTIP. See *1998 Long-Term Incentive Plan*, beginning on page 41 for further information about the LTIP. In May 2009, the HR Committee began its current program of awarding grants that are structured with 50 percent of the targeted long-term value in the form of time-lapse RSU s with three-year cliff vesting (as distinct from shares) with the remaining 50 percent in the form of performance-based RSU s. The committee decided to grant time-lapse RSU s (as distinct from shares) primarily because their terms are more aligned with the terms of the performance-based RSU s. Typically, the value of the long-term compensation that the committee grants has ranged from 100 percent to 150 percent of each named executive officer s midpoint of his respective salary range. All such grants in fiscal 2011 fell within that range for all named executive officers. We based the actual number and value of awards granted on the competitive compensation benchmarking of grants made by the companies in our proxy peer group and the energy services industry database, as discussed below.

The HR Committee believes that the payment of long-term incentive compensation in the form of grants of time-lapse RSU s promotes and encourages long-term retention and service to the Company and better aligns the interests of our named executive officers with those of our shareholders through increased share ownership. The committee also believes that an equal amount of grants of performance-based RSU s, as measured by cumulative EPS over a three-year performance period, provide a balanced approach to long-term compensation by rewarding our named executive officers for improved financial performance of the Company, thereby giving them an incentive to enhance long-term shareholder value. Finally, the committee believes this approach should also better align the interests of our named executive officers with those of our shareholders through promoting improved financial performance of the Company, increased shareholder value and increased share ownership.

With respect to the Company s actual performance during the three-year performance period ended September 30, 2011, for the grants of performance-based RSU s awarded in May 2009 for the

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fiscal 2009-2011 performance period, the Company achieved a cumulative EPS amount of $6.54, compared to the cumulative EPS target amount of $6.63. Since the performance level attained was between threshold and target, straight-line interpolation was used to compute the actual number of performance-based RSU s earned. Therefore, the participants, including the named executive officers, earned a total number of performance-based RSU s equal to approximately 80 percent of the target plus dividend equivalents, in the form of shares of common stock issued in November 2011. Note that the TSR limitations on the payout of the grants of performance-based RSU s will be operative beginning for the fiscal 2010-2012 performance period.

The committee also awarded grants of new performance-based RSU s in May 2011 for the fiscal 2011-2013 performance period. The following table shows the three-year performance criteria for fiscal 2011-2013:

Performance-Based Restricted Stock Units Grants in May 2011

Fiscal Years 2011-2013 Cumulative EPS Targets

	Below Threshold	Threshold	Target	Maximum
Three-Year Cumulative EPS	<$6.90	$6.90	$7.15	$7.40
Percent of Award Earned	None	50%	100%	150%

As discussed above in *Recently Adopted Changes in Executive Compensation*, beginning on page 27, beginning in fiscal 2012, like under the Incentive Plan, the performance targets and actual performance attainment for any performance-based RSU s granted under the LTIP will exclude any mark-to-market gains or losses recognized by the Company s nonregulated operations. This same change was made in an effort to remove the impact of such gains or losses on earnings over the three year performance period since they do not truly reflect the operating performance of the Company over such period.

Retirement Benefits. Our Pension Account Plan (PAP) serves as the foundation of retirement benefits for our named executive officers. It is a qualified, cash balance defined benefit pension plan. Benefits under this plan become vested and non-forfeitable after completion of three years of continuous employment. For any named executive officer who retires with vested benefits under the plan, the compensation shown as Salary in the *Summary Compensation Table for Fiscal Year 2011*, beginning on page 39 would be considered eligible compensation in determining benefits.

Our named executive officers (as well as most of our other officers, division presidents and other employees designated by the Board) also participate in one of two supplemental retirement plans, which provide retirement benefits (as well as supplemental disability and death benefits). Each participant in these supplemental plans who has been a participant for at least two years and has attained age 55 is entitled to an annual supplemental pension in an amount that, when added to his or her annual pension payable under the PAP, equals 60 percent of his compensation, which will be generally equal to the sum of the amount of the participant s last annual base salary and the amount of his or her last award under the Incentive Plan (75 percent of compensation in the case of Mr. Best), subject to reductions for less than ten years of employment with the Company and for retirement prior to age 62 (the 60% SERP). In addition, should the Board appoint any officers to the Company s Management Committee in the future, such officer will also participate in the 60% SERP. However, all other officers who have been appointed by the Board on or after August 5, 2009 instead participate in a supplemental account balance retirement plan that provides retirement benefits to the participants. The HR Committee believes that these retirement benefits at the amounts provided are an important component of the total compensation and benefits that we provide under our Total Rewards strategy and are required to ensure that our overall executive compensation package remains competitive with packages offered by other major public companies in our industry. See the discussion under *Retirement Plans*, beginning on page 46 for more information on our retirement benefits.

Change in Control Severance Benefits. We have entered into severance agreements with each of the named executive officers to provide certain severance benefits for them in the event of the termination of their employment within three years following a change in control of the Company (as defined in the severance agreements and described generally in *Change in Control Severance Agreements*, beginning on page 48). The severance agreement for each named executive officer generally provides that the Company will pay such officer as severance pay in one lump sum an amount equal to (a) 2.5 times his total compensation (annual base salary and the higher of the last payment or the average of the three highest payments received under the Incentive Plan) and (b) the total of (i) an amount that is actuarially equivalent to an additional three years of annual age and service credits payable to the officer under our PAP (ii) an amount that is actuarially equivalent to an additional three years of Company matching contributions payable to the officer under our RSP, (iii) an amount that is generally actuarially equivalent to an additional three years of health and welfare benefits and (iv) an amount actuarially equivalent to 36 months of accident and life insurance coverage, along with disability coverage. If such lump sum severance payment results in the imposition of excise taxes imposed by Section 4999 of the Code, the officer has the ability to elect to have the payment reduced to a level that will result in no payment of such excise tax. In lieu of reducing the severance payments under the agreement, each participant may elect to have the Company pay the full severance amount, thereby leaving the participant responsible for personally paying the excise tax penalties imposed for excess parachute payments. The Board and the HR Committee modified the severance agreements for each of the named executive officers beginning in fiscal 2010 to this best-net approach, so that the Company would no longer be liable for tax gross-up payments on behalf of those individuals whose severance payments would have triggered excise tax penalties.

Additional Information on Executive Compensation

The compensation of our executive chairman, Mr. Best, and chief executive officer, Mr. Cocklin, were higher in fiscal 2011 than that of any of our other named executive officers, primarily in recognition of their levels of responsibility and the competitive market data for executive chairmen and chief executive officers of comparably sized companies in our proxy peer group and the energy services industry database. However, both Mr. Best and Mr. Cocklin participated in all the same compensation plans as the other officers and division presidents and were subject to the same performance measurement determinations under the incentive compensation plans. We do not have any individual compensation policies or plans that are not applied consistently to all of our officers and division presidents. We also do not have a policy under which the annual levels of compensation, and the grant of both Incentive Plan and LTIP awards, are adjusted each year to reflect the projected gains that may be realized by an executive officer from stock-based compensation. Each year, we set our target opportunities in incentive compensation based solely upon competitive market conditions and the other factors discussed below.

In addition, the HR Committee and our Board of Directors considered the results of our most recent shareholder advisory vote on executive compensation at our February 9, 2011 meeting of shareholders. Our shareholders overwhelmingly approved the compensation of our named executive officers for fiscal 2010, with over 96 percent of the shares voted in favor of such compensation.

Accordingly, our HR Committee and our Board decided to continue to adhere to its pay for performance philosophy and did not materially change our executive compensation decisions and policies over the last fiscal year. However, the HR Committee and Board will continue to review our executive compensation program in the future and will consider the views of our shareholders and other developments during such review.

Competitive Compensation Benchmarking

Like all major corporations, we operate in a competitive environment for talented executives. Pay Governance, the independent executive compensation consultant to the HR Committee, provided a comprehensive review of the compensation program elements and pay levels for companies similar to us and of comparable size as measured by financial measures and market capitalization for fiscal 2011. The competitive compensation benchmarking included assessments of all elements of compensation for our named executive officers, as well as the compensation program for the non-employee directors serving on the Board.

The competitive compensation benchmarking data reviewed by the HR Committee included base salary, annual incentive compensation and long-term incentive compensation found in the proxy statements filed by companies in the proxy peer group. This set of proxy peer group companies was also used to benchmark annual share utilization data, stock overhang and market capitalization data for long-term incentive compensation analysis. The companies in the proxy peer group were selected because they represent those companies considered by the committee to be the most comparable to the Company in terms of business operations, market capitalization and overall financial performance. The annual revenue for the companies in the proxy peer group ranged from $1.3 billion to $13.0 billion, with the average being $4.5 billion for the most recent year reported, while the Company reported revenue of $4.7 billion for the year ended September 30, 2010. The market capitalization for the companies in the proxy peer group ranged from $2.0 billion to $7.9 billion, with the average being $4.7 billion as of April 2011, while the market capitalization for the Company was $3.2 billion. The companies in the proxy peer group are selected annually by the committee, after its review of the recommendation of Pay Governance. The companies in the proxy peer group selected for the 2011 fiscal year were as follows:

AGL Resources Inc.	Nicor, Inc.
CenterPoint Energy Resources Corporation	NiSource, Inc.
CMS Energy Corporation	ONEOK, Inc.
EQT Corporation	Piedmont Natural Gas Company, Inc.
Intergys Energy Group, Inc.	Vectren Corporation
National Fuel Gas Corporation	WGL Holdings, Inc.

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To supplement the executive compensation information derived from its study of the proxy peer group, the HR Committee also considered executive compensation benchmarking data from the latest Towers Watson U.S. CDB Energy Services Executive Compensation Database (energy services industry database). The companies in this database constitute a more diverse set of companies, including companies in the gas, nuclear and electric utilities industries. To adjust for size differences, Towers Watson employed a statistical analysis (single regression analysis) in the survey based on relative total annual revenues to determine competitive pay rates for our named executive officers based upon the data derived from all companies in the energy services industry database. The companies in this database are as follows:

AEI Services
Allegeheny Energy, Inc.
ALLETE, Inc.
Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Areva
ATC Management, Inc.
Atmos Energy Corporation
Avista Corporation
BG US Services
Black Hills Power, Inc.
California Independent System Operator
Calpine Corporation
CenterPoint Energy Resources Corporation
CH Energy Group
Cleco Corporation
CMS Energy Corporation
Colorado Springs Utilities
Consolidated Edison, Inc.
Constellation Energy Group, Inc.
Covanta Holding Corporation
CPS Energy
DCP Midstream Partners, LP
Direct Energy
Dominion Resources, Inc.
DPL, Inc.
DTE Energy Company
Duke Energy Corporation
E.ON U.S.
Edison International
El Paso CGP Company
Electric Power Research Institute
Enbridge Energy Company, Inc.
Energen Corporation
Energy Future Holdings Corporation
Energy Northwest
Entergy Corporation
EPCO Holdings, Inc.
ERCOT
Exelon Corporation
First Solar, Inc.
FirstEnergy Corp.
FPL Group (Nextra Energy, Inc.)
GDF SUEZ Energy North America
Hawaiian Electric
IDACORP
Integrys Energy Group, Inc.
ISO New England

Kinder Morgan Kansas, Inc.
LES
Lower Colorado River Authority
MDU Resources Group, Inc.
Midwest Independent Transmission System Operator
Mirant Corporation
New York Independent System Operator
New York Power Authority
Nicor, Inc.
Northeast Utilities
NorthWestern Energy, LLC
NRG Energy, Inc.
NSTAR
NV Energy, Inc.
NW Natural
OGE Energy Corp.
Oglethorpe Power Corporation
Omaha Public Power
Pacific Gas and Electric Company
Pepco Holdings, Inc.
Pinnacle West Capital Corporation
PJM Interconnection
PNM Resources, Inc.
Portland General Electric
PPL Corporation
Progress Energy, Inc.
Proliance Holdings
Public Service Enterprise Group Incorporated
Puget Energy, Inc.
Regency Energy Partners LP
RRI Energy, Inc.
Salt River Project
Santee Cooper
SCANA Corporation
Sempra Energy
The Southern Company
Southern Maryland Electric Cooperative
Southern Union Company
Southwest Power Pool
Spectra Energy Corp.
STP Nuclear Operating
Targa Resources, Inc.
Tennessee Valley Authority
TransCanada Corporation
UIL Holdings Corporation
UniSource Energy Corporation
Unitil Corporation
Vectren Corporation
Westar Energy, Inc.
Westinghouse Electric Corp.
Wisconsin Energy Corporation
Wolf Creek Nuclear
Xcel Energy, Inc.

Using primarily the proxy peer group compensation analysis, along with the data from the energy services industry database, the targeted level of compensation for each named executive officer that represented the 50th percentile level for each position was determined. A named executive officer s base salary, total cash compensation (base salary plus annual incentive award) and total direct compensation (base salary plus annual incentive award plus annualized long-term incentive compensation) were considered competitive if his targeted level of compensation (for each element as well as total compensation) fell within 15 percent above or below the 50th percentile competitive benchmark amount. For fiscal 2011, the targeted level of compensation of each of our named executive officers fell within such range.

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Executive Compensation Consultants

The HR Committee has been granted in its charter the sole authority from the Board of Directors for the appointment, compensation and oversight of the Company s outside compensation consultant. The committee retained Pay Governance during the 2011 fiscal year as its consultant to assist the committee with its responsibilities related to the Company s compensation program for its executives and board of directors. Specifically, the committee directed Pay Governance to (i) regularly attend meetings of the committee, (ii) conduct studies of competitive compensation practices and (iii) develop conclusions and recommendations related to the executive compensation plans of the Company for consideration by the committee. Pay Governance prepared reports and analyses and assisted with (i) the identification of the Company s proxy peer group, (ii) an assessment of competitive compensation for non-employee directors, and (iii) a review of base salary, annual incentives and long-term incentive compensation opportunities relative to competitive practices. Pay Governance also prepared a report on emerging trends and developments in executive compensation, provided recommendations regarding our executive compensation strategy and performed an assessment of the risks contained in the Company s incentive compensation plans. A senior consultant from Pay Governance attended all four HR Committee meetings held in fiscal 2011. Pay Governance provided no additional services to the Company or its affiliates during fiscal 2011.

Management s Role in Setting Executive Compensation

The HR Committee and Kim Cocklin, our Chief Executive Officer since October 1, 2010, met with representatives of Pay Governance at the beginning of fiscal 2011 to review and discuss the compensation of all other named executive officers. However, at no time did Mr. Cocklin meet with representatives of Pay Governance regarding his own compensation. The only other executive officer of the Company who regularly worked with Pay Governance is the senior vice president, human resources. For fiscal 2011, Mr. Cocklin recommended to the committee compensation for Messrs. Meisenheimer, Gregory and Haefner, while Pay Governance provided to the committee general guidance and competitive compensation data for Mr. Best.

Both Mr. Best and Mr. Cocklin may be present during a portion of the committee s meetings on executive compensation. However, Mr. Best and Mr. Cocklin and any other members of management in attendance at committee meetings are excused when that executive s compensation is discussed and decisions regarding his compensation are reached by the committee. Messrs. Best, Meisenheimer, Gregory and Haefner attend the committee s meetings except when compensation of the executive officers is discussed. All decisions by the committee concerning executive compensation levels to be paid to the CEO and the other named executive officers are approved by the Board.

Executive Compensation Recoupment Policy

In November 2010, our Board of Directors adopted our clawback policy, which provides for the recoupment by the Company under certain circumstances of incentive compensation, including annual cash bonuses, stock-based awards, performance-based compensation and any other forms of cash or equity compensation other than salary (awards). This policy applies to any current or former employee holding (or who held) a position of division president or corporate vice president or above. In the event of an accounting restatement of the Company s previously issued financial statements due to the material noncompliance of the Company with any financial reporting requirement under the federal securities laws, the Company will seek recovery from any current or former officer who received the amount or portion of any awards paid or granted during the three-year period preceding the date on which the Company is required to prepare an accounting restatement, based on the erroneous data, in excess of what would have been paid or granted to the officer under the accounting restatement.

In addition, in the event of an accounting restatement as a result of errors, omission, fraud or other causes, the HR Committee shall review the facts and circumstances underlying the restatement (including any potential wrongdoing and whether the restatement was the result of negligence or intentional or gross misconduct) and may, in its discretion, direct that the Company recover all or a portion of any award from one or more officers with respect to any fiscal year in which the Company s financial results are negatively affected by such restatement. If (a) the payment, grant or vesting of any award(s) is based upon the achievement of financial results that are subsequently restated or (b) a lower payment, award value or vesting would have occurred based upon the restated financial results, the committee may seek to recoup, and such officer shall forfeit or repay, all or any portion of such excess compensation as the committee deems appropriate. Finally, if the committee determines that an officer engaged in an act of fraud or misconduct that contributed to the need for a financial restatement, the committee may, in its discretion, recover and the officer shall forfeit or repay, all of the officer s awards for the relevant period, plus a reasonable rate of interest. This policy, however, does not affect the Company s ability to recoup executive compensation under any other applicable law or regulation, including but not limited to the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).

Policy Prohibiting Hedging-Related Transactions

Also in November 2010, our Board of Directors adopted a policy prohibiting hedging transactions in our common stock as an amendment to our insider trading policy, which provides that no employee of Atmos Energy or member of our Board of Directors may purchase any financial instruments (including, without limitation, prepaid variable forward contracts, equity swaps, collars and exchange funds) that establish a short position in our common stock and are designed to hedge or offset any decrease in the market value of our common stock granted by Atmos Energy as part of compensation to employees or directors or our common stock already held by them. In addition, the following transactions are prohibited: (i) short sales, which are sales of our common stock that are not then owned, (ii) trading of put options, call options or other derivatives of our common stock and (iii) purchases of our common stock on margin, or holding our common stock in a margin account, borrowing against any account in which our common stock is held or otherwise pledging our common stock as collateral for a loan. However, any such arrangements already in existence as of November 3, 2010 have been allowed to continue, provided that the employee or director had disclosed the arrangement to the General Counsel or Corporate Secretary.

Share Ownership Guidelines

We have adopted share ownership guidelines for our named executive officers, and for other officers and division presidents, which are voluntary and are intended to be achieved by each such executive over the course of five years. The HR Committee believes that executive share ownership promotes better alignment of the interests of our executives with those of our shareholders and it monitors compliance with the ownership guidelines each year. The executive chairman and the chief executive officer each have a guideline to reach a share ownership position of five times his base salary, with each of the remaining named executive officers having a guideline to reach a share ownership position of 2.5 times base salary. The share ownership positions include shares of unvested time-lapse RSU s but do not include stock options or unvested performance-based RSU s. Each of the named executive officers has achieved his individual ownership objective.

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NAMED EXECUTIVE OFFICER COMPENSATION

Summary of Cash and Other Compensation

The following table provides information concerning compensation we paid to or accrued on behalf of our Principal Executive Officer, our Principal Financial Officer and the three other most highly compensated executive officers serving as such on September 30, 2011.

Summary Compensation Table for Fiscal Year 2011(a)

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(b)	Non-Equity Incentive Plan Compensation ($)(c)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(d)	All Other Compensation ($)(e)	Total ($)
Robert W. Best(f)	2011	750,000	1,780,760	600,000	135,303	163,276	3,429,339
Executive Chairman of the Board	2010	875,372	1,577,951	706,152	197,486	168,529	3,525,490
	2009	848,844	1,655,960	657,000	3,549,649	202,323	6,913,776
Kim R. Cocklin(g)	2011	743,330	1,783,052	594,664	1,488,867	132,722	4,742,635
President and Chief Executive Officer	2010	552,692	916,414	362,253	783,815	155,888	2,771,062
	2009	537,328	2,258,079	337,000	705,159	202,833	4,040,399
Fred E. Meisenheimer	2011	398,830	682,581	239,298	525,657	82,592	1,928,958
Senior Vice President and Chief Financial Officer	2010	373,250	590,861	229,500	1,446,042	63,366	2,703,019
	2009	309,522	558,812	184,500	1,334,277	46,064	2,433,175
Louis P. Gregory	2011	331,372	484,868	182,255	588,707	71,230	1,658,432
Senior Vice President and General Counsel	2010	321,757	410,744	178,445	329,305	66,941	1,307,192
	2009	312,006	363,411	135,900	852,591	74,959	1,738,867
Michael E. Haefner(h)	2011	304,988	476,086	167,743	301,265	55,254	1,305,336
Senior Vice President, Human Resources	2010	288,786	403,048	160,875	228,141	40,511	1,121,361
	2009						