EXHIBIT B

FORM OF
STANDSTILL AGREEMENT

This Standstill Agreement, dated as of _____ (this "*Agreement*"), is entered into by and among Atmos Energy Corporation, a Texas and Virginia corporation ("*Issuer*"), and the stockholders named on the signature pages hereto (the "*Holders*").

RECITALS

A. Issuer, Mississippi Valley Gas Company, a Mississippi corporation (the "*Company*"), and the Holders have entered into an Agreement and Plan of Merger and Reorganization, dated as of September 21, 2001 (the "*Merger Agreement*"), which provides, among other things, that (i) the Company will be merged with and into Atmos and (ii) the Holders shall have the right to receive, in exchange for all of the capital stock of the Company issued and outstanding immediately prior to the merger, shares of common stock, no par value, of Issuer ("*Common Stock*") and cash.

B. As a condition precedent to the consummation of the transactions contemplated by the Merger Agreement, each of the Holders has agreed to the restrictions with respect to securities of Issuer set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereto agree as follows:

1. Definitions.

(a) All capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Merger Agreement.

(b) "*Voting Securities*" means the Common Stock and any other security of Issuer entitled to vote generally for the election of directors, and any security, warrant or other right convertible into, or exercisable or exchangeable for, any Common Stock or any such other security.

2. Holder Commitments.

(a) Each Holder agrees that, for a period of five years from the date hereof or, if earlier, until such time as such Holder owns less than 20% of the number of shares of Common Stock originally issued to it pursuant to the Merger Agreement (adjusted for stock dividends and splits and similar transactions), without the prior written consent of Issuer, such Holder shall not, directly or indirectly: (i) acquire, offer to acquire, or agree to acquire, by purchase or otherwise, any Voting Securities if, after the consummation of the acquisition, such Holder would

beneficially own more than 4.95% of the total outstanding Voting Securities; (ii) except at the specific written request of Issuer, propose to enter into any merger or business combination involving Issuer or to purchase a material portion of the assets of Issuer; (iii) make, or in any way participate, in any "solicitation" of "proxies" to vote (as such terms are used in the proxy rules of the Exchange Act), or seek to advise or influence any Person with respect to the voting of, any Voting Securities; (iv) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any Voting Securities; (v) otherwise act, alone or in concert with others, to seek to control or influence the management, Board of Directors or policies of Issuer; (vi) publicly announce or refer to any proposal for an extraordinary corporate transaction involving Issuer, or take any action for the purpose of requiring Issuer to make a public announcement regarding the possibility of any such extraordinary corporate transaction; (vii) disclose any intention, plan or arrangement inconsistent with the foregoing or advise, assist or encourage any other Persons in connection with the foregoing, or request that Issuer amend or waive any of the terms of this Section 2(a); or (viii) permit any of its affiliates or associates to do any of the foregoing. Nothing contained in this Section 2 shall limit the ability of any Holder to vote its Voting Securities in the manner it sees fit in its sole discretion or to engage in any discussion or transactions with any of the other Holders with respect to the Voting Securities.

(b) Each Holder agrees that, for a period of five years from the date hereof or, if earlier, until such time as such Holder owns less than 20% of the number of shares of Common Stock originally issued to it pursuant to the Merger Agreement (adjusted for stock dividends and splits and similar transactions), without the prior written consent of Issuer, such Holder shall not, directly or indirectly, sell or transfer more than 1% of the total outstanding Voting Securities to any Person or "group" (within the meaning of Section 13(d)(3) of the Exchange Act), or sell or transfer any Voting Securities to any such Person or group who or which, after the consummation of such sale or transfer, would beneficially own more than 9.9% of the total outstanding Voting Securities, except pursuant to:

(i) an underwritten public offering that is widely distributed and managed by an investment banking firm selected by Issuer pursuant to the Registration Rights Agreement;

(ii) any merger or consolidation in which Issuer is acquired, or any plan of liquidation of Issuer;

(iii) a tender or exchange offer for outstanding Voting Securities that the Board of Directors of Issuer does not oppose and that does not violate Section 2(a);

(iv) a sale or transfer to the other Holders that does not violate Section 2(a);

(v) a transfer by the Estate of Leon Hess that is in accordance with the provisions of the Last Will and Testament of Leon Hess; *provided* that each transferee agrees in writing to be bound by all of the terms, conditions and

provisions contained herein and shall be considered a "Holder" for purposes of this Agreement;

(vi) a sale or transfer in a "brokers' transaction" pursuant to Rule 144(f); *provided* that any sales pursuant to this clause (v) shall be subject to the volume limitations set forth in Rule 144(e) (regardless of whether such volume limitations are applicable to such sale); *provided further* that, to such Holder's knowledge, no Person acquiring any Voting Securities pursuant to such brokers' transaction shall acquire such Voting Securities with the purpose or with the effect of changing or influencing the control of the Issuer; or

(vi) a sale or transfer to a Person who is eligible to file a statement on Schedule 13G promulgated by the SEC with respect to its holdings of Voting Securities pursuant to Rule 13d-1(b)(1) promulgated under the Exchange Act.

3. Legend; Transfer Instructions. Each Holder hereby authorizes and requests Issuer to notify its transfer agent that this Agreement places limits on the transfer of its shares of Common Stock. Certificates for such shares shall be endorsed with a restrictive legend which shall read substantially as follows:

THE TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO RESTRICTIONS ARISING UNDER A STANDSTILL AGREEMENT, DATED AS OF _____. A COPY OF SUCH AGREEMENT WILL BE PROVIDED TO THE HOLDER HEREOF WITHOUT CHARGE UPON RECEIPT BY THE ISSUER OF A WRITTEN REQUEST THEREFOR.

4. Enforcement. The Holders agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that Issuer shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court of the United States located in the Northern District of Texas or in a Texas state court located in Dallas, Texas, this being in addition to any other remedy to which it is entitled at law or in equity. In addition, each Holder hereby (i) consents to the personal jurisdiction of any Federal court located in the Northern District of Texas or any Texas state court in Dallas, Texas, in the event any dispute arises out of this Agreement, (ii) agrees that such Holder will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that such Holder will not bring any action relating to this Agreement in any court other than a Federal court sitting in the Northern District of Texas or Texas state court located in Dallas, Texas, and (iv) waives any right to trial by jury with respect to any claim or proceeding related to or arising out of this Agreement.

5. Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to Atmos, to:

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, TX 75240
Attn: Louis P. Gregory
Facsimile No.: (972) 855-3080

with a copy to:

Gibson, Dunn & Crutcher LLP
2100 McKinney Avenue, Suite 1100
Dallas, TX 75201
Attn: Irwin F. Sentilles, III
Facsimile No.: (214) 698-3400

If to the Holders, to:

Robert M. Hearin Support Foundation
P.O. Box 2540
Jackson, MS 39207
Attn: Daisy Blackwell
Facsimile No.: (601) 961-6876

Estate of Leon Hess
c/o Hess Group LLC
1185 Avenue of the Americas
40th Floor
New York, NY 10036
Attn: Robert Connor
Facsimile No.: (212) 536 8488

Twenty-Five Year Charitable Lead Annuity Trust under the Will of Leon Hess
c/o Hess Group LLC
1185 Avenue of the Americas
40th Floor
New York, NY 10036
Attn: Robert Connor
Facsimile No.: (212) 536 8488

with a copy to:

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, NY 10005
Attn: Robert S. Reder, Esq.
Facsimile No.: 212-530-5219

Baker, Donelson, Bearman & Caldwell
P.O. Box 14167
Jackson, MS 39236
Attn: James K. Dossett, Jr.
Facsimile No.: (601) 592-7482

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section 5, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section 5, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this Section 5, be deemed given upon receipt. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

6. Amendments; No Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No waiver by a party of any breach of agreement hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent breach or affect in any way any rights arising by virtue of any prior or subsequent breach. No failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

7. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

8. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws (without reference to choice or conflict of laws that would apply any other law) of the State of Texas.

9. Counterparts. This Agreement may be signed in any number of counterparts and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

10. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement.

11. Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. All references to an Article or Section include all subparts thereof.

12. Severability. If any provision of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

13. Third Party Beneficiaries. No provision of this Agreement shall create any third party beneficiary rights in any Person.

14. Limitation on Trustee and Executor Liability. Notwithstanding anything contained in this Agreement to the contrary, Atmos acknowledges and agrees that the trustees of the Robert M. Hearin Support Foundation, the executors of the Estate of Leon Hess and the trustees of the Twenty-Five Year Charitable Lead Annuity Trust Under the Will Of Leon Hess, have executed and delivered this Agreement, and any and all documents in connection herewith, solely as fiduciaries of such Foundation, Estate and Trust, respectively, and not in their personal or individual capacities. Atmos agrees that it shall have no recourse against such trustees and executors in their individual or personal capacities under this Agreement, or under any certificate, representation, warranty, indemnification or other instrument delivered in connection herewith.

[SIGNATURES BEGINNING ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ATMOS ENERGY CORPORATION

By: _____
Name:
Title:

ROBERT M. HEARIN SUPPORT FOUNDATION

By: _____
Name: Daisy S. Blackwell
Title: Trustee

By: _____
Name: Matthew L. Holleman, III
Title: Trustee

By: _____
Name: Robert M. Hearin, Jr.
Title: Trustee

By: _____
Name: Laurie McRee
Title: Trustee

By: _____
Name: E. E. Laird, Jr.
Title: Trustee

By: _____
Name: Alan W. Perry
Title: Trustee

ESTATE OF LEON HESS

By: _____
Name: Nicholas F. Brady
Title: Executor

By: _____
Name: John B. Hess
Title: Executor

By: _____
Name: Thomas H. Kean
Title: Executor

By: _____
Name: Burton T. Lefkowitz
Title: Executor

By: _____
Name: John Y. Schreyer
Title: Executor

TWENTY-FIVE YEAR CHARITABLE LEAD ANNUITY TRUST UNDER THE WILL OF LEON HESS

_____

Nicholas F. Brady, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

John B. Hess, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

Thomas H. Kean, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

Burton T. Lefkowitz, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

John Y. Schreyer, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

EXHIBIT C

FORM OF RELEASE

This Release (this "*Release*") is being executed and delivered by the undersigned parties in accordance with Section 8.11 of the Agreement and Plan of Merger and Reorganization (the "*Merger Agreement*"), dated as of September 21, 2001, by and among Atmos Energy Corporation, a Texas and Virginia corporation ("*Atmos*"), Mississippi Valley Gas Company, a Mississippi corporation (the "*Company*"), and the shareholders of the Company named on the signature pages thereto (each a "*Shareholder*"). Capitalized terms used in this Release without definition have the respective meanings given to them in the Merger Agreement.

Each Shareholder acknowledges that the execution and delivery of this Release is a condition of the obligation of Atmos under the Merger Agreement to effect the merger of the Company with and into Atmos (the "*Merger*"), and that Atmos is relying on this Release in consummating the Merger and the other transactions contemplated by the Merger Agreement.

Each Shareholder, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, in order to induce Atmos to effect the Merger and to consummate the other transactions contemplated by the Merger Agreement, hereby agrees as follows:

Each Shareholder hereby releases and forever discharges the Company, the Subsidiaries and the Surviving Corporation and each of their respective Affiliates, stockholders, directors, employees, officers, controlling persons, subsidiaries, successors and assigns (collectively, the "*Released Persons*") from any and all claims, demands, proceedings, causes of action, orders, obligations, contracts, agreements, debts and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity (collectively "*Claims*"), which such Shareholder now has, has ever had or may hereafter have against (a) the respective Released Persons and (b) any other person to the extent that such other person possesses a right of contribution, subrogation or indemnification with respect to such Claims against any Released Person, in all cases whether arising contemporaneously with or prior to the Closing Date or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the Closing Date, whether or not relating to Claims pending on, or asserted after, the Closing Date; *provided*, however, that nothing contained herein shall operate to release any obligations of the Released Persons arising under or relating to the Merger Agreement, the transactions contemplated thereby and any agreement or instrument delivered in connection therewith;

Each Shareholder hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Released Person, based upon any matter purported to be released hereby.

If any provision of this Release is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Release will remain in full force and effect. Any provision of this Release held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

This Release may not be changed except in a writing signed by the Person(s) against whose interest such change shall operate.

IT IS THE EXPRESS INTENTION OF THE PARTIES TO THIS RELEASE THAT EACH RELEASED PARTY BE RELEASED FROM HIS, HER, OR ITS SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED ON SUCH RELEASED PARTY.

THIS RELEASE SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW THAT WOULD APPLY ANY OTHER LAW.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Release as of this ___ day of _____, _____.

ROBERT M. HEARIN SUPPORT FOUNDATION

By: _____
Name: Daisy S. Blackwell
Title: Trustee

By: _____
Name: Matthew L. Holleman, III
Title: Trustee

By: _____
Name: Robert M. Hearin, Jr.
Title: Trustee

By: _____
Name: Laurie McRee
Title: Trustee

By: _____
Name: E. E. Laird, Jr.
Title: Trustee

By: _____
Name: Alan W. Perry
Title: Trustee

ESTATE OF LEON HESS

By: _____
Name: Nicholas F. Brady
Title: Executor

By: _____
Name: John B. Hess
Title: Executor

By: _____
Name: Thomas H. Kean
Title: Executor

By: _____
Name: Burton T. Lefkowitz
Title: Executor

By: _____
Name: John Y. Schreyer
Title: Executor

TWENTY-FIVE YEAR CHARITABLE LEAD ANNUITY TRUST UNDER THE WILL OF LEON HESS

_____

Nicholas F. Brady, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

John B. Hess, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

Thomas H. Kean, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

Burton T. Lefkowitz, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

John Y. Schreyer, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

EXHIBIT D-1

Matters to be Covered by Opinion of Milbank, Tweed, Hadley & McCloy LLP

(i) The Merger Agreement constitutes a legal, valid and binding obligation of the Company and each of the Shareholders enforceable against each of them in accordance with its terms.

(ii) The execution and delivery by the Company of the Merger Agreement do not, and the performance by the Company of its obligations under the Merger Agreement and the consummation of the transactions contemplated thereby will not, conflict with or result in a violation or breach of, in any material respect, any term or provision of any Federal law of the United States or New York Law.

(iii) No consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority of the United States or the State of New York on the part of the Company or any Subsidiary or any Shareholder is required in connection with the execution, delivery and performance of the Merger Agreement by any such entity or the consummation of the transactions contemplated thereby, except those as would be required solely as a result of the identity or the legal or regulatory status of Atmos or any of its Affiliates.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the Federal laws of the United States and the laws of the State of New York. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the Company and each Subsidiary and each Shareholder and appropriate officers and directors and other representatives of such entities and by public officials. Such opinion need not address regulatory, antitrust, securities laws or conflicts of laws matters. With respect to the opinion set forth in paragraph (i) above, no opinion need be given as to the laws of the State of Delaware, and such counsel may assume, for the limited purpose of such opinion, that the laws of the State of New York apply.

EXHIBIT D-2

Matters to be Covered by Opinion of Forman, Perry, Watkins, Krutz & Tardy, PLLC

(i) The Company is a corporation validly existing and in good standing under the Laws of the State of Mississippi.

(ii) The Company has the corporate power and authority to execute and deliver the Merger Agreement, to perform its obligations thereunder and to consummate the transactions contemplated thereby.

(iii) The execution and delivery by the Company of the Merger Agreement, and the performance by the Company of its obligations thereunder, have been duly and validly authorized by the Board of Directors of the Company and by the Shareholders as the sole shareholders of the Company, no other corporate action on the part of the Company or its shareholders being necessary.

(iv) The Company Shares are duly authorized, validly issued, outstanding, fully paid and nonassessable and have been issued free of any pre-emptive rights. To the knowledge of such counsel, except for the Merger Agreement, there are no outstanding Options with respect to the Company.

(v) The Merger Agreement has been duly and validly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms.

(vi) The execution and delivery by the Company of the Merger Agreement do not, and the performance by the Company of its obligations under the Merger Agreement and the consummation of the transactions contemplated thereby will not: (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the articles of incorporation or by-laws of the Company or any Subsidiary; (b) subject to obtaining the consents, approvals and actions, making the filings and giving the notices disclosed in the Merger Agreement or the Disclosure Schedule, conflict with or result in a violation or breach of, in any material respect, any term or provision of any Mississippi Law or any Order known by such counsel to be applicable to the Company or any Subsidiary or any of their respective Assets and Properties, or (c) except as disclosed in the Merger Agreement or the Disclosure Schedule to the Merger Agreement, to the knowledge of such counsel, (i) conflict with or result in a violation or breach of, in any material respect, (ii) constitute (with or without notice or lapse of time or both) a default under, in any material respect, (iii) require the Company to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person (with or without notice or lapse of time or both) any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the

creation or imposition of any Lien upon the Company or any Subsidiary or any of their respective Assets and Properties under, any material Contract or License applicable to the Company or any Subsidiary or by which any of their respective Assets or Properties are bound.

(vii) Except for the filing of the Mississippi Articles of Merger with the Mississippi Secretary of State and as set forth on Exhibit A hereto, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority of the State of Mississippi on the part of the Company or any Subsidiary is required in connection with the execution, delivery and performance of the Merger Agreement by the Company or the consummation of the transactions contemplated thereby, except those as would be required solely as a result of the identity or the legal or regulatory status of Atmos or any of its Affiliates.

(viii) To the knowledge of such counsel, except as disclosed in the Disclosure Schedule to the Merger Agreement, there are no Actions or Proceedings pending or threatened against, relating to or affecting the Company or any Subsidiary or any of their respective Assets and Properties. None of the Actions or Proceedings disclosed in the Disclosure Schedule to the Merger Agreement could reasonably be expected to result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Merger Agreement. To the knowledge of such counsel, except as disclosed in the Disclosure Schedule to the Merger Agreement, there are no Orders outstanding against the Company or any Subsidiary.

(ix) Neither the Company nor any of the Subsidiaries is a "public utility company", a "holding company", a "subsidiary company" or an "affiliate" of any holding company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of PUHCA, respectively.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the laws of the State of Mississippi. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the Company and each Subsidiary and appropriate officers and directors of such entities and by public officials. Such opinion need not address regulatory, antitrust, securities laws or conflicts of laws matters. With respect to the opinion set forth in paragraph (v) above, no opinion need be given as to the laws of the State of Delaware, and such counsel may assume, for the limited purpose of such opinion, that the laws of the State of Mississippi apply.

EXHIBIT D-3

Matters to be covered by Opinion of Hess Shareholders' Counsel

(i) John B. Hess, Nicholas F. Brady, Thomas H. Kean, Burton T. Lefkowitz and John Y. Schreyer have been duly and validly appointed and are presently acting as the Executors of the Estate of Leon Hess and as Trustees of the Twenty-Five Year Charitable Lead Annuity Trust under the Will of Leon Hess (the "CLAT"), which is a validly existing trust.

(ii) The Executors of the Estate of Leon Hess have full power and authority to execute and deliver the Merger Agreement and to perform the obligations of the Leon Hess Estate thereunder and to consummate the transactions contemplated thereby without the special authorization of any probate or other court. The Trustees of the CLAT have full trust power and authority to execute and deliver the Merger Agreement and to perform the obligations of such trust thereunder and to consummate the transactions contemplated thereby without the special authorization of any probate or other court.

(iii) The execution and delivery by each of the aforesaid Shareholders of the Merger Agreement and the performance by each such Shareholder of its obligations thereunder have been duly and validly authorized by or on behalf by such Shareholder, no other action on the part of such Shareholder being necessary.

(iv) The Merger Agreement has been duly and validly executed and delivered by each of the aforesaid Shareholders and constitutes a legal, valid and binding obligation of each such Shareholder enforceable against each of them in accordance with its terms.

(v) The execution and delivery by each of the aforesaid Shareholders of the Merger Agreement do not, and the performance by such Shareholder of its respective obligations under the Merger Agreement and the consummation of the transactions contemplated thereby will not: (a) conflict with or result in a violation or breach of any of the terms, conditions, or provisions of the Last Will and Testament of Leon Hess or the CLAT; (b) conflict with or result in a violation or breach of, in any material respect, any term or provision of any New York State or Federal Law or Order known to such counsel to be applicable to such Shareholder; or (c) except as disclosed in the Disclosure Schedule to the Merger Agreement, to the knowledge of such counsel (i) conflict with or result in a violation or breach of, in any material respect, (ii) constitute (with or without notice or lapse of time or both) a default under, in any material respect, (iii) require such Shareholder to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person (with or without notice or lapse of time or both) any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the creation or imposition of any Lien upon such Shareholder under, any material Contract or License to which such Shareholder is a party or by which any of their respective material Assets and Properties that could reasonably be expected to be affected thereby is bound.

(vi) Except as disclosed in the Merger Agreement or in the Disclosure Schedule to the Merger Agreement, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority of the United States or the State of New York on the part of any of the aforesaid Shareholders is required in connection with the execution, delivery and performance of the Merger Agreement or the consummation of the transactions contemplated thereby, except those as would be required solely as a result of the identity or the legal or regulatory status of Atmos or any of its Affiliates.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the Federal laws of the United States and the laws of the State of New York. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the Trustees of the CLAT, the Executors of the Estate of Leon Hess and by public officials. Such opinion need not address regulatory, antitrust, securities laws or conflicts of laws matters. With respect to the opinion set forth in paragraph (iv) above, no opinion need be given as to the laws of the State of Delaware, and such counsel may assume, for the limited purpose of such opinion, that the laws of the State of New York apply.

EXHIBIT D-4

Matters to be Covered by Opinion of Hearin Foundation's Counsel

(i) The Robert M. Hearin Support Foundation (the "Hearin Foundation") is duly organized, validly existing and in good standing in the jurisdiction of its organization.

(ii) The Hearin Foundation has full power and authority to execute and deliver the Merger Agreement and to perform its obligations thereunder and to consummate the transactions contemplated thereby.

(iii) The execution and delivery by the Hearin Foundation of the Merger Agreement and the performance by the Hearin Foundation of its obligations thereunder have been duly and validly authorized by or on behalf of the Hearin Foundation, no other action on the part of the Hearin Foundation being necessary.

(iv) The Merger Agreement has been duly and validly executed and delivered by the Hearin Foundation and constitutes a legal, valid and binding obligation of the Hearin Foundation enforceable against the Hearin Foundation in accordance with its terms.

(v) Except as disclosed on the Disclosure Schedule or otherwise provided in the Merger Agreement, the execution and delivery by the Hearin Foundation of the Merger Agreement do not, and the performance by the Hearin Foundation of its obligations under the Merger Agreement and the consummation of the transactions contemplated thereby will not: (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the instruments of organization or formation of the Hearin Foundation; (b) conflict with or result in a violation or breach of, in any material respect, any term or provision of any Federal law of the United States or Mississippi Law or any Order known to such counsel to be applicable to the Hearin Foundation or any of its Assets and Properties; or (c) except as disclosed in the Disclosure Schedule to the Merger Agreement, to our knowledge (i) conflict with or result in a violation or breach of, in any material respect, (ii) constitute (with or without notice or lapse of time or both) a default under, in any material respect, (iii) require the Hearin Foundation to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person (with or without notice or lapse of time or both) any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the creation or imposition of any Lien upon the Hearin Foundation or any of its Assets and Properties under, any Contract or License to which the Hearin Foundation is a party or by which any of its Assets and Properties is bound.

(vi) Except as disclosed on the Disclosure Schedule or otherwise provided in the Merger Agreement, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority of the United States or the State of Mississippi on the part of the Hearin Foundation is required in connection with the execution, delivery and performance of the Merger Agreement by the Hearin Foundation or the consummation of the transactions contemplated thereby, except those as would be required solely as a result of the identity or the legal or regulatory status of Atmos or any of its Affiliates.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the Federal laws of the United States and the laws of the State of Mississippi. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the Hearin Foundation and appropriate officers and directors of the Hearin Foundation and by public officials. Such opinion need not address regulatory, antitrust, securities laws or conflicts of laws matters. With respect to the opinion set forth in paragraph (iv) above, no opinion need be given as to the laws of the State of Delaware, and such counsel may assume, for the limited purpose of such opinion, that the laws of the State of Mississippi apply.

EXHIBIT E

FORM OF REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement, dated as of _____ (this "*Agreement*"), is entered into by and among Atmos Energy Corporation, a Texas and Virginia corporation ("*Issuer*"), and the stockholders named on the signature pages hereto (each a "*Holder*" and collectively, the "*Holders*").

RECITALS

A. Issuer, Mississippi Valley Gas Company, a Mississippi corporation (the "*Company*"), and the Holders have entered into an Agreement and Plan of Merger and Reorganization, dated as of September 21, 2001 (the "*Merger Agreement*"), which provides, among other things, that (i) the Company will be merged with and into Atmos and (ii) the Holders shall have the right to receive, in exchange for all of the capital stock of the Company issued and outstanding immediately prior to the merger, shares of common stock, no par value, of Issuer ("*Common Stock*") and cash.

B. As a condition precedent to the consummation of the transactions contemplated by the Merger Agreement, Issuer has agreed to grant the Holders certain registration rights, as set forth herein, with respect to the Registrable Securities.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements hereinafter set forth, the parties hereto agree as follows:

1. Definitions.

(a) All capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Merger Agreement.

(b) "*Registrable Securities*" means (i) all of the Common Stock issued to a Holder as a portion of the Merger Consideration pursuant to the Merger Agreement, plus (ii) all other securities of Issuer issued in respect of such Common Stock, by way of a stock split, stock dividend, recapitalization, merger or consolidation, or otherwise, but exclusive of (iii) any securities described in clause (i) or (ii) above sold in a public offering registered under the Securities Act or which (x) have been sold, or (y) with respect to any Registrable Securities held by any Holder, all Registrable Securities then owned by such Holder that can be sold in any three-month period, in either case pursuant to Rule 144(k) (or any successor provision thereto) promulgated under the Securities Act.

(c) "*Registration Expenses*" means all expenses incident to Issuer's performance of or compliance with this Agreement, including all registration, filing, listing and NASD fees, all fees and expenses of complying with securities or blue sky laws, all word

processing, duplicating and printing expenses, messenger and delivery expenses, the fees and expenses of counsel for Issuer and of its independent public accountants, including the expenses of any audits or "comfort" letters required by or incident to such performance and compliance and any fees and disbursements of underwriters customarily paid by issuers of securities, but excluding underwriting discounts and commissions, transfer taxes, if any, and the fees and expenses of any counsel retained by the Holders.

2. Demand Registration Rights.

(a) Demand. At any time after the Closing Date and prior to the third anniversary of the Closing Date, any one or more Holders (the "*Requesting Holders*") may make a request in writing (a "*Demand Request*") that Issuer register all or part of the Registrable Securities held by such Requesting Holders under the Securities Act for the purpose of effecting an underwritten offering thereof (a "*Demand Offering*"); *provided, however*, that the Registrable Securities proposed to be sold by the Requesting Holders in such Demand Offering have an aggregate offering price of at least $30 million (unless all remaining Registrable Securities are to be sold, in which case such request may relate to Registrable Securities having an aggregate offering price of less than $30 million). Each Demand Request shall specify the number of Registrable Securities proposed to be sold. Subject to the terms and provisions of this Agreement, Issuer shall prepare and file, within 60 days after receiving a Demand Request, a registration statement under the Securities Act required to permit the offering of such Registrable Securities (*provided* that Issuer shall in no event be required to file any such registration statement prior to the 90th day following the Closing Date) and shall use all commercially reasonable efforts to cause any such registration statement to be declared effective by the SEC as promptly as practicable after any such filing; *provided*, that Issuer need register only two Demand Offerings and Issuer need not file more than one such registration statement in any 12-month period.

(b) Effective Registration and Expenses. A Demand Request will not count as a Demand Offering until the registration statement required to effect such Demand Offering has become effective (unless the Requesting Holders withdraw all their Registrable Securities and Issuer has performed its obligations hereunder in all material respects, in which case such demand will count as a Demand Offering unless the Requesting Holders pay all Registration Expenses in connection with such withdrawn Demand Request).

(c) Underwriting Requirements in Demand Registration; Selection of Underwriters. The offering of Registrable Securities pursuant to a Demand Offering shall be in the form of a "firm commitment" underwritten offering designed to achieve a wide distribution of shares of Common Stock so that no purchaser thereof in the Demand Offering acquires more than 1% of the shares of Common Stock then outstanding; *provided* that no Holder shall have any liability to the Issuer if the "firm commitment" underwriting does not achieve such a distribution. Issuer shall select the investment banking firm or firms to manage the underwritten offering, subject to the reasonable approval of the Requesting Holders holding a majority of the Registrable Securities then held by the Requesting Holders.

(d) Underwriting Agreement. All Holders proposing to distribute Registrable Securities pursuant to a Demand Offering shall (together with Issuer and any other holders

distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the investment banking firm or firms selected by Issuer to manage the underwritten offering. Issuer will use reasonable efforts to ensure that no underwriter shall require any Holder of Registrable Securities to make any representations or warranties to or agreements with Issuer or the underwriters other than representations, warranties or agreements regarding such Holder and such Holder's intended method of distribution and any other representation required by law, and, despite Issuer's reasonable efforts, if an underwriter requires any Holder of Registrable Securities to make additional representation or warranties to or agreements with such underwriter, such Holder may elect not to participate in such underwritten offering (but shall not have any claims against Issuer as a result of such election) and the registration shall nevertheless will count as a Demand Offering.

(e) Priority in Demand Offerings. All securities to be sold for the account of each Requesting Holder, any other Person that Issuer is obligated to include therein, and Issuer shall be included in a Demand Offering unless the managing underwriter or underwriters shall advise Issuer in writing that the inclusion of all such securities is reasonably likely to materially and adversely affect the price or success of the offering (a "*Material Adverse Effect*"), in which case the securities of such other Persons and Issuer shall be excluded to the extent required to avoid the reasonable likelihood of a Material Adverse Effect.

(f) Rights of Nonrequesting Holders. If more than one Holder who has the right to require Issuer to effect a Demand Offering (each a "*Demand Holder*") submits a Demand Request to the Company within a period of 20 days, all such requesting Persons shall be considered "Requesting Holders" for purposes of this Section 2. Upon receipt of any Demand Request from any Demand Holder, the Company shall promptly (but in any event within ten days) give written notice of the proposed Demand Offering to all other Holders who are not already Requesting Holders. Such other Holders shall have ten days to make a Demand Request and, upon any such Demand Request, shall be considered Requesting Holders for purposes of this Section 2.

3. "*Piggy-Back*" Registration Rights.

(a) Right to Include Registrable Securities. If, at any time after the Closing Date and prior to the third anniversary of the Closing Date, Issuer proposes to register any shares of Common Stock under the Securities Act in connection with an underwritten public offering of such shares of Common Stock solely for cash (other than a registration (i) on Form S-8 or any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, (ii) with respect to an employee benefit plan, (iii) solely in connection with a Rule 145 transaction under the Securities Act, or (iv) of convertible debt), whether or not for sale for its own account (a "*Proposed Registration*"), Issuer will give prompt written notice (which shall be at least 20 days prior to filing) to all Holders of Registrable Securities of its intention to do so, and such Holders' rights under this Section 3. Upon the written request of any such Holder made within ten days after the receipt of any such notice, Issuer will use reasonable efforts to include in such registration the Registrable Securities then held by such Holders that such Holders so request; *provided, however*, that if, at any time after giving written notice of a Proposed Registration and prior to the effective date of the registration statement filed in connection with such Proposed

Registration, Issuer shall determine for any reason not to register Common Stock or to delay the Proposed Registration, Issuer may, at its election, give written notice of such determination to each Holder of Registrable Securities and, thereupon:

(i) in the case of a determination not to register Common Stock, shall be relieved of its obligation to register any Registrable Securities in connection with such Proposed Registration (but not from its obligation to pay the Registration Expenses in connection therewith), and

(ii) in the case of a delay in registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in the Proposed Registration.

Notwithstanding anything in this Section 3(a) to the contrary, Issuer shall be under no obligation to provide written notice to any Holder with respect to, and the Holders will have no rights to register the Registrable Securities under this Section 3(a) as a result of, any registration statement filed prior to the Closing Date (including any supplement or amendment filed with respect thereto), whether or not such registration statement has been declared effective by the SEC as of the Closing Date.

(b) Delayed Offerings. If a Proposed Registration contemplates future delayed offerings of shares of Common Stock for cash by the Company pursuant to Rule 415 under the Securities Act (a "*Rule 415 Registration*"), no Holder shall be entitled to participate in any such delayed offering unless such Holder has duly requested to be, pursuant to Section 3(a), and has been, named as a selling shareholder in a registration statement filed in connection with such Rule 415 Registration prior to its effectiveness, and then only in respect of the number of Registrable Securities included therein. Being named as a selling shareholder in a registration statement filed in connection with a Rule 415 Registration shall not entitle any Holder to sell any Registrable Securities under such registration statement, except in connection with an underwritten public offering of shares of Common Stock for cash by the Company. The participation in any delayed offering of Common Stock by the Company shall be conditioned upon the requirements of this Section 3(b), and the notices, possible cutbacks and other terms and conditions applicable to Proposed Registrations set forth in this Agreement shall apply thereto. In no event shall any Holder be entitled to participate in a delayed offering that is reasonably expected to close after the third anniversary of the Closing Date.

(c) Underwriting Requirements in Piggy-back Registration; Selection of Underwriters. The right of any Holder to include such Holder's Registrable Securities in a Proposed Registration shall be conditioned upon such Holder's participation in the related underwriting and the inclusion of such Holder's Registrable Securities in such underwriting to the extent provided herein. The selection of the underwriter or underwriters for the public offering to be made pursuant to a registration statement filed in connection with a Proposed Registration shall be made by Issuer, in its sole discretion.

(d) Underwriting Agreement. The Holders of Registrable Securities to be distributed in connection with a Proposed Registration shall become parties to the underwriting agreement between Issuer and the underwriter or underwriters selected by Issuer. Issuer will use

reasonable efforts to ensure that no underwriter shall require any Holder of Registrable Securities to make any representations or warranties to or agreements with Issuer or the underwriters other than representations, warranties or agreements regarding such Holder and such Holder's intended method of distribution and any other representation required by law, and, despite Issuer's reasonable efforts, if an underwriter requires any Holder of Registrable Securities to make additional representation or warranties to or agreements with such underwriter, such Holder may elect not to participate in such underwritten offering (but shall not have any claims against Issuer as a result of such election).

(e) Priority. If, in connection with a Proposed Registration, the managing underwriter advises Issuer in writing that, in its opinion, the number of Registrable Securities requested by the Holders to be included pursuant to Section 3(a) exceeds the number which can be sold without the reasonable likelihood of a Material Adverse Effect, then the number of Registrable Securities to be registered shall be limited by withdrawing from registration the shares of: first, the Holders and any other Persons then holding piggy-back registration rights with respect to such registration pro rata; then, Issuer; and then, any Person then holding demand registration rights with respect to such registration.

4. Registration Procedures. If and whenever Issuer is required to use reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 2 or Section 3, Issuer will, subject to the terms and conditions of this Agreement:

(a) prepare and file with the SEC a registration statement to effect such registration and use reasonable efforts to cause such registration statement to become effective; provided, however, that as provided in Section 3, if Issuer discontinues a Proposed Registration at any time prior to the effective date of the registration statement relating thereto, it may also discontinue any registration of the Registrable Securities;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until the earlier of such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition or the expiration of 90 days after such registration statement becomes effective;

(c) furnish to each Holder of Registrable Securities covered by such registration statement such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents as such Holder may reasonably request;

(d) use reasonable efforts to register or qualify, prior to the effective date of such registration, all Registrable Securities covered by such registration statement under such securities or blue sky laws of such jurisdictions as each Holder thereof shall reasonably request,

to keep such registration or qualification in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably necessary or advisable to enable such Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Holder, except that Issuer shall not for any such purpose be required to:

(i) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this Section 4(d) be obligated to be so qualified,

(ii) subject itself to taxation in any such jurisdiction, or

(iii) consent to general service of process in any such jurisdiction;

(e) use reasonable efforts to cause, prior to the effective date of such registration statement, all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities with jurisdiction over Issuer as may be necessary to enable the Holder or Holders thereof to consummate the disposition of such Registrable Securities;

(f) furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to Section 2 or Section 3, on the date that such Registrable Securities are delivered to the underwriters for sale, (i) a copy of any opinion of counsel to Issuer addressed to the underwriters or Issuer and (ii) a copy of any letters from the independent accountants of Issuer, addressed to the underwriters or Issuer, which opinion and letters shall expressly provide that the Holders of Registrable Securities to which such registration relates shall be entitled to rely thereon as though they were addressed to such Holders;

(g)

(i) immediately notify each Holder of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event or the existence of any condition as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, or, if in the opinion of counsel for Issuer, it is necessary to supplement or amend such prospectus to comply with law and, after such notice,

(ii) at the request of any such Holder, promptly prepare and furnish to such Holder and its counsel a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made or such prospectus, as supplemented or amended, shall comply with law;

(h) use reasonable efforts to list or admit all Registrable Securities covered by such registration statement on any securities exchange on which any of the Registrable Securities are then listed or any other trading market on which any of the Registrable Securities are then admitted for trading;

(i) promptly notify each Holder and the underwriter or underwriters, if any, of the notification to the Company by the SEC of its initiation of any proceeding with respect to the issuance by the SEC of, or of the issuance by the SEC of, any stop order suspending the effectiveness of such registration statement;

(j) make available to the Holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Rule 158 (or any successor provision thereto) promulgated under the Securities Act; and

(j) pay all Registration Expenses relating to any such registration.

5. Holder Obligations.

(a) Issuer may require each Holder of Registrable Securities as to which any registration is being effected pursuant to Section 2 or Section 3 to furnish Issuer with such information and undertakings regarding such Holder and the distribution of such securities as Issuer may from time to time reasonably request in writing.

(b) Each Holder of Registrable Securities agrees:

(i) that upon receipt of any notice from Issuer of the happening of any event of the kind described in Section 4(g), such Holder will forthwith discontinue such Holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4(g) and, if so directed by Issuer, will deliver to Issuer all copies, other than permanent file copies, then in such Holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice, and

(ii) that it will immediately notify Issuer, at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act, of the happening of any event as a result of which information previously furnished by such Holder to Issuer in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

In the event Issuer or any such Holder shall give any such notice, the period referred to in Section 4(b) shall be extended by a number of days equal to the number of days during the period from and including the giving of notice pursuant to Section 4(g) to and including the date when each Holder of any Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 4(g).

6. Holdback Agreements.

(a) Each Holder of Registrable Securities agrees, if reasonably required by a managing underwriter of any offering of Registrable Securities pursuant to Section 2 or Section 3, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Registrable Securities pursuant to Section 2 or Section 3, enter into any transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such securities, however any such transaction is to be settled, or publicly disclose any intention to do so, during the seven days prior to and for up to 90 days after any firm commitment underwritten registration has become effective, except as part of such underwritten registration, whether or not such Holder participates in such registration.

(b) Issuer agrees, if reasonably required by a managing underwriter of any Demand Offering, not to make a public distribution of shares of Common Stock (other than as part of such registration or in connection with any acquisition or employee benefit plan) during the seven days prior to the effectiveness of the registration statement filed in connection with such Demand Offering and during a period thereafter not to exceed the period (up to 90 days) reasonably required by such managing underwriter to effect the distribution of the Registrable Securities contemplated for such Demand Offering.

7. Certain Rights of Holders. Issuer will not file any registration statement under the Securities Act which refers to any Holder of Registrable Securities by name or otherwise as a selling shareholder without the prior written approval of such Holder, which may not be unreasonably withheld or delayed. Issuer will furnish drafts of any such registration statement to such Holder and its counsel as soon as reasonably practicable prior to the anticipated filing date in order to provide such Holder and its counsel a reasonably adequate period for review.

8. Indemnification.

(a) Indemnification by Issuer. In the event of any registration of any securities of Issuer under the Securities Act, Issuer will, and hereby does, to the full extent permitted by law indemnify and hold harmless the participating Holder of any Registrable Securities covered by any registration statement filed pursuant to Section 2 or Section 3 and each other Person, if any, who controls such participating Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any losses, claims, damages or liabilities, joint or several (or actions or proceedings, whether commenced or threatened, in respect thereof, whether or not such Holder is a party thereto, and including reasonable costs of investigation and legal expenses) (collectively, "*Claims*"), to which such Holder may become subject under the Securities Act or otherwise, insofar as such Claims arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto (if used during the period Issuer is required to keep the registration statement current) or any documents incorporated therein (collectively, "*Registration Documents*"), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the

case of a prospectus or preliminary prospectus, in light of the circumstances in which they were made), or any violation by Issuer of the Securities Act or any state securities law, or any rule or regulation promulgated under the Securities Act or any state securities law, or any other law applicable to Issuer relating to any such registration or qualification, and Issuer will reimburse such Holder for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such Claim; *provided, however*, that Issuer shall not be liable in any such case to the extent that any such Claim or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Document in reliance upon and in conformity with written information furnished to Issuer through an instrument duly executed by such Holder stating that it is for use in the preparation thereof; *provided further*, that Issuer shall not be liable to any Holder to the extent that any Claim or expense arises out of the failure by such Holder to send or give a copy of the final prospectus to the Person claiming an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder and shall survive the transfer of such securities by such Holder.

(b) Indemnification by the Holders. Issuer may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Section 2 or Section 3, that Issuer shall have received an undertaking satisfactory to it from the Holder of such securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in this Section 8(b)) Issuer, each director of Issuer, each officer of Issuer and each other person, if any, who controls Issuer within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each underwriter participating in any distribution being made pursuant to such registration statement, with respect to any statement or alleged statement or omission or alleged omission from such Registration Document, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Issuer through an instrument duly executed by such Holder specifically stating that it is for use in the preparation of such Registration Document. Notwithstanding the foregoing, in no event shall any Holder be liable to indemnify Issuer pursuant to this Section 8(b) in an amount in excess of the amount of the net proceeds of the Registrable Securities sold by it in any such offering. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Issuer of any such director, officer or controlling person and shall survive the transfer of such securities by such Holder.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a Claim referred to in the preceding subdivisions of this Section 8, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; *provided, however*, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 8, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly

with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall consent to entry of any judgment or enter into any settlement of any pending or threatened proceeding in respect of which an indemnified party is or could have been a party and indemnity could have been sought under Section 8(a) without the consent of the indemnified party which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) Other Indemnification. Indemnification similar to that specified in the preceding subdivisions of this Section 8 (with appropriate modifications) shall be given by Issuer and each Holder of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority, other than the Securities Act. If the indemnification provided for in Sections 8(a), (b) or (c) is unavailable to an indemnified party or insufficient in respect of any Claims referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such Claims (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such Claims, as well as any other relevant equitable considerations; *provided, however*, that in no event shall any Person be liable for contribution to the extent that any such Claim arises out of or is based upon an untrue statement or omission made by such Person seeking contribution. Notwithstanding the foregoing, no indemnifying party (other than the Issuer) shall be required pursuant to this paragraph (d) to contribute any amount in excess of the proceeds received by such indemnifying party from the sale of Registrable Securities in the offering to which the Claims of the indemnified parties relate.

9. Representations, Warranties and Covenants of the Issuer:

(a) Authority. The Issuer has full corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by the Issuer of this Agreement, and the performance by the Issuer of its obligations hereunder, has been duly and validly authorized by the Board of Directors of the Issuer, no other corporate action on the part of the Issuer or its shareholders being necessary. This Agreement has been duly and validly executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether

such enforceability is considered in a proceeding in equity or at law) or laws rendering unenforceable indemnification contrary to Federal or state securities laws and the public policy underlying such laws.

(b) No Existing Agreements. There is not in effect on the date hereof any agreement to which the Issuer is a party (other than this Agreement) pursuant to which any holders of the securities of the Issuer have a right to cause the Issuer to register or qualify such securities under the Securities Act or any securities or blue sky laws of any jurisdiction that would be breached by or conflict with or be inconsistent with any provision of this Agreement, including the provisions of Sections 2(e) and 3(e).

(c) Future Agreements. For so long as the Holders own any Registrable Securities, the Issuer shall not hereafter agree with the holders of any securities issued or to be issued by the Issuer to register or qualify such securities under the Securities Act or any securities or blue sky laws of any jurisdiction unless the rights so granted, if exercised, would not conflict with, be inconsistent with or violate any provision of this Agreement, including the provisions of Section 2(e) and 3(e). The grant of demand registration rights shall be deemed not to be inconsistent with the provisions of this Agreement.

10. Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to Atmos, to:

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, TX 75240
Attn: Louis P. Gregory
Facsimile No.: (972) 855-3080

with a copy to:

Gibson, Dunn & Crutcher LLP
2100 McKinney Avenue, Suite 1100
Dallas, TX 75201
Attn: Irwin F. Sentilles, III
Facsimile No.: (214) 698-3400

If to the Company, to:

Mississippi Valley Gas Company
P.O. Box 3348
Jackson, MS 39027
Attn: Matthew L. Holleman, III
Facsimile No.: (601) 961-6876

If to the Holders, to:

Robert M. Hearin Support Foundation
P.O. Box 2540
Jackson, MS 39207
Attn: Daisy Blackwell
Facsimile No.: (601) 961-6876

Estate of Leon Hess
c/o Hess Group LLC
1185 Avenue of the Americas
40th Floor
New York, NY 10036
Attn: Robert Connor
Facsimile No.: (212) 536 8488

Twenty-Five Year Charitable Lead Annuity Trust under the Will of Leon Hess
c/o Hess Group LLC
1185 Avenue of the Americas
40th Floor
New York, NY 10036
Attn: Robert Connor
Facsimile No.: (212) 536 8488

with a copy to:

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, NY 10005
Attn: Robert S. Reder, Esq.
Facsimile No.: 212-530-5219

Baker, Donelson, Bearman & Caldwell
P.O. Box 14167
Jackson, MS 39236
Attn: James K. Dossett, Jr.
Facsimile No.: (601) 592-7482

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section 10, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section 10, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this Section 10, be deemed given upon receipt. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

11. Amendments; No Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No waiver by a party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12. Expenses. Each party hereto shall bear its own accounting and legal fees and other costs and expenses with respect to the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby, except as otherwise provided herein.

13. Assignment; Binding Effect. No party hereto may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of each other party, except that the Estate of Leon Hess may assign any or all of its rights, interests and obligations hereunder to any transferee of Registrable Securities who received such Registrable Securities pursuant to the provisions of the Last Will and Testament of Leon Hess; *provided* that any such transferee agrees in writing to be bound by all of the terms, conditions and provisions contained herein and shall be considered a "Holder" for purposes of this Agreement. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and assigns.

14. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws (without reference to choice or conflict of laws that would apply any other law) of the State of Texas.

15. Counterparts. This Agreement may be signed in any number of counterparts and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements,

understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement.

17. Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. All references to an Article or Section include all subparts thereof.

18. Severability. If any provision of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

19. Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person; provided that the Holders may enforce the provisions of Section 8 for the benefit of each other Person, if any, who is entitled to indemnification under Section 8.

20. Limitation on Trustee and Executor Liability. Notwithstanding anything contained in this Agreement to the contrary, Atmos acknowledges and agrees that the trustees of the Robert M. Hearin Support Foundation, the executors of the Estate of Leon Hess and the trustees of the Twenty-Five Year Charitable Lead Annuity Trust Under the Will Of Leon Hess, have executed and delivered this Agreement, and any and all documents in connection herewith, solely as fiduciaries of such Foundation, Estate and Trust, respectively, and not in their personal or individual capacities. Atmos agrees that it shall have no recourse against such trustees and executors in their individual or personal capacities under this Agreement, or under any certificate, representation, warranty, indemnification or other instrument delivered in connection herewith.

[SIGNATURES BEGINNING ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ATMOS ENERGY CORPORATION

By: _____
Name:
Title:

ROBERT M. HEARIN SUPPORT FOUNDATION

By: _____
Name: Daisy S. Blackwell
Title: Trustee

By: _____
Name: Matthew L. Holleman, III
Title: Trustee

By: _____
Name: Robert M. Hearin, Jr.
Title: Trustee

By: _____
Name: Laurie McRee
Title: Trustee

By: _____
Name: E. E. Laird, Jr.
Title: Trustee

By: _____
Name: Alan W. Perry
Title: Trustee

ESTATE OF LEON HESS

By: _____
Name: Nicholas F. Brady
Title: Executor

By: _____
Name: John B. Hess
Title: Executor

By: _____
Name: Thomas H. Kean
Title: Executor

By: _____
Name: Burton T. Lefkowitz
Title: Executor

By: _____
Name: John Y. Schreyer
Title: Executor

TWENTY-FIVE YEAR CHARITABLE LEAD ANNUITY TRUST UNDER THE WILL OF LEON HESS

_____

Nicholas F. Brady, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

John B. Hess, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

Thomas H. Kean, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

Burton T. Lefkowitz, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

_____

John Y. Schreyer, as Trustee of the Leon Hess 25 Year Charitable Lead Annuity Trust under Article SIXTH of the Last Will and Testament of Leon Hess

EXHIBIT G

MISSISSIPPI VALLEY GAS COMPANY

[Date]

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, New York 10005

Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, California 90071-3197

Ladies and Gentlemen:

This letter is being delivered to you in connection with the issuance of your tax opinions pursuant to Section 1.01(b) of the Agreement and Plan of Merger and Reorganization (the "**Merger Agreement**") dated as of September 21, 2001, among Atmos Energy Corporation, a Texas and Virginia corporation ("**Atmos**"), Mississippi Valley Gas Company, a Mississippi corporation ("**Company**"), and all of the shareholders of the Company. Pursuant to the Merger Agreement, Company will merge with and into Atmos and Atmos will be the surviving corporation. The representations made herein will be relied upon by counsel in issuing the tax opinions referred to in Section 1.01(b) of the Merger Agreement.

Declaration

1. The undersigned is familiar with the business and affairs of the Company, has examined and is familiar, or has consulted with tax advisors to become familiar, with the tax representations set forth below, and has made such investigations of factual matters as are reasonably necessary for the purposes of making the declarations and representations herein.

2. The undersigned understands that the following representations form the basis of the opinions of Gibson, Dunn & Crutcher LLP and Milbank, Tweed, Hadley & McCloy LLP, counsel to Atmos and Company, respectively, and that any change or inaccuracy in the facts described in such representations could adversely alter such opinions.

Representations

The following representations regarding the Merger are true, correct, and complete as of the date hereof, and no additional material information is or will be required to make the following representations not misleading as of the date hereof:

1. The information relating to the Merger and all related transactions (including, but not limited to, all representations, warranties, covenants, and undertakings) set forth in the Merger Agreement, insofar as such information relates to the Company, or the plans and intentions of the Company, are true, correct and complete in all respects.

2. The Merger will be effectuated by a merger of Company with and into Atmos and Atmos will be the surviving corporation.

3. The consideration to be received in the Merger by holders of shares of Company stock was determined by arm's length negotiations between the managements of Atmos and the Company. The fair market value of Atmos Common Stock and cash to be received by each Company shareholder in the Merger will be approximately equal to the fair market value of the shares of Company stock surrendered in exchange therefor.

4. Neither the Company nor a corporation "related" (within the meaning of Treasury Regulation Section 1.368-1T(e)(3)) to the Company has redeemed or acquired any shares of Company stock or entered into any agreement, understanding, or arrangement to redeem or acquire any such shares, in either case in connection with or in contemplation of the Merger.

5. The Company has not made any distributions with respect to its stock in connection with the Merger.

6. No assets of the Company have been sold, transferred or otherwise disposed of which would prevent Atmos from continuing the "historic business" of the Company or from using a "significant portion" of the Company's "historic business assets" in a business (as each such term is used in Treasury Regulation Section 1.368-1(d)) following the Merger. Any dispositions prior to and in connection with the Merger of assets held by the Company have been for full fair market value.

7. Atmos, the Company and the shareholders of the Company will each pay their own expenses, if any, incurred in connection with or as part of the Merger or related transactions, in accordance with the terms of the Merger Agreement. The Company has not agreed to assume, nor will it directly or indirectly assume, any expense or other liability, whether fixed or contingent, of any Company shareholder.

8. There is no intercorporate indebtedness existing between Atmos and the Company that was issued, acquired or will be settled at a discount.

9. The Company is not an "investment company" within the meaning of Section 368(a)(2)(F) of the Code.

10. None of the compensation received by the shareholder-employees of the Company is or will be separate consideration for, or allocable to, any of the shares of Company stock to be surrendered in the Merger. None of the shares of Atmos Common Stock to be received by any shareholder-employee of the Company in the Merger is or will be separate consideration for, or allocable to, any employment, consulting or similar arrangement. Any compensation paid or to be paid to any shareholder of the Company who will be an employee of or perform advisory services for Atmos or any affiliate thereof after the Merger will be determined by bargaining at arm's length.

11. The liabilities to which the transferred assets of the Company are subject were incurred by the Company in the ordinary course of its business.

12. The fair market value of the assets of the Company transferred to Atmos will equal or exceed the sum of the liabilities assumed by Atmos, plus the amount of liabilities, if any, to which the transferred assets are subject.

13. The Company is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

14. The Merger is being effected for bona fide business reasons unrelated to taxes and will be carried out strictly in accordance with the terms of the Merger Agreement, and none of the material terms and conditions therein have been or will be waived or modified.

15. The Merger Agreement and the documents described in the Merger Agreement represent the entire understanding of Atmos, the Company, and the Company shareholders with respect to the Merger.

16. The Company will not take any position on any federal, state or local income or franchise tax return, or take any other action or reporting position that is inconsistent with the treatment of the Merger as a reorganization within the meaning of Section 368(a) of the Code or with the representations made in this letter, unless otherwise required by a "determination" (as defined in Section 1313(a)(1) of the Code) or by applicable state or local income or franchise tax law.

It is understood that (i) your opinions will be based on the representations set forth herein and on the statements contained in all the documents related to the Merger (including all schedules and exhibits thereto), and (ii) your opinion will be subject to certain limitations and qualifications including that they may not be relied upon if any such representations are not accurate in all material respects. It is further understood that your opinion will not address any tax consequence of the Merger or any action taken in connection therewith except as expressly set forth in such opinion.

Very truly yours,

MISSISSIPPI VALLEY GAS COMPANY

By: _____
Name:
Title:

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EXHIBIT F-1

Matters to be Covered by Opinion of Atmos's Texas Counsel

(i) Atmos is a corporation validly existing and in good standing under the Laws of the State of Texas.

(ii) Atmos has the corporate power and authority to execute and deliver the Merger Agreement, to perform its obligations thereunder and to consummate the transactions contemplated thereby.

(iii) The execution and delivery by Atmos of the Merger Agreement, and the performance by Atmos of its obligations thereunder, have been duly and validly authorized by the Board of Directors of Atmos, no other corporate action on the part of Atmos or its shareholders being necessary.

(iv) The Atmos Shares have been duly authorized and, when issued in accordance with the Merger Agreement, will be validly issued, fully paid and nonassessable.

(v) The Merger Agreement has been duly and validly executed and delivered by Atmos and constitutes a legal, valid and binding obligation of Atmos enforceable against Atmos in accordance with its terms.

(vi) The execution and delivery by Atmos of the Merger Agreement do not, and the performance by Atmos of its obligations under the Merger Agreement and the consummation of the transactions contemplated thereby will not: (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the articles of incorporation or by-laws of Atmos; (b) conflict with or result in a violation or breach of, in any material respect, any term or provision of any federal or Texas Law or any Order known to such counsel to be applicable to Atmos or any of its Assets and Properties; or (c) except as disclosed in the Disclosure Schedule to the Merger Agreement, to the knowledge of such counsel, (i) conflict with or result in a violation or breach of, in any material respect, (ii) constitute (with or without notice or lapse of time or both) a default under, in any material respect, (iii) require Atmos to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person (with or without notice or lapse of time or both) any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the creation or imposition of any Lien upon Atmos or any of its Assets and Properties under, any document filed as an exhibit to Atmos's Annual Report on Form 10-K for the year ended September 30, 2000, or incorporated by reference therein.

(vii) Except for the filing of the Texas Articles of Merger with the Texas Secretary of State, no consent, approval or action of, filing with or notice to any federal or Texas Governmental or Regulatory Authority on the part of Atmos is required in connection with the execution, delivery and performance of the Merger Agreement or the consummation of the transactions contemplated thereby, except those as would be required solely as a result of the

identity or the legal or regulatory status of the Company, the Shareholders or their respective Affiliates.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the federal laws of the United States and the laws of the State of Texas. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the appropriate officers and directors of Atmos and by public officials. Such opinion need not address regulatory, antitrust, securities laws or conflicts of laws matters. With respect to the opinion set forth in paragraph (v) above, no opinion need be given as to the laws of the State of Delaware, and such counsel may assume, for the limited purpose of such opinion, that the laws of the State of Texas apply.

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EXHIBIT F-2

Matters to be Covered by Opinion of Atmos's Virginia Counsel

(i) Atmos is a corporation validly existing and in good standing under the Laws of the Commonwealth of Virginia.

(ii) Atmos has the corporate power and authority to execute and deliver the Merger Agreement, to perform its obligations thereunder and to consummate the transactions contemplated thereby.

(iii) The execution and delivery by Atmos of the Merger Agreement, and the performance by Atmos of its obligations thereunder, have been duly and validly authorized by the Board of Directors of Atmos, no other corporate action on the part of Atmos or its shareholders being necessary.

(iv) The Atmos Shares have been duly authorized and, when issued in accordance with the Merger Agreement, will be validly issued, fully paid and nonassessable.

(v) The Merger Agreement has been duly and validly executed and delivered by Atmos.

(vi) The execution and delivery by Atmos of the Merger Agreement do not, and the performance by Atmos of its obligations under the Merger Agreement and the consummation of the transactions contemplated thereby will not: (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the articles of incorporation or by-laws of Atmos; or (b) conflict with or result in a violation or breach of, in any material respect, any term or provision of any Virginia Law or any Order known to such counsel to be applicable to Atmos or any of its Assets and Properties.

(vii) Except for the filing of the Virginia Articles of Merger with the Virginia Commission, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority of the Commonwealth of Virginia on the part of Atmos is required in connection with the execution, delivery and performance of the Merger Agreement or the consummation of the transactions contemplated thereby, except those as would be required solely as a result of the identity or the legal or regulatory status of the Company, the Shareholders or their respective Affiliates.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the laws of the Commonwealth of Virginia. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the appropriate officers and directors of Atmos and by public officials. Such opinion need not address regulatory, antitrust, securities laws or conflicts of laws matters.

EXHIBIT H

ATMOS ENERGY CORPORATION

[Date]

Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, California 90071-3197

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, New York 10005

Ladies and Gentlemen:

This letter is being delivered to you in connection with the issuance of your tax opinions pursuant to Section 1.01(b) of the Agreement and Plan of Merger and Reorganization (the **Merger Agreement**") dated as of September 21, 2001, among Atmos Energy Corporation, a Texas and Virginia corporation ("**Atmos**"), Mississippi Valley Gas Company, a Mississippi corporation ("**Company**"), and all of the shareholders of the Company. Pursuant to the Merger Agreement, Company will merge with and into Atmos and Atmos will be the surviving corporation. The representations made herein will be relied upon by counsel in issuing the tax opinions referred to in Section 1.01(b) of the Merger Agreement.

Declaration

1. The undersigned is familiar with the business and affairs of Atmos, has examined and is familiar, or has consulted with tax advisors to become familiar, with the tax representations set forth below, and has made such investigations of factual matters as are reasonably necessary for the purposes of making the declarations and representations herein.

2. The undersigned understands that the following representations form the basis of the opinions of Gibson, Dunn & Crutcher LLP and Milbank, Tweed, Hadley & McCloy LLP, counsel to Atmos and Company, respectively, and that any change or inaccuracy in the facts described in such representations could adversely alter such opinions.

Representations

The following representations regarding the Merger are true, correct, and complete as of the date hereof, and no additional material information is or will be required to make the following representations not misleading as of the date hereof:

1. The information relating to the Merger and all related transactions (including, but not limited to, all representations, warranties, covenants, and undertakings) set forth in the Merger Agreement, insofar as such information relates to Atmos, or the plans and intentions of Atmos, are true, correct and complete in all respects.

2. The Merger will be effectuated by a merger of Company with and into Atmos and Atmos will be the surviving corporation.

3. The consideration to be received in the Merger by holders of shares of Company stock was determined by arm's length negotiations between the managements of Atmos and the Company.

4. The fair market value of Atmos Common Stock and cash to be received by each Company shareholder in the Merger will be approximately equal to the fair market value of the shares of Company stock surrendered in exchange therefor.

5. Atmos has no plan or intention to sell, exchange, transfer or otherwise dispose of the assets acquired from the Company, except for (i) dispositions made in the ordinary course of business, and (ii) transfers described in Section 368(a)(2)(C) of the Code.

6. Neither Atmos nor any person that is "related" to Atmos within the meaning of Treasury Regulation Section 1.368-1(e)(3): (i) is under any obligation, or has entered into any agreement, understanding, or arrangement, to redeem or repurchase any shares of Atmos Common Stock issued in the Merger, (ii) plans or intends to reacquire any shares of Atmos Common Stock issued in the Merger, or (iii) will, in connection with the Merger, reacquire any of the Atmos Common Stock issued in the Merger.

7. After the Merger, no dividends or distributions will be made to the former Company shareholders by Atmos other than dividends or distributions made to all holders of Atmos Common Stock.

8. Neither Atmos nor a person "related" (as defined in Treasury Regulation Section 1.368-1(e)(3)) to Atmos has owned, currently owns, or will acquire prior to the Effective Time, any shares of Company stock, and neither has caused any other person to acquire shares of Company stock on its behalf.

9. Following the Merger, Atmos will continue the "historic business" of the Company or to use a "significant portion" of the Company's "historic business assets" in a business, as each such term is used in Treasury Regulation Section 1.368-1(d).

10. There is no intercorporate indebtedness existing between Atmos and the Company that was issued, acquired or will be settled at a discount.

11. Atmos is not an "investment company" within the meaning of Section 368(a)(2)(F) of the Code.

12. Atmos is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

13. Atmos, the Company and the shareholders of the Company will each pay their own expenses, if any, incurred in connection with or as part of the Merger or related transactions, in accordance with the terms of the Merger Agreement. Atmos has not agreed to assume, nor will it directly or indirectly assume, any expense or other liability, whether fixed or contingent, of any Company shareholder.

14. None of the compensation received by any shareholder-employees of the Company is or will be separate consideration for, or allocable to, any of their shares of Company stock to be surrendered in the Merger. None of the shares of Atmos Common Stock to be received by any shareholder-employee of the Company in the Merger is or will be separate consideration for, or allocable to, any employment, consulting or similar arrangement. Any compensation paid or to be paid to any shareholder of the Company who will be an employee of or perform advisory services for Atmos or any affiliate thereof after the Merger, will be determined by bargaining at arm's length.

15. The Merger is being effected for bona fide business reasons unrelated to taxes and will be carried out strictly in accordance with the terms of the Merger Agreement, and none of the material terms and conditions therein has been or will be waived or modified.

16. The Merger Agreement and the documents implementing, or consistent with, the Merger Agreement represent the entire understanding of Atmos, the Company, and the Company shareholders with respect to the Merger.

17. Atmos will not take any position on any Federal, state or local income or franchise tax return, or take any other action or reporting position, that is inconsistent with the treatment of the Merger as a reorganization within the meaning of Section 368(a) of the Code or with the representations made in this letter, unless otherwise required by a "determination" (as defined in Section 1313(a)(l) of the Code) or by applicable state or local income or franchise tax law. It is further understood that your opinion will not address any tax consequences of the Merger or any action taken in connection therewith except as expressly set forth in such opinion.

It is understood that (i) your opinions will be based on the representations set forth herein and on the statements contained in the all documents related to the Merger (including all schedules and exhibits thereto), and (ii) your opinion will be subject to certain limitations and qualifications including that they may not be relied upon if any such representations are not accurate in all material respects.

Very truly yours,

ATMOS ENERGY CORPORATION

By _____
Name:
Title:

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EXHIBIT I

STOCK PURCHASE AGREEMENT

dated as of September 21, 2001

by and between

ATMOS ENERGY CORPORATION

and

THE SHAREHOLDERS NAMED ON THE SIGNATURE PAGES HERETO

with respect to all

outstanding capital stock of

MISSISSIPPI VALLEY GAS COMPANY

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This STOCK PURCHASE AGREEMENT dated as of September 21, 2001, is made and entered into by and among Atmos Energy Corporation, a Texas and Virginia corporation ("Atmos"), and the shareholders (each a "Shareholder" and collectively, the "Shareholders") of Mississippi Valley Gas Company, a Mississippi corporation (the "Company"). Capitalized terms not otherwise defined herein have the meanings set forth in Section 13.01.

WHEREAS, the Shareholders collectively own One Thousand (1,000) shares of common stock, par value $5.00 per share, of the Company, constituting all issued and outstanding shares of capital stock of the Company (such shares being referred to herein as the "Company Shares"); and

WHEREAS, the Shareholders desire to sell, and Atmos desires to purchase, the Company Shares, on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
SALE OF SHARES

1.01 Purchase and Sale. Each of the Shareholders and any Permitted Transferees agrees to sell to Atmos, and Atmos agrees to purchase from each of the Shareholders and any Permitted Transferees, such Shareholder's or Permitted Transferee's pro rata share of the Company Shares as set forth on Schedule I hereto (as the same may be amended from time to time to reflect the transfer of Company Shares to one or more Permitted Transferees), free and clear of all Liens and constituting all of the Company Shares, at the Closing on the terms and subject to the conditions set forth in this Agreement.

1.02 Purchase Price. The aggregate purchase price for the Company Shares shall be $150,000,000, less the adjustments, if any, provided in Section 1.03 (as so adjusted, the "Purchase Price"). Subject to Section 12.01(g), the Purchase Price shall be payable at the Closing as follows:

(i) 50% in cash (the "Cash Amount"); and

(ii) 50% by the delivery of an aggregate number of shares (the "Share Amount") of common stock, no par value, of Atmos ("Atmos Common Stock"), determined by dividing 50% of the Purchase Price by the Stock Value, rounded up to the nearest whole number (the "Atmos Shares"). For the purpose of the foregoing, the "Stock Value" means the average of the closing prices per share of the Atmos Common Stock as reported for New York Stock Exchange Composite Transactions for the 20 trading days ending on the date that is five trading days prior to the Closing Date (the "Average Price"); provided that if the Average Price is less than $17.65, the Stock Value shall be $17.65. Atmos shall promptly deliver notice of the Average Price to the Shareholders.

1.03 Certain Purchase Price Adjustments. The Purchase Price shall be decreased by the following adjustments (the "Adjustments"):

(a) the amount, if any, by which the aggregate amount of dividends or other distributions made on the Company Shares after September 30, 2000 through the Closing Date (which dividends are payable in arrears following the end of each fiscal quarter) exceeds the rate of $500,000 with respect to each fiscal quarter (or with respect to the Company's first fiscal quarter, $700,000) (with the dividend payable in respect of any portion of the fiscal quarter that includes the Closing Date being appropriately prorated);

(b) the amount, if any, by which the aggregate amount paid in satisfaction of claims with respect to the pending lawsuit between the Company and the City of Clarksdale Public Utility Commission described in Section 4.10 of the Disclosure Schedule (the "Clarksdale Lawsuit") exceeds the Clarksdale Settlement Amount, if such claims are settled prior to the Closing Date; and

(c) the amount, if any, by which the amount paid by the Company prior to the Closing Date in satisfaction of any claim in any of the Actions and Proceedings described in Section 4.10 of the Disclosure Schedule as "Flash Fire / Explosion Claims" or any claim in respect of occurrences (within the meaning of the Company's insurance policies listed in the Disclosure Schedule) of injury to persons or property prior to the Closing Date arising from an occurrence similar to those in such Actions and Proceedings (the "Flash Fire / Explosion Claims") exceeds $250,000 per occurrence (exclusive of any amount funded with proceeds from the Company's insurance policies listed in the Disclosure Schedule or any Replacement Policy).

ARTICLE II
CLOSING

2.01 Time and Location of Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Section 12.01, and subject to the satisfaction or waiver (where applicable) of the conditions set forth in Articles VIII and IX, the closing of the transactions contemplated hereby (the "Closing") will take place on the Closing Date at the offices of Gibson, Dunn & Crutcher LLP, 2100 McKinney Avenue, Dallas, Texas 75201, or at such other place as Atmos and the Shareholders mutually agree upon in writing.

2.02 Payment of the Purchase Price; Escrow; Delivery of Company Shares. At the Closing, Atmos will pay to each Shareholder and Permitted Transferee cash representing such Shareholder's or Permitted Transferee's pro rata share of the Cash Amount as set forth on Schedule I hereto (as the same may be amended from time to time to reflect the transfer of Company Shares to one or more Permitted Transferees), reduced, in the case of each Shareholder or Permitted Transferee, by such Shareholder's or Permitted Transferee's pro rata share of the Escrow Funds (as defined below) as set forth on Schedule I hereto, to be deposited in escrow as set forth below. At the Closing, cash included in the Cash Amount in an amount equal to $10,000,000 (the "Escrow Funds") shall be delivered by Atmos by wire transfer of immediately available funds to an escrow agent selected by Atmos and approved by the Shareholders (which

approval shall not be unreasonably withheld or delayed) (the "Escrow Agent"). The Escrow Funds shall be held and administered by the Escrow Agent in accordance with the terms and conditions of an Escrow Agreement to be entered into on the Closing Date by the Shareholders, any Permitted Transferees, Atmos and the Escrow Agent substantially in the form of Exhibit A hereto (the "Escrow Agreement"), and the Escrow Funds shall be treated for all purposes of this Agreement as having been paid to the Shareholders and any Permitted Transferees. At the Closing, Atmos shall deliver to each Shareholder and Permitted Transferee a certificate or certificates representing such Shareholder's or Permitted Transferee's pro rata share of the Share Amount as set forth on Schedule I hereto. Simultaneously, each of the Shareholders and Permitted Transferees will assign and transfer to Atmos all of such Shareholder's or Permitted Transferee's right, title and interest in and to the Company Shares by delivering to Atmos a certificate or certificates representing the Company Shares, in genuine and unaltered form, duly endorsed in blank or accompanied by duly executed stock powers endorsed in blank, with requisite stock transfer tax stamps, if any, attached.

2.03 Withholding Rights. Atmos shall be entitled to deduct and withhold from the Cash Amount otherwise payable pursuant to this Agreement to the Shareholders and any Permitted Transferees such amounts as Atmos is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state or local Tax Law. To the extent that amounts are so withheld by Atmos, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Shareholders and any Permitted Transferees.

2.04 Further Assurances. At any time or from time to time after the Closing, each of the parties hereto shall, at the expense of the party making such request, execute and deliver such other documents and instruments, provide such materials and information and take such other actions as may reasonably be necessary, proper or advisable, to the extent permitted by Law, to fulfill its obligations under this Agreement.

2.05 Share Adjustment. The number and kind of Atmos Shares issuable by Atmos to the Shareholders and any Permitted Transferees, and determinations of prices associated therewith, shall be subject to such customary adjustments as shall be determined in good faith by Atmos to reflect any stock splits, reverse stock splits, stock dividends, reclassifications, recapitalizations, mergers, consolidations or other changes in capital structure occurring or for which a record date occurs after the date hereof.

ARTICLE III
CLOSING DELIVERIES

3.01 Deliveries at Closing.

(a) On the Closing Date, the Company and the Shareholders shall deliver to Atmos:

(i) certified copies of the Company's Articles of Incorporation, Bylaws and all corporate resolutions of the Company with respect to the execution, delivery and performance of this Agreement and the consummation of the transactions

contemplated hereby (together with an incumbency and signature certificate regarding the officer(s) signing on behalf of the Company);

(ii) a certificate of good standing for the Company from the State of Mississippi;

(iii) certified copies of all resolutions of the Robert M. Hearin Support Foundation with respect to the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;

(iv) a certified copy of Letters Testamentary issued by the local probate court with respect to the Estate of Leon Hess;

(v) a certificate of the trustee(s) of the Twenty-Five Year Charitable Lead Annuity Trust under the Will of Leon Hess (the "CLAT") with respect to the existence and irrevocability of the trust, the identity of the trustor(s) and trustee(s), and the authority of the trustee(s) to bind the trust;

(vi) certificates representing the Company Shares, as provided and in the manner set forth in Section 2.02; and

(vii) such other items as are specified in Article VIII.

(b) On the Closing Date, Atmos shall deliver:

(i) to the Shareholders, certified copies of its Articles of Incorporation, Bylaws and corporate resolutions with respect to the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby (together with an incumbency and signature certificate regarding the officer(s) signing on behalf of Atmos);

(ii) to the Shareholders, certificates of good standing for Atmos from the State of Texas and the Commonwealth of Virginia;

(iii) to the Shareholders and any Permitted Transferees, the Cash Amount and the Share amount, in each case as provided and in the manner set forth in Section 2.02;

(iv) to the Escrow Agent, an amount of cash representing the Escrow Funds, as provided and in the manner set forth in Section 2.02; and

(v) such other items as are specified in Article IX.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

The Shareholders hereby jointly and severally represent and warrant to Atmos as follows; provided that any representation or warranty as to any Shareholder shall be deemed made only by that Shareholder.

4.01 Power and Authority. The Robert M. Hearin Support Foundation is duly organized, validly existing and in good standing under the Laws of the State of Mississippi. John B. Hess, Nicholas F. Brady, Thomas H. Kean, Burton T. Lefkowitz and John Y. Schreyer have been duly and validly appointed and are presently acting as the executors of the Estate of Leon Hess and as trustees of the CLAT, which is a validly existing trust. The Robert M. Hearin Support Foundation has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The executors of the Estate of Leon Hess have full power and authority to execute and deliver this Agreement and to perform the obligations of the Estate of Leon Hess hereunder and to consummate the transactions contemplated hereby without the special authorization of the probate or other court. The trustees of the CLAT have full trust power and authority to execute and deliver this Agreement and to perform the obligations of the CLAT hereunder and to consummate the transactions contemplated hereby without the special authorization of any probate or other court. The execution and delivery by each Shareholder of this Agreement and the performance by each Shareholder of its obligations hereunder have been duly and validly authorized by or on behalf of such Shareholder, no other action on the part of such Shareholder or any beneficiary thereof being necessary. This Agreement has been duly and validly executed and delivered by each Shareholder and constitutes a legal, valid and binding obligation of such Shareholder enforceable against such Shareholder in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.02 Corporate Existence of the Company. The Company is a corporation, duly organized, validly existing and in good standing under the Laws of the State of Mississippi, and has full corporate power and authority to conduct its business as and to the extent now conducted and to own, use and lease its Assets and Properties. The Company is duly qualified, licensed or admitted to do business and is in good standing in the State of Mississippi, which is the only jurisdiction in which the ownership, use or leasing of its Assets and Properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the adverse effects of all such failures by the Company to be qualified, licensed or admitted and in good standing could not in the aggregate reasonably be expected to have a material adverse effect on the Business or Condition of the Company.

4.03 Capital Stock. The authorized capital stock of the Company consists solely of Three Million (3,000,000) shares of Company Common Stock, of which only the Company Shares have been issued and are outstanding. The Company Shares are duly authorized, validly issued, outstanding, fully paid and nonassessable and have been issued free of any pre-emptive rights. Each Shareholder or its Permitted Transferee owns its respective

Company Shares, beneficially and of record, free and clear of all Liens. Except for this Agreement, there are no outstanding Options with respect to the Company. The delivery of a certificate or certificates at the Closing representing the Company Shares in the manner provided in Section 2.02 will transfer to Purchaser good and valid title to the Company Shares, free and clear of all Liens other than restrictions on the payment of dividends arising under applicable Law and restrictions on transferability arising under applicable securities Laws.

4.04 Subsidiaries. Each Subsidiary is a corporation validly existing and in good standing under the Laws of its jurisdiction of incorporation identified in the Disclosure Schedule, and has full corporate power and authority to conduct its business as and to the extent now conducted and to own, use and lease its Assets and Properties. Each Subsidiary is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions specified in the Disclosure Schedule, which are the only jurisdictions in which the ownership, use or leasing of such Subsidiary's Assets and Properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the adverse effects of all such failures by the Company and the Subsidiaries to be qualified, licensed or admitted and in good standing could not in the aggregate reasonably be expected to have a material adverse effect on the Business or Condition of the Company. The Disclosure Schedule lists for each Subsidiary the amount of its authorized capital stock, the amount of its outstanding capital stock and the record owners of such outstanding capital stock. Except as disclosed in the Disclosure Schedule, all of the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued free of any pre-emptive rights, are fully paid and nonassessable, and are owned, beneficially and of record, by the Company or Subsidiaries wholly owned by the Company free and clear of all Liens, other than restrictions on the payment of dividends arising under applicable Law and restrictions on transferability arising under applicable securities Laws. There are no outstanding Options with respect to any Subsidiary. Neither the Company nor any Subsidiary owns, or has any Contract to acquire, any Investment Assets, except as disclosed in the Disclosure Schedule.

4.05 No Conflicts.

(a) The execution and delivery by each Shareholder of this Agreement do not, and the performance by such Shareholder of its obligations under this Agreement and the consummation of the transactions contemplated hereby will not:

(i) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the instruments of organization or formation of such Shareholder, the Company or any Subsidiary;

(ii) subject to obtaining the consents, approvals and actions, making the filings and giving the notices disclosed in the Disclosure Schedule, conflict with or result in a violation or breach of, in any material respect, any term or provision of any Law or Order applicable to such Shareholder, the Company or any Subsidiary or any of their respective Assets and Properties; or

(iii) except as disclosed in the Disclosure Schedule, (i) conflict with or result in a violation or breach of, in any material respect, (ii) constitute (with or without notice or lapse of time or both) a default under, in any material respect, (iii) require such Shareholder, the Company or any Subsidiary to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person (with or without notice or lapse of time or both) any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the creation or imposition of any Lien upon such Shareholder, the Company or any Subsidiary or any of their respective Assets and Properties under, any Contract or License to which such Shareholder, the Company or any Subsidiary is a party or by which any of their respective Assets and Properties is bound.

(b) The execution and delivery by the CLAT of this Agreement does not, and the performance by the CLAT of its obligations under this Agreement and the consummation of the transactions contemplated hereby will not, involve a transaction with a "disqualified person", as such term is defined in Section 4946 of the Code.

4.06 Governmental Approvals and Filings. Except (i) for the filing of a premerger notification report by the Company under the HSR Act, (ii) for the approval of the MPSC in accordance with the 1956 Mississippi Public Utility Act, as amended (77-3-1 et seq.), and (iii) as disclosed in the Disclosure Schedule, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority on the part of any Shareholder, the Company or any Subsidiary is required in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, except those as would be required solely as a result of the identity or the legal or regulatory status of Atmos or any of its Affiliates.

4.07 Books and Records. The minute books and other similar records of the Company and the Subsidiaries as made available to Atmos prior to the execution of this Agreement contain a true and complete record, in all material respects, of all action taken at all meetings and by all written consents in lieu of meetings of the shareholders, the boards of directors and committees of the boards of directors of the Company and the Subsidiaries. The stock transfer ledgers of the Company and the Subsidiaries as made available to Atmos prior to the execution of this Agreement accurately reflect all record transfers in the capital stock of the Company and the Subsidiaries. The books of account of the Company and the Subsidiaries are complete and correct, in all material respects, and have been maintained, in all material respects, in accordance with sound business practice and the requirements of Section 13(b)(2) of the Exchange Act (regardless of whether or not the Company and the Subsidiaries are subject to such section), including the maintenance of an adequate system of internal controls.

4.08 Financial Statements and Condition.

(a) Prior to the execution of this Agreement, the Shareholders have caused the Company to deliver to Atmos true and complete copies of the following: (i) the audited balance sheets of the Company and its consolidated subsidiaries as of September 30, 1998, 1999 and 2000, and the related audited consolidated statements of operations, shareholders' equity and

cash flows for each of the fiscal years then ended, including the notes thereto and together with a true and correct copy of the report on such audited information by Deloitte & Touche LLP, and all letters from such accountants with respect to the results of such audits; and (ii) the unaudited balance sheet of the Company and its consolidated subsidiaries as of June 30, 2001 (the "June 30, 2001 Balance Sheet"), and the related unaudited consolidated statements of operations, shareholders' equity and cash flows for the nine-month period then ended, including the notes thereto, copies of which are also included in the Disclosure Schedule. Except as set forth in the notes thereto and as disclosed in the Disclosure Schedule, all such Financial Statements were prepared in accordance with GAAP and fairly present in all material respects the consolidated financial condition, results of operations, changes in shareholders' equity and cash flows of the Company and its consolidated subsidiaries as of the respective dates thereof and for the respective periods covered thereby, subject, in the case of the interim Financial Statements, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes (that, if presented, would not differ materially from those included in the latest audited Financial Statements). Except for those Subsidiaries listed in the Disclosure Schedule, the financial condition and results of operations of each Subsidiary are, and for all periods referred to in this Section 4.08 have been, consolidated with those of the Company.

(b) Except as set forth in the Disclosure Schedule, the Company and the Subsidiaries have no material Liabilities other than (i) the liabilities reflected in the June 30, 2001 Balance Sheet, (ii) liabilities incurred since the date thereof in the ordinary course of business consistent with past practices (none of which is materially adverse), and (iii) liabilities specifically delineated as to nature and amount in the Disclosure Schedule.

(c) Except for the execution and delivery of this Agreement and the transactions to take place pursuant hereto on or prior to the Closing Date and as disclosed in the Disclosure Schedule, since September 30, 2000, (i) the business of the Company and the Subsidiaries has been operated in all material respects in the ordinary course consistent with past practice, (ii) there has not been any material adverse change in the Business or Condition of the Company, other than those occurring as a result of general economic or financial conditions affecting the United States as a whole or the region in which the Company and the Subsidiaries conduct their business or other developments which are not unique to the Company and the Subsidiaries but also affect other Persons who participate or are engaged in the lines of business in which the Company and the Subsidiaries participate or are engaged and (iii) the Company and the Subsidiaries have used their commercially reasonable efforts to preserve their business and goodwill, including the goodwill of their customers, employees, subcontractors, suppliers, insurers, regulators and other Persons having business relations with them, and maintained their assets and property in at least as good an order and condition as existed on such date, reasonable wear and tear excepted, which is sufficient to continue to conduct their business as heretofore conducted.

(d) Except as disclosed in the Disclosure Schedule, since September 30, 2000, there has not been, occurred or arisen, whether or not in the ordinary course of business:

(i) any change in or event affecting the Company or any of the Subsidiaries that has had or is reasonably expected to have a material adverse effect on

the Business or Condition of the Company other than those occurring as a result of general economic or financial conditions affecting the United States as a whole or the region in which the Company and the Subsidiaries conduct their business or other developments which are not unique to the Company and the Subsidiaries but also affect other Persons who participate or are engaged in the lines of business in which the Company and the Subsidiaries participate or are engaged;

(ii) any casualty, loss, damage or destruction (whether or not covered by insurance) of any of the Assets and Properties of the Company or any of the Subsidiaries that has involved or may involve a material loss to any of the Company and the Subsidiaries in excess of all applicable insurance coverage (excepting deductible amounts);

(iii) any amendment of the Company's Articles of Incorporation or Bylaws or any charter or bylaws of the Subsidiaries;

(iv) any transaction between the Company or any Subsidiary and any of the Shareholders;

(v) any declaration or payment of any dividend or distribution with respect to capital stock of the Company or any Subsidiary (whether in cash or in kind), other than dividends to the Company, or redemption, purchase or other acquisition of any of its capital stock;

(vi) any capital expenditure (or series of related capital expenditures) by the Company or any Subsidiary outside the ordinary course of business or inconsistent with past practice;

(vii) any increase in the bonus, salaries or other compensation or benefits of any of the directors, officers, employees, agents or consultants of the Company or any Subsidiary outside the ordinary course of business or inconsistent with past practice or any other change in the employment terms (including severance provisions) for any of its officers or employees outside the ordinary course of business or inconsistent with past practice;

(viii) any delay or postponement by the Company or any Subsidiary of the payment of any accounts payable or other liabilities in a manner inconsistent with the ordinary course of business or past practice;

(ix) any assumption, creation, guarantee or incurrence by the Company or any Subsidiary of any Indebtedness, whether absolute or contingent (other than for working capital in the ordinary course of business consistent with past practice);

(x) any settlement of any lawsuit by the Company or any Subsidiary, other than settlements that have an immaterial effect upon them;

(xi) any adverse change, in any material respect, in the Company's rate base, its rate agreement with the MPSC (including its allowed rate of return, purchased gas adjustments or weather normalization adjustments), or in rate adjustments;

(xii) any adverse change in the customer satisfaction surveys or comparison of rates versus other Southeastern United States gas companies that might affect the Company's performance adjustment in any material respect; or

(xiii) any other action by the Company or any Subsidiary which, if taken after the date hereof, would violate Section 6.07.

4.09 Taxes. Except as disclosed in the Disclosure Schedule:

(a) Each of the Company and the Subsidiaries has filed (or there has been filed on their behalf) all Tax Returns required to be filed by or on behalf of each of them, or requests for extensions to file such returns have been timely filed or granted and have not expired, and all such Tax Returns are complete and accurate in all respects. The Company and each of the Subsidiaries has paid (or there has been paid on their behalf) all Taxes required to be paid by them. The Company and each Subsidiary has withheld and paid over all Taxes required to have been withheld and paid over, and complied with all information reporting and back-up withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor or other third party. The accrual for Taxes in the most recent Financial Statements equals or exceeds the liability of the Company and the Subsidiaries for all Taxes payable by the Company and the Subsidiaries for all taxable periods and portions thereof accrued through the date of such Financial Statements. All Taxes of the Company and the Subsidiaries accrued following the end of the most recent period covered by the Financial Statements have been accrued in the ordinary course of business and do not exceed comparable amounts incurred in similar periods in prior years (taking into account any changes in operating results). Neither the Company nor any of the Subsidiaries has taken any action not in accordance with past practice that would have the effect of deferring a measure of Tax (including income, sales, gross receipts or payroll) from a period (or portion thereof) ending on or prior to the Closing to a period (or portion thereof) beginning after the Closing. No requests for waivers of the time to assess any Taxes against the Company or any of the Subsidiaries have been granted or are pending. The Company and the Subsidiaries have complied with all applicable Laws pertaining to Taxes.

(b) Neither the Company nor any of the Subsidiaries is a party to, is bound by, or has any obligation under, any agreement relating to the allocation or sharing of Taxes or has any liability for the Taxes of any Person other than the Company or the Subsidiaries, as a transferee or successor or otherwise (including any liability under Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign Law). Neither the Company nor any of its Subsidiaries has entered into any closing agreement or any other agreement with any Tax Authority that remains in effect. Neither the Company or any of the Subsidiaries has been a "distributing corporation" or a "controlled corporation" in connection with a distribution described in Section 355 of the Code.

(c) Neither the Company nor any of the Subsidiaries has ever been a member of an affiliated group of corporations (within the meaning of Code Section 1504(a)) filing consolidated Tax Returns, other than the affiliated group of which the Company is the common parent.

(d) None of the assets of the Company or any Subsidiary are treated as "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(e) Neither the Company nor any Subsidiary is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of (i) any "excess parachute payments" within the meaning of Section 280G of the Code (without regard to the exception set forth in Section 280G(b)(4) of the Code) or (ii) any amount of compensation for which a deduction would be disallowed under Section 162 of the Code. The Shareholders have approved, in accordance with the requirements of Section 280G of the Code, the payments under the following agreements, so that the payments under such agreements will not be treated as "parachute payments" under said Section 280G: (i) the Change in Control Termination Benefits Agreements dated September 11, 2000, by and between the Company and Messrs. Hardwick, Anderson, Wise, Langley, Novick and Aven, as amended; (ii) the Special Retirement Benefit and Severance Agreement dated as of January 1, 1996, by and between the Company and Matthew L. Holleman, III, as amended; and (iii) the Supplemental Pension Benefit Letter Agreement dated February 23, 1994, between the Company and Matthew L. Holleman, III, as amended.

(f) Neither the Company nor any Subsidiary has filed any consent agreement under Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as defined in Section 341(f)(4) of the Code) owned by the Company or any Subsidiary.

(g) No outstanding material adjustment relating to any Tax Return filed by the Company or any Subsidiary has been proposed by any Tax authority to the Company or any Subsidiary.

(h) Neither the Company nor any Subsidiary has agreed to make any adjustment under Section 481(a) of the Code (or any corresponding provision of state, local or foreign Tax Law) by reason of a change in accounting method or otherwise. The Company and the Subsidiaries use the accrual method of accounting for federal income Tax purposes.

(i) No claim has been made by an applicable Tax authority in a jurisdiction where the Company and the Subsidiaries do not file Tax Returns that the Company or any Subsidiary is or may be subject to Tax in that jurisdiction. The Disclosure Schedule contains a list of all jurisdictions, whether foreign or domestic, to which a Tax is properly payable by the Company or any Subsidiary.

(j) Neither the Company nor any Subsidiary has, nor has had, a permanent establishment in any foreign country, as defined in any applicable Tax treaty or convention between the United States and such foreign country.

(k) None of the Tax Returns filed by the Company or any Subsidiary was required to contain (in order to avoid the imposition of a penalty and determined without regard to the ability to file an amended Tax Return at any time after the filing of the original Tax Return) a disclosure statement under former Section 6661 of the Code or current Section 6662 of the Code (or any similar provision of state, local or foreign Tax law).

(l) Neither the Company nor any Subsidiary has ever been a party to a plan or agreement that could be treated as a partnership for U.S. federal income Tax purposes.

(m) The Company has made available to Atmos true and complete copies of all income Tax audit reports, statements of deficiency, closing or other agreements received by the Company or the Subsidiaries relating to Taxes, and all federal and state income or franchise Tax Returns for the Company and the Subsidiaries for all open years. No material election with respect to Taxes has been made in any Tax Return not made available to Atmos.

4.10 Legal Proceedings; Orders.

(a) Except as disclosed in the Disclosure Schedule, there are no Actions or Proceedings pending or, to the Knowledge of the Shareholders and the Company, threatened against, relating to or affecting the Company or any Subsidiary or any of their respective Assets and Properties. There are no Actions or Proceedings pending or, to the knowledge of the Shareholders, threatened against, relating to or affecting any Shareholder that could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby or otherwise prevent or delay such Shareholder from performing its obligations under this Agreement. None of the Actions or Proceedings disclosed in the Disclosure Schedule has had or could reasonably be expected to have, individually or in the aggregate with other such Actions or Proceedings, a material adverse effect on the Business or Condition of the Company or to result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement. Except as disclosed in the Disclosure Schedule, to the Knowledge of the Shareholders and the Company, no event has occurred or circumstance exists that may give rise to or serve as the basis for any such Action or Proceeding that could reasonably be expected, individually or in the aggregate with other such Actions or Proceedings, to have a material adverse effect on the Business or Condition of the Company. The Company has delivered to Atmos all material pleadings, correspondence and other documents in the Actions listed in the Disclosure Schedule except for those pleadings, correspondence and other documents that, in the opinion of counsel to the Company, if delivered to Atmos would cause a waiver by the Company of an attorney/client privilege.

(b) Except as disclosed in the Disclosure Schedule, none of such Orders has materially adversely affected or could reasonably by expected, individually or in the aggregate with other such Orders, to materially adversely affect the Business or Condition of the Company.

4.11 Compliance With Laws and Orders; Regulatory Filings.

(a) Except as disclosed in the Disclosure Schedule, neither the Company nor any Subsidiary is, or since September 30, 1997 has been, in any material respect, in violation of or in default under any Law or Order applicable to the Company or any Subsidiary or any of their respective Assets and Properties. Except as disclosed in the Disclosure Schedule, since September 30, 1997, neither the Company nor any Subsidiary has received any notice or other communication from any Governmental or Regulatory Authority regarding any violation of, or failure to comply with, any Law or Order, in any material respect, or to undertake, or to bear all or any portion of the cost of, any remedial action or correct any unsafe condition or practice of any nature with respect thereto or effect a refund to customers or a recall of appliances or other goods sold to customers.

(b) Neither the Company nor any of its Subsidiaries is a "public utility company", a "holding company", a "subsidiary company" or an "affiliate" of any holding company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of PUHCA, respectively.

(c) The Company and the Subsidiaries (other than Mississippi Energies, Inc.) are subject to regulation by the MPSC. Neither the Company nor any Subsidiary is subject to regulation by FERC as a "natural-gas company" under the Natural Gas Act pursuant to a Hinshaw exemption.

(d) All material filings required to be made by the Company or any of the Subsidiaries since December 31, 1996 under applicable federal and state Laws have been filed with the appropriate federal or state Government or Regulatory Authority (including the MPSC), as the case may be, including all material written forms, statements, reports and agreements and all material documents, exhibits, amendments and supplements appertaining thereto, including all material rates, tariffs, franchises, service agreements and related documents, all of which filings complied, as of their respective dates, with all applicable requirements of the appropriate statute and the rules and regulations thereunder in all material respects.

(e) Neither the Company, nor any Subsidiary, nor, to the Knowledge of the Shareholders and the Company, any officer, employee or agent thereof, has directly or indirectly given or agreed to give any gift or similar benefit to any customer, supplier, government employee, or other Person who was or is in a possible position to help or hinder the Company or any of the Subsidiaries, which gift or benefit (a) could reasonably be expected to subject the Company or any of the Subsidiaries to any damages or penalties in any civil or criminal Action or Proceeding, or (b) could reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Business or Condition of the Company if not given or continued.

4.12 Benefit Plans; ERISA.

(a) The Disclosure Schedule contains a true and complete list of each of the Benefit Plans.

(b) Except as disclosed in the Disclosure Schedule, neither the Company nor any Subsidiary maintains or is obligated to provide benefits under any life, medical or health plan (other than as an incidental benefit under a Qualified Plan) which provides benefits to retirees or other terminated employees other than benefit continuation rights under the Consolidated Omnibus Budget Reconciliation of 1985, as amended. The Disclosure Schedule contains a true and complete list of all retirees and other terminated employees who are receiving pension or retiree medical benefits as of August 1, 2001.

(c) Except as disclosed in the Disclosure Schedule, neither the Company, any Subsidiary, any ERISA Affiliate nor any other corporation or organization controlled by or under common control with any of the foregoing within the meaning of Section 4001 of ERISA has at any time contributed to or has any obligation to contribute to or has any liability (contingent or otherwise) to any "multiemployer plan", as that term is defined in Section 4001 of ERISA.

(d) Each of the Benefit Plans and its administration is currently in compliance with ERISA and the Code and all other applicable Laws and with any applicable collective bargaining agreement in all material respects, and no statement, either written or oral, has been made by the Company or any director or officer of the Company or, to the Knowledge of the Shareholders and the Company, any other Person with regard to any Benefit Plan that is not in accordance with the terms of such Plan.

(e) The Company and its Subsidiaries have performed, in all material respects, all of their obligations under all Benefit Plans, and all contributions and other payments required to be made by the Company or any Subsidiary to any Benefit Plan with respect to any period ending before or at or including the Closing Date have been made or reserves adequate for such contributions or other payments have been or will be set aside therefor and have been or will be reflected in the Financial Statements in accordance with GAAP.

(f) To the Knowledge of the Shareholders and the Company, no transaction contemplated by this Agreement will result in material liability to the PBGC or otherwise under Section 302(c)(11), 4062, 4063, 4064 or 4069 of ERISA, or otherwise, with respect to the Company, any Subsidiary, any ERISA Affiliate or any other corporation or organization controlled by or under common control with any of the foregoing within the meaning of Section 4001 of ERISA.

(g) There are no pending, or to the Knowledge of the Shareholders and the Company, threatened claims by or on behalf of any Benefit Plan, or by any Person covered thereby, other than ordinary claims for benefits submitted by participants or beneficiaries, which, individually or in the aggregate, could result in material liability on the part of Atmos, the Company, any Subsidiary or any fiduciary of any such Benefit Plan.

(h) Except as disclosed in the Disclosure Schedule, no employer securities, employer real property or other employer property is included in the assets of any Benefit Plan.

(i) The Disclosure Schedule correctly sets forth, for each Subject Defined Benefit Plan, as of the last day of the plan year of such plan which coincides with or first

precedes the date of this Agreement, the fair market value of the assets of such plan and the actuarial present value of the benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under such plan at such date as established on the basis of the actuarial assumptions to be used to calculate present values under Section 417(e)(3)(A) of the Code.

(j) The Company has delivered to Atmos:

(i) all documents that set forth the terms of each Benefit Plan and of any related trust, including (A) all plan descriptions and summary plan descriptions of Benefit Plans for which the Shareholders, the Company or any Subsidiary is required to prepare, file, and distribute plan descriptions and summary plan descriptions, and (B) all summaries and descriptions furnished to participants and beneficiaries regarding Benefit Plans for which a plan description or summary plan description is not required;

(ii) all personnel, payroll, and employment manuals and policies;

(iii) all collective bargaining agreements pursuant to which contributions have been made or obligations incurred (including both pension and welfare benefits) by the Company, any Subsidiary and the ERISA Affiliates, and all collective bargaining agreements pursuant to which contributions are being made or obligations are owed by such entities;

(iv) a written description of any Benefit Plan that is not otherwise in writing;

(v) all insurance policies which were purchased by or to provide benefits under any Benefit Plan currently in force or for which the Company or any Subsidiary currently has any liability (contingent or otherwise);

(vi) all Contracts with third party administrators, actuaries, investment managers, consultants, and other independent contractors that relate to any Benefit Plan currently in force or for which the Company or any Subsidiary currently has any liability (contingent or otherwise);

(vii) all reports, including all discrimination testing reports and actuarial reports, submitted within the four years preceding the date hereof by third party administrators, actuaries, investment managers, consultants, or other independent contractors with respect to any Benefit Plan currently in force or for which the Company or any Subsidiary currently has any liability (contingent or otherwise);

(viii) all notifications given within the four years preceding the date hereof to employees of their rights under Section 601 et seq. of ERISA, Section 4980B of the Code, Section 9801 et seq. of the Code, and under all other applicable federal and state laws regulating the notice requirements of Group Health Plans (as defined in Section 607(1) of ERISA);

(ix) the Form 5500 filed in each of the most recent three plan years with respect to each Benefit Plan, including all schedules thereto and the opinions of independent accountants;

(x) all notices or reports that were given by the Company, any Subsidiary or any ERISA Affiliate, or any Benefit Plan to the IRS, the PBGC or the DOL, pursuant to statute, within the four years preceding the date hereof, including notices that are expressly mentioned elsewhere in this Section 4.12;

(xi) all notices that were given by the IRS, the PBGC, or the DOL to the Company, any Subsidiary, any ERISA Affiliate, or any Benefit Plan within the four years preceding the date hereof; and

(xii) with respect to Benefit Plans that are Qualified Plans, the most recent determination letter for each such Plan.

(k) Except as disclosed in the Disclosure Schedule, neither the Company, any Subsidiary, any ERISA Affiliate nor any Shareholder has engaged in or knowingly permitted to occur and, to the Knowledge of the Shareholders and the Company, no other party has engaged in or permitted to occur any transaction prohibited by Section 406 of ERISA or "prohibited transaction" under Section 4975(c) of the Code with respect to any Company Plan, except for any transactions which are exempt under Section 408 of ERISA or Section 4975 of the Code.

(l) Except for any formal written qualification requirement with respect to which the remedial amendment period set forth in Section 401(b) of the Code, and any regulations, rulings or other IRS releases thereunder, has not expired, (i) each Benefit Plan that is intended to be a Qualified Plan has received a favorable determination letter from the IRS and is qualified in form and operation under Section 401(a) of the Code, and each trust for each such Plan is exempt from federal income tax under Section 501(a) of the Code, and (ii) no event has occurred or circumstance exists that gives rise to disqualification or loss of tax-exempt status of any such Plan or trust.

(m) Except as disclosed in the Disclosure Schedule, each Benefit Plan can be terminated without payment of any additional contribution or amount and, except for any vesting of benefits of a Qualified Plan, without the vesting or acceleration of any benefits promised by such Plan.

(n) Except as disclosed in the Disclosure Schedule, no event has occurred or circumstance exists that could result in a material increase in premium costs of Benefit Plans that are insured, or a material increase in benefit costs of such Plans that are self-insured.

(o) Except as disclosed in the Disclosure Schedule, the Company and the Subsidiaries have the right to modify and terminate benefits as to retirees (other than pensions) with respect to both retired and active employees.

(p) Except as disclosed in the Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not result in the payment, vesting, or acceleration of any benefit, assuming that no Benefit Plan is terminated, in connection with the transactions contemplated by this Agreement.

4.13 Real Property.

(a) Except as disclosed in the Disclosure Schedule, the Company or a Subsidiary has good and valid title to or a valid and subsisting leasehold estate in all the real property, easements, rights of way and other interests in real property constituting its transmission, distribution, storage and service systems (the "System Property") other than imperfections in title or interest that are immaterial to the System Property as a whole and have not adversely affected the operation of the System Property in the ordinary course of business in any material respect. The System Property is free and clear of all Liens except for Permitted Liens and other Liens disclosed in the Disclosure Schedule. There are no Actions or Proceedings or other claims pending or, to the Knowledge of the Shareholders and the Company, threatened against the Company or a Subsidiary asserting that the Company or such Subsidiary does not have good and valid title to or a valid and subsisting leasehold estate in, as the case may be, any of the System Property. Except for real property leased to others as disclosed in the Disclosure Schedule, the Company or a Subsidiary is in possession of each parcel of real property owned by it, together with all buildings, structures, facilities, fixtures and other improvements owned by Company or a Subsidiary and located thereon. All improvements on such real property lie wholly within the boundaries of such real property and do not encroach upon the property of, or otherwise conflict with the property rights of, any other Person in any material respect.

(b) The Company or a Subsidiary has a valid and subsisting leasehold estate in and the right to quiet enjoyment of the real property interests purported to be leased by it as lessee for the full term of the lease thereof. The Disclosure Schedule contains a true and complete list of all such leases. Each such lease is a legal, valid and binding agreement, enforceable in accordance with its terms, of the Company or a Subsidiary and, to the Knowledge of the Shareholders and the Company, of each other Person that is a party thereto, and except as set forth in the Disclosure Schedule, there is no default (or any condition or event which, after notice or lapse of time or both, would constitute a default) thereunder by the Company or any Subsidiary or, to the Knowledge of the Shareholders and the Company, any other Person that is a party thereto. To the Knowledge of the Shareholders and the Company, the underground gas storage horizons of the gas storage facilities leased by the Company and any Subsidiary have not been impaired by directional drilling by the lessors thereof or any authorized third parties.

(c) Except as disclosed in the Disclosure Schedule, the improvements on the System Property or the other real property interests owned or leased by the Company and the Subsidiaries are in all material respects structurally sound, in good operating condition and in a state of good maintenance and repair consistent with past custom and practice, ordinary wear and tear excepted, are adequate and suitable for the purposes for which they are presently being used and there are no condemnation or appropriation proceedings pending or, to the Knowledge of the Shareholders and the Company, threatened against any of the System Property or such other real property interests or the improvements thereon.

4.14 Tangible Personal Property; Sufficiency.

(a) The Company or a Subsidiary is in possession of and has good and valid title to, or has valid leasehold interests in or valid rights under Contract to use, all material tangible personal property used in or necessary to the conduct of the business of the Company and the Subsidiaries as currently conducted, including the personal property reflected in the June 30, 2001 Balance Sheet other than those disposed of since June 30, 2001, in the ordinary course of business consistent with past practice. All such tangible personal property is free and clear of all Liens, other than Permitted Liens or Liens disclosed in the Disclosure Schedule, and is in all material respects in good order and condition, ordinary wear and tear excepted, in safe operating condition and adequate and suitable for the purposes for which they are presently being used. Since September 30, 1997, the safety or operating condition has not been the subject of any Action or Proceeding or been the basis for any citation, fine or notice from any Governmental or Regulatory Authority, except as set forth in the Disclosure Schedule. The Disclosure Schedule correctly discloses, by type, the composition of the Company's transmission, distribution and service lines. The Company has made available to Atmos all MPSC inspection records or reports, leak history reports and unaccounted for gas records, in each case for the last five years, regarding its transmission, distribution and service lines.

(b) The Assets and Properties of the Company and the Subsidiaries are sufficient in all material respects for the continued conduct of the business of the Company and the Subsidiaries as currently conducted. The cast iron and steel pipe included in the System Property have sufficient capacity and other features required for the operation of the System Property in accordance with Good Utility Practice.

(c) Except as set forth in the Disclosure Schedule, to the Knowledge of the Shareholders and the Company, the costs to replace the Company's remaining cast iron pipe included in the System Property will not exceed in any material respect the amount therefor set forth in the Disclosure Schedule.

4.15 Intellectual Property Rights. The Disclosure Schedule discloses all material Intellectual Property used in the business of the Company and the Subsidiaries, each of which the Company or a Subsidiary either has all right, title and interest in or a valid and binding rights under Contract to use. Such Intellectual Property is sufficient for the continued conduct of the business of the Company and the Subsidiaries as currently conducted. Except as disclosed in the Disclosure Schedule, (i) all registrations with and applications to Governmental or Regulatory Authorities in respect of Intellectual Property owned by the Company or a Subsidiary as disclosed in the Disclosure Schedule are valid and in full force and effect, (ii) there are no material restrictions on the direct or indirect transfer of any Contract, or any interest therein, held by the Company or any Subsidiary in respect of Intellectual Property disclosed in the Disclosure Schedule, (iii) neither the Company nor any Subsidiary is in default (or with the giving of notice or lapse of time or both, would be in default) under any Contract to use the Intellectual Property disclosed in the Disclosure Schedule in any material respect, (iv) to the Knowledge of the Shareholders and the Company, the Intellectual Property disclosed in the Disclosure Schedule is not being infringed by any other Person in any material respect, and (v) the use of such Intellectual Property by and the conduct of the business of the Company and the Subsidiaries do not infringe on the Intellectual Property rights of any other Person in any material respect. None

of the Shareholders, the Company nor any Subsidiary has received any notice or other communication that the Company or any Subsidiary is infringing any Intellectual Property of any other Person, and no claim is pending or has been made to such effect that has not been resolved.

4.16 Contracts.

(a) The Disclosure Schedule contains a true and complete list of each of the following Contracts, to which the Company or any Subsidiary is a party or by which any of their respective Assets and Properties is bound:

(i) all Contracts (excluding Benefit Plans) providing for a commitment of employment or consultation services for a specified or unspecified term or otherwise relating to employment or the termination of employment, the name, position and rate of compensation of each party to each such Contract and the expiration date of each such Contract;

(ii) all Contracts with any Person containing any provision or covenant prohibiting or materially limiting the ability of the Company or any Subsidiary to engage in any business activity or compete with any Person or prohibiting or limiting the ability of any Person to compete with the Company or any Subsidiary;

(iii) all partnership, joint venture, shareholders' or other similar Contracts with any Person;

(iv) all Contracts relating to Indebtedness of the Company or any Subsidiary in excess of $100,000 (other than Indebtedness owing to the Company or any wholly-owned Subsidiary);

(v) all Contracts with distributors, dealers, manufacturer's representatives, sales agencies or franchisees which in any case involve a binding payment or obligation, pursuant to the terms of any such Contract, by or to the Company or any Subsidiary of more than $100,000 annually;

(vi) all Contracts for gas supply, transportation or storage (and commodity, hedge or similar arrangements in respect thereof) or to provide or receive services from or to any other local distribution company which in any case involve a binding payment or obligation, pursuant to the terms of any such Contract, by or to the Company or any Subsidiary of more than $100,000 annually;

(vii) all Contracts involving take-or-pay obligations with respect to gas purchases or gas marketing; and all Contracts involving weather hedges;

(viii) all Contracts relating to (A) the future disposition or acquisition of any Assets and Properties individually or in the aggregate material to the Business or Condition of the Company, other than dispositions or acquisitions in the ordinary course of business consistent with past practice, (B) any merger or other business combination, (C) the construction of any plant, pipeline, facility or other material capital improvement

or (D) the acquisition of all or substantially all of the Assets and Properties of any Person or division or line of business of any Person;

(ix) all collective bargaining or similar labor Contracts;

(x) all Contracts (other than this Agreement) that (A) limit or contain restrictions on the ability of the Company or any Subsidiary to declare or pay dividends on, to make any other distribution in respect of or to issue or purchase, redeem or otherwise acquire its capital stock, to incur Indebtedness, to incur or suffer to exist any Lien, to change the lines of business in which it participates or engages or to engage in any merger or other business combination or (B) require the Company or any Subsidiary to maintain specified financial ratios or levels of net worth or other indicia of financial condition;

(xi) all other Contracts (other than Benefit Plans, leases listed in the Disclosure Schedule and insurance policies listed in the Disclosure Schedule) that (A) involve a binding payment or obligation, pursuant to the terms of any such Contract, by or to the Company or any Subsidiary of more than $100,000 annually and (B) cannot be terminated within 60 days after giving notice of termination without resulting in any material cost or penalty to the Company or any Subsidiary; and

(xii) all other Contracts the loss of which would have a material adverse effect on the Business or Condition of the Company.

(b) Each Contract required to be disclosed in the Disclosure Schedule is in full force and effect and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms in all material respects, of the Company or a Subsidiary and, to the Knowledge of the Shareholders and the Company, of each other party thereto; and except as disclosed in the Disclosure Schedule, neither the Company, any Subsidiary nor, to the Knowledge of the Shareholders and the Company, any other party to such Contract is in violation or breach of or default under any such Contract (or with notice or lapse of time or both, would be in violation or breach of or default under any such Contract) in any material respect. Complete and correct copies of all such Contracts have been delivered to Atmos.

4.17 Licenses. The Company and the Subsidiaries have all material Licenses required for the conduct of their business, and the ownership and operation of their Assets and Properties as currently conducted, owned and operated. The Disclosure Schedule contains a true and complete list of all such Licenses (and all pending applications for any such Licenses), setting forth the grantor, the grantee, the function and the expiration and renewal date of each. Except as disclosed in the Disclosure Schedule:

(a) the Company or a Subsidiary owns or validly holds all such Licenses;

(b) each such License is valid, binding and in full force and effect; and

(c) neither the Company nor any Subsidiary is, or since September 30, 1997 has been, in default (or with the giving of notice or lapse of time or both, would be in default) under any such License in any material respect.

Except as disclosed in the Disclosure Schedule, neither the Company nor any Subsidiary has received any notice or other communication from any Governmental or Regulatory Authority regarding any material violation or failure to comply with any term or requirement of any License or any actual proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination of or modification to any License.

4.18 Insurance. The Disclosure Schedule contains a true and complete list of all material insurance policies in effect, currently or since September 30, 1997 (or in the case of the Company's liability policies, since June 1, 1989), that insure the business, operations or employees of the Company or any Subsidiary or affect or relate to the ownership, use or operation of any of the Assets and Properties of the Company or any Subsidiary and that have been issued to the Company or any Subsidiary. True and correct copies of all such policies, and all pending applications for policies of insurance, have been delivered to Atmos. Each such policy is valid and binding and in full force and effect, no premiums due thereunder have not been paid, all claims thereunder have been timely made in accordance with the terms thereof, and neither the Company nor any Subsidiary has received notice or other communication of any (i) cancellation or termination in respect of any such policy, (ii) default by the Company or any Subsidiary in respect of any such policy, (iii) refusal of coverage, (iv) claim that defense under any such policy will be afforded with reservation of rights or (v) claim that any such policy will not be renewed. None of such policies provide for any retrospective premium adjustment or other experience-based liability on the part of the Company or any Subsidiary. Other than the deductibles provided in such policies, neither the Company nor any Subsidiary has any self-insurance arrangement or any Contract, other than a policy of insurance, for the transfer or sharing of risk by or with the Company or any Subsidiary. The Disclosure Schedule sets forth for each liability policy (i) by year, for the current policy year and each of the preceding policy years beginning on or after June 1, 1989, a summary of the loss experience, a list of claims reported to the Company or any Subsidiary and claims reported to the insurance carriers, and (ii) as of the date hereof, a list of open claims.

4.19 Affiliate Transactions. Except as disclosed in the Disclosure Schedule, (i) there is no Indebtedness between the Company or any Subsidiary, on the one hand, and any Shareholder or any Affiliate (other than the Company or any Subsidiary) of such Shareholder, on the other, (ii) none of the Shareholders nor any such Affiliate provides or causes to be provided any assets, services or facilities to the Company or any Subsidiary, and (iii) neither the Company nor any Subsidiary provides or causes to be provided any assets, services or facilities to any Shareholder or any such Affiliate. Except as disclosed in the Disclosure Schedule, each of the Liabilities and transactions listed in the Disclosure Schedule was incurred or engaged in, as the case may be, on an arm's-length basis and in the ordinary course of business.

4.20 Labor Relations. Except as disclosed in the Disclosure Schedule:

(a) No employee of the Company or any Subsidiary is presently a member of a collective bargaining unit and, to the Knowledge of the Shareholders and the Company, there are no overtly threatened attempts to organize for collective bargaining purposes any additional employees of the Company or any Subsidiary. Since September 30, 1997, there has been no work stoppage, strike, slow down or other concerted action by employees of the Company or any Subsidiary which materially adversely affected the Company or any Subsidiary.

(b) There is no controversy pending or, to the Knowledge of the Shareholders and the Company, threatened between the Company or any Subsidiary and any of their respective employees. There is no basis for any claim, grievance, arbitration, negotiation, suit, action or charge of or by any employee of the Company or any Subsidiary, and no complaint is pending against the Company or any Subsidiary before the National Labor Relations Board or any other Governmental or Regulatory Authority. The Company and the Subsidiaries have complied, in respect of their employees, in all material respects with all applicable Laws, including those related to equal employment opportunity, non-discrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar Taxes, occupational health and safety, and plant closing.

(c) The Company has furnished Atmos with copies of all claims, complaints, reports or other documents in the Company's files concerning the Company or any of the Subsidiaries or their employees made by or against the Company or any Subsidiary during the past five years pursuant to workers' compensation laws, Title VII of the Civil Rights Act of 1964, the Occupational Safety and Health Act of 1970, the National Labor Relations Act of 1935 or any other Laws relating to employment of labor.

4.21 Environmental Matters. Except as described in the Disclosure Schedule:

(a) Each of the Company and the Subsidiaries has obtained all material Licenses which are required under applicable Environmental Laws in connection with the conduct of the business or operations of the Company or such Subsidiary. Each of such Licenses is in full force and effect and each of the Company and the Subsidiaries is in compliance, in all material respects, with the terms and conditions of all such Licenses and with any applicable Environmental Law.

(b) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Company or any Subsidiary; nor, to the Knowledge of the Shareholders and the Company, have any events occurred that would have required such a notice. To the Knowledge of the Shareholders and the Company, no site or facility now or previously owned, operated or leased by the Company or any Subsidiary is listed or proposed for listing on the NPL, CERCLIS or any similar state or local list of sites requiring investigation or clean-up. Neither the Company nor any Subsidiary has transported wastes to or arranged for disposal of wastes at any such listed site.

(c) To the Knowledge of the Shareholders and the Company, there have been no material environmental investigations, studies, audits, tests, reviews other analyses conducted

by, or that are in the possession of, the Company or any Subsidiary in relation to any site or facility now or previously owned, operated or leased by the Company or any Subsidiary which have not been delivered to Atmos prior to the date hereof.

(d) Neither the Company, the Subsidiaries, nor, to the Knowledge of the Shareholders or the Company, any previous occupant, owner, tenant, or user of the real property owned by the Company and the Subsidiaries, has received any written notice, demand, letter, claim or request for information alleging that it may be in violation of or liable under any Environmental Law or License.

(e) Neither the Company nor any Subsidiary has entered into or agreed to any Order, and is not subject to any outstanding Order, relating to compliance with or liability under any Environmental Law. Neither the Company nor any Subsidiary is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law.

(f) The real property owned or leased by the Company and the Subsidiaries (including soils, groundwater, surface water, buildings and other structures) is not contaminated with any Hazardous Materials, in any material respect; and, to the Knowledge of the Shareholders and the Company, no event has occurred or circumstance exists that presents an imminent threat of a future Release of any Hazardous Materials on such real property.

(g) To the Knowledge of the Shareholders and the Company, there are no circumstances or conditions involving the Company or any Subsidiary that could reasonably be expected to constitute a violation of the Environmental Laws or result in claims, liability, investigations or costs under the Environmental Laws, or which could reasonably be expected to result in restrictions on the ownership, use or transfer of any of its Assets and Properties, pursuant to any Environmental Law.

(h) Neither the Company nor any Subsidiary has disposed or arranged for disposal of Hazardous Materials on any third party property that, to the Knowledge of the Shareholders and the Company, could be reasonably expected to subject the Company or any Subsidiary to material liability under any Environmental Law.

(i) To the Knowledge of the Shareholders and the Company, no underground storage tanks, asbestos-containing material or polychlorinated biphenyls have ever been located on real property owned, leased or used by the Company or any Subsidiary.

(j) To the Knowledge of the Shareholders and the Company, the representations and warranties in this Section 4.21 are also correct and complete with respect to all real property that the Company and the Subsidiaries previously owned, leased or used through the time that the Company's or respective Subsidiary's ownership, lease, or use ceased.

(k) Neither the Shareholders, the Company nor any Subsidiary is required to make any filings under any Environmental Law in connection with the transactions contemplated hereby.

(l) The representations and warranties set forth in this Section 4.21 constitute the exclusive representations and warranties of the Shareholders under this Agreement with

respect to any License issued under, or violation of, or liability arising under, any Environmental Law.

4.22 Information Supplied. Neither the Disclosure Schedule nor the information supplied or to be supplied in writing by or on behalf of the Shareholders or the Company and the Subsidiaries for inclusion in any documents to be filed by the Company, the Shareholders or Atmos with any Governmental or Regulatory Authority in connection with this Agreement and the transactions contemplated hereby contain or will, on the date of its filing, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading

4.23 Brokers. Except for Goldman, Sachs & Co., whose fees, commissions and expenses are the sole responsibility of the Shareholders, all negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by the Shareholders directly with Atmos without the intervention of any Person on behalf of the Shareholders in such manner as to give rise to any valid claim by any Person against Atmos, the Company or any Subsidiary for a finder's fee, brokerage commission or similar payment.

4.24 Certain Securities Matters.

(a) The Shareholders understand that the Atmos Shares will be issued without registration under the Securities Act, in reliance upon exemptions from registration under the Securities Act including the safe harbor provided by Regulation D promulgated under Section 4(2) of the Securities Act. The Shareholders understand that such exemptions depend in part upon, and such shares will be issued in reliance on, the representations and warranties made by the Shareholders in this Section 4.24.

(b) Each of the Shareholders will acquire the Atmos Shares for its own respective account for investment purposes only and not with a view to resale or other distribution thereof, in whole or in part, except as contemplated by the Registration Rights Agreement; provided, however, that, subject to the terms hereof, the disposition of its property shall at all times be within their control; and the Shareholders will not assign, sell, hypothecate or otherwise transfer the Atmos Shares unless (i)(a) a registration statement is in effect under the Securities Act with respect to such shares or (b) a written opinion of counsel acceptable to Atmos is obtained to the effect that no such registration is required, and (ii) they have complied with all applicable holding periods imposed by the Securities Act (and the regulations thereunder). The Shareholders acknowledge that a restrictive legend to such effect will be placed on the certificates representing the Atmos Shares and a notation will be made in the appropriate records of Atmos indicating that the Atmos Shares are subject to such restrictions on transfer.

(c) Each of the Shareholders qualifies as an "accredited investor" within the meaning of Rule 501 under the Securities Act, because it has total assets exceeding $5,000,000.

(d) Each of the Shareholders acknowledges that it:

(i) has been furnished with the articles of incorporation and bylaws of Atmos and the Atmos SEC Reports and is capable of understanding and evaluating the risks of acquiring the Atmos Shares;

(ii) has been given the opportunity to ask questions of, and receive answers from, Atmos and its officers and employees concerning the terms and conditions of the acquisition of the Atmos Shares and other matters pertaining to an investment in the Atmos Shares, has been given the opportunity to obtain such additional information necessary to evaluate the merits and risks of acquiring the Atmos Shares to the extent Atmos possesses such information;

(iii) has not relied upon any representations or warranties or other information (whether oral or written) from Atmos or its directors, officers or Affiliates, or from any other Persons, other than the representations and warranties of Atmos made in this Agreement;

(iv) is familiar with the nature of and risks attendant to investments in the business of Atmos and securities in general and has carefully considered and has, to the extent it believes such discussion necessary, discussed with its professional legal, financial and tax advisers the suitability of an investment in the Atmos Shares for its financial and tax situations, consistent with the fiduciary duties applicable to the management and conduct of its affairs, and has determined that the Atmos Shares are a suitable investment for it.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF ATMOS

Atmos hereby represents and warrants to the Shareholders as follows:

5.01 Corporate Existence. Atmos is a corporation validly existing and in good standing under the Laws of the State of Texas and the Commonwealth of Virginia.

5.02 Authority. Atmos has full corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Atmos of this Agreement, and the performance by Atmos of its obligations hereunder, have been duly and validly authorized by the Board of Directors of Atmos, no other corporate action on the part of Atmos or its shareholders being necessary. This Agreement has been duly and validly executed and delivered by Atmos and constitutes a legal, valid and binding obligation of Atmos enforceable against Atmos in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.03 No Conflicts. The execution and delivery by Atmos of this Agreement do not, and the performance by Atmos of its obligations under this Agreement and the consummation of the transactions contemplated hereby will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Articles of Incorporation or Bylaws of Atmos;

(b) subject to obtaining the consents, approvals and actions, making the filings and giving the notices disclosed in Schedule 5.04 hereto, conflict with or result in a violation or breach of, in any material respect, any term or provision of any Law or Order applicable to Atmos or any of its Assets and Properties; or

(c) except as disclosed in Schedule 5.03 hereto, (i) conflict with or result in a violation or breach of, in any material respect, (ii) constitute (with or without notice or lapse of time or both) a default under, in any material respect, (iii) require Atmos to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person (with or without notice or lapse of time or both) any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the creation or imposition of any Lien upon Atmos or any of its Assets or Properties under, any Contract or License to which Atmos is a party or by which any of its Assets and Properties is bound.

5.04 Governmental Approvals and Filings. Except (i) for the filing of a premerger notification report by Atmos under the HSR Act, (ii) for the approval of the MPSC in accordance with the 1956 Mississippi Public Utility Act, as amended (77-3-1 et seq.), (iii) for the approvals of the issuance of the Atmos Shares by Governmental or Regulatory Authorities in the States of Colorado, Georgia, Illinois, Kentucky and Virginia, and (iv) as disclosed in Schedule 5.04 hereto, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority on the part of Atmos is required in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, except those as would be required solely as a result of the identity or the legal or regulatory status of the Shareholders or their respective Affiliates (other than the Company or the Subsidiaries).

5.05 Capitalization. The entire authorized capital stock of Atmos consists of 100,000,000 shares of Atmos Common Stock. As of September 20, 2001, (i) 40,774,510 shares of Atmos Common Stock are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable and free of statutory pre-emptive rights, and (ii) no shares of Atmos Common Stock are held in the treasury of Atmos. As of the date hereof, other than options granted by Atmos under its 1998 Long-Term Incentive Plan and the Long-Term Stock Plan for the United Cities Gas Company Division and stock units under its Equity Incentive and Deferred Compensation Plan for Non-Employee Directors or as described in the Atmos SEC Reports, there are no Options with respect to Atmos. There are no obligations, contingent or otherwise, of Atmos to repurchase, redeem or otherwise acquire any shares of Atmos Common Stock.

5.06 Atmos Shares. The Atmos Shares have been duly authorized and, when issued in accordance with this Agreement, will be (a) validly issued, fully paid and nonassessable, free of pre-emptive rights, and (b) listed on the New York Stock Exchange.

5.07 SEC Filings; Financial Statements; No Adverse Change.

(a) Atmos has filed all forms, reports and documents required to be filed with the SEC since September 30, 1999, and has heretofore delivered to the Shareholders, in the form filed with the SEC, (i) its Annual Reports on Form 10-K for the fiscal years ended September 30, 1999 and 2000, (ii) its Quarterly Reports on Form 10-Q for the periods ended December 31, 2000, March 31, 2001, and June 30, 2001 (iii) all proxy statements relating to Atmos' meetings of shareholders (whether annual or special) held since September 30, 2000, (iv) all Forms 8-K filed by Atmos with the SEC since September 30, 2000, (v) all other reports or registration statements filed by Atmos with the SEC since September 30, 1999, and (vi) all amendments and supplements to all such reports and registration statements filed by Atmos with the SEC since September 30, 1999 (collectively, the "Atmos SEC Reports"). The Atmos SEC Reports are all the documents (other than preliminary material) that Atmos and its subsidiaries were required to file with the SEC since September 30, 1999. The Atmos SEC Reports were prepared in substantial compliance, in all material respects, with the requirements of the Securities Act or the Exchange Act, as the case may be, and did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) Atmos has heretofore delivered to the Shareholders its audited consolidated financial statements of Atmos and its subsidiaries (together with the notes thereto) for its fiscal years ended September 30, 1999 and 2000 and its unaudited consolidated financial statements for the period ended June 30, 2001. All such financial statements and all other financial statements included in the Atmos SEC Reports (the "Atmos Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby and complied as to form, in all material respects, with the published rules and regulations of the SEC with respect thereto. The Atmos Financial Statements (together with the notes thereto) fairly, in all material respects, present the financial condition and results of operations and cash flows of Atmos and its subsidiaries on a consolidated basis at the dates and for the periods set forth therein (subject, in the case of any such financial statements that are unaudited, to year-end adjustments in such amount and of such type as are or will be consistent with adjustments made in prior fiscal years).

(c) Except as disclosed in the Atmos SEC Reports, since September 30, 2000, there has not occurred or arisen, whether or not in the ordinary course of business, any change in or event affecting Atmos or any of its subsidiaries that has had or is reasonably expected to have a material adverse effect on the business, assets, liabilities, financial condition or results of operations of Atmos and its subsidiaries taken as a whole, other than those occurring as a result of general economic or financial conditions affecting the United States as a whole or the region in which Atmos and its subsidiaries conduct their business or other developments which are not unique to Atmos and its subsidiaries but also affect other Persons who participate or are engaged in the lines of business in which Atmos and its subsidiaries participate or are engaged.

5.08 Legal Proceedings. There are no Actions or Proceedings pending or, to the Knowledge of Atmos, threatened against, relating to or affecting Atmos or any of its Assets and Properties which could reasonably be expected to result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement.

5.09 Financing. Atmos has sufficient cash and/or available credit facilities to pay the Cash Amount and to make all other necessary payments of fees and expenses in connection with the transactions contemplated by this Agreement.

5.10 Information Supplied. The information supplied or to be supplied in writing by or on behalf of Atmos for inclusion in any documents to be filed by the Company, Atmos, or the Shareholders with any Governmental or Regulatory Authority in connection with this Agreement and the transactions contemplated hereby will not, on the date of its filing, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

5.11 Brokers. Except for Merrill Lynch & Co., whose fees, commissions and expenses are the sole responsibility of Atmos, all negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by Atmos directly with the Shareholders and the Company without the intervention of any Person on behalf of Atmos in such manner as to give rise to any valid claim by any Person against the Shareholders, the Company or any Subsidiary for a finder's fee, brokerage commission or similar payment.

ARTICLE VI
COVENANTS OF SHAREHOLDERS

Each of the Shareholders covenants and agrees with Atmos that, at all times from and after the date hereof, it will comply with all covenants and provisions of this Article VI, except to the extent Atmos may otherwise consent in writing.

6.01 Regulatory and Other Approvals. The Shareholders will, and will cause the Company and the Subsidiaries to, as promptly as practicable (a) take all commercially reasonable steps necessary or desirable to obtain all consents, approvals or actions of, make all filings with and give all notices to Governmental or Regulatory Authorities or any other Person required of any such Shareholder, the Company or any Subsidiary to consummate the transactions contemplated hereby, including those described in the Disclosure Schedule, (b) provide such other information and communications to such Governmental or Regulatory Authorities or other Persons as such Governmental or Regulatory Authorities or other Persons may reasonably request in connection therewith and (c) provide reasonable cooperation to Atmos in connection with the performance of its obligations under Sections 7.01 and 7.02. The Shareholders will provide prompt notification to Atmos when any such consent, approval, action, filing or notice referred to in clause (a) above is obtained, taken, made or given, as applicable, and will advise Atmos of any communications (and, unless precluded by Law, provide copies of

any such communications that are in writing) with any Governmental or Regulatory Authority or other Person regarding any of the transactions contemplated by this Agreement.

6.02 HSR Filings. In addition to and not in limitation of the covenants contained in Section 6.01, the Shareholders will, and will cause the Company and the Subsidiaries to, (a) take promptly all actions necessary to make the filings required of any Shareholder, the Company or their Affiliates under the HSR Act, (b) comply at the earliest practicable date with any request for additional information received by any such Shareholder, the Company or their Affiliates from the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and (c) cooperate with Atmos in connection with Atmos's filing under the HSR Act and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement commenced by either the Federal Trade Commission or the Antitrust Division of the Department of Justice or state attorneys general.

6.03 Investigation by Atmos. The Shareholders will cause the Company and the Subsidiaries to (a) provide Atmos and its officers, employees, counsel, accountants, financial advisors, consultants and other representatives (together, "Representatives") with full access, upon reasonable prior notice and during normal business hours, to all officers, employees, agents and accountants of the Company and the Subsidiaries and their Assets and Properties and Books and Records, but only to the extent that such access does not unreasonably interfere with the business and operations of the Company and the Subsidiaries, (b) in connection with and during the preparation of the audited financial statements of the Company and its consolidated subsidiaries, permit Atmos, its independent accounting firm and its representatives to examine and (unless prohibited by applicable accounting standards, in the case of work papers and other documents prepared by the Company's independent accountants) make copies of the work papers and other documents that are generated or reviewed, and to consult with the Company's independent accounting firm after signing a reasonable nondisclosure and indemnification letter], (c) furnish Atmos with all material pleadings, correspondence and other documents in the Actions or Proceedings listed in the Disclosure Schedule, except for those pleadings, correspondence and other documents that, in the opinion of counsel of the Company, if delivered to Atmos would cause a waiver by the Company of an attorney/client privilege, and (d) furnish Atmos and such other Persons with all such other information and data (including copies of Contracts, Benefit Plans and other Books and Records) concerning the business and operations of the Company and the Subsidiaries as Atmos or any of such other Persons reasonably may request in connection with such investigation, except to the extent that furnishing any such information or data would violate any Law, Order, Contract or License applicable to the Company or any Subsidiary or by which any of their respective Assets and Properties is bound.

6.04 No Solicitations. Except as set forth in the following sentence, the Shareholders will not take, nor will they permit the Company or the Subsidiaries or any of their Affiliates (or authorize or permit any investment banker, financial advisor, attorney, accountant or other Person retained by or acting for or on behalf of such Shareholder, the Company, the Subsidiaries or any such Affiliate) to (i) take, directly or indirectly, any action to solicit, encourage, receive, negotiate, assist or otherwise facilitate (including by furnishing information with respect to the Company or any Subsidiary or permitting access to the Assets and Properties

and Books and Records of the Company or any Subsidiary) any offer or inquiry from any Person concerning an Acquisition Proposal, (ii) enter into any agreement with respect to an Acquisition Proposal, (iii) take, directly or indirectly, any action to solicit, encourage, receive, negotiate, assist or otherwise facilitate any offer or inquiry from any Person concerning an acquisition of any Company Shares, or (iv) transfer, or enter into any agreement to transfer any Company Shares. Notwithstanding anything in this Section 6.04 to the contrary, the Estate of Leon Hess shall be entitled to transfer any portion of the Company Shares owned by it in accordance with the provisions of the Last Will and Testament of Leon Hess if such transfer does not prevent or delay the consummation of the transactions contemplated hereby; provided that no such transfer shall relieve the Estate of Leon Hess of its obligations under this Agreement; provided further that prior to any such transfer, each transferee (each a "Permitted Transferee") shall deliver an instrument reasonably acceptable to Atmos, pursuant to which such Permitted Transferee shall (i) agree, either prior to or after the Closing, to execute such further documents and take such further actions as may reasonably be requested by Atmos to effect the other purposes of this Agreement, (iii) provide to Atmos those representations and warranties set forth in Sections 4.01, 4.03 (the third sentence thereof), 4.05, 4.06, 4.09(e) (the last sentence thereof, if necessary for the representation and warranty in the first sentence thereof to be true and correct as of the Closing Date), 4.10, and 4.24, to the same extent as if it were named as a Shareholder herein, (iv) covenant and agree with Atmos to comply with the covenants and provisions set forth in Sections 6.02 and 6.10, (v) covenant and agree with Atmos to deliver to Atmos on the Closing Date the certificate(s) representing the Company Shares owned by such Permitted Transferee in accordance with Section 3.01(a)(vi), (vi) covenant and agree to deliver to Atmos on the Closing Date the items set forth in Sections 8.03, 8.09, 8.10, 8.11 and 8.12 (substantially to the effect set forth on Exhibit D-3), (vii) agree to indemnify Atmos and its directors, officers, employees, stockholders and Affiliates in accordance with the provisions of Article 11 to the extent of the Purchase Price received by such Permitted Transferee, and (viii) consent to jurisdiction in the manner set forth in Section 14.10..

6.05 Conduct of Business. The Shareholders will cause the Company and the Subsidiaries to conduct business only in the ordinary course. Without limiting the generality of the foregoing, the Shareholders will cause the Company and the Subsidiaries to use commercially reasonable efforts, to (a) preserve intact the present business organization and reputation of the Company and the Subsidiaries in all material respects, (b) keep available (subject to dismissals and retirements in the ordinary course of business) the services of the key officers and employees of the Company and the Subsidiaries, (c) maintain the Assets and Properties of the Company and the Subsidiaries in working order and condition consistent with past custom and practice, ordinary wear and tear excepted, (d) maintain the good will of key customers, suppliers, insurers, regulators and lenders and other Persons with whom the Company or any Subsidiary otherwise has significant business relationships, (e) maintain in full force and effect insurance coverage from insurers, in amounts and on other terms no less favorable to the Company and the Subsidiaries than the insurance coverage in effect on the date hereof and timely provide all notices, make all claims and otherwise administer such insurance coverage so as to provide the Company and the Subsidiaries the full benefits of such insurance coverage in accordance with the terms thereof; and (f) vigorously and diligently prosecute and defend all Actions and Proceedings, and all claims that might give use to any Action or Proceeding. In addition, the Shareholders will cause the Company and the Subsidiaries to advise, and upon the

reasonable request by Atmos, confer with, Atmos concerning operational matters of a material nature, including risk management matters. Conferences shall be held during normal business hours, and only to the extent that they do not unreasonably interfere with the business and operations of the Company and the Subsidiaries.

6.06 Financial Statements and Reports.

(a) As promptly as practicable and in any event no later than 45 days after the end of each fiscal quarter ending after the date hereof and before the Closing Date (other than the fourth quarter) or 90 days after the end of each fiscal year ending after the date hereof and before the Closing Date, as the case may be, the Shareholders will cause the Company to deliver to Atmos true and complete copies of (in the case of any such fiscal year) the audited and (in the case of any such fiscal quarter) the unaudited consolidated balance sheet, and the related audited or unaudited consolidated statements of operations, shareholders' equity and cash flows, of the Company and its consolidated subsidiaries, in each case as of and for the fiscal year then ended or as of and for each such fiscal quarter and the portion of the fiscal year then ended, as the case may be, together with the notes, if any, relating thereto, which financial statements shall be prepared on a basis consistent with the audited financial statements referred to in Section 4.08.

(b) As promptly as practicable, the Shareholders will cause the Company to deliver to Atmos true and complete copies of such regularly-prepared operating statements as may be prepared by the Shareholders, the Company or any Subsidiary consistent with prior custom and practice relating to the business or operations of the Company or any Subsidiary.

(c) The Shareholders will cause the Company to furnish to Atmos such additional consolidated financial statements of the Company and the Subsidiaries as may be required or, in the judgment of Atmos, are advisable to be filed by Atmos in accordance with Regulation S-X under the Securities Act prior to the Closing Date.

(d) All Financial Statements shall meet the requirements for the Financial Statements delivered pursuant to Section 4.08 as represented and warranted in such Section.

6.07 Certain Restrictions. Unless otherwise consented to in writing by Atmos or expressly permitted in the Disclosure Schedule, the Shareholders will cause the Company and the Subsidiaries to refrain from:

(a) amending the certificates or articles of incorporation or bylaws (or other comparable corporate charter documents) of the Company and the Subsidiaries or taking any action with respect to any such amendment or any recapitalization, reorganization, liquidation or dissolution of the Company and the Subsidiaries;

(b) authorizing, issuing, selling or otherwise disposing of any shares of capital stock of or any Option with respect to the Company or any Subsidiary, or modifying or amending any right of any holder of outstanding shares of capital stock of or Option with respect to the Company or any Subsidiary;

(c) (i) declaring, setting aside or paying any dividend or other distribution in respect of the capital stock of the Company or any Subsidiary not wholly owned, directly or indirectly, by the Company, or (ii) directly or indirectly redeeming, purchasing or otherwise acquiring any capital stock of or any Option with respect to the Company or any Subsidiary not wholly owned, directly or indirectly, by the Company; provided that the Company may continue to pay quarterly cash dividends (which dividends are payable in arrears following the end of each fiscal quarter) consistent with past practice at the rate of $500,000 with respect to each fiscal quarter (or with respect to the Company's first fiscal quarter, $700,000);

(d) acquiring or disposing of, or incurring any Lien (other than a Permitted Lien) on, any material Assets and Properties, other than (i) as contemplated by the Budget or (ii) in the ordinary course of business consistent with past practices provided Atmos has consented thereto in writing, which consent shall not be unreasonably withheld or delayed; provided that the Company may continue to conduct negotiations in connection with, enter into agreements with respect to, and proceed with construction of, a pipeline intended to expand the Company's supply capabilities into the Tupelo, Mississippi market, so long as all expenditures in connection with such pipeline do not exceed $20,000,000 in the aggregate for the life of the project (the "Tupelo Pipeline") and are consistent with the Company's original estimates of capital expenditures for the project previously provided to Atmos; and provided further that the Company may dispose of its one-third interest in a King Air twin-engine turboprop C90 airplane, whether in the form of a dividend to shareholders or any other means, on terms customary therefor that are not adverse to the Company in any material respect, and regardless of the consideration received therefor;

(e) other than in the ordinary course of business consistent with past practice, entering into, amending, modifying, terminating (partially or completely), granting any waiver under or giving any consent with respect to any material Contract or License; provided (i) that the Company and the Subsidiaries may enter into, modify, amend or terminate any material Contract or License relating to gas supply, pipeline transportation and storage as long as (A) such Contract or License (1) with respect to gas supply, ensures a reasonably adequate supply of gas for ongoing operations on commercially reasonable terms, (2) with respect to transportation, ensures that the Company will have a reasonably proper amount of transportation capacity on commercially reasonable terms, and (3) with respect to storage, provides that the Company's gas storage facilities are supplied with a reasonable amount of gas on commercially reasonable terms, considering the time of year such facilities are to be utilized, and (B) such Contract or License does not result in the Company having outstanding hedge positions at any time that are speculative or inconsistent with (1) any applicable MPSC order in effect or (2) any existing Company policy, and (ii) the Company may enter into Contracts with blanket contractors and construction contractors to the extent required to effect the capital expenditures contemplated by the Budget consistent with past practice; provided further that the Company and the Subsidiaries may not enter into any such Contract or License for a term greater than one year or extend the term of any such Contract or License for more than one year;

(f) (i) voluntarily incurring Indebtedness; provided that the Company and the Subsidiaries may incur Indebtedness that does not provide for any prepayment penalty and which is incurred (A) in the ordinary course of business consistent with past practice to finance working

capital, or (B) as reasonably required to finance the expenditures contemplated by the Budget, including all expenditures in connection with the Tupelo Pipeline or (ii) other than in the ordinary course of business consistent with past practice, purchasing, canceling, prepaying or otherwise providing for a complete or partial discharge in advance of a scheduled payment date with respect to, or waiving any right under, any Indebtedness in an aggregate principal amount exceeding $100,000 (in either case other than Indebtedness of the Company or a Subsidiary owing to the Company or a wholly-owned Subsidiary);

(g) engaging with any Person in any merger or other business combination;

(h) other than as contemplated by the Budget, making capital expenditures or commitments for additions to property, plant or equipment constituting capital assets in an aggregate amount exceeding $1,000,000, except as may be required by Law or deemed necessary in the exercise of Good Utility Practice;

(i) except to the extent required by applicable Law or GAAP, making any material change in (A) any pricing, investment, accounting, financial reporting, inventory, credit, allowance or Tax practice or policy, or (B) any method of calculating any bad debt, contingency or other reserve for accounting, financial reporting or Tax purposes;

(j) making any change in its fiscal year;

(k) engaging in any activities which would cause a change in its status, or that of its Subsidiaries, under PUHCA, including any action or inaction that would cause the prior approval of the SEC under PUHCA to be required for the consummation of the transactions contemplated hereby;

(l) enter into any new line of business or expand any immaterial line of business as of the date hereof beyond the activities required by Contracts in existence as of the date hereof;

(m) agreeing or consenting to any material agreements or modifications of material existing agreements with any Government or Regulatory Authority, including its rate agreement with the MPSC (including its allowed rate of return, purchased gas adjustments or weather normalization adjustments), in respect of the operations of their businesses, it being acknowledged and agreed that the Company's allowed rate of return, which is determined using an agreed-upon formula, may fluctuate as a result of the application of such formula;

(n) other than a settlement with respect to the Clarksdale Lawsuit in an amount not to exceed the Clarksdale Settlement Amount and on non-monetary terms that could not be reasonably expected to be materially adverse to the Company, settling any Action or Proceeding, or any claim that might give rise to any Action or Proceeding, except to the extent such settlements are covered by insurance (less a deductible not exceeding $250,000 as to any occurrence (within the meaning of the applicable insurance policy)) and on terms that could not be reasonably expected to be materially adverse to the continuing insurance coverage and risk management strategy of the Company and the Subsidiaries;

(o) taking any action that is reasonably expected to cause the representations and warranties of the Shareholders in Article IV not to be true and correct on and as of the Closing Date, except as expressly contemplated by any of the foregoing; or

(p) entering into any Contract to do or engage in any of the foregoing.

6.08 Employee Matters.

(a) Except as may be required by Law or as expressly permitted in the Disclosure Schedule, the Shareholders will cause the Company and the Subsidiaries to refrain from:

(i) making any increase in the salary, wages or other compensation of any officer or employee of the Company or any Subsidiary, other than increases which are consistent with the prior practice and policy of the Company;

(ii) adopting, entering into or becoming bound by any Benefit Plan, employment-related Contract or collective bargaining agreement, or amending or modifying (in any material respect) or terminating (partially or completely) any Benefit Plan, employment-related Contract or collective bargaining agreement; provided that the foregoing is not intended to restrict the Company's ability to hire and terminate employees in the ordinary course of business consistent with past practice; or

(iii) except as consistent with the prior practices and policies of the Company, establishing or modifying any (A) targets, goals, pools or similar provisions in respect of any fiscal year under any Benefit Plan, employment-related Contract or other employee compensation arrangement or (B) salary ranges, increase guidelines or similar provisions in respect of any Benefit Plan, employment-related Contract or other employee compensation arrangement, except for published salary information.

(b) The Shareholders will cause the Company and the Subsidiaries to administer each Benefit Plan, or cause the same to be so administered, in all material respects in accordance with the applicable provisions of the Code, ERISA and all other applicable Laws. The Shareholders will promptly notify Atmos in writing of any receipt by the Shareholders, the Company or any Subsidiary (and furnish Atmos with copies) of any notice of investigation or administrative proceeding by the IRS, DOL, PBGC or other Person involving any Benefit Plan, or any notice by the Company or any Subsidiary to the IRS or the DOL regarding any voluntary compliance procedures with respect to any Benefit Plan.

(c) The Shareholders will cause the Company's Gratuitous Pay Plan to be terminated prior to Closing and shall pay to or for the benefit of those employees with 10 or more years of continuous service with the Company at termination of the Plan, an amount equal to the severance benefits those employees would have been entitled to receive if they had terminated employment at the termination of such Plan.

6.09 Notification of Certain Matters. The Shareholders shall give prompt notice to Atmos of (i) the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect, or (ii) any failure of the Shareholders or the Company materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.09 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

6.10 Certain Prohibited Sales. Prior to the Closing Date, the Shareholders shall not, and shall cause the Company or any Person acting on their behalf or for their benefit not to, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Atmos Common Stock or securities convertible into or exchangeable or exercisable for any Atmos Common Stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Atmos Common Stock, whether any such aforementioned transaction is to be settled by delivery of the Atmos Common Stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement.

6.11 Note Purchase Agreements. For each Contract set forth in Section 4.16(a)(iv)(1) of the Disclosure Schedule, the Shareholders and the Company will use commercially reasonable efforts to cooperate with Atmos in obtaining an irrevocable waiver of the debt limitation restrictions provided therein on terms reasonably acceptable to Atmos.

6.12 Fulfillment of Conditions. The Shareholders will, and will cause the Company to, take all commercially reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the obligations of Atmos contained in this Agreement and will not, and will not permit any Subsidiary to, take or fail to take any action that could reasonably be expected to result in the nonfulfillment of any such condition. Nothing contained in this Section 6.12 shall require the Shareholders or the Company to institute or defend any Action or Proceeding, make any material payment or incur any economic burden, dispose of any material asset or business or suffer any material detriment, including any change in the applicable rates or tariffs of the business of the Company or the imposition of any other materially adverse term or condition on the business or the Assets and Properties of the Company and the Subsidiaries.

ARTICLE VII
COVENANTS OF ATMOS

Atmos covenants and agrees with the Shareholders and any Permitted Transferees that, at all times from and after the date hereof, Atmos will comply with all covenants and provisions of this Article VII, except to the extent the Shareholders and the Company may otherwise consent in writing.

7.01 Regulatory and Other Approvals. Atmos will as promptly as practicable (a) take all commercially reasonable steps necessary or desirable to obtain all consents, approvals or actions of, make all filings with and give all notices to Governmental or Regulatory Authorities or any other Person required of Atmos to consummate the transactions contemplated hereby, including those described in Schedules 5.03 and 5.04 hereto, (b) provide such other information and communications to such Governmental or Regulatory Authorities or other Persons as such Governmental or Regulatory Authorities or other Persons may reasonably request in connection therewith and (c) provide reasonable cooperation to the Shareholders, the Company and the Subsidiaries in connection with the performance of their obligations under Sections 6.01 and 6.02. Atmos will provide prompt notification to the Shareholders when any such consent, approval, action, filing or notice referred to in clause (a) above is obtained, taken, made or given, as applicable, and will advise the Shareholders of any communications (and, unless precluded by Law, provide copies of any such communications that are in writing) with any Governmental or Regulatory Authority or other Person regarding any of the transactions contemplated by this Agreement.

7.02 HSR Filings. In addition to and without limiting Atmos's covenants contained in Section 7.01, Atmos will (i) take promptly all actions necessary to make the filings required of Atmos or its Affiliates under the HSR Act, (ii) comply at the earliest practicable date with any request for additional information received by Atmos or its Affiliates from the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and (iii) cooperate with the Shareholders in connection with the Shareholders' or the Company's filing under the HSR Act and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement commenced by either the Federal Trade Commission or the Antitrust Division of the Department of Justice or state attorneys general.

7.03 Investigation by Shareholders. Atmos will (a) provide the Shareholders and their Representatives with full access, upon reasonable prior notice and during normal business hours, to all officers, employees, agents and accountants of Atmos and its subsidiaries and their Assets and Properties and Books and Records, but only to the extent that such access does not unreasonably interfere with the business and operations of Atmos and its subsidiaries, and (b) furnish the Shareholders and such other Persons with all such information and data concerning the business operations of Atmos and its subsidiaries as the Shareholders or any of such other Persons reasonably may request in connection with such investigation, except to the extent that furnishing any such information or data would violate any Law, Order, Contract or License applicable to Atmos or any of its subsidiaries or by which any of their respective Assets and Properties is bound.

7.04 Employees, Compensation and Benefits.

(a) Atmos, in its sole discretion, shall determine the job titles and duties of all of the employees of the Company and its Subsidiaries immediately prior to the Effective Time (the "Assumed Employees") and, except as otherwise required by any collective bargaining agreement, shall provide compensation and employee benefits to such Assumed Employees which are comparable to the compensation and employee benefits provided to all other non-[illegible] employees of Atmos.

(b) Any Assumed Employee who continues his or her employment with Atmos and who was a participant in a Benefit Plan and any former employee of the Company or any Subsidiary and who was a participant in a Benefit Plan may continue to participate in such Benefit Plan so long as such Plan is maintained by Atmos or one of its subsidiaries; provided, however, that Atmos, in its sole discretion, shall have the right, subject to the terms of any applicable collective bargaining agreement, to merge or terminate any such Benefit Plan and to transfer such Assumed Employees or former employees to another employee plan or program which is maintained by Atmos or one of its subsidiaries.

(c) Atmos shall credit all Assumed Employees (i) with their period of employment with the Company or any of the Subsidiaries for eligibility, participation and vesting (but not benefit accrual) purposes in any employee plan or program maintained by Atmos or one of its subsidiaries and for which such employees are eligible and (ii) for any co-payments and deductibles paid during the current plan year and prior to the Closing Date in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans in which such employees are eligible to participate after the Closing Date and during the current plan year of such welfare plans (it being understood that Assumed Employees who continue to be covered under any Benefit Plan shall not, during the period of such coverage, be eligible to participate in any other employee plan or program which provides the same or similar benefits and which is maintained by Atmos or one of its subsidiaries).

(d) Except as otherwise provided in this Section 7.04 and Section 7.05, it is expressly understood by the parties hereto that Atmos makes no commitment for the maintenance and continuation after the Closing of any Benefit Plan or the provisions of any particular benefits for any Assumed Employee or former employee of the Company or any of its Subsidiaries.

7.05 Severance Policy and Other Agreements.

(a) Except as otherwise provided in Section 7.05(b), Atmos may, in its sole discretion, terminate any standard severance policy covering any Assumed Employees or former employees of the Company or any of the Subsidiaries; provided that Atmos shall make available severance benefits to such employees on a basis which is consistent with the past practice of Atmos in connection with acquisitions.

(b) Following the Closing Date, Atmos shall honor or cause to be honored all severance agreements and employment-related Contracts between the Company and its directors, officers or employees that are listed in Section 7.05 of the Disclosure Schedule.

7.06 Directors' and Officers' Indemnification and Insurance.

(a) From and after the Closing Date and until the sixth anniversary of the Closing Date and for so long thereafter as any claim for indemnification asserted on or prior to such date has not been fully adjudicated, Atmos shall, to the fullest extent permitted by Law and the Articles of Incorporation and Bylaws of Atmos as of the date hereof (but not in excess of the

extent permitted by the certificates or articles of incorporation and the bylaws (or other comparable charter documents) of the Company and the Subsidiaries as of the date hereof), to indemnify, defend and hold harmless each Person who is now, or has been at any time prior to the date hereof or who becomes prior to the Closing Date, a director or officer of the Company or any of the Subsidiaries (the "Indemnified Agents") against all losses, claims, damages, costs and expenses (including reasonable attorneys' fees), liabilities, judgments and settlement amounts that are paid or incurred in connection with any claim, action, suit, proceeding or investigation (whether civil, criminal, administrative or investigative and whether asserted or claimed prior to, at or after the Closing Date) that is based on, or arises out of, the fact that such Indemnified Agent is or was a director or officer of the Company or any of its Subsidiaries and relates to or arises out of any action or omission occurring on or prior to the Closing Date ("Indemnified Liabilities"); provided that Atmos shall not be liable for any settlement of any claim effected without its written consent. Any Indemnified Agent wishing to claim indemnification under this Section 7.06, upon learning of any such claim, action, suit, proceeding or investigation, shall notify Atmos, but the failure so to notify Atmos shall not relieve Atmos from any liability which it may have under this paragraph except to the extent such failure prejudices Atmos. The Indemnified Agents as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Indemnified Agents, in which case the Indemnified Agents may retain more than one law firm.

(b) Atmos shall, until the sixth anniversary of the Closing Date and (if required for coverage thereof) for so long thereafter as any claim for insurance coverage asserted on or prior to such date has not been fully adjudicated, cause to be maintained in effect, to the extent available, the policies of directors' and officers' liability insurance maintained by the Company and the Subsidiaries as of the date hereof ($25,000,000 in coverage with a $100,000 deductible), or policies of at least the same coverage and amounts containing terms that are no less advantageous to the insured parties, with respect to claims arising from facts or events that occurred on or prior to the Closing Date; provided that in no event shall Atmos be obligated to expend in order to maintain or procure insurance coverage pursuant to this Section 7.06(b) any amount per annum in excess of 150% of the aggregate premiums payable by the Company and the Subsidiaries in 2000 (on an annualized basis) for such purpose.

7.07 Listing of Stock. Atmos shall use commercially reasonably efforts to cause the Atmos Shares to be listed, upon official notice of issuance, on each national securities exchange on which the Atmos Common Stock is traded, on or prior to the Closing Date.

7.08 Fulfillment of Conditions. Atmos will take all commercially reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the obligations of the Shareholders contained in this Agreement and will not take or fail to take any action that could reasonably be expected to result in the nonfulfillment of any such condition. Nothing contained in Section 7.01 or 7.02 or in this Section 7.08 shall require Atmos or any of its subsidiaries to institute or defend any Action or Proceeding, make any material payment or incur any economic burden, dispose of any material asset or business or suffer any material detriment, including any change in the applicable rates or tariffs of its business or the business of the Company and the Subsidiaries or the imposition of any other materially adverse

term or condition on the business or the Assets or Properties of Atmos or its subsidiaries or the Company or the Subsidiaries.

7.09 Environmental Due Diligence.

(a) All environmental due diligence (including employee interviews and sampling of any media or wastewater) conducted by Atmos shall be conducted in accordance with this Section 7.09. All activities of Atmos regarding environmental due diligence shall be conducted to minimize any inconvenience or interruption of the business of the Company and the Subsidiaries.

(b) Atmos shall provide to the Shareholders or to the Shareholders' counsel, copies of all reports, assessments and other information composed or compiled by Atmos or Atmos's environmental consultant(s) promptly following Atmos's receipt thereof. Atmos shall treat all such information delivered to, or composed or compiled by, Atmos or Atmos's environmental consultant(s) as Environmental Data in accordance with the procedures of this Section 7.09.

(c) Prior to the Closing, neither Atmos nor its environmental consultant(s) shall disclose or release any audits, reports and studies delivered to or prepared by Atmos and any other information collected and generated as a result of Atmos's environmental due diligence ("Environmental Data") without the prior written consent of the Shareholders and all such information shall be kept strictly confidential. Atmos expressly agrees that until the Closing, it will not distribute the Environmental Data to any third party without the Shareholders' prior written consent.

(d) Atmos may retain one or more outside environmental consultants to assist in its environmental due diligence concerning the Assets and Properties of the Company and the Subsidiaries and shall notify the Shareholders of the environmental consultant or consultants Atmos intends to retain. Thereafter, the Shareholders shall have five Business Days after receipt of such notification to notify Atmos in writing of the Shareholders' objection (which must be based upon reasonable grounds) and substantiate the basis for that objection. If the Shareholders do not so object within such five Business Day period, the Shareholders shall be deemed to have consented to Atmos's selection.

(e) Atmos may conduct, at its sole expense, Phase I "environmental assessment activities" (within the meaning of the applicable ASTM standards) with respect to the Assets and Properties of the Company and the Subsidiaries, and upon reasonable advance notice shall be afforded access to existing environmental reports in the possession of the Shareholders, the Company or any Subsidiary, relevant correspondence, permits issued under Environmental Laws and related materials regarding the Assets and Properties of the Company and the Subsidiaries and all other Phase I activities as set forth in the ASTM protocol regarding Phase I assessments. Any permitted Phase I environmental assessment activities shall not include any sampling or intrusive testing. All Phase I environmental assessment activities shall be conducted in accordance with ASTM standards regarding Phase I assessments. Upon completion of such Phase I assessment activities, Atmos's environmental consultant(s) may prepare and deliver to

Atmos a written report with respect thereto (consistent with the procedures and standards set forth in this Section 7.09.

(f) Prior to Closing, Atmos may not conduct any Phase II environmental assessment activities with respect to the Assets and Properties of the Company and the Subsidiaries (including the taking and analysis of soil, surface water and groundwater samples, testing of buildings, drilling wells, taking soil borings and excavating) without the prior written consent of the Shareholders, which consent may be withheld, conditioned or delayed by the Shareholders in their sole discretion.

(g) Atmos may conduct, at its sole expense, asbestos survey activities with respect to the Assets and Properties of the Company and the Subsidiaries, including reviewing existing reports, correspondence and other related documents, inspecting individual sites and collecting samples of suspected asbestos-containing materials; provided that such sampling activities do not adversely affect property value, appearance or integrity and such sampling locations are repaired and restored to substantially their original condition. These asbestos survey activities shall be conducted in accordance with the provisions of Section 7.09(e).

(h) Notwithstanding the foregoing, if prior to Closing the Shareholders, the Company or any Subsidiary receives notice of any Action or Proceeding, pending or threatened, arising under Environmental Laws or if any of the Shareholders or the Company otherwise acquires knowledge that is reasonably likely to require a change to the Disclosure Schedule, the Shareholders promptly shall notify Atmos of the same and Atmos may request that the Shareholders authorize Atmos to conduct specific additional environmental due diligence measures if and to the extent that such measures are required to determine the extent of any potential environmental liability relating thereto. Such authorization shall not be unreasonably withheld, conditioned or delayed by the Shareholders. Any such additional environmental due diligence shall be conducted at Atmos's sole expense.

(i) Atmos hereby agrees to indemnify and hold harmless the Shareholders, the Shareholders' Affiliates and their respective officers, directors, employees, agents, successors and assigns from and against any and all Losses with respect to personal injury or property damage arising out of or in connection with any site visit by Atmos or its environmental consultant(s) and resulting from an act or omission of Atmos or its environmental consultant(s), including any breach of this Agreement, in the course of its environmental inspections.

7.10 Note Purchase Agreements. In the event that the Shareholders and the Company are unable to obtain, for any Contract set forth in Section 4.16(a)(iv)(1) of the Disclosure Schedule, an irrevocable waiver of the debt limitation restrictions provided therein on terms reasonably acceptable to Atmos, then Atmos shall, on the Closing Date, repay in full the indebtedness issued pursuant thereto in accordance with the terms thereof.

ARTICLE VIII
CONDITIONS TO OBLIGATIONS OF ATMOS

The obligation of Atmos under this Agreement to purchase the Company Shares is subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Atmos in its sole discretion):

8.01 Representations and Warranties. (a) The representations and warranties made by the Shareholders in this Agreement shall be true and correct in all material respects as of the date hereof; (b) the representations and warranties made by the Shareholders in Sections 4.09 and 4.12 shall be true and correct in all material respects on and as of the Closing Date as though made on and as of the Closing Date; and (c) the representations and warranties made by the Shareholders in this Agreement (other than Sections 4.09 and 4.12) shall be true and correct (without regard to any materiality limitations or qualifications set forth therein) on and as of the Closing Date as though made on and as of the Closing Date, except to the extent that any failure of such representations and warranties to be true and correct on account of actions, events or conditions arising after the date hereof, individually or in the aggregate, could not reasonably be expected to be materially adverse to the Business or Condition of the Company or to the Shareholders' ability to consummate the transactions contemplated hereby; provided that the truth and correctness of representations and warranties made as of a specified date earlier than the date hereof shall be determined only on and as of such earlier date; provided further that the condition provided in clause (a) above with respect to any representation and warranty shall be deemed satisfied if such representation and warranty is true and correct in all material respects as of the Closing Date.

8.02 Performance. The Shareholders and the Company shall have performed and complied with, in all material respects, the agreements, covenants and obligations required by this Agreement to be so performed or complied with by the Shareholders and the Company at or before the Closing.

8.03 Bring-Down Certificate. Each Shareholder and the Company shall have delivered to Atmos a certificate, dated the Closing Date and executed in its name and on its behalf by a duly authorized representative, certifying as to the compliance by it with Sections 8.01 and 8.02.

8.04 Orders and Laws. There shall not be in effect on the Closing Date any Order or Law restraining, enjoining or otherwise prohibiting or making illegal or providing for damages or other relief in respect of the consummation of any of the transactions contemplated by this Agreement, and there shall not be pending or threatened in writing any Action or Proceeding by any Governmental or Regulatory Authority seeking any such Order.

8.05 Regulatory Consents and Approvals. The MPSC shall have issued an Order approving the transactions contemplated hereby; such Order shall not contain any restrictions, conditions or other provisions (other than those in effect on the date hereof or requiring that the regulatory treatment with respect to the business of the Company and the Subsidiaries in existence as of the date hereof be continued following the Closing) that are

materially adverse to the conduct of the business of the Company and the Subsidiaries as operated on the date hereof; the other terms and conditions of such Order shall not be materially adverse to Atmos; and such Order shall have become final. In addition, all consents, approvals and actions of, filings with and notices to any other Governmental or Regulatory Authority necessary to permit Atmos, the Company and the Shareholders to perform their obligations under this Agreement and to consummate the transactions contemplated hereby shall have been duly obtained, made or given on terms not materially adverse to Atmos and shall be in full force and effect, and all terminations or expirations of waiting periods imposed by any Governmental or Regulatory Authority necessary for the consummation of the transactions contemplated by this Agreement, including under the HSR Act, shall have occurred.

8.06 Third Party Consents. The consents (or in lieu thereof waivers) listed in Schedule 8.06 hereto shall have been obtained and shall be in full force and effect.

8.07 Certificates. The Shareholders shall have delivered the certificates representing the Company Shares as contemplated in Section 2.02.

8.08 Resignations of Directors. The members of the boards of directors of the Subsidiaries shall have tendered, effective at the Closing, their resignations as such directors.

8.09 Escrow Agreement. Each of the Shareholders and the Escrow Agent shall have executed and delivered the Escrow Agreement.

8.10 Standstill Agreement. Each of the Shareholders shall have executed and delivered the Standstill Agreement substantially in the form of Exhibit B hereto.

8.11 Releases. The Shareholders shall have delivered the Releases of the Company and the Subsidiaries substantially in the form of Exhibit C hereto.

8.12 Closing Opinions. The Shareholders shall have delivered to Atmos the opinions of Milbank, Tweed, Hadley & McCloy LLP, Forman Perry Watkins Krutz & Tardy, PLLC, and their respective counsel substantially to the effect set forth on Exhibits D-1, D-2, D-3 and D-4, respectively.

ARTICLE IX
CONDITIONS TO OBLIGATIONS OF SHAREHOLDERS

The obligation of each of the Shareholders under this Agreement to effect the sale of the Company Shares to Atmos is subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by the Shareholders in their sole discretion):

9.01 Representations and Warranties. The representations and warranties made by Atmos in this Agreement (a) shall be true and correct in all material respects as of the date hereof and (b) shall be true and correct (without regard to any materiality limitations or qualifications set forth herein) on and as of the Closing Date as though made on and as of the

Closing Date, except to the extent that any failure of such representations and warranties to be true and correct on account of actions, events, or conditions arising after the date hereof, individually or in the aggregate, could not reasonably be expected to be materially adverse to the business, assets, liabilities, financial condition, results of operations or prospects of Atmos and its subsidiaries taken as a whole or to Atmos's ability to consummate the transactions contemplated hereby; provided that the truth and correctness of representations and warranties made as of a specified date earlier than the date hereof shall be determined only on and as of such earlier date ; provided further that the condition provided in clause (a) above with respect to any representation and warranty shall be deemed satisfied if such representation and warranty is true and correct in all material respects as of the Closing Date.

9.02 Performance. Atmos shall have performed and complied with, in all material respects, the agreements, covenants and obligations required by this Agreement to be so performed or complied with by Atmos at or before the Closing.

9.03 Bring-Down Certificate. Atmos shall have delivered to the Shareholders a certificate, dated the Closing Date and executed in the name and on behalf of Atmos by a duly authorized officer, certifying as to the compliance by it with Sections 9.01 and 9.02.

9.04 Orders and Laws. There shall not be in effect on the Closing Date any Order or Law restraining, enjoining or otherwise prohibiting or making illegal or providing for damages or other relief in respect of the consummation of any of the transactions contemplated by this Agreement, and there shall not be pending or threatened in writing any Action or Proceeding by any governmental or Regulatory Authority seeking any such Order.

9.05 Regulatory Consents and Approvals. All consents, approvals and actions of, filings with and notices to any other Governmental or Regulatory Authority necessary to permit the Shareholders, the Company and Atmos to perform their obligations under this Agreement and to consummate the transactions contemplated hereby shall have been duly obtained, made or given and shall be in full force and effect, and all terminations or expirations of waiting periods imposed by any Governmental or Regulatory Authority necessary for the consummation of the transactions contemplated by this Agreement, including under the HSR Act, shall have occurred.

9.06 Third Party Consents. The consents (or in lieu thereof waivers) listed in Schedule 9.06 shall have been obtained and shall be in full force and effect.

9.07 Escrow Agreement. Atmos and the Escrow Agent shall each have executed and delivered the Escrow Agreement.

9.08 Registration Rights Agreement. Atmos shall have executed and delivered the Registration Rights Agreement substantially in the form of Exhibit E hereto.

9.09 Closing Opinions. Atmos shall have delivered to the Shareholders the opinions of Gibson, Dunn & Crutcher LLP and Hunton & Williams substantially to the effect set forth on Exhibits F-1 and F-2, respectively.

9.10 Listing. The Atmos Shares shall have been duly authorized for listing on the New York Stock Exchange (and any other national securities exchange on which the Atmos Common Stock is then listed), subject to official notice of issuance.

ARTICLE X
SURVIVAL; NO OTHER REPRESENTATIONS

10.01 Survival of Representations, Warranties, Covenants and Agreements. Except as provided in the following sentence, the representations and warranties contained in this Agreement will survive the Closing and any investigation by the parties hereto for a period of one year from the Closing Date. The representations and warranties contained in Section 4.03 will survive the Closing and any investigation by the parties hereto without time limit. Except as provided in the following sentence, the covenants and agreements of the parties hereto contained in this Agreement will survive the Closing and any investigation of the parties hereto without time limit. The covenants and agreements of the Shareholders and the Company contained in Article VI and of Atmos contained in Article VII (other than Sections 7.04, 7.05, 7.06 and 7.09(i)) will survive the Closing for a period of one year from the Closing Date. Notwithstanding anything in this Section 10.01 to the contrary, any representation, warranty, covenant or agreement that would otherwise terminate in accordance with this Section 10.01 will continue to survive if a Claim Notice or Indemnity Notice (as applicable) shall have been timely given in good faith based on facts reasonably expected to establish a valid claim under Article XI on or prior to such termination date (but only with respect to the claim that is the subject of such Claim Notice or Indemnity Notice), until the related claim for indemnification has been satisfied or otherwise resolved as provided in Article XI.

10.02 No Other Representations. Notwithstanding anything to the contrary contained in this Agreement, it is the explicit intent of each party hereto that neither the Shareholders nor Atmos is making any representation or warranty whatsoever, express or implied, at law or in equity, whether under contract, tort or other applicable Law, (a) in respect of the Company, the Subsidiaries, or any of their respective Assets and Properties, liabilities or operations, in the case of the Shareholders, or (b) in respect of Atmos and its subsidiaries, or any of their respective Assets and Properties, liabilities, or operations, in the case of Atmos, except those representations and warranties contained in this Agreement. Atmos acknowledges that to the extent the transactions contemplated herein are construed as the transfer of Assets and Properties of the Company and its Subsidiaries, such transfer of Assets and Properties is with no warranty whatsoever, whether express or implied, other than as expressed in Article IV, the Disclosure Schedule or in any certificate or agreement delivered pursuant to this Agreement, including those pertaining to habitability, merchantability or fitness for a particular purpose, as well as any warranty against apparent or latent defects of any type. In addition, neither the Shareholders nor Atmos make any representation or warranty with respect to (i) the information set forth in the confidential offering memorandum dated October, 2000, or (ii) any financial projection or forecast.

ARTICLE XI
INDEMNIFICATION

11.01 Indemnification.

(a) Subject to Section 11.01(c) and the other Sections of this Article XI, the Shareholders shall, jointly and severally, indemnify Atmos and its directors, officers, employees, stockholders and Affiliates in respect of, and hold each of them harmless from and against, any and all Losses suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from, arising out of or relating to the following:

(i) any breach or inaccuracy of any representation or warranty or any nonfulfillment of or failure to perform any covenant or agreement on the part of the Shareholders contained in this Agreement;

(ii) the Clarksdale Lawsuit to the extent that such Losses exceed the sum of the Clarksdale Settlement Amount plus any adjustment in the Purchase Price in respect thereof pursuant to Section 1.03(b); and

(iii) the Flash Fire / Explosion Claims for occurrences (within the meaning of the Company's insurance policies listed in the Disclosure Schedule) of injury to persons or property prior to the Closing Date to the extent the Losses therefrom are not funded with proceeds from the Company's insurance policies listed in the Disclosure Schedule or any Replacement Policy and which exceed $250,000 per occurrence plus any adjustment in the Purchase Price in respect thereof pursuant to Section 1.03(c).

(b) Subject to Section 11.01(c) and the other Sections of this Article XI, Atmos shall indemnify each of the Shareholders and Permitted Transferees and their respective directors, officers, employees, fiduciaries, stockholders and Affiliates in respect of, and hold each of them harmless from and against, any and all Losses suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from, arising out of or relating to any breach or inaccuracy of representation or warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of Atmos contained in this Agreement.

(c) Notwithstanding anything to the contrary contained in this Agreement, no amounts of indemnity shall be payable as a result of any claim in respect of a Loss arising under Section 11.01 (a)(i) or (b):

(i) in the case of any claim for a Loss in respect of a breach or inaccuracy of any representation or warranty (other than a representation or warranty contained in Section 4.03 or 4.09), unless, until and then only to the extent that the Indemnified Party has suffered, incurred, sustained or become subject to aggregate Losses in respect of all breaches or inaccuracies of such representations and warranties in excess of $1,000,000; or

(ii) unless the Indemnified Party has given the Indemnifying Party a Claim Notice or Indemnity Notice, as applicable, with respect to such claim, setting forth

in reasonable detail the specific facts and circumstances pertaining thereto, prior to the applicable Cut-off Date, if any.

11.02 Method of Asserting Claims. All claims for indemnification by any Indemnified Party under Section 11.01 will be asserted and resolved as follows:

(a) In the event any claim or demand in respect of which an Indemnified Party might seek indemnity under Section 11.01 is asserted against or sought to be collected from such Indemnified Party by a Person other than any of the Shareholders or Atmos or any of their respective Affiliates (a "Third Party Claim"), the Indemnified Party shall deliver a Claim Notice with reasonable promptness to the Indemnifying Party and the failure to do so shall not relieve the Indemnifying Party of its obligations in respect thereof except to the extent it is materially harmed thereby. The Indemnifying Party will notify the Indemnified Party as soon as practicable within the Dispute Period whether the Indemnifying Party disputes its liability to the Indemnified Party under Section 11.01 and whether the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third Party Claim.

(i) If the Indemnifying Party notifies the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Indemnified Party with respect to the Third Party Claim pursuant to this Section 11.02(a), then the Indemnifying Party will have the right to defend, at the sole cost and expense of the Indemnifying Party, such Third Party Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted by the Indemnifying Party to a final conclusion or will be settled at the discretion of the Indemnifying Party (without the consent of the Indemnified Party if a full release is obtained by the Indemnified Party and all amounts payable in the settlement are paid by the Indemnifying Party, but only with the consent of the Indemnified Party in any other case, including the case of any settlement that provides for any relief other than the payment of monetary damages). The Indemnifying Party will have full control of such defense and proceedings, including (except as provided in the immediately preceding sentence) any settlement thereof; provided, however, that the Indemnified Party may, at the sole cost and expense of the Indemnified Party, at any time prior to the Indemnifying Party's delivery of the notice referred to in the first sentence of this clause (i), file any motion, answer or other pleadings or take any other action that the Indemnified Party reasonably believes to be necessary or appropriate to protect its interests and not prejudicial to the Indemnifying Party; and provided further, that if requested by the Indemnifying Party, the Indemnified Party will, at the sole cost and expense of the Indemnifying Party, cooperate with the Indemnifying Party and its counsel in contesting any Third Party Claim that the Indemnifying Party elects to contest, or, if appropriate and related to the Third Party Claim in question, in making any counterclaim against the Person asserting the Third Party Claim, or any cross-complaint against any Person (other than the Indemnified Party or any of its Affiliates). The Indemnified Party may retain separate counsel to represent it in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this clause (i), and the Indemnified Party will bear its own costs and expenses with respect to such separate counsel except as provided in the preceding sentence. Notwithstanding the foregoing, the Indemnified Party may retain or take over the control

of the defense or settlement of any Third Party Claim the defense of which the Indemnifying Party has elected to control if the Indemnified Party irrevocably waives its right to indemnity under Section 11.01 with respect to such Third Party Claim or the proceedings are not being diligently prosecuted by the Indemnifying Party.

(ii) If the Indemnifying Party fails to notify the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Third Party Claim pursuant to Section 11.02(a), then the Indemnified Party will have the right to defend, at the sole cost and expense of the Indemnifying Party, the Third Party Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted by the Indemnified Party to a final conclusion or will be settled at the discretion of the Indemnified Party (without the consent of the Indemnifying Party, unless the Indemnifying Party confirms in writing its obligation to indemnify the Indemnified Parties for such Claim, in which case the consent of the Indemnifying Party shall be required but shall not be unreasonably withheld or delayed). The Indemnified Party will have full control of such defense and proceedings, including any settlement thereof; provided, however, that if requested by the Indemnified Party, the Indemnifying Party will, at the sole cost and expense of the Indemnifying Party, cooperate with the Indemnified Party and its counsel in contesting any Third Party Claim which the Indemnified Party is contesting, or, if appropriate and related to the Third Party Claim in question, in making any counterclaim against the Person asserting the Third Party Claim, or any cross-complaint against any Person (other than the Indemnifying Party or any of its Affiliates). Notwithstanding the foregoing provisions of this clause (ii), if the Indemnifying Party has notified the Indemnified Party within the Dispute Period that the Indemnifying Party disputes its liability hereunder to the Indemnified Party with respect to such Third Party Claim and if such dispute is resolved in favor of the Indemnifying Party in the manner provided in clause (iii) below, the Indemnifying Party will not be required to bear the costs and expenses of the Indemnified Party's defense pursuant to this clause (ii) or of the Indemnifying Party's participation therein at the Indemnified Party's request, and the Indemnified Party will reimburse the Indemnifying Party in full for all reasonable costs and expenses incurred by the Indemnifying Party in connection with such litigation. The Indemnifying Party may retain separate counsel to represent it in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this clause (ii), and the Indemnifying Party will bear its own costs and expenses with respect to such participation.

(iii) If the Indemnifying Party notifies the Indemnified Party that it does not dispute its liability to the Indemnified Party with respect to the Third Party Claim under Section 11.01 or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes its liability to the Indemnified Party with respect to such Third Party Claim, the Loss arising from such Third Party Claim will be conclusively deemed a liability of the Indemnifying Party under Section 11.01 and the Indemnifying Party shall pay the amount of such Loss to the Indemnified Party on demand following the final determination thereof. If the Indemnifying Party has timely disputed its liability with respect to such claim, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, and

if not resolved through negotiations, either party may seek a resolution of such dispute by litigation in a court of competent jurisdiction.

(iv) Notwithstanding the foregoing, the Shareholders shall not have the right to defend any Flash Fire / Explosion Claim, except as to any issue of any extent of the Company's insurance coverage in respect thereof.

(b) In the event any Indemnified Party should have a claim under Section 11.01 against any Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall deliver an Indemnity Notice with reasonable promptness to the Indemnifying Party, and the failure to do so shall not relieve the Indemnifying Party of its obligations in respect thereof except to the extent it is materially harmed thereby. If the Indemnifying Party notifies the Indemnified Party that it does not dispute the claim described in such Indemnity Notice or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes the claim described in such Indemnity Notice, the Loss arising from the claim specified in such Indemnity Notice will be conclusively deemed a liability of the Indemnifying Party under Section 11.01 and the Indemnifying Party shall pay the amount of such Loss to the Indemnified Party on demand following the final determination thereof. If the Indemnifying Party has timely disputed its liability with respect to such claim, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations, either party may seek a resolution of such dispute by litigation in a court of competent jurisdiction.

(c) In the event of any claim for indemnity under Section 11.01(a), Atmos agrees to give each Shareholder and their respective Representatives reasonable access to the Books and Records and employees of the Company and the Subsidiaries in connection with the matters for which indemnification is sought to the extent such Shareholder and its Representatives reasonably deem necessary in connection with its rights and obligations under this Article XI.

11.03 Method of Calculating Losses. For the purposes of this Article XI, once a determination has been made that a specific breach of a representation, warranty, covenant or agreement has occurred for purposes of the indemnification obligation hereunder, the calculation of Losses with respect to such specific breach shall be made without regard to any other limitation or qualification as to materiality set forth in such representation, warranty, covenant or agreement. All indemnification payments under this Article XI shall be deemed adjustments to the Purchase Price.

11.04 Exclusivity. After the Closing, the indemnities set forth in this Article XI shall be the exclusive remedies of Atmos, the Shareholders, any permitted Transferees and their respective officers, directors, employees, agents and Affiliates for any misrepresentation, breach of warranty or nonfulfillment or failure to be performed of any covenant or agreement contained in this Agreement, except in the case of fraud. Notwithstanding anything to the contrary in this Agreement, after the Closing:

(a) any liability of the Shareholders to indemnify any Indemnified Party pursuant to Section 11.01(a)(i) in respect of any representation or warranty other than a representation and warranty contained in Section 4.03 or 4.09 (or in any certificate to the extent such representation and warranty is repeated as of the Closing Date) or any covenant or agreement to be performed prior to the Closing Date shall be limited to $20,000,000 in the aggregate; and

(b) any liability of Atmos to indemnify the Indemnified Parties pursuant to Section 11.01(b) in respect of any representation and warranty other than a representation and warranty contained in Section 5.06 (or in any certificate to the extent such representation and warranty is repeated as the Closing Date) or any covenant or agreement to be performed prior to the Closing Date shall be limited to $20,000,000 in the aggregate.

No Person who was an officer, director or stockholder of the Company prior to the Closing or of Atmos shall have any liability to make any payment in respect of any breach of any representation or warranty or non-performance of any covenant contained in this Article XI, except for the Shareholders' indemnification obligations under this Article XI.

11.05 No Punitive Damages. Anything herein to the contrary notwithstanding, no party shall be liable under this Agreement or with respect to the transactions contemplated hereby for any punitive or exemplary damages.

11.06 **INDEMNIFICATION IN CASE OF STRICT LIABILITY OR INDEMNITEE NEGLIGENCE. THE INDEMNIFICATION PROVISIONS IN THIS ARTICLE XI SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED ON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ANY PAST, PRESENT OR FUTURE BULK SALES LAW, ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW, OR PRODUCTS LIABILITY, SECURITIES OR OTHER LEGAL REQUIREMENT), AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION, OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED ON THE PERSON SEEKING INDEMNIFICATION.**

ARTICLE XII
TERMINATION

12.01 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned:

(a) at any time before the Closing, by mutual written agreement of the Shareholders and Atmos;