ATMOS ENERGY CORP
Form 424B2
July 15, 2004

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-75576

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 30, 2002)

8,650,000 Shares

Atmos Energy Corporation

Common Stock

Atmos Energy Corporation is selling all of the shares.

The shares trade on the New York Stock Exchange under the symbol ATO. On July 13, 2004, the last sale price of the shares as reported on the New York Stock Exchange was $24.91 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page S-7 of this prospectus supplement.

	Per Share	Total
Public offering price	$24.75	$214,087,500
Underwriting discount	$.99	$8,563,500
Proceeds, before expenses, to Atmos	$23.76	$205,524,000

The underwriters may also purchase up to an additional 1,289,393 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about July 19, 2004.

Merrill Lynch & Co.

JPMorgan

Lehman Brothers

UBS Investment Bank

A.G. Edwards

Edward Jones

The date of this prospectus supplement is July 13, 2004.

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We have not, and the underwriters have not, authorized any other person to provide you with any information or to make any representations not contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of any securities other than the shares. This document is in two parts. The first part is this prospectus supplement, which describes specific terms of this offering and other matters relating to us and our financial condition. The second part is the accompanying prospectus, dated January 30, 2002, which gives more general information about securities we have offered from time to time, some of which may not apply to the shares we are currently offering. If the description of this offering or our operations varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as the information contained in any document incorporated by reference, is accurate as of the date of each such document only.

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Prospectus Supplement

The distribution of this prospectus supplement and the accompanying prospectus, and the offering of the shares, may be restricted by law in certain jurisdictions. You should inform yourself about, and observe, any of these restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information in this prospectus supplement and the accompanying prospectus that we have filed with it. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for any information that is superseded by information that is included directly in this document. We incorporate by reference the documents listed below and any future filings we make with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of this offering. These additional documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (other than information furnished under Item 9 or 12, which is deemed not to be incorporated by reference in this prospectus supplement or the accompanying prospectus), as well as proxy statements. You should review these filings as they may disclose a change in our business, prospects, financial condition or other affairs after the date of this prospectus supplement. The information that we file later with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and before the termination of this offering will automatically update and supersede previous information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

This prospectus supplement and the accompanying prospectus incorporate by reference the documents listed below that we have filed with the SEC but have not been included or delivered with this document. These documents contain important information about us and our financial condition.

- Our annual report on Form 10-K for the year ended September 30, 2003;
- Our proxy statement dated December 29, 2003;
- Our quarterly reports on Form 10-Q for the quarterly periods ended December 31, 2003 and March 31, 2004; and
- Our current reports on Form 8-K filed with the SEC on January 22, 2004 and July 7, 2004 and our current report on Form 8-K/A filed with the SEC on July 2, 2004.

You may obtain a copy of any of these filings, or any of our future filings, from us without charge by requesting it in writing or by telephone at the following address or telephone number:

Atmos Energy Corporation

1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Susan C. Kappes
(972) 934-9227

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this prospectus supplement that are not statements of historical fact are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Forward-looking statements are based on management s beliefs as well as assumptions made by, and information currently available to, management. Because such statements are based on expectations as to future results and are not statements of fact, actual results may differ materially from those stated. Important factors that could cause future results to differ include, but are not limited to:

- successful completion, financing and integration of our pending acquisition of the operations of TXU Gas Company and other acquisitions we have made or may make in the future;
- adverse weather conditions, such as warmer-than-normal weather in our utility service territories or colder-than-normal weather that could adversely affect our natural gas marketing activities;
- national, regional and local economic conditions;
- increased competition from other energy suppliers and alternative forms of energy;
- regulatory trends and decisions, including deregulation initiatives and the impact of rate proceedings before various state regulatory commissions;
- changes in the availability and prices of natural gas, including the volatility of natural gas prices;
- effects of inflation;
- market risks beyond our control affecting our risk management activities, including market liquidity, commodity price volatility and counterparty creditworthiness;
- our ability to continue to access the capital markets; and
- other factors discussed in this prospectus supplement and our other filings with the SEC.

All of these factors are difficult to predict and many are beyond our control. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in our documents or oral presentations, the words anticipate, believe, estimate, expect, forecast, goal, intend, objective, projection, seek, strategy or similar words are intended to identify forward-looking statements. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise. For further factors you should consider, please refer to the Risk Factors section beginning on page S-7 of this prospectus supplement and the Management s Discussion and Analysis of Financial Condition and Results of Operations section in our annual report on Form 10-K for the year ended September 30, 2003 and in our quarterly reports on Form 10-Q for the quarterly periods ended December 31, 2003 and March 31, 2004.

The terms we, our, us and Atmos refer to Atmos Energy Corporation and its subsidiaries unless the context suggests otherwise. The term you refers to a prospective investor. The abbreviations Mcf, MMcf and Bcf mean thousand cubic feet, million cubic feet and billion cubic feet, respectively.

Except as otherwise indicated, all information in this prospectus supplement assumes that the underwriters have not exercised their overallotment option.

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PROSPECTUS SUPPLEMENT SUMMARY

You should read the following summary in conjunction with the more detailed information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Atmos Energy Corporation

Atmos Energy Corporation and its subsidiaries are engaged primarily in the natural gas utility business as well as other natural gas nonutility businesses. We distribute natural gas through sales and transportation arrangements to approximately 1.7 million residential, commercial, public authority and industrial customers through our six regulated utility divisions, which cover service areas located in 12 states. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia, Illinois, Iowa, Missouri and Virginia. In addition, we transport natural gas for others through our distribution system.

Through our nonutility businesses, we provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers in 18 states. We own or hold an interest in natural gas storage fields in Kansas, Kentucky, Louisiana and Mississippi that we use to supply natural gas to our customers. We market natural gas to industrial and agricultural customers primarily in West Texas and to industrial customers in Louisiana. We also construct electric power generating plants and associated facilities for municipalities and industrial customers to meet their peak-load demands.

Our operations are divided into three segments:

- the utility segment, which includes our related natural gas distribution and sales operations;
- the natural gas marketing segment, which includes a variety of natural gas management services; and
- our other nonutility segment, which includes our storage services and our electric power generating plant construction services.

Our overall strategy is to:

- continue our growth through completing and integrating the acquisition of the operations of TXU Gas Company, described under the caption The TXU Gas Acquisition ;
- improve the quality and consistency of earnings growth, while operating our natural gas utility and nonutility businesses exceptionally well; and
- enhance and strengthen a culture built on our core values.

Over the last five years, we have grown through several acquisitions, including our acquisition in April 2001 of the remaining 55% interest in Woodward Marketing, L.L.C. that we did not already own, our acquisition in July 2001 of the assets of Louisiana Gas Service Company and our acquisition in December 2002 of Mississippi Valley Gas Company.

We have experienced 20 consecutive years of increasing dividends and consistent earnings growth after giving effect to our acquisitions. We have achieved this record of growth while operating our utility operations efficiently by managing our operating and maintenance expenses, leveraging our technology, such as our 24-hour call center, to achieve more efficient operations, focusing on regulatory rate proceedings to increase revenue as our costs increased, and mitigating weather-related risks through weather-normalized rates in many of our service areas. Additionally, we have strengthened our nonutility business by ceasing speculative trading activities and actively pursuing opportunities to increase the amount of storage available to us.

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Our core values include focusing on our employees and customers while conducting our business with honesty and integrity. We are strengthening our culture through ongoing communication with our employees and enhanced employee training.

The TXU Gas Acquisition

On June 17, 2004, our subsidiary, LSG Acquisition Corporation, entered into a definitive agreement with TXU Gas Company to acquire the natural gas distribution and pipeline operations of TXU Gas.

The TXU Gas operations we are acquiring are regulated businesses engaged in the purchase, transmission, distribution and sale of natural gas in the north-central, eastern and western parts of Texas. TXU Gas provides gas distribution services to over 1.4 million residential and business customers in Texas, including the Dallas/ Fort Worth metropolitan area. TXU Gas owns and operates a system consisting of 6,162 miles of gas transmission and gathering lines and five underground storage reservoirs, all within Texas. The acquisition would increase the number of customers we serve in our distribution business to over 3.1 million and make us one of the largest publicly traded companies in the United States whose primary business is the transmission and distribution of natural gas and the provision of related services. It would also make us one of the largest intrastate pipeline operators in Texas.

The purchase price, excluding transaction costs, for the acquisition is $1.925 billion, which is payable in cash. The price is subject to adjustment if at the time of closing the working capital of TXU Gas is less or more than approximately $121 million. The price is also subject to increase by the amount of any capital expenditures made by TXU Gas prior to closing that exceed its budgeted amounts. We are not assuming any indebtedness in the transaction. TXU Gas has agreed to repay or redeem all of its existing indebtedness and its preferred stock and to retain or pay certain other liabilities under the terms of the acquisition agreement.

We have received a commitment from Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, and one of its affiliates to provide a senior unsecured credit facility in the amount of $1.925 billion to finance, or backstop the issuance of commercial paper to finance, this acquisition. We refer to this facility as the bridge financing facility. We intend to use the net proceeds of this offering, along with borrowings under this bridge financing facility, to pay the purchase price for the TXU Gas acquisition. The commitment is subject to the absence of a material adverse effect on our business and assets (after giving effect to the acquisition), the absence of any new adverse information that would materially impair the syndication of the bridge financing facility and other specified conditions. The bridge financing facility would mature 364 days after the closing date of the acquisition. The amount of the bridge financing facility would be reduced to the extent we obtain acquisition financing, such as the proceeds of this offering, prior to the closing of the acquisition. We intend to seek long-term debt and additional common equity financings after the closing of this acquisition to refinance the bridge financing facility.

We expect the acquisition to close by the end of the calendar year 2004; however, this acquisition is subject to several conditions, including regulatory approvals and clearance by antitrust authorities. This offering is not contingent on the successful completion of the TXU Gas acquisition.

In this prospectus supplement, we refer to TXU Gas Company as TXU Gas and our acquisition of the operations of TXU Gas as the TXU Gas acquisition. For more information on the terms of the TXU Gas acquisition and the bridge financing facility, see The TXU Gas Acquisition. For more information on the operations of TXU Gas, see The TXU Gas Acquisition TXU Gas.

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Summary Consolidated Historical Financial Data

(in thousands, except per share data)

Atmos Energy Corporation

The following table presents summary consolidated financial data for the periods and as of the dates indicated for Atmos Energy Corporation. The summary consolidated financial data for our fiscal years ended September 30, 2003, 2002 and 2001 are derived from our audited consolidated financial statements, which are incorporated by reference in this prospectus supplement from our annual report on Form 10-K for the year ended September 30, 2003. Some prior year amounts have been reclassified to conform with the current year presentation. The summary consolidated financial data for the six months ended March 31, 2004 and 2003 are derived from our unaudited consolidated financial statements, which are also incorporated by reference into this prospectus supplement from our quarterly report on Form 10-Q for the quarterly period ended March 31, 2004. Please note that because of seasonal and other factors, the results of operations for the six-month periods presented below are not indicative of results of operations for the entire fiscal years.

The information in the following table is only a summary and does not provide all of the information contained in our financial statements. Therefore, you should read the information presented below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in our annual report on Form 10-K for the year ended September 30, 2003, and our quarterly report on Form 10-Q for the quarterly period ended March 31, 2004, each of which is incorporated by reference in this prospectus supplement.

	Six Months Ended March 31,		Year Ended September 30,		
	2004	2003	2003	2002	2001
	(unaudited)				
Income Statement Data					
Operating revenues	$1,881,101	$1,874,574	$2,799,916	$1,650,964	$1,725,481
Gross profit	365,179	340,134	534,976	431,140	375,208
Operating expenses	196,224	179,632	347,136	275,809	244,927
Operating income	168,955	160,502	187,840	155,331	130,281
Cumulative effect of accounting change, net of income tax benefit		(7,773)	(7,773)		
Net income	87,846	74,325	71,688	59,656	56,090
Diluted net income per share before cumulative effect of accounting change, net of tax	$ 1.69	$ 1.86	$ 1.71	$ 1.45	$ 1.47
Diluted net income per share	$ 1.69	$ 1.68	$ 1.54	$ 1.45	$ 1.47
Cash dividends paid per share	$ .61	$ .60	$ 1.20	$ 1.18	$ 1.16

	As of March 31,		As of September 30,		
	2004	2003	2003	2002	2001
	(unaudited)				
Balance Sheet Data					
Total assets[(1)]	$2,821,192	$2,651,643	$2,626,913	$2,061,135	$2,110,214
Debt					
Long-term debt	$ 864,624	$ 864,228	$ 863,918	$ 670,463	$ 692,399
Short-term debt[(2)]	8,093	38,857	127,940	167,771	221,942
Total debt	$ 872,717	$ 903,085	$ 991,858	$ 838,234	$ 914,341
Shareholders equity	$ 932,849	$ 707,729	$ 857,517	$ 573,235	$ 583,864

(1) Beginning in our quarterly report on Form 10-Q for the quarterly period ended March 31, 2004, for the unaudited balance sheet as of March 31, 2004 and all previous periods, we have reclassified our regulatory removal obligation from accumulated depreciation to a liability. The amounts presented above for total assets reflect this reclassification for all periods presented.

(2) Short-term debt is comprised of current maturities of long-term debt and short-term debt.

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TXU Gas Company

The following table presents summary historical consolidated financial data of TXU Gas Company for the periods and as of the dates indicated. The common equity of TXU Gas is owned entirely by TXU Corp. We derived the summary historical consolidated financial data for the fiscal years ended December 31, 2003, 2002 and 2001 from the audited consolidated financial statements of TXU Gas, which are incorporated by reference in this prospectus supplement from our current report on Form 8-K filed with the SEC on July 7, 2004. We derived the summary historical consolidated financial data for the three months ended March 31, 2004 and 2003 from the unaudited consolidated financial statements of TXU Gas, which are also incorporated by reference in this prospectus supplement from our current report on Form 8-K filed with the SEC on July 7, 2004. Because of seasonal and other factors, the results of operations for the three-month periods are not indicative of results of operations for the entire fiscal years.

Please note that the summary consolidated financial data of TXU Gas presented below, and the consolidated financial statements for TXU Gas incorporated by reference in this prospectus supplement, reflect the entire assets and operations of TXU Gas. However, under the terms of the TXU Gas acquisition, we are only acquiring the natural gas distribution and pipeline operations of TXU Gas. Please refer to The TXU Gas Acquisition and the Unaudited Pro Forma Combined Financial Information for more information.

The information in the following table is only a summary and does not provide all of the information contained in the financial statements of TXU Gas. Therefore, you should read the information presented below in conjunction with the historical consolidated financial statements and related notes of TXU Gas for the fiscal years ended December 31, 2003, 2002 and 2001 and for the quarterly periods ended March 31, 2004 and 2003, which are included in our current report on Form 8-K filed with the SEC on July 7, 2004 and incorporated by reference in this prospectus supplement. See Incorporation by Reference.

	Three Months Ended March 31,		Year Ended December 31,		
	2004	**2003**	**2003**	**2002**	**2001**
	(unaudited)				
Income Statement Data					
Operating revenues	$508,217	$621,395	$1,344,106	$980,568	$1,229,513
Operating expenses	118,618	105,659	453,279	407,962	428,595
Operating income	63,456	85,396	100,285	70,621	41,912
Net income	38,160	49,548	41,016	(12,810)	28,712

	As of March 31,		As of December 31,		
	2004	**2003**	**2003**	**2002**	**2001**
	(unaudited)				
Balance Sheet Data					
Total assets(1)	$2,226,311	$2,320,223	$2,327,954	$2,297,430	$4,551,221
Debt					
Long-term debt(1)	$ 430,193	$ 430,421	$ 430,285	$ 580,466	$ 708,090
Short-term debt		150,000	150,000	125,000	200,000
Total debt	$ 430,193	$ 580,421	$ 580,285	$ 705,466	$ 908,090
Shareholder s equity	$ 916,339	$ 877,352	$ 879,033	$ 827,804	$1,060,105

(1) As a result of the implementation of Financial Accounting Standards Board Interpretation No. 46 *Consolidation of Variable Interest Entities* in December 2003, a wholly owned subsidiary financing trust that issued preferred securities is no longer consolidated. Total asset and long-term debt amounts have been restated for all periods to include an investment in the wholly owned subsidiary financing trust and subordinated debentures issued by TXU Gas that are the sole assets of the trust.

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Summary Unaudited Pro Forma Combined Financial Information

(in thousands, except per share data)

The following table presents summary unaudited pro forma combined financial information for the periods and as of the dates indicated. This information is based on our historical consolidated financial statements and TXU Gas s historical financial statements, adjusted to give effect to the TXU Gas acquisition, this offering and the proposed financing for the TXU Gas acquisition. The unaudited pro forma combined income statement information for the six months ended March 31, 2004 and for the twelve months ended September 30, 2003 each give effect to the TXU Gas acquisition, this offering and the proposed financing for the acquisition as if each had occurred on October 1, 2002. The unaudited pro forma combined balance sheet information as of March 31, 2004 gives effect to the TXU Gas acquisition, this offering and the proposed financing for the acquisition as if each had occurred on March 31, 2004. The summary unaudited pro forma combined financial information does not give effect to the anticipated refinancing of the bridge financing facility with long-term debt and common equity financings, which would dilute or reduce the unaudited pro forma combined earnings per share presented below. The summary unaudited pro forma combined financial information presented below is not necessarily indicative of either our future results following the TXU Gas acquisition or the results that might have been recorded if the TXU Gas acquisition and related financing transactions had been consummated on such dates.

The summary unaudited pro forma combined financial information below should be read in conjunction with Unaudited Pro Forma Combined Financial Information. See The TXU Gas Acquisition for a description of the TXU Gas acquisition and the proposed financing transaction that we expect to enter into in connection with the TXU Gas acquisition.

	Six Months Ended March 31, 2004	Year Ended September 30, 2003(1)
	(unaudited)	
Income Statement Data		
Operating revenues	$2,734,578	$4,126,293
Gross profit	686,645	1,070,811
Operating expenses	406,666	755,748
Operating income	279,979	315,063
Net income	137,383	120,381
Diluted net income per share	$ 2.26	$ 2.18

	As of March 31, 2004
	(unaudited)
Balance Sheet Data	
Total assets	$4,998,908
Debt	
Long-term debt	$ 864,624
Short-term debt(2)	1,737,228
Total debt	$2,601,852
Shareholders equity	$1,137,973

(1) The results for TXU Gas used to prepare the unaudited pro forma combined income statement information for the year ended September 30, 2003 are derived from TXU Gas s statement of income for the year ended December 31, 2003. See Summary Consolidated Historical Financial Data TXU Gas Company.

(2) Short-term debt is comprised of current maturities of long-term debt and short-term debt.

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The Offering

Common stock offered by us	8,650,000 shares
Shares outstanding after the offering	60,885,980 shares
Use of proceeds	We estimate that our net proceeds from this offering, without exercise of the overallotment option and after deducting the underwriting discount and commissions and estimated offering expenses payable by us, will be approximately $205.1 million. We intend to use these net proceeds, together with borrowings under the bridge financing facility, to consummate the TXU Gas acquisition. If we do not consummate the TXU Gas acquisition, we intend to use these net proceeds for working capital and other general corporate purposes, including capital spending and purchases of natural gas, which would otherwise have been financed with short-term debt under our commercial paper program, or for other acquisitions. See Use of Proceeds.
NYSE symbol	ATO

The number of shares outstanding after the offering is based on our shares outstanding on March 31, 2004 and excludes 1,703,746 shares then reserved for issuance under outstanding options and share unit awards. This number assumes that the underwriters overallotment option is not exercised. If the overallotment option is exercised, we will issue and sell up to an additional 1,289,393 shares.

See Risk Factors beginning on page S-7 and other information included and incorporated by reference in this prospectus supplement for a discussion of the factors you should consider carefully before deciding to invest in our common stock.

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RISK FACTORS

You should consider carefully all of the information that is included or incorporated by reference in this prospectus supplement before investing in our common stock. In particular, you should evaluate the uncertainties and risks referred to or described below, which may adversely affect our business, financial condition or results of operations. Additional uncertainties and risks that are not presently known to us or that we currently deem immaterial, including those associated with the TXU Gas acquisition, may also adversely affect our business, financial condition or results of operations.

Factors Affecting Our Company and Our Industry

The factors affecting our company and our industry that could impact our business, financial condition or results of operations include those factors described in this prospectus supplement and in the information incorporated by reference in this prospectus supplement. In particular, please refer to Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Factors that May Affect Our Future Performance in our annual report on Form 10-K for the year ended September 30, 2003, which is incorporated by reference in this prospectus supplement, and those factors listed in this prospectus supplement in Cautionary Statement Regarding Forward-Looking Statements for a discussion of some of the factors that could affect our future operations or performance.

Risks Relating to the TXU Gas Acquisition

In addition to the factors affecting our company and our industry, the risks outlined below relating to the TXU Gas acquisition could also adversely affect our business, financial condition or results of operations.

Our completion of the TXU Gas acquisition depends upon the receipt of financing under the proposed bridge financing facility whose terms and conditions are not fully negotiated.

We have received a commitment from Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters for this offering, and one of its affiliates to provide the financing required for the TXU Gas acquisition through the bridge financing facility. Although we believe the terms of the commitment are suitable for our financing requirements in connection with the TXU Gas acquisition, we still must negotiate the final terms and the definitive documentation for the bridge financing facility. The pricing anticipated for the bridge financing facility would increase if the bridge financing facility cannot be syndicated on the terms contemplated by the commitment letter. Additionally, other terms and conditions of the bridge financing facility may not be as currently anticipated. Our obligations under the agreement for the TXU Gas acquisition are not conditioned upon our entering into the bridge financing facility on particular terms or completing the financing under the bridge financing facility. If we fail to enter into the bridge financing facility or it does not close, we would be required to seek alternative sources of financing for the TXU Gas acquisition. For regulatory and other reasons, we may not be successful in obtaining alternative financing on reasonable terms, if at all. If we could not obtain alternative sources of financing, we would be unable to complete the TXU Gas acquisition and would breach our obligations under the acquisition agreement.

We may not be able to refinance the bridge financing facility when required or on reasonable terms.

The bridge financing facility will be limited to a term of 364 days from the closing of the TXU Gas acquisition. As a result, we will be required to find long-term financing to refinance the bridge financing facility prior to its maturity. We intend to refinance the bridge financing facility with the proceeds we receive from long-term debt and additional common equity financings. The issuance of additional debt and common stock will require regulatory approvals in several of the states in which we operate and the filing of one or more registration statements with the SEC. There can be no assurance that we will obtain the necessary regulatory approvals to issue additional securities or that we will be able to issue long-term debt or common stock on reasonable terms, if at all. If we fail to refinance the bridge

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financing facility when it becomes due, it would be an event of default under the terms of the bridge financing facility that could result in the acceleration of the repayment of our other indebtedness and force us, at significant expense, to refinance all or a portion of our indebtedness or sell a portion of our business to repay our indebtedness. As a result, the value of the shares of common stock offered hereby could be materially impaired.

In addition, holders of about 2.4 million shares of our common stock have registration rights that require us to register their shares for sale or that may allow them to participate in equity offerings under future registration statements. This may restrict our ability to raise capital through the issuance of common stock. Moreover, depending on future market conditions, sales of additional common stock would be dilutive to our shareholders, including investors who purchase shares of common stock in this offering.

Our indebtedness and leverage will increase materially with the TXU Gas acquisition.

Assuming completion of this offering, the T