

AIRGAS INC  
Form PREC14A  
June 21, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Airgas, Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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Dear Stockholder:

We are pleased to invite you to attend Airgas Annual Meeting of Stockholders, which will be held at \_\_\_\_\_ a.m., Eastern Time, on \_\_\_\_\_, 2010, at the \_\_\_\_\_. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

This Annual Meeting is of particular importance to all Airgas stockholders because of the ongoing, unsolicited attempt by Air Products and Chemicals, Inc. to acquire Airgas. Air Products, through its wholly owned subsidiary, Air Products Distribution, Inc., has commenced a tender offer to acquire each share of Airgas common stock for \$60 per share in cash. In addition, Air Products has filed a preliminary proxy statement with the Securities and Exchange Commission which principally seeks to (i) elect a slate of three individuals nominated by Air Products as directors of Airgas, (ii) amend our By-Laws to prohibit certain individuals from serving as directors or as chairman of the board, which would restrict the Board's ability to elect our current Chairman of the Board, Peter McCausland, as Chairman if he is not elected at the Annual Meeting (the Director Disqualification Proposal), (iii) amend our By-Laws to require that the 2011 Annual Meeting of Stockholders be held on January 18, 2011 (which is only four months after the 2010 Annual Meeting) and in the same fiscal year as the 2010 Annual Meeting and that all future annual meetings of stockholders be held in January (the January Meeting Proposal), and (iv) repeal any By-Law amendments adopted by Airgas Board of Directors (the Airgas Board or your Board) without stockholder approval after April 7, 2010 and prior to the effectiveness of the resolution effecting such repeal (the By-Law Amendment Repeal Proposal).

**The Airgas Board's unanimous view has been and continues to be that the Air Products offer is grossly inadequate and not in the best interests of Airgas and its stockholders.**

We believe that with its director nominations and By-Law proposals for the Annual Meeting, Air Products is seeking to pressure your Board to give favorable consideration to Air Products' unsolicited offer, an offer that your Board believes is grossly inadequate and not in the best interest of Airgas stockholders. In considering Air Products' proposals, it is important for you to recognize that, unlike your Board, the Air Products officers and directors have a duty to act in the best interests of Air Products stockholders, not Airgas stockholders. Consistent with the duty that they owe to their own stockholders, in our view, Air Products seeks a transaction with Airgas at the lowest possible value for Airgas stockholders.

We strongly urge you to reject Air Products' efforts to replace the current nominees for election as directors to your Board. The Air Products nominees lack relevant industry experience and in our view have been selected by Air Products to facilitate the acquisition of Airgas at a grossly inadequate price in order to transfer Airgas' inherent value to Air Products. We believe that the Airgas directors who are up for reelection at the Annual Meeting are better able than Air Products' nominees to act in the best interests of Airgas stockholders with respect to Air Products' offer.

**Accordingly, the Airgas Board unanimously recommends that you vote FOR its three nominees Peter McCausland, W. Thacher Brown and Richard C. Hill and AGAINST Air Products' By-Law Amendment proposals, which are discussed in the proxy statement.**

Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote on the Internet, by telephone, or by completing and mailing the enclosed **WHITE** proxy card. Information about each of these voting methods is set forth in the accompanying Notice of Annual Meeting and Proxy Statement.

**We urge you NOT to sign or return any proxy cards sent by Air Products.** If you have previously signed a proxy card from Air Products, you can revoke that earlier proxy and vote for our nominees and on the other matters to be voted on at the Annual Meeting by signing, dating and returning the enclosed **WHITE** proxy card in the enclosed postage-paid envelope, or by voting over the Internet using the Internet address on the **WHITE** proxy card or by telephone using the toll-free number on the **WHITE** proxy card.

On behalf of everyone at Airgas, we thank you for your ongoing interest and investment in our company. We are committed to acting in your best interests. If you have any questions with respect to voting, please call our proxy solicitor, Innisfree M&A Incorporated, at (877) 687-1875 (toll free).

Sincerely,  
Peter McCausland  
*Chairman, President and Chief Executive Officer*

THIS PROXY STATEMENT AND PROXY CARD ARE

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**AIRGAS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**, 2010**

**TO OUR STOCKHOLDERS:**

The Annual Meeting of the Stockholders of Airgas, Inc., a Delaware corporation, will be held on \_\_\_\_\_, 2010, at \_\_\_\_\_ a.m., Eastern Time, at \_\_\_\_\_, for considering and acting upon the following proposals:

1. Election of three directors of the company.
2. Ratification of the selection of KPMG LLP as Airgas independent registered public accounting firm for the fiscal year ending March 31, 2011.
3. Approval of an amendment to the Amended and Restated 2003 Employee Stock Purchase Plan.
4. Air Products proposal to amend Airgas By-Laws to prohibit certain individuals from serving as directors or as chairman of the board.
5. Air Products proposal to amend Airgas By-Laws to require that the 2011 Annual Meeting of Stockholders be held on January 18, 2011 and that all future annual meetings of stockholders be held in January.
6. Air Products proposal to repeal any By-Law amendment adopted by the Airgas Board without stockholder approval after April 7, 2010 and prior to the effectiveness of the resolution effecting such repeal.
7. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on \_\_\_\_\_, 2010 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

Our 2010 Annual Report, which is not part of the proxy solicitation materials, is enclosed.

All stockholders as of the close of business on the record date are cordially invited to attend the Annual Meeting in person, but whether or not you plan to attend, we urge you to review these materials carefully and to vote by Internet, telephone or by submitting your **WHITE** proxy card as promptly as possible.

Please note that Air Products has filed a preliminary proxy statement with the Securities and Exchange Commission seeking to (i) elect a slate of three individuals nominated by Air Products as directors of Airgas, (ii) amend Airgas By-Laws to provide that (a) any person nominated for election as a director by the Airgas Board (other than the Chief Executive Officer) who is not elected at an annual meeting of stockholders will be ineligible to serve until after the third annual meeting following such annual meeting and (b) if the Airgas Board nominates the Chief Executive Officer, currently Peter McCausland, and he is not elected at an annual meeting of stockholders, then he will be ineligible to serve until after the third annual meeting following such annual meeting unless he is approved by a majority of the independent members of the Airgas Board, but he would in no event be eligible to serve as Chairman until after the third annual meeting following such annual meeting, (iii) amend Airgas By-Laws to require that the 2011 Annual Meeting of Stockholders be held on January 18, 2011 only four months after the 2010 Annual Meeting of Stockholders and during the same fiscal year as the 2010 Annual Meeting of Stockholders and that all future annual meetings of stockholders be held in January and (iv) repeal any By-Law amendment adopted by the Airgas Board without stockholder approval after April 7, 2010 and prior to the effectiveness of the resolution effecting such repeal.

**THE BOARD OF DIRECTORS STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY AIR PRODUCTS.** If you have previously signed a proxy card sent to you by Air Products, you can revoke that earlier proxy and vote for the Board of Directors nominees and on the other matters to be voted on at the Annual Meeting by signing, dating and returning the enclosed **WHITE** proxy card in the enclosed postage paid envelope, or by voting over the Internet using the Internet address on the **WHITE** proxy card or by telephone using the toll-free number on the **WHITE** proxy card.

By Order of the Board of Directors,  
Robert H. Young, Jr.  
*Senior Vice President, General Counsel and Secretary*

Radnor, Pennsylvania

, 2010

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**IMPORTANT**

**YOUR VOTE IS EXTREMELY IMPORTANT THIS YEAR IN LIGHT OF THE PROXY CONTEST BEING CONDUCTED BY AIR PRODUCTS. Whether or not you plan to attend the Annual Meeting and regardless of the number of shares you own, we urge you to vote promptly FOR the three nominees of your Board and AGAINST Air Products proposals (as described on pages 62-68 of the proxy statement).**

If you have any questions or need any assistance in voting your shares, please contact our proxy solicitor:

**Innisfree M&A Incorporated**

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (877) 687-1875

Banks and brokers may call collect: (212) 750-5833



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**AIRGAS, INC.**

**Radnor Court**

**259 North Radnor-Chester Road, Suite 100**

**Radnor, Pennsylvania 19087-5283**

**PROXY STATEMENT**

This proxy statement is furnished in connection with the solicitation of proxies at the direction of the Board of Directors of Airgas, Inc. for use at the Annual Meeting of Stockholders to be held on \_\_\_\_\_, 2010.

Stockholders of record at the close of business on \_\_\_\_\_, 2010 will be entitled to vote at the Annual Meeting. At the close of business on \_\_\_\_\_, 2010, \_\_\_\_\_ shares of our \$0.01 par value common stock were outstanding and entitled to vote. Stockholders are entitled to one vote for each share of common stock held.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

**What proposals are to be presented at the Annual Meeting?**

The purpose of the Annual Meeting is to (i) elect three directors, (ii) consider Airgas' proposal to ratify the selection of KPMG LLP as Airgas independent registered public accounting firm for the fiscal year ending March 31, 2011, (iii) consider the Airgas proposal to approve an amendment to the Airgas Amended and Restated 2003 Employee Stock Purchase Plan, referred to in this proxy statement as the Employee Stock Purchase Plan and (iv) conduct such other business as may properly come before the Annual Meeting. Although the Airgas Board recommends voting AGAINST Air Products' proposals, at the Annual Meeting our stockholders will also be asked to consider the proposal by Air Products to amend Airgas' By-Laws to prohibit certain individuals from serving as directors or as chairman of the board, which would restrict the Board's ability to elect Peter McCausland, our current Chairman of the Board, as Chairman until after the third annual meeting following the 2010 Annual Meeting if he is not elected to the Board at the Annual Meeting (the Director Disqualification Proposal), consider the proposal by Air Products to amend Airgas' By-Laws to require that the 2011 Annual Meeting of Stockholders be held on January 18, 2011 and that all future annual meetings of stockholders be held in January (the January Meeting Proposal), and consider the proposal by Air Products to repeal any By-Law amendment adopted by the Airgas Board without stockholder approval after April 7, 2010 and prior to the effectiveness of the resolution effecting such repeal (the By-Law Amendment Repeal Proposal). Each of Airgas and Air Products has proposed a separate slate of three nominees for election at the Annual Meeting.

Air Products has filed a preliminary proxy statement with the U.S. Securities and Exchange Commission (the SEC). You may receive proxy solicitation materials from Air Products. **YOUR BOARD STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY AIR PRODUCTS.**

**Who is soliciting my vote?**

In this proxy statement, the Board of Directors of Airgas is soliciting your vote for matters being submitted for stockholder approval at the Annual Meeting.

Giving us your proxy means that you authorize the proxy holders identified on the **WHITE** proxy card Robert H. Young, Jr. and Robert M. McLaughlin to vote your shares at the meeting in the manner you direct. You may vote for all, some or none of our director nominees. You may also abstain from voting. If you sign and return the enclosed **WHITE** proxy card but do not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of the Airgas Board, including in favor of Airgas' nominees for election to the Airgas Board and against the Air Products' Proposals (see below). If any other matters are properly presented at the Annual Meeting for consideration, the persons named as proxies in the enclosed **WHITE** proxy card will vote as recommended by the Airgas Board or, if no recommendation is given, in their own discretion.

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### **What does the Airgas Board recommend?**

The Airgas Board unanimously recommends that you vote using the **WHITE** proxy card:

**FOR** the election of the following three individuals nominated by the Airgas Board for election as directors: Peter McCausland, W. Thacher Brown and Richard C. Ill (see pages 19 to 21). The Airgas Board unanimously recommends that you **NOT** vote for any members of Air Products' slate of nominees;

**FOR** the ratification of the selection of KPMG LLP as Airgas' independent registered public accounting firm for the fiscal year ending March 31, 2011 (see pages 57-58);

**FOR** the approval of an amendment to the 2003 Employee Stock Purchase Plan (see pages 58 to 61);

**AGAINST** Air Products' Director Disqualification Proposal (see pages 62 to 64);

**AGAINST** Air Products' January Meeting Proposal (see pages 65 to 67); and

**AGAINST** Air Products' By-Law Amendment Repeal Proposal (see page 68).

**The Airgas Board urges you NOT to sign or return any proxy card sent to you by Air Products. Please note that it will not help your Board if you sign and return proxies sent by Air Products and vote Against or Withhold its nominees. That may in fact cancel any previous vote you cast. The only way to support your Board's nominees is to vote FOR your Board's nominees on the WHITE proxy card or on your Voting Instruction Form if you hold your shares in street name.**

### **What is the Airgas Board's position regarding the Air Products tender offer?**

After consultation with its legal and financial advisors, your Board has unanimously determined that Air Products' tender offer is grossly inadequate and not in the best interests of Airgas and its stockholders; and accordingly, your Board unanimously recommends that Airgas stockholders reject Air Products' tender offer and not tender their Airgas common stock in the offer.

The Airgas Board's reasons and recommendations regarding Air Products' tender offer are highlighted on pages 5-8 of the proxy statement and a more detailed description is contained in Airgas's Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC on February 22, 2010, as amended, which is available on the SEC's website at [www.sec.gov](http://www.sec.gov). We urge you to read the Schedule 14D-9 (including any amendments and supplements thereto) because these documents contain important information regarding Air Products' tender offer.

A vote for any of Air Products' proposals or nominees will help support Air Products' tender offer.

### **Why is the Airgas Board recommending against the Air Products' By-Law amendments?**

*Air Products' Proposal to Implement Director Disqualification Requirements.* This proposal, if adopted and if valid, would, among other things, restrict the Board's ability until after three subsequent annual meetings (1) to create a new directorship and reappoint to the Board, for a term to expire at the next annual meeting of stockholders, directors, other than our Chief Executive Officer, who are nominated by the Board but not elected at any annual meeting of stockholders and (2) to elect Mr. McCausland, Airgas' founder, as Chairman of the Board, if he is not elected as a director at any annual meeting of stockholders. Your Board strongly recommends against this proposal, as discussed on pages 62-64. With respect to the first prong, the Board believes that future directors should be able to decide, in the exercise of their fiduciary duties, whether to reappoint a director and notes that reappointment of a director nominated and not elected at the 2010 Annual Meeting of Stockholders would not extend the timeframe in which Air Products might otherwise be able to obtain control of a majority of our Board. With respect to the second prong, the Board believes that it would not be in the best interests of Airgas' stockholders to prohibit Mr. McCausland from serving as Chairman

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because he is in a unique position to help guide the company as a result of his unequalled experience and substantial and invaluable knowledge regarding Airgas.

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*Air Products Proposal to Accelerate the 2011 Annual Meeting and Require January Annual Meetings.* This proposal, if adopted and if valid, would provide, among other things, that all future Annual Meetings of Stockholders would be required to be held in January, starting in January 2011. Your Board strongly recommends against this proposal, as discussed on pages 65-67. If adopted and if valid, this Bylaw would require that a meeting to elect directors be held only four months after the date of the 2010 Annual Meeting. The Airgas Board believes that Air Products is seeking to amend Airgas By-Law in order to put pressure on the Airgas Board to the detriment of all stockholders and in order to permit Air Products to seek to obtain control of Airgas before Airgas can benefit from the recovering United States economy.

As discussed on pages 65 to 67, Airgas believes that this proposal is invalid.

*Air Products By-Law Amendment Repeal Proposal.* This proposal, if adopted, would repeal any amendment to Airgas By-Laws adopted by the Board without the stockholders approval after April 7, 2010 and prior to the effectiveness of the proposal. Your Board strongly recommends against this proposal, as discussed on page 68. In order to permit your Board to carry out its responsibilities and fulfill its fiduciary duties to Airgas and its stockholders, your Board has the power to make, alter, amend or repeal the By-Laws. While your Board has not amended the By-Laws in any manner since April 7, 2010, and does not currently expect to adopt any amendments to the By-Laws prior to the 2010 Annual Meeting of Stockholders, we believe this proposal represents Air Products attempt to interfere with your Board s ability to act in accordance with its fiduciary duties to you and therefore should be rejected.

**If the Airgas Board s nominees are reelected, can I still tender my shares of common stock in Air Products tender offer?**

Yes. If your Board s nominees are reelected, you may accept Air Products tender offer if you so elect and if it has not expired. However, as stated above, your Board unanimously recommends that you not accept Air Products offer and not tender your Airgas common stock to Air Products.

In addition, you should be aware that Air Products has imposed a lengthy list of conditions on its tender offer some of which are beyond the control of Airgas or Air Products. Air Products obligation to purchase any shares of Airgas common stock in the offer is subject to the satisfaction or waiver of these conditions. Therefore, even if Air Products nominees are elected to the Airgas Board, the offer may not be consummated because the conditions to the offer may not be satisfied or waived. The terms and conditions of Air Products offer are set forth in the Offer to Purchase and the related Letter of Transmittal, both of which are exhibits to the Tender Offer Statement on Schedule TO that Air Products filed with the SEC on February 11, 2010, as amended, which is available on the SEC s website at [www.sec.gov](http://www.sec.gov). For more details regarding the conditionality of Air Products offer, please see Airgas Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC on February 22, 2010, as amended from time to time, which is available at the SEC s website at [www.sec.gov](http://www.sec.gov). Free copies may be obtained by directing a request to Investor Relations, Airgas, Inc., 259 N. Radnor-Chester Road, Radnor, Pennsylvania 19087.

**If I have already voted for Air Products nominees or in favor of Air Products proposals, is it too late to change my mind?**

No. To change your vote, simply sign, date and return the enclosed **WHITE** proxy card in the accompanying postage paid envelope, or vote by telephone or via the Internet in accordance with the instructions in the **WHITE** proxy card. We strongly urge you to revoke any proxy card you may have returned to Air Products and to vote FOR the Airgas Board s director nominees, and against the Air Products Proposals and as the Airgas Board recommends on the other matters described in this proxy statement. Only your latest dated proxy will count at the Annual Meeting.

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**Will my shares be voted if I do nothing?**

If your shares are held in registered name, you must sign and return a proxy card in order for your shares to be voted. If your shares are held in street name and you do not instruct your broker or other nominee how to vote your shares, your broker or nominee may be able to use its discretion to vote your shares on routine matters but must leave your shares unvoted on the non-routine matters. The election of directors and Airgas proposal to amend the Employee Stock Purchase Plan at this Annual Meeting are non-routine matters. In addition, Air Products Director Disqualification Proposal, January Meeting Proposal and By-Law Amendment Repeal Proposal are non-routine matters.

Therefore, unless you provide specific voting instructions to your broker or other nominee, they would not have discretionary authority to vote your shares for the election of directors or on Airgas proposal to amend the Employee Stock Purchase Plan, the Director Disqualification Proposal, January Meeting Proposal or By-Law Amendment Repeal Proposal at this Annual Meeting. If your shares are held in street name, your broker, bank or nominee has enclosed a voting instruction card with this proxy statement. We strongly encourage you to vote your shares by following the instructions provided on the voting instruction card.

Please return your **WHITE** proxy card to your nominee and contact the person responsible for your account to ensure that a **WHITE** proxy card is voted on your behalf.

**The only way to support your Board is to sign, date and mail the enclosed WHITE proxy card to vote FOR the election of the three director nominees nominated by your Board, and AGAINST Air Products Director Disqualification Proposal, January Meeting Proposal and By-Law Amendment Repeal Proposal. You may also vote over the Internet using the Internet address on the WHITE proxy card or by telephone using the toll-free number on the WHITE proxy card. If your shares are held in street name, you should follow the instructions on your Voting Instruction Form and provide specific instructions to your broker to vote as described above.**

**Whom should I call if I have questions about the Annual Meeting?**

If you have any questions or need any assistance in voting your shares, please contact our proxy solicitor:

**Innisfree M&A Incorporated**

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (877) 687-1875

Banks and brokers may call collect: (212) 750-5833

\* \* \*

**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting of Stockholders to be held on \_\_\_\_\_, \_\_\_\_\_, 2010**

Each of the Notice of Annual Meeting, this proxy statement and the Annual Report of the Company for the fiscal year ended March 31, 2010 is available at <https://www.proxyvotenow.com/arg>.

Rules adopted by the SEC allow companies to send stockholders a notice of Internet availability of proxy materials, rather than mail them full sets of proxy materials. This year, we chose to mail full packages of materials to stockholders. However, in the future we may take advantage of the notice and access distribution option. If, in the future, we choose to send such notices, they will contain instructions on how stockholders can access our notice of meeting and proxy statement via the Internet. It will also contain instructions on how stockholders can request to receive their materials electronically or in printed form on a one-time or ongoing basis.

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**AIR PRODUCTS OFFER AND PROXY SOLICITATION**

**Air Products Tender Offer**

On February 11, 2010, Air Products, through its wholly-owned subsidiary, Air Products Distribution, Inc., commenced an unsolicited offer to acquire all outstanding Airgas Common Shares (including the associated right to purchase shares of Airgas Series C Junior Participating Preferred Stock) for \$60 per share in cash (the Offer).

Prior to launching its unsolicited tender offer, Air Products made a series of proposals to acquire Airgas, each of which the Airgas Board unanimously rejected on grounds that it grossly undervalued Airgas:

In mid-October 2009, John McGlade, the Chairman, President and Chief Executive Officer of Air Products, made an unsolicited oral proposal to Mr. McCausland to acquire Airgas for \$60 per share on an all-stock basis.

On November 20, 2009, Mr. McGlade sent a letter to Mr. McCausland making an unsolicited proposal to acquire Airgas for \$60 per share, again on an all-stock basis.

On December 17, 2009, Mr. McGlade sent a letter to Mr. McCausland revising Air Products' prior \$60 per share stock-for-stock proposal, proposing to acquire Airgas for \$62 per share with consideration including up to 50% cash.

On February 4, 2010, Mr. McGlade sent a letter to Mr. McCausland with another unsolicited proposal to acquire Airgas for a reduced price of \$60 per share on an all-cash basis.

The purpose of the Offer as stated by Air Products is to acquire control of, and the entire equity interest in, Airgas. Air Products has also stated that it intends, as soon as practicable after the consummation of the Offer, to seek to consummate a merger of Air Products Distribution, Inc., or one of its or Air Products' wholly owned subsidiaries, with Airgas. The Offer was initially scheduled to expire on April 9, 2010, but Air Products extended the expiration date to June 4, 2010 and then extended it again to August 13, 2010.

After careful consideration, including review of the terms and conditions of the Offer in consultation with Airgas' financial and legal advisors, the Airgas Board, by unanimous vote at a meeting on February 20, 2010, determined that the Offer is grossly inadequate to Airgas' stockholders and that the Offer is not in the best interests of Airgas' stockholders. Accordingly, the Airgas Board unanimously recommended that Airgas stockholders reject the Offer and not tender their Airgas common stock in the Offer. In reaching this conclusion, your Board took into consideration, among other things, the following factors:

The Airgas Board believes that the Offer grossly undervalues Airgas as it does not reflect the underlying value of Airgas' assets, operations and strategic plan, including its industry-leading position, unrivaled platform and future growth prospects. Since its founding, Airgas has delivered extraordinary results for its stockholders and, by virtue of its industry position, strategic direction, management and culture, Airgas is poised to continue to provide extraordinary results for its stockholders. Airgas has delivered superior value to its stockholders since its initial public offering in 1986, with a cumulative total stockholder return (defined as stock price appreciation plus dividends reinvested) of 4,201%<sup>1</sup> since that time, which represents a compound annual growth rate of 18% and places Airgas ahead of 94% of companies in the S&P 500 index. We believe our record of sustained growth for the calendar years 2001-2009 is similarly stellar: the compound annual growth rate during that period for revenues, earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted cash from operations and diluted earnings per share are 11%, 17%, 21% and 20%, respectively. Importantly, we believe the drivers of our historical success remain in place to enable our Company to continue its extraordinary performance.

<sup>1</sup> Market data as of market close on February 4, 2010, one day prior to Air Products' publicly disclosing its unsolicited proposal.





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The Airgas Board believes that the Offer does not reflect the value of Airgas as the largest and most valuable packaged gas business in the world, with an unrivaled platform. Airgas is the largest U.S. distributor of industrial, medical and specialty gases (delivered in packaged or cylinder form) and hardgoods, such as welding equipment and supplies. The U.S. remains the largest market for these products in the world and even Air Products has publicly acknowledged its expectations that North America will account for more than a quarter of global GDP growth in the next five years. Airgas' position in its industry is preeminent and Airgas is poised to continue to enhance stockholder value through organic growth and acquisitions. Airgas' national scale, strong local presence and broad product and service offerings deliver a compelling value proposition to its diversified customer base in a very attractive market.

The Airgas Board believes that the timing of the Offer is extremely opportunistic and disadvantageous to Airgas stockholders in that it seeks to exploit Airgas' only significant decline in annual EBITDA, in 22 years. Airgas historically lags going into and out of recessionary periods and has historically emerged with significant upside. The Airgas Board believes that Airgas and its stockholders are poised to realize significant benefits as the economy emerges from the worst recession since the Great Depression, making this precisely the wrong time to sell Airgas.

The Airgas Board believes that Airgas' solid fourth quarter results (for the quarter and fiscal year ending March 31, 2010) indicate that Airgas' business has started to rebound as the economic recovery gains momentum. Further, in fiscal year 2010, free cash flow increased to a record \$411 million. Roughly two-thirds of free cash flow was used for debt reduction, totaling nearly \$254 million during the year.

The Airgas Board believes that Air Products' extreme urgency in launching the Offer reflects its desire to act when the claimed premium would appear attractive. For example, after having traded as high as \$65.45 per share in 2008 before the stock market crash, the average closing price of Airgas shares in January and February 2010 before public announcement of Air Products' \$60 proposal was \$47.34; the average daily prices which Air Products paid in their open market purchases of Airgas shares prior to the decline in stock price on January 29 was between \$47.09 and \$49.25 per share. Thus, when the Airgas closing price was \$43.53 on February 4, Air Products acted to take advantage of a temporary valuation anomaly in its attempt to transfer the future value of Airgas to Air Products at a bargain basement price.

The Airgas Board considered the fact that Merrill Lynch, Pierce, Fenner & Smith Incorporated (which we refer to as BofA Merrill Lynch) and Goldman, Sachs & Co. (which we refer to as Goldman Sachs) each rendered an opinion to the Airgas Board, subsequently confirmed in writing, that as of February 20, 2010 and based upon and subject to the factors and assumptions set forth in the written opinions, the consideration proposed to be paid to the holders of Airgas common stock (other than Air Products Distribution or its affiliates) pursuant to the Offer was inadequate from a financial point of view to such holders. The full text of the respective written opinions of BofA Merrill Lynch and Goldman Sachs, each dated February 20, 2010, and each of which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinion, are attached as Annexes B and C, respectively, to the Schedule 14D-9 that Airgas filed with the SEC on February 22, 2010. BofA Merrill Lynch and Goldman Sachs provided their respective opinions for the information and assistance of the Airgas Board in connection with its consideration of the Offer. The opinions of BofA Merrill Lynch and Goldman Sachs are not a recommendation as to whether or not any holder of Airgas common stock should tender such Airgas common stock in connection with the Offer or any other matter.

The Airgas Board believes that the Offer is highly uncertain and would require a significant amount of time to complete, even under the most favorable circumstances. Despite Air Products' public statements designed to minimize the regulatory risks of its Offer, those regulatory risks are significant. And the regulatory concerns are amplified because Air Products failed to clear regulatory hurdles in its last attempt to acquire a major American industrial gas company, The BOC Group, despite publicly claiming it had developed a detailed divestiture plan that addressed the competitive issues. Indeed, as described in Airgas' Schedule 14D-9, the Airgas Board believes that Air Products has a poor acquisition history.

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A more detailed description of the background of the Air Products Offer and your Board's reasons and recommendations regarding Air Products Offer can be found in Airgas Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC on February 22, 2010, as amended from time to time, which is available at the SEC's website at [www.sec.gov](http://www.sec.gov). Free copies may be obtained by directing a request to Investor Relations, Airgas, Inc., 259 N. Radnor-Chester Road, Suite 100, Radnor, PA 19087.

**Legal Proceedings in Connection with Air Products Offer**

On February 4, 2010, Air Products filed an action against Airgas and members of the Airgas Board in the Delaware Court of Chancery, styled *Air Products and Chemicals, Inc. v. Airgas, Inc., et al.*, Civil Action No. 5249-CC (the Delaware Action). In the suit, Air Products seeks an order declaring, among other things, that members of the Airgas Board breached their fiduciary duties in considering and rejecting Air Products offers and by not forming a special committee of independent directors to consider and negotiate Air Products offers; compelling the members of the Airgas Board to form a special committee of independent directors to consider and negotiate Air Products offer; enjoining Airgas and the members of the Airgas Board from actions that would interfere with Air Products offer in violation of their fiduciary duties; and awarding Air Products costs and attorneys' fees. On February 11, 2010, Air Products filed an amended complaint, adding a claim that members of the Airgas Board breached their fiduciary duties by permitting Airgas Chairman and Chief Executive Officer Peter McCausland to exercise options to purchase 300,000 shares of Airgas stock. In addition, the amended complaint seeks an order declaring that Cravath, Swaine & Moore LLP, counsel to Air Products, is not disqualified from advising Air Products. On February 15, 2010, Air Products filed a motion in the Delaware Action seeking a determination that Cravath is not disqualified from advising Air Products and may appear in the action on behalf of Air Products, which motion the Court granted on March 5, 2010. On February 22, 2010, Airgas and its directors filed an answer in the Delaware Action denying the material allegations of the amended complaint. Airgas and its directors believe that the claims made by Air Products are without merit and intend to defend them vigorously.

On February 5, 2010, Airgas commenced litigation against Cravath in the Court of Common Pleas of Philadelphia County, Pennsylvania, styled *Airgas, Inc. v. Cravath, Swaine & Moore LLP*, Civil Action No. 000857 Feb. 5, 2010) (the Pennsylvania Action). In the action, Airgas alleges that Cravath is conflicted from representing Air Products in its attempted acquisition of Airgas because Airgas is a client of Cravath and seeks, among other things, damages and an injunction restraining Cravath from representing Air Products in connection with its offer for Airgas. On February 9, 2010, the Court in the Pennsylvania Action denied Airgas motion for a temporary restraining order and scheduled an evidentiary hearing on Airgas motion for a preliminary injunction for February 16, 2010. On February 12, 2010, Cravath removed the Pennsylvania Action to the United States District Court for the Eastern District of Pennsylvania, styled *Airgas, Inc. v. Cravath, Swaine & Moore LLP*, No. 10-CV-612. On February 16, 2010, Cravath filed a motion asking the Court to abstain and/or stay consideration of Airgas motion to disqualify Cravath in light of Air Products claim in the Delaware Action. On February 22, 2010, the Court in the Pennsylvania Action stayed the action to allow the Court in the Delaware Action to determine whether Cravath is disqualified from representing Air Products in the Delaware Action, and denied Cravath's motion to abstain. On May 26, 2010, the Court in the Pennsylvania Action entered an order setting a briefing schedule for a motion for judgment on the pleadings by Cravath, which motion will be briefed by July 17, 2010, and staying discovery until October 15, 2010, when a status and scheduling conference will be held.

Seven putative class action lawsuits have been commenced by Airgas stockholders against Airgas and/or the members of the Airgas Board in the Delaware Court of Chancery, styled *Hollywood Police Officers Retirement System v. Airgas, Inc., et al.*, Civil Action No. 5256-CC (filed Feb. 9, 2010); *Montgomery County Employees Ret. Fund v. Airgas, Inc., et al.*, Civil Action No. 5259-CC (filed Feb. 9, 2010); *City of Pontiac Gen. Employees Ret. System & City of Pontiac Policemen's & Firemen's Ret. System v. Peter McCausland., et al.*, Civil Action No. 5262-CC (filed Feb. 9, 2010); *Policemen's Annuity and Benefit Fund of Chicago v. Peter McCausland., et al.*, Civil Action No. 5263-CC (filed Feb. 9, 2010); *La. Mun. Police Employees Ret. System v. Airgas, Inc., et*

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*al.*, Civil Action No. 5264-CC (filed Feb. 10, 2010); *Plumbers Union Local No. 12 Pension Fund v. W. Thatcher Brown., et al.*, Civil Action No. 5271-CC (filed Feb. 16, 2010); and *Steven L. Berzner v. Peter McCausland., et al.*, Civil Action No. 5282-CC (filed Feb. 23, 2010). These suits variously allege, among other things, that the Airgas Board violated its fiduciary duties to Airgas stockholders in considering and rejecting Air Products' offers. The plaintiffs variously seek orders declaring that the Airgas Board breached its fiduciary duties; requiring the Airgas Board to evaluate Air Products' offers and/or alternative transactions, including conducting an auction of Airgas and/or a market-check of Airgas' value; restricting the Airgas Board's use of certain defensive provisions including its Rights Plan; and awarding compensatory damages, costs and attorneys' fees. On March 2, 2010, the Court consolidated the seven stockholder suits in an action styled *In re Airgas, Inc. Shareholder Litigation*, Civil Action No. 5256-CC (the Shareholder Action). On March 3, 2010, the stockholder plaintiffs filed a consolidated amended complaint in the Shareholder Action, seeking the same forms of relief as in their prior complaints and adding an allegation challenging certain disclosures in Airgas' Schedule 14D-9. On March 23, 2010, Airgas and its directors filed an answer in the Shareholder Action denying the material allegations of the consolidated amended complaint. Airgas and its directors believe that the claims made by the stockholder plaintiffs are without merit and intend to defend them vigorously.

On March 4, 2010, the plaintiffs in the Shareholder Action filed a motion asking the Court to schedule an expedited trial in ninety days, which motion the Court denied on March 17, 2010. The parties agreed on a scheduling order that coordinated the Delaware Action and the Shareholder Action for purposes of pre-trial proceedings and trial, and set a trial date of October 4, 2010; the Court entered this scheduling order on March 29, 2010.

**IMPORTANT**

**YOUR VOTE IS EXTREMELY IMPORTANT IN LIGHT OF THE PROXY CONTEST BEING CONDUCTED BY AIR PRODUCTS. Whether or not you plan to attend the Annual Meeting and regardless of the number of shares you own, we urge you to sign, date and mail the enclosed WHITE proxy card to vote FOR the election of the three Airgas director nominees, or use the WHITE proxy card to vote by telephone or by Internet.**

**We urge you NOT to sign or return any proxy card sent to you by Air Products. Only your latest dated, signed proxy card will be counted, and any proxy card you sign for any reason could invalidate previous WHITE proxy cards sent by you to support your Board. If you have already sent a proxy to Air Products, you may revoke that proxy and vote for the election of our three director nominees by signing, dating and mailing the enclosed WHITE proxy card. You may also vote over the Internet using the Internet address on the WHITE proxy card or by telephone using the toll-free number on the WHITE proxy card or, if you are a street name holder, by following the instructions on your Voting Instruction Form.**

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**ANNUAL MEETING PROCEDURES**

**Annual Meeting Admission**

Only Airgas stockholders may attend the Annual Meeting. Proof of ownership of Airgas common stock, along with personal identification (such as a driver's license or passport), must be presented in order to be admitted to the Annual Meeting. If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Annual Meeting in person, you must bring a brokerage statement, the proxy card mailed to you by your bank or broker or other proof of ownership as of the close of business on \_\_\_\_\_, 2010, the record date, to be admitted to the Annual Meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

**Voting Procedures**

***Registered Stockholders***

Registered stockholders (stockholders who own our shares in their own names on the books of our transfer agent) may vote their shares or submit a **WHITE** proxy to have their shares voted by one of the following methods:

By Telephone. You may submit a proxy by telephone (from U.S. and Canada only) using the toll-free number listed on the proxy card. Please have your proxy card in hand when you call.

By Internet. You may submit a proxy electronically on the Internet by following the easy instructions provided on your proxy card.

By Mail. You may indicate your vote by completing, signing and dating your **WHITE** proxy card and returning it in the business reply envelope.

In Person. You may vote in person at the Annual Meeting by completing a ballot; however, attending the Annual Meeting without completing a ballot will not count as a vote.

***Street-name Stockholders***

Street-name stockholders (stockholders who own shares beneficially in the name of a bank, broker or other holder of record on the books of our transfer agent) may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

By telephone or by Internet, as indicated on your Voting Instruction Form. Please refer to your voting instruction form or other information forwarded by your bank, broker or other holder of record to determine whether you may submit a proxy electronically on the Internet or by telephone, following the instructions on the voting instruction form or other information provided by the record holder.

By Mail. You may indicate your vote by completing, signing and dating your voting instruction form and returning it in the business reply envelope.

In Person with a Proxy from the Record Holder. A street-name stockholder who wishes to vote in person at the Annual Meeting will need to obtain a legal proxy from its bank, broker or other holder of record. Please consult the voting instruction form or other information sent to you by your bank, broker or other holder of record to determine how to obtain a legal proxy in order to vote in person at the Annual Meeting.

**Revoking Your Vote**

If you are a registered stockholder, you may revoke your vote at any time before your shares are voted at the Annual Meeting by:

timely submitting a proxy with new voting instructions using the Internet or telephone voting system;

timely delivery of a valid, later-dated executed proxy card;

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voting in person at the Annual Meeting by completing a ballot; however, attending the Annual Meeting without completing a ballot will not revoke any previously submitted proxy; or

filing an instrument of revocation which is timely received by the Secretary of Airgas, Inc. at 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087.

If you are a street-name stockholder and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, broker or other holder of record in accordance with that entity's procedures.

**Vote Required for Approval**

The presence, in person or by proxy, of stockholders entitled to cast a majority of the votes which all stockholders are entitled to cast at the Annual Meeting is necessary to constitute a quorum for the transaction of business. As described in more detail below, abstentions are not counted as shares voted in favor of a proposal but are counted as shares voted and therefore have the effect of a vote against Proposals 2, 3, 4, 5 and 6. Brokers holding shares for beneficial owners must vote their shares according to the specific instructions they receive from the owners. If specific instructions are not received, brokers may vote these shares at their discretion, except if they are precluded from exercising their voting discretion on certain proposals pursuant to the rules of the New York Stock Exchange, or NYSE. In such a case, the broker may not vote on the proposal absent specific voting instructions. This results in what is known as a broker non-vote. Brokers generally have discretion to vote on routine matters, such as the ratification of independent registered public accounting firms, but do not have discretion to vote on non-routine matters, such as the election of directors or stockholder proposals. In the contested proxy solicitation for the Annual Meeting, if you hold your shares of Airgas common stock in street name and Air Products provides you with its proxy materials through your broker, all of the proposals on the agenda will be considered non-routine matters and, accordingly, your broker will not have discretion to vote your shares on any proposals being presented at the Annual Meeting unless you provide instructions to your broker as to how your shares are to be voted.

**It will NOT help elect your Board if you sign and return proxies sent by Air Products and vote AGAINST or withhold on their directors. That may in fact cancel any previous vote you cast. The only way to support your Board's nominees is to vote FOR the Board's nominees on the WHITE proxy card.**

Following are the votes required to approve each matter to be considered by the stockholders at the Annual Meeting:

*Proposal 1. Election of Directors:* In the election for directors, every stockholder has the right to vote each share of stock owned by such stockholder on the record date for as many persons as there are directors to be elected. Cumulative voting is not permitted. To be elected, a director-nominee must receive a plurality of the votes cast at the meeting. Because Air Products has indicated that it will nominate three candidates for election to the Board of Directors, Airgas expects that the number of nominees for election as directors at the Annual Meeting will exceed the number of directors to be elected at the Annual Meeting. This means that the three nominees standing in the election who receive the greatest number of votes cast at the Annual Meeting will be elected as directors. Only votes cast FOR a nominee will be counted. Shares of common stock of stockholders abstaining from voting but otherwise present at the meeting in person or by proxy, votes withheld and broker non-votes will not be counted as votes cast for such purposes and therefore will have no effect on the results of the election.

*Proposal 2. Ratification of Selection of KPMG LLP:* The affirmative vote of a majority of the outstanding shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on this proposal is required to approve the ratification of our selection of KPMG LLP. Abstentions will have the same effect as a vote against this proposal and broker non-votes, if any, will have no effect on the results of this vote.

*Proposal 3. Approval of Amendment to the Amended and Restated 2003 Employee Stock Purchase Plan:* The affirmative vote of a majority of the outstanding shares of our common stock present in person or by proxy

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at the Annual Meeting and entitled to vote on this proposal is required to approve the amendment to the Amended and Restated 2003 Employee Stock Purchase Plan, referred to in this proxy statement as the Employee Stock Purchase Plan. Abstentions will have the same effect as a vote against this proposal and broker non-votes, if any, will have no effect on the results of this vote.

*Proposal 4. Approval of Air Products Director Disqualification Proposal:* As discussed on pages 62 to 64, Airgas believes that the Director Disqualification Proposal is invalid. In the event that the Director Disqualification Proposal were not invalid, Airgas believes that this proposal would require the affirmative FOR vote of 67% of the voting power of all shares of Airgas entitled to vote generally in the election of directors, voting together as a single class. Abstentions and broker non-votes, if any, will have the same effect as a vote against this proposal.

Air Products takes the view that the Director Disqualification Proposal is valid and that it requires only the approval of a majority vote of the shares of Airgas common stock represented and entitled to vote at the 2010 Annual Meeting. Abstentions and broker non-votes, if any, would have the same effect as a vote against this proposal.

*Proposal 5. Approval of Air Products January Meeting Proposal:* As discussed on pages 65 to 67, Airgas believes that the January Meeting Proposal is invalid. In the event that the January Meeting Proposal were not invalid, Airgas believes that this proposal would require the affirmative FOR vote of 67% of the voting power of all shares of Airgas entitled to vote generally in the election of directors, voting together as a single class. Abstentions and broker non-votes, if any, will have the same effect as a vote against this proposal.

Air Products takes the view that the January Meeting Proposal is valid and that it requires only the approval of a majority vote of the shares of Airgas common stock represented and entitled to vote at the 2010 Annual Meeting. Abstentions and broker non-votes, if any, would have the same effect as a vote against this proposal.

*Proposal 6. Approval of Air Products By-Law Amendment Repeal Proposal:* The affirmative vote of a majority of the outstanding shares of our common stock represented and entitled to vote at the Annual Meeting is required to approve Air Products By-Law Amendment Repeal Proposal. Abstentions and broker non-votes, if any, will have the same effect as a vote against this proposal.

Under the NYSE rules, brokers may not vote shares on Proposals 1 or 3 absent instructions from the stockholders. In addition, brokers may not vote shares on Air Products Proposals 4, 5 or 6 absent instructions from the stockholders. Brokers are not precluded from voting on Proposal 2, and, therefore, there will be no broker non-votes on that proposal, subject to the special voting conditions in a proxy contest, discussed above on pages 10 to 11.

**Proxy Solicitation**

The cost of proxy solicitation, including the cost of preparing, assembling, printing, mailing and distributing these proxy materials will be paid by Airgas. Airgas will also reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and other solicitation materials to beneficial owners of Airgas common stock. Airgas expenses related to the solicitation in excess of those normally spent for an Annual Meeting as a result of the proxy contest are expected to be approximately \$ (excluding salaries and wages of our regular employees and officers and the fees and expenses to be paid to Innisfree M&A Incorporated), of which approximately \$ has been spent to date. Appendix C sets forth information relating to Airgas directors, director nominees, officers and employees who are considered participants in our solicitation under the rules of the SEC by reason of their position as directors or director nominees or because they may be soliciting proxies on our behalf. Some of our directors, officers and other employees may solicit proxies without extra compensation by mail and, if found to be necessary, by telephone and personal interviews, and information about such persons is included in Appendix C. Airgas has also retained Innisfree M&A Incorporated to assist in the solicitation of proxies and in connection with Airgas communications with its stockholders in connection with the Offer at an anticipated fee of \$ . In addition,

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Airgas has agreed to reimburse Innisfree for its reasonable out-of-pocket expenses and to indemnify it and certain related persons against certain liabilities relating to or arising out of the engagement. Innisfree has advised Airgas that approximately 100 of its employees will be involved in soliciting Airgas stockholders on behalf of Airgas.

### **Professional Advisors**

Airgas has retained BofA Merrill Lynch and Goldman Sachs in connection with, among other things, Airgas' analysis and consideration of, and response to, the Offer. Both financial advisors will be paid customary fees for such services, will be reimbursed for their respective reasonable out-of-pocket expenses (including fees and disbursements of their respective legal counsel), and will be indemnified against certain liabilities relating to or arising out of the engagement.

Airgas has also retained Joele Frank, Wilkinson Brimmer Katcher as its public relations advisor in connection with the Offer. Airgas has agreed to pay customary compensation to Joele Frank for such services. In addition, Airgas has agreed to reimburse Joele Frank for its reasonable out-of-pocket expenses and to indemnify it and certain related persons against certain liabilities relating to or arising out of the engagement.

Except as set forth above, neither Airgas nor any person acting on its behalf has or currently intends to employ, retain or compensate any person to make solicitations or recommendations to the stockholders of Airgas on its behalf with respect to the Offer.

### **Householding of Annual Meeting Materials**

If you and other residents at your mailing address own shares of our common stock in street name, your broker or bank may have sent you only one copy of our annual report and proxy materials. This practice of sending only one copy of proxy materials is known as householding. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If the foregoing procedures apply to you, your broker has sent one copy of our proxy materials to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm and your account number to Airgas, Inc., Investor Relations, 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087, telephone 610-687-5253. The revocation of your consent to householding will be effective 30 days following its receipt. In any event, if you did not receive an individual copy of our proxy materials, we will send a copy to you if you address your written request to or call the Secretary of Airgas, Inc., 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087, telephone number 610-687-5253. If you are receiving multiple copies of our proxy materials, you can request householding by contacting the Secretary in the same manner.



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**GOVERNANCE OF THE COMPANY**

**Corporate Governance Commitment**

Our Board believes strongly that good corporate governance accompanies and greatly aids our long-term business success. This success has been the direct result of our key business strategies and our highest business standards. The Airgas Board strongly supports these key strategies, advising on design and implementation, and seeing that they guide our operations. To accomplish our strategic goals, we have, consistently over many years, developed and followed a program of corporate governance. The Board has adopted a set of Corporate Governance Guidelines that address the make-up and functioning of the Board. Our Governance and Compensation Committee is responsible for reviewing and reassessing the Guidelines on an annual basis and making recommendations to the Board concerning changes to the Guidelines. The Guidelines are published on our website at [www.airgas.com](http://www.airgas.com) and are available in print to any stockholder who requests them from our Secretary.

**Board Leadership Structure**

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of Airgas to make that determination based on the position and direction of Airgas and the membership of the Board. The Board has determined that having our Chief Executive Officer serve as Chairman is in the best interest of our stockholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of Airgas and its industry, as well as fostering greater communication between our management and the Board. Our By-Laws provide that the Chairman of the Board shall be the chief executive officer unless the Board determines otherwise. The Air Products Director Disqualification Proposal would conflict with this By-Law provision under certain circumstances. The Airgas Board recommends a vote AGAINST that proposal. See Air Products Proposal to Implement Director Disqualification Requirements.

In accordance with our Corporate Governance Guidelines, our Board selects a non-management director to preside over non-management executive sessions of the Board. Mr. Ill is currently serving as the Presiding Director to preside over non-management executive sessions of the Board until the regularly-scheduled winter meeting of the Board in 2011, and Mr. Thomas is currently serving as alternate Presiding Director in the event that Mr. Ill is unable to serve at any meeting during such period. In addition, stockholders and other parties interested in communicating with the Board may communicate with the Presiding Director. See Executive Sessions and Stockholder Communications with the Board below, for information on how to submit such communications.

**Board Role in Risk Oversight**

Our Board of Directors and its various committees play an active role in risk oversight. At its meeting in November 2009, with the assistance of outside counsel, the Board performed a thorough analysis of the material risks facing Airgas, identified the senior managers responsible for the programs and procedures that have been implemented to address those risks, and identified the committees primarily responsible for the Board-level oversight of those programs and procedures. A detailed review of our overall risk management program by the full Board is scheduled for the November meeting as part of the Board's regular annual agenda.

In addition to its annual review of risk management programs and procedures, the Board receives a report at each regularly scheduled meeting from our Chief Operating Officer who reviews our continuing safety initiatives, reports on any material accidents and discusses the results of internal compliance audits and any regulatory agency inspections. On an annual basis, the Director of our safety department, referred to as SAFECOR, provides a full report on safety and regulatory compliance matters.

Prior to any material business acquisition being approved, the Senior Vice President Corporate Development provides the Board with a written analysis of the proposed transaction, discusses it with the Board and answers any questions the individual directors may have. The Board also receives an annual report from our General Counsel that addresses material litigation and any compliance issues. The Board regularly receives

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reports on, and discusses, areas of risk overseen by the Audit Committee, the Finance Committee and the Governance and Compensation Committee and on an annual basis has a thorough discussion with management on the topic of profitability opportunities and threats. This discussion includes a broad range of topics such as general economic conditions, product sourcing and information technology.

Our Audit Committee meets regularly with, among others, our Chief Financial Officer, our Controller and our Director of Internal Audit, as well as representatives of our independent registered public accounting firm. The Audit Committee's responsibilities include assuring that proper policies and procedures are in place to address risks associated with financial reporting, internal control over financial reporting, SEC and other regulatory compliance and taxes. Our Associate General Counsel discusses any open environmental issues with the committee on a quarterly basis, and, on an annual basis, our General Counsel describes material pending litigation and provides a detailed analysis of Airgas' compliance with applicable laws and regulations.

Risks associated with compensation practices are analyzed by our Senior Vice President-Human Resources, who in turn discusses the results of his analysis with the Governance and Compensation Committee. Additionally, the Governance and Compensation Committee has primary responsibility for monitoring risks associated with Airgas' succession planning.

The Finance Committee is charged with reviewing, approving and monitoring risks related to, insurance programs, capital structure, liquidity, financing plans, hedging transactions, and currency matters. The committee regularly meets with our Chief Financial Officer and our Treasurer and reports on the results of its activities to the full Board.

Reflecting our founder's training as an attorney, Airgas has always had a conservative approach to risk and places its greatest emphasis on the safety of its associates and returning long-term, sustainable value to its stockholders. Our directors, all of whom are independent, with the exception of our Chief Executive Officer, have many years of experience serving Airgas' stockholders, share senior management's conservative approach to risk and are actively involved in assuring that Airgas' policies and procedures satisfy the goal of identifying, understanding, reporting on and mitigating risk while not stifling innovation and the entrepreneurial spirit that have contributed to Airgas' success. The Airgas Board is proud of the fact that Airgas has never had to restate its earnings.

## **Board Independence and Expertise**

### ***Board and Committee Independence***

The Board of Directors is composed of eight independent outside directors and the Chairman and Chief Executive Officer, who we sometimes refer to in this proxy statement as the CEO. The committees of the Board are also entirely composed of independent outside directors, with the exception of the Executive Committee, of which the Chief Executive Officer is a member.

The Board of Directors has determined that the following directors, comprising all of the directors other than the Chief Executive Officer, are independent under the listing standards of the NYSE: W. Thacher Brown; James W. Hovey; Richard C. Ill; Paula A. Sneed; David M. Stout; Lee M. Thomas; John C. van Roden, Jr. and Ellen C. Wolf. In order to assist the Board in making this determination, the Board has adopted Director Independence Standards, which are attached to this proxy statement as Appendix A. These standards identify material relationships that a director may have with Airgas that might interfere with the director's ability to exercise independent judgment. Each of the directors identified above meets the standards set forth in the Director Independence Standards.

In the course of determining the independence of each outside director, the Board considered all transactions, relationships and arrangements, as required by our Director Independence Standards. In particular, with respect to each of the most recent three completed fiscal years, the Board evaluated for:

director Ill, the amount of annual sales to and purchases from Airgas of goods and services by Triumph Group, Inc., the company where he serves as president and chief executive officer and a director, and

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determined that neither the amount of sales to nor purchases from Airgas by Triumph Group in any of the past three fiscal years was greater than 2% of Triumph Group's consolidated gross revenues;

director Sneed, the amount of annual sales to and purchases from Airgas of goods and services by Tyco Electronics, Ltd., the company where she serves as a director, and determined that neither the amount of sales to nor purchases from Airgas by Tyco Electronics in any of the past three fiscal years was greater than 2% of Tyco Electronics' consolidated gross revenues;

director Thomas, the amount of annual sales to and purchases from Airgas of goods and services by Rayonier, Inc., the company where he serves as chairman, president and chief executive officer, and determined that neither the amount of sales to nor purchases from Airgas by Rayonier in any of the past three fiscal years was greater than 2% of Rayonier's consolidated gross revenues; and

director Wolf, the amount of annual sales to and purchases from Airgas of goods and services by American Water Works Company, Inc. the company where she serves as senior vice president and chief financial officer, and determined that neither the amount of sales to nor purchases from Airgas by American Water in either of the past two fiscal years was greater than 2% of American Water's consolidated gross revenues.

### ***Board Membership Criteria***

To fulfill its responsibility to screen, select and recommend to the full Board nominees for election as directors, the Governance and Compensation Committee reviews the composition of the Board to determine the qualifications and areas of expertise needed to further enhance the composition of the Board. Airgas believes that our directors should possess the highest personal and professional ethics, integrity and values, and possess a range of talent, skill, diversity and expertise enabling it to provide sound guidance with respect to our operations and interests. The evaluation of director nominees by the Committee also takes into account diversity of age and background.

Below we identify and describe the key experience, qualifications and skills our directors bring to the Board that are important in light of our strategy and operations. The directors' experiences, qualifications and skills that the Committee and the Board considered in their re-nomination are included in their individual biographies.

We believe that directors with experience in significant leadership positions, especially CEO and CFO positions, generally possess strong leadership qualities. They demonstrate a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth. Through their service as top leaders at other organizations, they also have gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance and leadership development. Our directors also have experience serving on boards of directors and committees of other public companies.

Our Board and Governance and Compensation Committee also believe that each of our nominees and current directors has other attributes that are important to an effective board: integrity and high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience and thought; and a demonstrated commitment to devote significant time and energy to service on the Board and its Committees.

Airgas does not have a formal policy with regard to diversity in identifying director nominees, but the Governance and Compensation Committee and the Board strive to nominate directors with a variety of complementary skills and attributes so that, as a group, the Board will possess the appropriate talent, skills, and expertise to oversee our business. The current composition of the Board reflects the Governance and Compensation Committee's and Board's success in accomplishing this goal.

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### ***Audit Committee and Governance and Compensation Committee Independence***

The Board of Directors, in its business judgment, has determined that each of the members of the Audit Committee meets the independence requirements of the SEC and the NYSE. The Audit Committee regularly holds separate executive sessions with (1) Airgas independent registered public accounting firm, without management present, (2) our Chief Financial Officer and (3) our chief internal auditor. The Board has also determined that each of the members of the Governance and Compensation Committee satisfies the independence requirements of the NYSE.

### **Director Nomination Process**

The Governance and Compensation Committee reviews possible candidates for the Board of Directors and recommends the nominees for director to the Board of Directors for approval. The Board of Directors has adopted criteria for the selection of nominees to the Board, which are generally included in our Corporate Governance Guidelines, and are described above. These criteria describe specific traits, abilities and experience that the Governance and Compensation Committee and the Board look for in selecting candidates for election to the Board. The Governance and Compensation Committee considers suggestions from many sources, including stockholders, regarding possible candidates for director. These suggestions, together with a complete description of the nominee's qualifications, experience and background, and a statement signed by the nominee in which he or she consents to such nomination and which includes the name of the stockholder making the suggestion and evidence of that person's ownership of Airgas stock, including the number of shares held and the length of time of ownership, should be submitted to the Secretary of Airgas at 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087-5283 not less than 120 days prior to the anniversary date of the most recent annual meeting of stockholders, or if the meeting has been changed by more than 30 days from the date of the previous year's meeting, not less than 60 days before the date of the meeting. Possible candidates who have been suggested by stockholders are evaluated by the Governance and Compensation Committee in the same manner as are other possible candidates.

In addition to making suggestions to the Governance and Compensation Committee for the selection of nominees as described above, under our By-Laws, stockholders are also entitled to nominate persons for election as directors if, among other things, written notice has been given, in the case of an annual meeting, not earlier than 120 days and not later than 90 days prior to the anniversary of the preceding year's annual meeting. The notice must set forth information about the proposed nominee and the consent of the nominee, among other things.

### **Charters and Code of Ethics and Business Conduct**

In addition to the Corporate Governance Guidelines, we maintain the following to support our corporate governance policies:

#### ***Charters for Board Committees***

The Governance and Compensation Committee and the Audit Committee use charters adopted by the Board that set forth the authority and responsibilities of the committees under the corporate governance rules of the SEC and the NYSE.

#### ***Code of Ethics and Business Conduct***

Airgas Code of Ethics and Business Conduct ensures that our business is conducted in a consistently legal and ethical manner. Our General Counsel oversees compliance with the Code of Ethics and Business Conduct. Airgas Code of Ethics and Business Conduct is available on our website at [www.airgas.com](http://www.airgas.com) and is available in print to any stockholder who requests it from our Secretary. All of our employees, including our Chief Executive

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Officer, Chief Financial Officer and Controller, are required to comply with the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct covers all areas of professional conduct, including compliance with laws, conflicts of interest, confidentiality, corporate opportunities, use of company assets and reporting illegal or unethical behavior. The Code of Ethics and Business Conduct describes our procedures to receive, retain and address complaints regarding accounting, internal controls and auditing matters, and other illegal or unethical behavior.

### **Directors are Stockholders**

#### ***Meaningful Director Stock Ownership***

Board members are expected to develop a meaningful ownership position in Airgas stock. For more information on director stock ownership requirements, please see "Compensation of Directors" beginning on page 28 of this proxy statement. Board members receive stock options each year as a significant component of their overall compensation.

### **Direct Access to Management and Independent Advisors**

Airgas provides directors with complete access to management. Key senior managers regularly attend Board meetings. Topics are presented to the Board by the members of management who are most knowledgeable about the issue at hand, irrespective of seniority, which allows dialogue to develop between directors and management. The Board and each of the Audit Committee and the Governance and Compensation Committee have the right to consult with and retain independent legal and other advisors at Airgas' expense.

### **Ensuring Management Accountability**

#### ***Performance-Based Compensation***

We have linked the pay of associates in management and executive level positions to company performance. As described in greater detail under "Compensation Discussion and Analysis" included in this proxy statement, the Governance and Compensation Committee adheres to this pay-for-performance philosophy, and stock-based incentives constitute a significant component of senior management's overall compensation.

#### ***CEO Evaluation Process***

The non-management members of the Board conduct an annual evaluation of the CEO's performance and compensation. The CEO is evaluated against goals set each year, including both objective measures and subjective criteria consistent with, and in furtherance of, Airgas' strategic goals and initiatives. As part of the overall evaluation process, the Board meets informally with the CEO to give and seek feedback on a regular basis. The non-management members of the Board meet in executive sessions to review the CEO's performance.

### **Functioning of the Board**

#### ***Directorship Limits***

To devote sufficient time to properly discharge their duties, no director may serve on more than three other boards of directors of public companies. Recognizing the value of continuity of directors who have experience with Airgas, there are no limits on the number of terms for which a director may hold office. Directors are required to resign from the Board by the date of the annual meeting of stockholders in the year in which the director has his or her seventieth birthday.

#### ***Attendance at Board and Stockholder Meetings***

Directors are expected to attend all meetings of the Board and committees on which they serve and annual stockholder meetings. Each director attended 100 percent of the meetings of the Board and the committees on which he or she served during the 2010 fiscal year. All of the then current directors attended the last Annual Meeting.

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***Executive Sessions and Stockholder Communications with the Board***

The Board holds two regularly scheduled executive sessions each year where non-management directors meet without management participation. In the event that one or more of the non-management directors were not to qualify as independent directors, the Board will also hold at least one meeting each year of the independent directors. Interested persons may communicate directly and confidentially with the non-management directors by writing to the Presiding Director, Airgas, Inc., 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087-5283.

**Assessing the Board's Performance**

***Board Evaluation Process***

The Board of Directors conducts an annual evaluation of itself and its committees. The directors first evaluate overall Board performance against certain criteria that the Board has determined are important to its success. These include financial oversight, succession planning, compensation, corporate governance, strategic planning and Board structure and role. The Board then reviews the results of the evaluation and discusses what, if any, action should be taken to improve its performance.

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**ELECTION OF DIRECTORS**

**(PROPOSAL 1)**

Our By-Laws provide that our Board of Directors designates the number of directors constituting the Board of Directors, and that there should be at least seven and no more than thirteen members. Currently, that number has been fixed by the Board of Directors at nine. The Board of Directors consists of three classes, with directors of one class elected each year, for terms extending to the annual meeting of stockholders held in the third year following the year of their election.

Three directors are to be elected to hold office until the 2013 Annual Meeting. The proxy holders will cast votes on the **WHITE** proxy cards received by them, unless otherwise specified, **FOR** the election of Mr. McCausland, Mr. Brown and Mr. Ill.

The names and biographical summaries of the three persons who have been nominated to stand for election at the 2010 Annual Meeting and the remaining directors whose terms are continuing until the 2011 and 2012 Annual Meetings appear below. Peter McCausland, W. Thacher Brown and Richard C. Ill have been nominated to serve as directors for terms expiring at the 2013 Annual Meeting. Lee M. Thomas and John C. van Roden, Jr. were elected by the stockholders at the 2008 Annual Meeting, and Ellen C. Wolf was appointed to the Board to fill a vacancy in 2008 and was elected by the stockholders in 2009, for terms continuing until the 2011 Annual Meeting. James W. Hovey, Paula A. Sneed and David M. Stout were elected by the stockholders at the 2009 Annual Meeting and their terms continue until the 2012 Annual Meeting.

All nominees have indicated that they are willing and able to serve as directors if elected. In the event that any nominee should become unavailable, the proxy will be voted for the election of any substitute nominee recommended by the Governance and Compensation Committee to the Board of Directors and selected by the Board.

**The Board of Directors unanimously recommends that you vote FOR the election of Mr. Brown, Mr. Ill and Mr. McCausland.**

Set forth below is certain information regarding the three nominees for election at the Annual Meeting and the remaining six directors whose terms are continuing.

*Nominees for Election for Terms Expiring at the 2013 Annual Meeting:*

Peter McCausland

Mr. McCausland, age 60, has been an Airgas director since June 1986, the Chairman of the Board and Chief Executive Officer of Airgas since May 1987, and President of Airgas from June 1986 to August 1988, from April 1993 to November 1995, from April 1997 to January 1999 and from January 2005 to the present. Mr. McCausland serves as a director of the Fox Chase Cancer Center, the Independence Seaport Museum and The Philadelphia Orchestra. Mr. McCausland also serves on the Board of Visitors of the Boston University School of Law and the College of Arts and Sciences of the University of South Carolina.

Mr. McCausland brings to the Board leadership, extensive business, operating and policy experience, and tremendous knowledge of our company and the industrial gas industry. In addition, Mr. McCausland brings his strategic vision for Airgas to the Board. His service as the Chairman and CEO of Airgas since 1987 has contributed to the effectiveness of the Board and creates a critical link between

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management and the Board, enabling the Board to perform its oversight function with the benefits of management's perspectives on the business. Furthermore, Mr. McCausland provides Airgas with ethical, decisive and effective leadership.

As of May 31, 2010, Mr. McCausland owned 7,797,270 shares of Airgas common stock.

**W. Thacher Brown**

Mr. Brown, age 62, is retired. Prior to his retirement, he served as Chairman, President and a director of 1838 Investment Advisors, LLC, an investment management company, from July 1988 until May 2004, President of MBIA Asset Management, LLC from 1998 until September 2004 and a director of MBIA Insurance Company from 1999 until September 2004. He is a director of the Rivus Bond Fund, The Harleysville Group, Inc. and The Harleysville Mutual Insurance Company, and was a Senior Vice President and a director of Drexel Burnham Lambert Incorporated for more than four years prior to 1988. Mr. Brown also serves as a member of the Board of Trustees of Eisenhower Fellowships, Inc., as a director of the Fox Chase Cancer Center and as a director of the Pennsylvania Horticultural Society. Mr. Brown has been an Airgas director since 1989.

Mr. Brown, one of Airgas' longest-serving directors, brings to the Board his many years of experience as a chief executive officer, investment professional and public company director and committee member. His business experience included significant senior executive positions, including those of CEO and President. Mr. Brown has served on, and chaired, every Airgas Board committee and has been involved in every Board-level decision regarding strategic planning, mergers and acquisitions and financings during his tenure as a director. Mr. Brown also brings a wealth of executive management experience in non-profit entities and his experience serving as a member of our Audit Committee.

As of May 31, 2010, Mr. Brown owned 125,260 shares of Airgas common stock.

**Richard C. Ill**

Mr. Ill, age 67, has been Chairman and Chief Executive Officer and a director of Triumph Group, Inc., a company that designs, manufactures, repairs and overhauls aircraft components and assemblies, since 1993. Mr. Ill serves as a director of P.H. Glatfelter Company and as a member of the Board of Trustees of Eisenhower Fellowships, Inc. Mr. Ill has served as an Airgas director since 2004.

Mr. Ill has over 45 years of public company experience in management, manufacturing and operations. From his tenure as CEO of Triumph Group, he provides a strong operational and strategic background and has valuable business leadership and management experience and insights into many aspects of our business and the current business climate.

As of May 31, 2010, Mr. Ill owned 7,500 shares of Airgas common stock.



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**We urge you to vote FOR the foregoing nominees and NOT to sign or return any proxy card sent to you by Air Products for the following reasons:**

***We believe Air Products nominees may have conflicts of interests with respect to the Offer***

We believe that Air Products handpicked nominees may have conflicts of interests if elected to the Board. As disclosed by Air Products, Air Products has agreed to pay each of its nominees \$100,000 in consideration for his agreement to be named as a nominee for this election. In addition, Air Products will reimburse each of its nominees for all reasonable and out-of-pocket travel and related expenses incurred by such nominee in connection with his service as a nominee for this election. Air Products also agreed to indemnify each of its nominees from and against any and all expenses, liabilities and losses reasonably incurred or suffered by the nominee in connection with any action, suit or proceeding, directly or indirectly, resulting from, based upon, arising out of or relating to (i) serving as a director nominee; (ii) being a participant in a proxy solicitation; or (iii) being otherwise involved in the proxy solicitation regarding Airgas as a nominee of Air Products, except to the extent such losses relate to acts or omissions not undertaken by the nominee in good faith, involving any intentional misconduct or, in the case of any criminal action or proceeding, that the nominee had reasonable cause to believe was unlawful. Air Products nominees rights under the indemnification agreements include the right to require Air Products to advance any and all expenses incurred by the nominees in connection with any indemnifiable claim. While Air Products nominees may not be controlled by Air Products or obligated to vote as directed by Air Products, we believe the Air Products nominees views about the Air Products offer could be colored by their relationship with Air Products, which includes the compensation, reimbursement and indemnification arrangements described above.

Furthermore, in the event that Airgas were to determine in the future to explore strategic transactions to ascertain the best alternative then available for our stockholders, we believe that Air Products nominees might not be able to perform such a comparison without bias because their objectivity may have been compromised as described above. Should other potential transactions be developed, we believe it would be in the best interests of our stockholders for directors not associated in any way with Air Products to be entrusted with the task of comparing Air Products offer with such other options.

According to Air Products Notice, none of Air Products nominees owns any shares of Airgas. In stark contrast, the members of the Airgas Board have substantial investments in Airgas. The current Airgas directors own approximately 12% of the Airgas shares (including stock options exercisable within 60 days of May 31, 2010) in the aggregate. This includes approximately 10.2% of the Airgas shares (including stock options exercisable within 60 days of May 31, 2010) owned by our Chairman and Chief Executive Officer, Mr. Peter McCausland. We believe this stake firmly links the Board s economic interests with those of our stockholders (see Security Ownership ).

***Air Products nominees lack relevant industry experience***

Based on Air Products disclosure, its nominees have no meaningful experience in our industry, one characterized by a highly competitive landscape with unique risks and challenges. In contrast, our nominees have broad knowledge of Airgas and the industrial gas industry gained from their years of service on the Airgas Board, and in Mr. McCausland s case, as Airgas CEO. Our Board believes that Airgas has a remarkable record of success in terms of historic financial performance and stock price. We ask you to review our public filings for information about our historical performance. Despite Airgas accomplishments, Air Products is asking you to replace our long-serving directors with their nominees.

We ask you to consider our record carefully. None of Air Products nominees have any operating experience in our industry or any expertise at all in our business.

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**The Airgas Board recommends that you vote **FOR** the election to the  
Board of each of the foregoing nominees on the **WHITE** proxy card.**

*Directors Serving for Terms Expiring at the 2011 Annual Meeting*

Lee M. Thomas

Mr. Thomas, age 66, has been President and Chief Executive Officer of Rayonier, Inc. since March 2007 and Chairman of the Board since July 2007. Previously, he served as President of Georgia-Pacific Corporation, beginning in September 2002, and as President and Chief Operating Officer, beginning in March 2003, until his retirement in December 2005. Mr. Thomas held these and other senior executive positions within Georgia-Pacific Corporation since 1993. Prior to that, he was Chairman and Chief Executive Officer of Law Companies Environmental Group Inc. and has held numerous federal and state government positions, including positions with the U.S. Environmental Protection Agency, the Federal Emergency Management Agency and the Office of the Governor of South Carolina. Mr. Thomas is a director of Regal Entertainment Group and also serves as a member of the board of the Federal Reserve Bank of Atlanta. Mr. Thomas has served as an Airgas director since 1998.

Mr. Thomas brings to our Board an extensive knowledge of the environmental regulatory process from his senior positions in industry and government. His tenure at Rayonier and Georgia-Pacific and as Administrator of the U.S. Environmental Protection Agency and Deputy Director of the Federal Emergency Management Agency provide valuable business, leadership and management experience, including expertise on governmental relations in environmental regulatory areas.

John C. van Roden, Jr.

Mr. van Roden, age 61, served as Executive Vice President and Chief Financial Officer of P.H. Glatfelter Company, a diversified global manufacturer of specialty papers and engineered products, from 2003 to 2006, and currently serves as a consultant to Glatfelter on strategic issues. Prior to that, he served as Senior Vice President and Chief Financial Officer for Conectiv from 1998 to 2003, and as the Senior Vice President and Chief Financial Officer of Lukens Inc. from 1982 to 1998. Mr. van Roden also serves on the boards of H.B. Fuller Company, Horsehead Corporation, and Penn Virginia GP Holdings, L.P. Mr. van Roden has served as an Airgas director since October 2006.

Mr. van Roden brings to the Board over 20 years of experience in strategic and financial management from his senior leadership positions at P.H. Glatfelter, Conectiv and Lukens, where he served in significant financial leadership positions. Mr. van Roden's extensive experience as a financial executive enables him to provide leadership in the financial area and to serve as the Chairman of our Audit Committee and as an audit committee financial expert.

Ellen C. Wolf

Ms. Wolf, age 56, has been Senior Vice President and Chief Financial Officer of American Water Works Company, Inc., the largest investor-owned U.S. water and wastewater company, since 2006. Previously, she served as Senior Vice President and CFO of USEC, Inc. beginning in December 2003 and as Vice President and CFO of

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American Water from 1999 to 2003. Prior to that, Ms. Wolf held various positions with increasing responsibility in corporate accounting, finance and business development since beginning her career in 1979. She also serves on the board of directors of C&D Technologies Inc. (and as chair of its audit committee), Water for People, the Philadelphia Zoo and the National Association of Water Companies. Ms. Wolf has been an Airgas director since 2008.

Ms. Wolf brings to the Board her strong financial, corporate accounting, business development and leadership experience through her corporate senior executive positions and her service on the audit committee of another public company. Ms. Wolf's financial expertise provides her with a deep understanding of our financial statements, corporate finance matters and accounting issues, and enables her to serve on our Audit Committee as an audit committee financial expert.

***Directors Serving for Terms Expiring at the 2012 Annual Meeting***

James W. Hovey

Mr. Hovey, age 64, is President of The Fox Companies, a diversified real estate development firm, which he joined in 1972, where he has been responsible for the development of numerous housing units and office buildings, and of a sports arena. Mr. Hovey also serves as a member of the Board of Trustees of Eisenhower Fellowships, Inc. and a director of the Philadelphia Orchestra. Mr. Hovey has been an Airgas director since 1999.

Mr. Hovey brings senior-level management experience to the Board through his 38-year career as an executive of a real estate development firm. Mr. Hovey's experience enables him to provide insight and guidance on real estate matters facing us. Mr. Hovey also brings to the Board his leadership skills from his extensive non-profit experience.

Paula A. Sneed

Ms. Sneed, age 62, is the Chairman and CEO of Phelps Prescott Group, LLC, a strategy and management consulting firm. She served as Executive Vice President of Global Marketing Resources and Initiatives for Kraft Foods, Inc. from June 2005 until her retirement in December 2006. She was responsible for leading Kraft's approximately 700-person Global Marketing Services organization (advertising, media, promotions, marketing research, packaging, digital and interactive marketing, CRM and other marketing disciplines) serving more than 100 major food brands. Ms. Sneed joined General Foods Corporation (which later merged with Kraft Foods, Inc.) in 1977, and served in various executive positions since 1986. She also serves as a trustee of Simmons College and Teach for America and a director of the American Marketing Association and is a member of the Visiting Committee of the Harvard Business School. Ms. Sneed is also a member of the board of directors of The Charles Schwab Corporation, Tyco Electronics, Ltd and Communispace Corp., a leading provider of customer insights via online communities. Ms. Sneed has been an Airgas director since 1999.

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Ms. Sneed has a broad range of leadership experience in senior marketing roles from her tenure at General Foods and Kraft Foods, where, among other things, she was in charge of overseeing the maintenance and improvement of the company's website, an important tool for market research. Ms. Sneed brings valuable marketing and global management skills and extensive leadership experience to the Board. She also provides our Board with useful insights on best governance practices from her service on other public company boards of directors.

David M. Stout

Mr. Stout, age 56, is retired. Prior to his retirement, he served as President, Pharmaceuticals, GlaxoSmithKline, with responsibility for global pharmaceutical operations, from January 2003 to February 2008. Prior to that, he served as President, U.S. Pharmaceuticals from 1999 to January 2003. He served as Senior Vice President and Director, Sales and Marketing-U.S., for SmithKline Beecham from October 1996 until 1998. Mr. Stout was President of Schering Laboratories, a division of Schering-Plough Corporation, from 1994 until 1996. He held various executive and sales and marketing positions with Schering-Plough from 1979, when he joined the company, until 1994. Mr. Stout is also a member of the board of directors of NanoBio Corporation, a privately-held company, Allos Therapeutics, Inc., Jabil Circuit, Inc. and Shire plc. Mr. Stout has been an Airgas director since 1999.

With over 18 years of senior management experience in the pharmaceutical industry, Mr. Stout brings to our Board valuable business, manufacturing, research and development, and global operations experience. In his roles, Mr. Stout gained valuable experience dealing with governments and the complexities related to operating in a regulated industry, distributors and suppliers. His service on boards of directors and committees of other public companies has given him valuable insight on best practices in the corporate governance and compensation areas.

## **Board of Directors and Committees**

The Board of Directors held nine meetings during the fiscal year ended March 31, 2010. Each director attended 100% of the Board and committee meetings that he or she was scheduled to attend during the 2010 fiscal year.

The standing committees of the Board of Directors are an Executive Committee, a Governance and Compensation Committee, an Audit Committee and a Finance Committee. During the fiscal year ended March 31, 2010, the Executive Committee held no meetings, the Governance and Compensation Committee held four meetings, the Audit Committee held nine meetings and the Finance Committee held five meetings.

### ***Executive Committee***

The members of the Executive Committee are W. Thacher Brown, Peter McCausland and David M. Stout. As authorized by Delaware law and our By-Laws, the Executive Committee may exercise all of the powers of our Board of Directors when the Board is not in session, except that it may not elect directors or appoint officers, amend the By-Laws, declare dividends, appoint members of the Executive Committee, approve the acquisition of

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substantially all the assets or capital stock of a corporation or business entity that has annual sales in excess of 20% of the annual sales of Airgas or take any other action that may only be taken by the Board of Directors.

***Governance and Compensation Committee***

The members of the Governance and Compensation Committee are Richard C. Ill, Paula A. Sneed, David M. Stout and Lee M. Thomas. Each member of the Committee is independent from Airgas and its management. The Committee's primary responsibilities under the terms of its charter include:

establishing qualifications for Board membership;

interviewing and recommending candidates to fill new positions on the Board;

reviewing candidates recommended by stockholders for positions on the Board;

developing and recommending to our Board of Directors a Code of Ethics and Business Conduct and considering requests for waivers from the Code of Ethics and Business Conduct for Board members and senior executives;

recommending assignment of Board members to committees;

reviewing policies for Board compensation;

reviewing and recommending changes to Board policies and procedures as they affect the organization and activities of the Board and its committees;

making reports for consideration by the Board;

considering matters of corporate governance, and reviewing, annually, the Corporate Governance Guidelines;

reviewing succession plans for senior executive officers;

conducting an annual evaluation of its performance and its charter;

reviewing and approving corporate goals and objectives and evaluating, annually, the performance of the CEO and other officers in light of such goals and objectives;

determining the compensation of the CEO based upon the evaluation of the performance of the CEO;

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approving senior executive compensation;

reviewing and making recommendations to the Board with respect to incentive compensation plans and equity-based compensation plans;

administering, and approving and ratifying awards to senior executives under, our stock option and incentive compensation plans;

reviewing and discussing the Compensation Discussion and Analysis section, also referred to in this proxy statement as the CD&A, of the annual proxy statement and, based on such review and discussion, recommending that the CD&A be included in the proxy statement; and

preparing the Compensation Committee Report for the annual proxy statement.

The Committee may, in its sole discretion, engage director search firms or compensation consultants. The Committee also may consult with outside advisors to assist it in carrying out its duties.

The Report of the Governance and Compensation Committee for the 2010 fiscal year appears on page 42 of this proxy statement. A copy of the Governance and Compensation Committee Charter can be found on our website at [www.airgas.com](http://www.airgas.com) and is available in print to any stockholder who requests it from our Secretary.

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### ***Audit Committee***

The members of the Audit Committee are James W. Hovey, Paula A. Sneed, John C. van Roden, Jr. and Ellen C. Wolf. Each member of the Committee is independent from Airgas and its management. In addition, the Board of Directors has determined that Mr. van Roden and Ms. Wolf are each an audit committee financial expert. The Committee acts pursuant to a written charter adopted by the Board of Directors. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding accounting and reporting practices, internal controls and compliance with laws and regulations. The Committee's responsibilities under the terms of its charter include:

meeting at least quarterly with management, our chief internal auditor and our independent registered public accounting firm in separate executive sessions;

assessing the integrity of Airgas' financial reporting process and system of internal controls through discussions with management, the internal auditors and the independent registered public accounting firm;

selecting, appointing and recommending for ratification by our stockholders, an accounting firm to serve as Airgas' independent registered public accounting firm;

setting the fees to be paid to the independent registered public accounting firm and pre-approving all audit services to be provided by the independent registered public accounting firm;

establishing policies and procedures for the engagement of the independent registered public accounting firm to provide permitted non-audit services and pre-approve the performance of such services;

assessing the performance (effectiveness, objectivity and independence) of the independent registered public accounting firm;

reviewing an annual report from the independent registered public accounting firm describing its internal quality control procedures and any material issues raised by the most recent internal or peer review of the independent registered public accounting firm;

reviewing with management and the independent registered public accounting firm the adequacy and effectiveness of the internal audit function;

providing an avenue of communication among the independent registered public accounting firm, internal auditors, management and the Board of Directors;

reviewing with management and the independent registered public accounting firm Airgas' annual and quarterly consolidated financial statements, including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations ;

reviewing our earnings releases;

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discussing with management and the independent registered public accounting firm major issues regarding accounting principles and financial statement presentations;

establishing procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding Airgas accounting, internal controls and auditing matters;

retaining independent counsel and other advisors as necessary to fulfill its responsibilities;

conducting an annual evaluation of its performance and its charter;

recommending to the Board of Directors that the audited consolidated financial statements be included in Airgas Form 10-K and Annual Report to Stockholders; and

preparing the Report of the Audit Committee for the annual proxy statement.



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The Report of the Audit Committee for the 2010 fiscal year appears on page 56 of this proxy statement. A copy of the Audit Committee Charter can be found on our website at [www.airgas.com](http://www.airgas.com) and is available in print to any stockholder who requests it from our Secretary.

***Finance Committee***

The members of the Finance Committee are W. Thacher Brown, James W. Hovey, David M. Stout and John C. van Roden, Jr. The purpose of the Committee is to review, advise and make recommendations on Airgas' financial affairs, policies and programs. The Committee meets periodically, but not less than three times per year, to review Airgas' financial issues, including Airgas' :

capital structure;

policies regarding dividends, stock splits and stock repurchases;

current and projected capital requirements and the issuance of debt and equity securities;

credit agreements and major changes to them and borrowings and financings of every nature;

insurance programs and practices for managing insurable risks;

programs and practices for managing interest rate, foreign exchange and commodities price risk;

benefit plan trust investment policies, administration and performance;

standing with credit rating agencies and the decisions and contingencies that might affect its credit rating; and

relationships with, and approach to managing its relationships with, public and private lenders.

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**COMPENSATION OF DIRECTORS**

Only directors who are not employees of Airgas receive compensation for their services as directors. Our compensation package for non-employee directors for the 2010 fiscal year was composed of cash, which consisted of an annual retainer of \$25,000, plus a fee of \$1,500 for each Board or committee meeting attended during the 2010 fiscal year, and stock option grants under the Airgas, Inc. Amended and Restated 2006 Equity Incentive Plan, referred to in this proxy statement as the 2006 Equity Plan. The cash component of the directors' compensation is set by the Board following review and recommendation by the Governance and Compensation Committee. We also reimburse our non-employee directors for their out-of-pocket expenses incurred in connection with attendance at Board, committee and stockholder meetings, and other company business. Non-employee directors are eligible to participate in the 2006 Equity Plan and the Airgas, Inc. Deferred Compensation Plan II, referred to in this proxy statement as the Deferred Compensation Plan II, and some of our directors have participated in the Airgas, Inc. Deferred Compensation Plan I, referred to in the proxy statement as the Deferred Compensation Plan I, and more fully described under the heading "Retirement and Other Plans and Programs" found on page 39 of this proxy statement.

In order to closely align the interests of directors with those of our stockholders, a majority of the directors' compensation is in the form of stock options. The number of options granted is determined annually by the Board following review and recommendation by the Governance and Compensation Committee. The exercise price of each option is equal to the closing price of our common stock on the date of grant and each option is exercisable immediately. Options granted to non-employee directors during the 2010, 2009, 2008 and 2007 fiscal years expire after eight years and options granted to non-employee directors in prior fiscal years expire after 10 years. On August 18, 2009, each Board member serving on the Board as of that date was granted options to acquire 7,000 shares of our common stock with an exercise price of \$44.18 per share.

The Chairmen of the Governance and Compensation Committee and the Finance Committee also receive an additional \$3,000 annual retainer, and the Chairman of the Audit Committee receives an additional \$5,000 annual retainer.

Each year, non-employee directors may elect to defer, under the Deferred Compensation Plan II, all or a portion of his or her director's fees. The amount deferred is credited to an account that tracks valuation funds selected by the participant from a family of funds under the plan, one of which tracks Airgas common stock. The balance is paid at the election of the director within the alternatives offered under the plan, and the unpaid account balance accrues interest based on earnings in the selected valuation funds. In addition, one of our current directors maintains a balance in the Deferred Compensation Plan I.

We believe that directors should be stockholders and should have a financial stake in the company. Directors are expected to maintain, within five years of joining our Board, at least 25,000 shares of Airgas common stock (which may include up to 22,500 shares under options) or shares having a value equal to five times the director's annual Board retainer (which may include in-the-money options). Compliance with these guidelines is expected by November 11, 2013 for all current directors, and all but one director satisfy these ownership requirements at the present time.

**Table of Contents****Director Compensation Table**

The following table shows the compensation earned by each non-employee director in the 2010 fiscal year.

<b>Director</b>	<b>Fees Earned or Paid in Cash (\$)<sup>(1)</sup></b>	<b>Option Awards (\$)<sup>(2)</sup></b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
W. Thacher Brown	49,000	107,542	-0-	156,542
James W. Hovey	52,000	107,542	-0-	159,542
Richard C. Ill	46,000	107,542	-0-	153,542
Paula A. Sneed	55,000	107,542	-0-	162,542
David M. Stout	50,500	107,542	-0-	158,042
Lee M. Thomas	49,000	107,542	-0-	156,542
John C. van Roden, Jr.	64,500	107,542	-0-	172,042
Ellen C. Wolf	52,000	107,542	-0-	159,542

- (1) Consists of the aggregate amount of all fees earned or paid in cash for services as a director, consisting of annual Board and committee chair retainers and Board and committee meeting fees earned by non-employee directors, as described above. During the 2010 fiscal year, Ms. Sneed chose to defer a portion of her cash compensation as a director under the Deferred Compensation Plan II.
- (2) The amounts shown reflect the grant date fair value of stock options granted during the 2010 fiscal year, computed in accordance with FASB ASC Topic 718. These dollar amounts do not correspond to the actual value that may be realized by the non-employee directors. For information on the valuation assumptions made in the calculation of these amounts, refer to Note 15 to Airgas consolidated financial statements for the fiscal year ended March 31, 2010, included in our Annual Report on Form 10-K filed with the SEC on May 27, 2010. Each non-employee director on the Board at the time was granted an option under the 2006 Equity Plan to purchase 7,000 shares on August 18, 2009 with an exercise price of \$44.18 per share. As of March 31, 2010, the following non-employee directors held options to purchase the following number of shares: Mr. Brown, 66,500 shares; Mr. Hovey, 66,500 shares; Mr. Ill, 41,000 shares; Ms. Sneed, 66,500 shares; Mr. Stout, 66,500 shares; Mr. Thomas, 57,500 shares; Mr. van Roden, 25,540 shares; and Ms. Wolf, 11,773 shares.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Overview of Compensation Program**

The Governance and Compensation Committee of our Board of Directors has responsibility for establishing and implementing our compensation philosophy, and for continually monitoring our adherence to that philosophy. The Committee reviews and approves compensation levels for all Airgas executive officers as well as all of our corporate compensation, retirement, perquisite and insured benefit programs, including programs applicable to our senior management team, which includes our named executive officers. With respect to Peter McCausland, our Chairman, President and Chief Executive Officer, the Committee annually evaluates his accomplishments and performance against established objectives and sets his compensation level based upon such evaluation. The Committee may choose to award additional annual cash incentive compensation to our CEO based upon the Committee's subjective evaluation of his performance. These functions are set forth in the Committee's Charter, which appears on our website ([www.airgas.com](http://www.airgas.com)) and is reviewed annually by the Committee. The Committee seeks to ensure that the total compensation paid to our executives, a significant portion of which is related to performance, is fair, reasonable and competitive and consistent with our compensation philosophy. Generally, the types of compensation and benefits provided to our named executive officers are similar to those provided to other Airgas management associates.

The Committee reviews whether compensation policies and practices create incentives for risk-taking that could have a material adverse effect on Airgas. In April 2010, the Committee conducted an assessment of all the incentive compensation programs across Airgas to consider whether they encourage excessive risk-taking. The Committee determined that Airgas compensation practices provide reasonable assurance against, and do not encourage, excessive risk-taking due to:

the balance between short-term and long-term incentives;

accounting standards and testing;

the relatively low ratio of incentive pay to the associated financial achievement;

separation of duties regarding authority over sales decisions; and

incentive compensation limits.

The following individuals, included in the Summary Compensation Table for the 2010 Fiscal Year found on page 43 of this proxy statement, are referred to as our named executive officers throughout this proxy statement:

Peter McCausland, Chairman, President and Chief Executive Officer;

Robert M. McLaughlin, Senior Vice President and Chief Financial Officer;

Andrew R. Cichocki, Division President;

Robert A. Dougherty, Senior Vice President and Chief Information Officer; and

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Michael L. Molinini, Executive Vice President and Chief Operating Officer.

### ***Compensation Philosophy and Objectives***

Our goal is to maintain compensation and benefit plans that will allow us to attract and retain highly qualified employees while motivating and rewarding performance that will lead to sustained increases in the value of our stockholders' investment in Airgas. We also seek to align the interests of our named executive officers with those of our stockholders by evaluating performance primarily on the basis of key financial measures. Given these goals, our compensation philosophy has been, and continues to be, to emphasize pay for performance programs designed to reward superior financial performance and long-term enhancement of

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stockholder value, while maintaining competitive base pay, retirement, healthcare and other fixed compensation programs. We set base salary, annual cash incentive opportunities and long-term equity incentive opportunities to reflect an individual executive's level of responsibility and performance against established objectives, and we rely on our judgment and discretion after reviewing Airgas' performance and evaluating the executive's performance.

### ***Role of the Committee and Executive Officers in Compensation Decisions***

The Committee oversees the design, development and implementation of the compensation program for the CEO and the other executives, including the named executive officers. The Committee evaluates the performance of the CEO and determines the CEO's compensation in light of the goals and objectives of the compensation program. Mr. McCausland and Mr. Molinini, as appropriate, assess the performance of our other executives, including the other named executive officers, and the Committee approves their compensation based on recommendations from Mr. McCausland. Neither the Committee nor management sought advice from compensation consultants during the 2010 fiscal year. Management did rely on a service from Equilar Inc., a compensation research firm, to provide peer executive compensation data from proxies and a compensation survey for comparison purposes. However, we did not receive advice from Equilar in setting our executive compensation.

The Committee's work is accomplished through a series of meetings, following a regular calendar schedule, to ensure that all major elements of compensation are addressed and compensation and benefit programs are properly designed, implemented and monitored. Occasionally, special meetings are called to address matters that require attention outside of the regular compensation cycle. Working with the Committee Chair, Lee M. Thomas, Robert H. Young, Jr., our Senior Vice President and General Counsel, and Dwight T. Wilson, our Senior Vice President-Human Resources, prepare an agenda and supporting materials for each meeting, which are provided to Committee members between two-to-four days in advance of the meeting. Mr. Wilson and Mr. Young, along with Mr. McCausland, generally attend Committee meetings by invitation, but are excused for executive sessions. As requested, Mr. McCausland, Mr. Young and Mr. Wilson offer their opinions and recommendations to the Committee. The Committee may invite other members of management to attend meetings to discuss items within their specific areas of responsibility. No executive plays a role in his or her own compensation determination, other than discussing individual performance objectives with the Committee, Mr. McCausland or Mr. Molinini, as appropriate.

### **Setting Executive Compensation**

#### ***Elements of Executive Compensation***

Consistent with our compensation philosophy, the Committee has structured our annual and long-term executive compensation programs to motivate executives to achieve the business goals set by our Board of Directors, and these programs reward the executives for achieving and exceeding those goals. The key elements of our executive compensation program are:

base salary;

annual cash incentive awards; and

long-term incentive compensation.

These key elements are addressed separately below. In determining each component of compensation, the Committee takes into account all other elements of an executive's compensation package.

Our compensation programs for executives, and in particular for our named executive officers, are designed to reflect their success, both individually and as a management team, in attaining key objectives. For example, 80% to 85% of our annual cash incentive payments are calculated based on Airgas' performance with regard to

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certain key financial metrics versus budgeted levels and 15% to 20% of those payments are calculated based on an executive's attainment of strategic goals, and on individual performance and contributions. There are two levels of approval for each discretionary award and the Committee has final approval for awards to executive officers. Our equity-based compensation program is intended to reward the management team's success in delivering value to our stockholders. Specifically, stock option grants reward our executives for their contributions that result in increases in our stock price over time. In each case, we strive to ensure that our compensation program provides rewards based on meaningful measures of performance, and the Committee makes adjustments to the incentive programs each year in light of past experience, changes in strategic focus, regulatory requirements and other relevant factors.

### ***Benchmarking Compensation Against Our Peers***

Periodically, Mr. Wilson provides the Committee with data comparing our elements of compensation and levels of executive compensation against relevant companies in the chemicals and industrial distribution industries and comparably-sized companies in other industries, including a comparison of compensation elements of individual executives where the positions are sufficiently similar to make comparison meaningful. Currently, the peer group for compensation comparisons is Air Products & Chemicals Inc, Albemarle Corporation, Cabot Corporation, Celanese Corporation, CF Industries Holdings, Inc., Cytec Industries, Inc., Eastman Chemical Company, Ecolab Inc., Fastenal Company, FMC Corporation, Grainger W W Inc., Huntsman Corporation, International Flavors and Fragrances, Inc., Lubrizol Corporation, Methanex Corporation, MSC Industrial Direct Company, Inc., Nalco Holding Company, Nova Chemicals Corporation, PolyOne Corporation, Praxair Inc., Rockwood Holdings, Inc., RPM International, Inc., Scotts Miracle-Gro Company, Sigma-Aldrich Corporation, Valspar Corporation, WR Grace & Company and Westlake Chemical Corporation. For executive positions that are generally not named executive officer positions in our peer companies, the peer group includes companies in the S&P 500 index and the S&P MidCap 400 index, plus other companies that are similar in size to Airgas. The peer group includes companies outside of our primary industry because the Committee believes that Airgas is similar in certain respects to such companies, for example, industrial distribution businesses.

The most recent benchmarking of executive compensation levels was performed by Mr. Wilson during the 2010 fiscal year. The benchmarking compared compensation of our named executive officers to the 25<sup>th</sup> percentile and 50<sup>th</sup> percentile base salary, total cash compensation and total direct compensation of similar positions in the peer group companies. Direct compensation adds the Black-Scholes value of stock option grants to the total cash compensation. We believe that periodic reviews of outside compensation practices are appropriate to determine if any compensation levels require adjustments or if the mix of compensation components requires rebalancing.

Given the nature of our businesses, we compete with companies across the two broad industry groups mentioned above for top executive-level talent. As such, the Committee generally expects, over time, to set total compensation levels for our executives approximating the median level of compensation paid to similarly situated executives of chemicals and industrial distribution companies of comparable size to Airgas. Variations from this general philosophy may occur based upon the expertise and experience level of a given executive, as well as individual, company and market factors.

### **Compensation of our Chief Executive Officer**

The compensation of our CEO is reviewed by our Governance and Compensation Committee and our Board and determined solely by our Governance and Compensation Committee. The compensation of our CEO is based on factors similar to those utilized for the other named executive officers, but also includes consideration of the overall responsibilities of our CEO for achievement of our operational goals, as well as his unique role as the primary architect of our strategic vision. The specific elements of compensation for our CEO and any differences in his compensation as compared to the other named executive officers are discussed below.

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**Table of Contents****Components of Executive Compensation for the 2010 Fiscal Year**

Given our philosophy of pay for performance, a significant percentage of total compensation is allocated to performance-based incentives. As a general matter, we recognize that, as employees progress to higher levels within our organization, they assume more responsibility for our overall performance and returns to stockholders. Consequently, we seek to link greater portions of executive compensation to criteria and metrics that are tied to the creation of stockholder value. Looking at the named executive officers as a group, 71% of their target total compensation (including the Black-Scholes value of stock option grants) for the 2010 fiscal year was allocated to at risk components consisting of annual cash incentives and stock options, with the remaining 29% allocated to base salary. Historically, we have only granted stock options under our equity incentive plans and we have always considered the potential dilution to existing stockholders that can result from such grants. Our policy for allocating value between long-term and currently-paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing strong incentives for our executives to maintain an ownership mentality, focusing them on maximizing long-term value creation for them and our stockholders. The ownership mentality that our compensation policy encourages also serves to reduce risk-taking by our executives because of their focus on long-term value creation.

Combined target cash and non-cash incentive compensation for named executive officers for the 2010 fiscal year ranged from 58% to 78% of total target compensation. Actual cash incentive compensation ranged from 5% to 20% and non-cash incentive compensation ranged from 39% to 65% of total compensation for the named executive officers for the 2010 fiscal year. We believe that these mixes are both competitive within the marketplace and consistent with our stated compensation philosophy.

For Mr. McCausland, 78% of his targeted total compensation for the 2010 fiscal year was allocated to at risk compensation. His actual cash incentive compensation was 11% and his non-cash incentive compensation was 65% of his total compensation. The Committee believes that the relatively larger component of his compensation that is at risk reflects the significant difference in Mr. McCausland's overall responsibilities, which could result in higher compensation for Mr. McCausland than for our other named executive officers.

***Base Salary***

Base salary is the component of compensation that is fixed and intended to compensate our executives, based on their experience, expertise, job responsibilities and the performance of their responsibilities during the fiscal year. While base salaries must be competitive in order to recruit and retain qualified executives, we generally do not pay base salaries at levels exceeding the market median among peer companies. Our review of base salaries paid to our executives' peers indicate that the base salaries of our named executive officers are at or below the median for comparably-sized general industry companies, chemical industry companies and industrial distribution companies. Consistent with our compensation philosophy that we offer compensation based on superior performance, we strive to use incentive compensation, rather than base salary, to provide executives with an above-market compensation opportunity if we exceed budgeted financial performance metrics and drive increases in stockholder value.

Each year, our Governance and Compensation Committee reviews the base salary of Mr. McCausland and all other executive officers. In making adjustments to base salary levels, the Committee considers:

the executive's level of responsibilities;

the executive's experience and breadth of knowledge;

the executive's individual performance as assessed through annual performance reviews;

the executive's role in management continuity and development plans;

internal equity factors, meaning relative pay differences for different jobs; and



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on a periodic basis, benchmark data on the compensation practices of peer companies, from available salary survey data and as reported in public company proxy statements.

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The normal interval between salary reviews for most executive officers and most other employees is 12 months, usually completed in the quarter following the fiscal-year end. Mr. McCausland's salary increases have been less frequent, as the Committee prefers to move his salary in larger increments. As part of our cost containment efforts, no executive officer received a salary increase during the 2010 fiscal year.

***Annual Cash Incentive Awards Management Bonus Plans***

Annual cash incentive awards for our executive officers are intended to promote the achievement of our corporate and division financial performance goals, as well as individual performance goals. Each of our named executive officers participated in our Executive Bonus Plan. In addition, depending upon the named executive officer's position and responsibilities with Airgas, each named executive officer participated in one of the following Airgas annual cash incentive plans for which executive officers and other management employees may be eligible, which plans, together with our Executive Bonus Plan, are referred to in this proxy statement as our Management Bonus Plans:

the Fiscal Year 2010 Management Bonus Plan for Corporate Employees, in which Messrs. McCausland, McLaughlin, Dougherty and Molinini participated during the 2010 fiscal year, is available to all management-level employees who have corporate-wide responsibility; and

the Fiscal Year 2010 Management Bonus Plan for Operating Company Management, in which Mr. Cichocki (Division President) participated during the 2010 fiscal year, is available to all senior management who work within our divisions and operating companies.

The overall cash incentive award paid to each executive officer is composed of (1) a cash incentive award under our Executive Bonus Plan that is based on financial performance goals and (2) a cash incentive award under the applicable Management Bonus Plan that is based on strategic and individual performance goals. In addition, the Committee may, in its discretion, grant to any executive officer a cash award outside of any of our plans described above.

**Corporate Performance Goals.** Within 90 days after the beginning of each fiscal year, the Committee (1) reviews our performance during the prior fiscal year, (2) analyzes anticipated value drivers in our industry and within our company and proposed performance objectives for the current fiscal year and (3) determines the specific performance criteria for each executive officer and the metrics that will be used for the current fiscal year under our Executive Bonus Plan, based on such review and analysis. Examples of performance criteria that the Committee may consider are a cash flow measure, such as earnings before interest, taxes, depreciation and amortization, or EBITDA, overall sales, sales for specific products or markets, margin improvements and return on capital, or ROC. After selecting the performance criteria, the Committee establishes performance metrics within the selected criteria and assigns to each of our executive officers a target award. The target award, expressed as a percentage of the executive officer's base salary for the fiscal year, is determined based upon the executive's position in the company.

In addition, each of the pre-determined performance criteria (e.g., ROC) is weighted by the Committee, in its judgment, to reflect its relative importance, and becomes a separate component of the executive officer's cash incentive award. The Committee also sets a target payout, expressed as a percentage, for each component, which may vary depending upon our actual performance with respect to the component against the pre-determined performance metrics. Our executive officers will receive cash incentive awards under the Executive Bonus Plan if, at the end of the fiscal year, Airgas has achieved the performance metrics established within the criteria selected by the Committee at the beginning of the fiscal year. Actual cash award payments will vary based upon Airgas' level of achievement of the pre-determined corporate performance metrics and the different weights assigned to each performance criteria component for each executive officer.

The annual cash incentive award targets are set for each executive officer as a percentage of base salary with regard to the relative responsibilities of each executive officer and with regard to the total cash compensation opportunity for comparable positions in peer companies. For the 2010 fiscal year, Mr. McCausland's target for

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his annual cash incentive award was 100% of his base salary for the fiscal year. We believe that Mr. McCausland's target award was generally comparable to the target annual cash incentive award for chief executive officers in our peer companies. Mr. Molinini's target annual cash incentive award was 60% of his base salary for the fiscal year. We believe that 60% of base salary for Mr. Molinini was appropriate relative to 100% of base salary for Mr. McCausland considering Mr. McCausland's broader responsibilities and considering the relative annual incentive compensation awards for comparable positions in our peer companies. All other executive officers had target annual cash incentive awards set at 50% of base salary for the fiscal year, which reflects their responsibilities relative to Mr. McCausland and Mr. Molinini and generally reflects the total cash compensation opportunity for the other named executive officers in our peer companies.

EBITDA and ROC were chosen as the plan performance criteria for executives with corporate-wide responsibility (i.e., Messrs. McCausland, McLaughlin, Dougherty and Molinini). EBITDA was most heavily weighted at 70% of the annual cash incentive award target because the Committee believes that it motivates growth, gross margin performance and expense management, and because of the direct correlation of earnings performance with share valuation. ROC was weighted at 15% of the annual cash incentive award target and was intended to drive discipline around long-term capital deployment and debt reduction, also important performance measures to stockholders. The remaining 15% of the target annual cash incentive award was based on individual performance and payout was based on performance against objectives set and agreed upon in the first quarter of the fiscal year. For Division Presidents (i.e., Mr. Cichocki), in addition to the corporate performance criteria of Corporate EBITDA, additional performance criteria, including divisional EBITDA, divisional ROC and sales, volume shipped, or profit for targeted growth strategies, relating to the performance of the executive's division were used. Corporate EBITDA was weighted at 10% of the annual cash incentive award and EBITDA for their respective divisions was weighted at 60% of the annual incentive award. The larger portion was based on their profit responsibility to motivate performance in their respective spheres of control, while the smaller portion recognizes their contributions to Airgas' overall performance and is designed to encourage interdivisional cooperation. ROC for their respective divisions was weighted at 10% of the target annual cash incentive award to emphasize the importance of capital management (similar to the inclusion of ROC at the corporate level). The remaining 20% of the target annual cash incentive was based on sales consistent with targeted growth strategies to motivate focusing on opportunities that were specific to each division.

The threshold and maximum of each performance criteria of the award was determined separately. For the 2010 fiscal year, the EBITDA threshold for both corporate and the divisions was 10% of the target award for achievement at 91% of budget. The EBITDA target opportunity (100%) was earned for achievement of 100% of our budget for EBITDA for the 2010 fiscal year. The maximum EBITDA award opportunity was set at 109% of EBITDA budget, which awarded 140% of the target opportunity and reflected the Committee's judgment of reasonable compensation for superior performance.

The Corporate ROC target opportunity was set at achievement within plus or minus 0.2 percentage points of our budget. The threshold for ROC was set at 0.8 percentage points below our budget, which awards 50% of the target opportunity, and the maximum for ROC was set at 0.8 percentage points above our budget, which awards 130% of the target opportunity. That range was intended to recognize an adequate level of performance below budget while still improving ROC, and was intended to pay reasonable compensation above target for superior performance.

The Division ROC target opportunities were set at achievement of plus or minus 2% of Division budget. The threshold bonus opportunity for ROC was set at 90% of Division budget, which awarded 20% of award target, and the maximum was set at 107% of Division budget, which awarded 150% of award target. The Division ROC range was estimated to replicate the amount of stretch reflected in the award range for Corporate ROC.

The Corporate EBITDA target (budget) for the 2010 fiscal year was \$722 million and the ROC target (budget) was 11.2%. For Mr. Cichocki's award, the Process Gases & Chemicals Division EBITDA target (budget) was \$115.3 million and the ROC target (budget) was 13.1%. All targets reflect adjustments during the fiscal year to account for budgeted results from acquisitions completed during the year.

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**Individual Performance Goals.** In addition to the corporate financial performance goals described above, under the Fiscal Year 2010 Management Bonus Plan for Corporate Employees, a portion of Messrs. McCausland's, McLaughlin's, Dougherty's and Molinini's annual cash incentive award is based on individual performance measured against personal objectives. The Committee established individual performance objectives for Mr. McCausland after consultation with him at the beginning of the fiscal year regarding his priorities for the 2010 fiscal year. Mr. McCausland established individual performance objectives with Messrs. McLaughlin and Molinini, and Mr. Molinini established individual performance objectives with Mr. Dougherty. The Committee reviewed, and based upon its subjective evaluation, approved the scores for Messrs. McLaughlin, Dougherty and Molinini. For the 2010 fiscal year, individual performance goals under the Fiscal Year 2010 Management Bonus Plan for Corporate Employees represented 15% of the overall annual potential cash incentive award available for Messrs. McCausland, McLaughlin, Dougherty and Molinini.

Mr. McCausland met or exceeded his goals for succession planning, the five-year strategic plan, preparation and execution of plans for responding to the economic downturn, development and execution of the marketing strategy for retail markets, and continuous improvement in personnel safety and vehicle accident performance. Mr. Molinini met or exceeded his goals for safety and compliance, gross margin maintenance, achieving gas and hardgoods sales strategies, achievement of goals for operating efficiencies, continued development and implementation of our program to improve customer service, and execution of our SAP implementation. Mr. McLaughlin met or exceeded his goals for the SAP implementation, development and implementation of changes to our capital structure to address maturities of accounts receivable and credit agreements, development and execution of our enterprise risk management program, increased proactive management of our real estate assets, and development of the five-year strategic plan. Mr. Dougherty met or exceeded his goals for design, configuration, data conversion and testing of the SAP system, completion of reorganization of the Information Technology function to support the SAP system, and support of business requirements for acquisitions, regulatory compliance and other priority needs as they emerged.

**Strategic Goals.** In addition to the corporate and division financial performance goals described above, under the Fiscal Year 2010 Management Bonus Plan for Operating Company Management, a portion of Mr. Cichocki's annual cash incentive award is based on attainment of strategic goals. Mr. Molinini recommended specific goals and metrics with Mr. Cichocki. Mr. McCausland and the Committee approved the scores for Mr. Cichocki. For the 2010 fiscal year, strategic goals represented 20% of the overall annual potential cash incentive award available for Mr. Cichocki and each executive officer who was a Division President.

**Calculation of the Cash Awards.** A participant's target incentive award is multiplied by the weight for each component to determine the target payout for each component. Each performance score as a percentage (e.g., meeting the goal equals a 100% score) is multiplied by the target payout for the specific component to determine the actual incentive award for each component. Performance scores for each component utilizing performance criteria may range between 0% and 130% to 150% depending on the specific criteria. Performance scores for the individual objectives may range between 0% and 100%. The total incentive award is the sum of the components. The aggregate scores for bonus metrics are limited to 132.5% for Messrs. McCausland, McLaughlin, Dougherty and Molinini, and 143% for Mr. Cichocki. Extraordinary performance may be recognized with an additional bonus amount, but the total award opportunity is capped so that the maximum possible award is the lower of \$1,500,000 and 200% of target. For the 2010 fiscal year, the Committee awarded each named executive officer an aggregate cash incentive compensation award below the executive's aggregate target amount.

For the 2010 fiscal year, the Corporate EBITDA achievement was 92% of our 2010 budget, which translated into an EBITDA award of 20% of the target opportunity. The Corporate ROC achievement was 1.2 percentage points below budget, which translated into a 0% ROC award. We believe that these scores significantly undervalue the performance of the management team, particularly management's remarkable achievements in maintaining sales and profitability in the recession. However, at the time the budget for the 2010 fiscal year was set, the severity and length of the economic downturn could not be foreseen.

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The following example explains the mechanics of the bonus plan. We have assumed that the executive earned 100% achievement on his individual objectives and was paid 100% of the award for individual objectives. The formula is illustrated below:

EBITDA Award = 70% Weight X 20% Award = 14% of the Total Award Target

ROC Award = 15% Weight X 0% Award = 0% of the Total Award Target

Individual Performance Award = 15% Weight X 100% Award = 15% of the Total Award Target

The Total Award = 14% + 0% + 15% = 29% of the executive's target award.

Based on individual and Company performance during fiscal year 2010 and the calculation methodology described above, the Committee awarded the following amounts to the named executive officers under the Management Bonus Plans:

Mr. McCausland	\$239,250, representing approximately 29% of target
Mr. McLaughlin	\$46,823, representing approximately 29% of target
Mr. Cichocki	\$124,728, representing approximately 100% of target
Mr. Dougherty	\$38,248, representing approximately 29% of target
Mr. Molinini	\$106,836, representing approximately 29% of target

Discretionary Annual Bonuses Under the Management Bonus Plans. Following the 2010 fiscal year-end, the Committee evaluated Mr. McCausland's performance against his pre-determined individual objectives, Mr. McCausland evaluated the performance of Messrs. McLaughlin and Molinini against their pre-determined individual objectives, and Mr. Molinini evaluated Mr. Dougherty's performance against his pre-determined individual objectives. The Committee awarded Mr. McCausland a discretionary bonus in recognition of his having accomplished all his pre-determined individual objectives and having provided the necessary leadership to the organization and its associates to continue to position Airgas for future growth and success notwithstanding the worst recession since the Great Depression. For a more detailed description of the annual incentive compensation awards received by the named executive officers, see Summary Compensation Table for the 2010 Fiscal Year found on page 43 of this proxy statement.

Mr. McCausland and all of the other named executive officers received their annual cash incentive awards for the 2010 fiscal year in June 2010 following Committee approval at its regular May meeting. Annual cash incentive awards earned by our named executive officers for performance during the 2010 fiscal year appear in the Summary Compensation Table for the 2010 Fiscal Year on page 43, under the headings Non-Equity Incentive Plan Compensation and Bonus.

***Long-Term Equity Incentive Compensation***

The Committee's objective in granting equity awards is to provide a strong incentive to our executives and key employees to focus on the ongoing creation of stockholder value by offering significant compensation opportunities for superior performance. These award opportunities not only allow us to offer a competitive overall compensation package, but also allow for further opportunities for stock ownership by our employees in order to increase their proprietary interest in Airgas and, as a result, their interest in our long-term success and their commitment to creating stockholder value.

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Although, long-term equity incentives under our 2006 Equity Plan may consist of nonqualified stock options, incentive stock options (ISOs), stock appreciation rights (SARs), restricted stock, restricted stock units or any combination of the above, as the Committee may determine, the Committee historically has only granted nonqualified stock options as the exclusive form of equity-based compensation. The table below provides certain information regarding our use of stock options during the last 10 fiscal years.

Fiscal Year-End	Total Shares Underlying Options Granted to Employees	Weighted Average Option Exercise Price (\$)	No. of Employees Granted Options in Fiscal Year	Employee Options Granted in Fiscal Year as a % of Outstanding Shares at Fiscal Year-End	Employee Options Fair Value on Date of Grant (\$) <sup>(1)</sup>	Total Outstanding Employee Options as a % of Outstanding Shares at Fiscal Year-End
3/31/2001	1,734,215	5.71	800	2.5	5,428,093	11.9
3/31/2002	1,525,120	9.29	565	2.2	8,098,387	11.8
3/31/2003	1,168,250	16.52	493	1.6	9,836,665	11.1
3/31/2004	1,104,800	19.36	488	1.5	9,081,456	10.4
3/31/2005	1,007,500	21.15	446	1.3	9,349,600	9.1
3/31/2006	1,007,200	24.03	538	1.3	9,417,320	8.4
3/31/2007	933,900	36.19	472	1.2	12,838,558	8.1
3/31/2008	1,030,550	43.80	419	1.3	15,694,311	8.1
3/31/2009	1,070,000	59.87	438	1.3	19,498,530	8.1
3/31/2010	1,369,650	43.11	474	1.6	19,811,583	7.6
<i>Average Per Year</i>	1,195,119	26.13	513	1.6	11,905,450	9.5

(1) The amounts shown reflect the grant date fair value of stock options granted during the last 10 fiscal years, computed in accordance with FASB ASC Topic 718.

In granting long-term equity incentive awards, the Committee determines:

the executive officers to receive awards;

the number of shares in each grant to an executive officer;

the aggregate number of shares available for Mr. McCausland to grant in stock options to non-executive officers pursuant to his delegated authority; and

the terms and conditions of each award.

Long-term equity incentive awards for the 2010 fiscal year were determined and approved at the Committee's regularly scheduled May 2009 meeting and are reflected in this proxy statement, including in the Summary Compensation Table for the 2010 Fiscal Year found on page 43 and the Grants of Plan-Based Awards in the 2010 Fiscal Year table found on page 45 of this proxy statement.

In determining the size of long-term equity incentive awards to the named executive officers for the 2010 fiscal year, the Committee considered the dilution rate (shares granted as a percentage of shares outstanding), historical grants to the executive officers, value per share as determined by using the Black-Scholes valuation model for stock options, the value of equity-based compensation to top executives in comparable chemical and industrial distribution companies and grant sizes relative to the executive's peers at Airgas.

Our aim is to focus our executives on providing superior returns to our stockholders and driving for sustained increases in Airgas stock price. We believe that nonqualified stock options effectively focus our executives on these goals and are an efficient use of shares available under the plan.

Our stock option award program helps us to:

motivate and reward superior performance on the part of executives and key employees;

enhance the link between the creation of stockholder value and long-term executive incentive compensation;

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encourage increased stock ownership in Airgas by executives; and

maintain competitive levels of total compensation.

**Option Grant Practices.** The Committee makes decisions on stock option grants based solely on our compensation and retention objectives and our established measurements of the value of these awards. Each May, at its regularly scheduled meeting, the Committee approves the annual stock option awards for executive officers and the total shares available for stock option grants to our other key employees throughout the remainder of the fiscal year. The grant date for executive officers, and the date for setting the exercise price, is the date of that meeting. In addition, we do not plan to coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. For the 2010 fiscal year, options to purchase 374,800 shares in the aggregate were granted to 11 executive officers.

Mr. McCausland granted annual stock option awards on May 19, 2009, the day of the Committee's regularly scheduled May meeting, to 446 non-executive employees to purchase 927,500 shares in the aggregate.

The only other times stock options are typically granted are in connection with a new hire or in recognition of a special achievement, known as a Chairman's Award. The exercise price for these grants for new hires is set on the date of employment or the date of final approval, whichever is later, and the exercise price for a grant in recognition of a special achievement is set on the date of approval. The Committee delegated authority to Mr. McCausland to make these grants to employees, other than to executive officers, subject to an aggregate limit in the 2010 fiscal year of 109,700 shares. For the 2010 fiscal year, these grants totaled 67,350 shares to 38 non-executive officer employees. The Committee has not delegated any other aspect of the stock option grant process to any other person or committee.

The exercise price of all awarded stock options under the Airgas, Inc. 1997 Stock Option Plan, referred to in this proxy statement as the 1997 Plan and the 2006 Equity Plan is equal to the closing selling price of Airgas shares on the NYSE on the date of grant, except that in the past under the 1997 Plan, when the grant decision was finalized by the Committee on a given date prior to the opening of trading on the NYSE, the Committee set the exercise price for such awarded stock options at the closing price of our common stock from the last preceding trading day. Employee stock option awards made in the 2010 fiscal year vest and become exercisable in equal 25% increments on each of the first four anniversaries of the grant date and expire on the eighth anniversary of the grant date, or earlier upon certain terminations of employment.

Airgas has not granted equity awards to employees other than through the grant of stock options.

***Retirement and Other Plans and Programs***

We maintain the following plans and programs to provide retirement benefits to salaried employees, including Mr. McCausland and each of the named executive officers:

the Airgas, Inc. 401(k) Plan, referred to as the 401(k) Plan;

the Deferred Compensation Plan I; and

the Deferred Compensation Plan II.

We maintain the following plan to provide additional benefits to salaried employees, including each of the named executive officers, except Mr. McCausland:

the Airgas, Inc. Amended and Restated 2003 Employee Stock Purchase Plan, referred to as the Employee Stock Purchase Plan. The benefits available under these plans are intended to provide income replacement after retirement, either through withdrawals from the 401(k) Plan, the Deferred Compensation Plan I and the Deferred Compensation Plan II, or dividend income and sales of shares acquired through the Employee Stock Purchase Plan.





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The 401(k) Plan is a qualified 401(k) defined contribution plan designed to encourage salaried employees to save and invest for retirement. Under the 401(k) Plan, employees may contribute up to the annual IRS limits on a pre-tax basis. We match employee contributions at a rate of \$0.50 for each \$1.00 contributed by the employee, up to 4% of the employee's base salary. Our matching contributions vest 100% after the completion of one year of service, and are made in the 401(k) funds in the same weightings per fund as the employee's contributions. One choice available to participants is an investment in a fund that holds Airgas common stock.

The Deferred Compensation Plan I is a nonqualified, unfunded plan. In May 2004, our Board authorized the termination of the plan for new participants and the discontinuance of further deferrals by existing participants after May 31, 2004. The plan provided employees the opportunity to defer all or any portion of their base salaries and annual cash incentive awards and non-employee directors the opportunity to defer all or a portion of their annual cash compensation. Amounts deferred are unsecured, but earn a return equal to the performance of selected mutual funds. See the table and discussion entitled "Nonqualified Deferred Compensation for the 2010 Fiscal Year" beginning on page 48 of this proxy statement for an additional discussion of the Deferred Compensation Plan I. The purpose of the salary and incentive award deferral program was to provide highly-compensated employees and non-employee directors with a convenient and efficient opportunity to save for retirement or other future events, such as college expenses, while deferring applicable income taxes until withdrawal. All named executive officers were eligible, but only Mr. Molinini held balances in the plan during the 2010 fiscal year.

The Deferred Compensation Plan II is a nonqualified, unfunded plan, which became effective on July 1, 2006. The plan provides our non-employee directors and a select group of highly compensated employees, including the named executive officers, the opportunity to defer up to 75% of their base salary and all or any portion of their annual incentive awards (or director fees, for non-employee directors). Amounts deferred are unsecured, but earn a return equal to the performance of selected mutual funds, one of which tracks the Airgas common stock price. See the table and discussion entitled "Nonqualified Deferred Compensation for the 2010 Fiscal Year" beginning on page 48 of this proxy statement for an additional discussion of the Deferred Compensation Plan II. The purpose of the program is to provide highly-compensated employees and non-employee directors with a convenient and efficient opportunity to save for retirement or other future events, such as college expenses, while deferring applicable income taxes until withdrawal. All named executive officers were eligible, but only Mr. Molinini contributed to the plan during the 2010 fiscal year.

The Employee Stock Purchase Plan is a Section 423(b) plan. The purpose of the plan is to encourage and assist employees to acquire an equity interest in Airgas through the purchase of shares of Airgas common stock at a discount by payroll deduction. The discounted purchase price is 85% of the lower of the closing price per share on the enrollment date or the closing price per share on the date on which the shares are purchased. The enrollment dates and purchase dates occur quarterly, at the beginning of each calendar quarter. Messrs. McLaughlin and Molinini purchased shares in the plan during the 2010 fiscal year. Mr. McCausland is not eligible to participate in the plan.

### ***Severance Arrangements and Change of Control Agreements***

Airgas maintains the Airgas, Inc. Severance Pay Plan which provides severance benefits to all of our employees, including the named executive officers, in the event their employment is terminated (other than for cause and other non-qualifying terminations defined in the plan). In addition, Mr. McCausland is party to an Amended and Restated Executive Severance Agreement that provides for severance benefits in the event of a qualifying termination of employment. These arrangements are intended to attract and retain qualified executives who may have other employment alternatives that may appear to them to be less risky absent these arrangements. For a more detailed description of the benefits which our named executive officers may be eligible to receive under the Severance Pay Plan and the benefits which Mr. McCausland may be eligible to receive under his Amended and Restated Executive Severance Agreement, see "Severance Benefits" found on page 49 of this proxy statement.

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Airgas has entered into change of control agreements with Messrs. McCausland, Cichocki, Dougherty, McLaughlin and Molinini, and five other executive officers. These agreements provide salary and benefit continuation if (1) there is a change of control of Airgas, and (2) a qualifying termination of a covered executive's employment within three years following a change of control. These arrangements are designed to preserve our human resources in the event of a potentially disruptive change of control. For more detail regarding the change of control agreements, see Potential Change of Control Payments.

In addition, under an arrangement originally entered into in 1992, which was amended in the Amended and Restated Executive Severance Agreement, in the event of the termination of Mr. McCausland's employment for any reason, other than for material dishonesty, including a change of control, Mr. McCausland is entitled to a payment equal to two times his annual salary, the continuation of health insurance and other employee benefits for a three-year period and automatic vesting of all of his stock options. The limitation under Mr. McCausland's change of control agreement would include the amount payable under his severance agreement for determining whether benefits would be reduced under his change of control agreement to comply with the limitation of 2.99 times his average annual compensation for the preceding five years.

### ***Perquisites and Personal Benefits***

Mr. McCausland received an automobile allowance and a company-paid medical exam during the 2010 fiscal year. Mr. McCausland, with the approval of our Board, utilized our corporate aircraft for personal use; however he reimbursed Airgas for all direct costs associated with that personal use of the corporate aircraft. Mr. Cichocki received an automobile allowance during the 2010 fiscal year. There were no other perquisites for executive officers during the 2010 fiscal year, except those benefits generally available to all management employees. For a more detailed description of the perquisites and personal benefits received by our named executive officers, see the table on page 44 of this proxy statement entitled, All Other Compensation for the 2010 Fiscal Year.

### ***Other Matters***

#### ***Stock Ownership Guidelines***

We believe that stock ownership guidelines help to further focus our management team on the long-term success of our business and the interests of our stockholders. All executives at the Vice President level and higher and all presidents of our subsidiaries are expected to acquire and hold, within five years after accepting their positions, the lesser of a fixed number of Airgas shares or Airgas shares with a value equal to a designated multiple of their base salary. There are four tiers within our management team covered by ownership guidelines. For the Chief Executive Officer, the minimum level is the lesser of 200,000 shares or a value equal to five times base salary; for the Executive Vice President and the Chief Financial Officer, 75,000 shares or a value equal to three times base salary; for Senior Vice Presidents and selected other corporate senior officers, 40,000 shares or a value equal to two times base salary; and for other Vice Presidents and subsidiary Presidents, 25,000 shares or a value equal to one times base salary, which, in each case, may include shares under vested options to satisfy 90% of the number of shares guidelines, and vested, in-the-money options to satisfy the value guidelines.

Under the guidelines, our executives are expected to satisfy their designated ownership levels as of the fifth anniversary of the date on which the executive became covered by the applicable ownership guideline tier. All of our named executive officers and all but one other executive officer have already met their expected ownership levels. Of the executive officers who were expected to comply by May 31, 2010, all have met the guidelines for their ownership levels.

#### ***Implications of Tax and Accounting Matters***

***Deductibility of Executive Compensation.*** Airgas is able to take deductions in excess of \$1 million for certain performance-based incentives, including incentives provided under certain plans approved by our stockholders, paid to the persons identified in Section 162(m) of the Internal Revenue Code of 1986, as amended,

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referred to in this proxy statement as the Code. Under Section 162(m), corporations may not deduct, when computing taxable income, salary and non-performance based compensation exceeding \$1 million paid to a single executive. While Airgas seeks to structure compensation it pays so that it is eligible for deduction, if compliance with the terms of Section 162(m) conflicts with our compensation philosophy, or with actions that the Committee believes are in the best interests of Airgas and our stockholders, the Committee may conclude that payment of non-deductible compensation is appropriate under the circumstances to allow us to pay competitive compensation to our executive officers. For the 2010 fiscal year, Mr. McCausland was paid \$79,320 of non-deductible compensation under Section 162(m).

**Nonqualified Deferred Compensation.** On October 22, 2004, the American Jobs Creation Act of 2004 became law, changing tax rules applicable to nonqualified deferred compensation arrangements. A more detailed discussion of our nonqualified deferred compensation arrangements is provided on page 48 under the heading Nonqualified Deferred Compensation for the 2010 Fiscal Year.

**REPORT OF THE GOVERNANCE AND COMPENSATION COMMITTEE**

The Governance and Compensation Committee of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement, which is incorporated by reference into our 2010 Annual Report on Form 10-K filed with the SEC.

**Governance and Compensation Committee**

Lee M. Thomas, Chair

Richard C. III

Paula A. Sneed

David M. Stout

**Table of Contents****EXECUTIVE COMPENSATION****Executive Compensation Tables**

The following table sets forth certain information concerning the compensation earned during the fiscal year ended March 31, 2010 by our named executive officers based on salary and bonus earned during the 2010 fiscal year.

**Summary Compensation Table for the 2010 Fiscal Year**

Name and Principal Position <sup>(1)</sup>	Fiscal Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(5)</sup>	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
Peter McCausland	2010	825,000	123,750	2,163,195	239,250	-0-	13,758	3,364,953
<i>Chairman, President &amp; Chief Executive Officer</i>	2009	812,500	129,875	2,313,963	495,125	-0-	11,538	3,763,001
	2008	750,000	453,750	1,896,913	866,250	-0-	12,952	3,979,865
Robert M. McLaughlin	2010	322,920	-0-	418,218	46,823	-0-	4,900	792,861
<i>Senior Vice President and Chief Financial Officer</i>	2009	320,190	-0-	462,793	97,683	-0-	4,646	885,312
	2008	309,000	-0-	403,663	180,180	-0-	4,560	897,403
Andrew R. Cichocki <sup>(7)</sup>	2010	260,091	-0-	242,278	124,728	-0-	6,934	634,031
<i>Division President</i>	2009	249,516	-0-	268,420	54,838	-0-	9,638	582,412
	2008	214,133	-0-	166,928	120,835	-0-	10,367	512,263
Robert A. Dougherty	2010	263,779	-0-	402,421	38,248	-0-	4,900	709,348
<i>Senior Vice President and Chief Information Officer</i>	2009	261,549	-0-	259,164	79,793	-0-	4,645	605,151
	2008	252,556	-0-	289,790	147,181	-0-	4,546	694,073
Michael L. Molinini	2010	614,000	-0-	865,278	106,836	-0-	3,675	1,589,789
<i>Executive Vice President and Chief Operating Officer</i>	2009	477,167	-0-	555,351	174,240	-0-	5,285	1,212,043
	2008	390,750	100,000	435,531	277,200	-0-	4,952	1,208,433

- (1) Mr. Molinini deferred a portion of his salary earned in the 2008 and 2009 fiscal years under the Deferred Compensation Plan II. Each of the named executive officers also contributed a portion of his salary to our 401(k) Plan.
- (2) As discussed on page 37 of this proxy statement under Compensation Discussion and Analysis Components of Executive Compensation for the 2010 Fiscal Year Annual Cash Incentive Awards Management Bonus Plans Discretionary Annual Bonuses Under the Management Bonus Plans, our Governance and Compensation Committee awarded Messrs. McCausland and Molinini extraordinary awards for the 2008 fiscal year, and awarded Mr. McCausland an extraordinary award for the 2009 fiscal year and for the 2010 fiscal year, in recognition of leadership during difficult economic times. Except for these awards, the Governance and Compensation Committee did not award any other discretionary compensation for the 2008, 2009 or 2010 fiscal years to any of our named executive officers.
- (3) The amounts shown reflect the grant date fair value of stock options granted during the 2008, 2009 and 2010 fiscal years, computed in accordance with FASB ASC Topic 718. These dollar amounts do not correspond to the actual value that may be realized by the named executive officers. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For information on the valuation assumptions made in the calculation of these amounts, refer to Note 15 to Airgas consolidated financial statements for the fiscal year ended March 31, 2010, included in our Annual Report on Form 10-K filed with the SEC on May 27, 2010. See the table under Grants of Plan-Based Awards in the 2010 Fiscal Year for information on the options granted in the 2010 fiscal year to the named executive officers.
- (4) The amounts shown reflect cash incentive awards earned by our named executive officers under the stockholder-approved Executive Bonus Plan for performance in fiscal years 2008, 2009 and 2010, based on performance criteria established at the beginning of the 2008, 2009 and 2010 fiscal years by the Governance and Compensation Committee. For officers with corporate-wide responsibilities, including Messrs. McCausland, McLaughlin, Dougherty and Molinini, the Committee established two formulaic performance criteria for the fiscal year earnings before interest, taxes, depreciation and amortization (EBITDA), and return on capital (ROC). In addition, a portion of each of their

awards is

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based on achievement of individual performance goals set at the beginning of each fiscal year, and does not rely on formulas for determining the attainment levels. The individual performance goals are related to significant projects or strategic milestones and achievement is assessed following the end of the fiscal year. For officers with division responsibility, including Mr. Cichocki, the Committee established four formulaic performance criteria for the fiscal year Corporate EBITDA, Division EBITDA, Division ROC, and sales, volume shipped, or profit for specific product lines or market segments.

- (5) Airgas offers its executive officers an opportunity to defer earnings pursuant to the Deferred Compensation Plan II. Until May 31, 2004, Airgas offered its executive officers an opportunity to defer earnings pursuant to the Deferred Compensation Plan I. Under each plan, earnings are calculated in the same manner and at the same rate as earnings on externally-managed, publicly-available mutual funds or on an externally-managed fund tracking Airgas common stock. We believe earnings in the deferred compensation plans are not considered above-market or preferential earnings for the purposes of this Summary Compensation Table. Airgas does not offer its executive officers a defined benefit pension plan. See the table under Nonqualified Deferred Compensation for the 2010 Fiscal Year that begins on page 48 of this proxy statement for additional information.
- (6) The amounts shown consist of the following items detailed in the table under All Other Compensation for the 2010 Fiscal Year :

contributions by the company to the named executive officer's 401(k) plan account;

automobile allowances; and

a company-paid physical examination.

- (7) Mr. Cichocki was named Division President in July 2008. Previously, Mr. Cichocki served as President of National Welders Supply Company, Inc. from July 2007 to June 2008, during which time it was a wholly-owned subsidiary of Airgas, and as President of that company, from December 2003 until June 2007, when it was an Airgas joint venture.

**All Other Compensation for the 2010 Fiscal Year**

The table below presents an itemized account of All Other Compensation provided to our named executive officers during the 2010 fiscal year, regardless of the amount and any minimum thresholds provided under SEC rules and regulations. Consistent with our philosophy of pay for performance, perquisites and other compensation are limited in scope and amount.

Name	Matching Contributions to 401(k) (\$)	Auto Allowance (\$)	Physical Examination (\$)	Total All Other Compensation (\$)
Peter McCausland <sup>(1)</sup>	3,438	6,820	3,500	13,758
Robert M. McLaughlin	4,900	-0-	-0-	4,900
Andrew R. Cichocki	4,239	2,695	-0-	6,934
Robert A. Dougherty	4,900	-0-	-0-	4,900
Michael L. Molinini	3,675	-0-	-0-	3,675

- (1) Mr. McCausland reimbursed Airgas \$68,520 for all direct costs associated with his personal use of the corporate aircraft. The amount reimbursed reflects the aggregate incremental cost to Airgas as recognized under SEC Regulation S-K. In determining the incremental costs for personal use, we considered fuel, supplies, contracted pilot fees, hangar and landing fees, excise tax, and travel expenses for the flight crew.

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**Grants of Plan-Based Awards in the 2010 Fiscal Year**

The following table sets forth information about equity awards and potential future non-equity incentive payouts provided to our named executive officers during the 2010 fiscal year under the 2006 Equity Plan and the Management Bonus Plans.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/share) <sup>(2)</sup>
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