

AIRGAS INC  
Form DEF 14A  
June 29, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**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 Section 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):

No fee required

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

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

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

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

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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Radnor Court  
259 North Radnor-Chester Road  
Radnor, Pennsylvania 19087-5283  
June 29, 2007

**TO OUR STOCKHOLDERS:**

You are cordially invited to attend the Annual Meeting of Stockholders to be held on Tuesday, August 7, 2007, at 11:00 a.m., Eastern Daylight Time, at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103.

The accompanying Notice of Meeting and Proxy Statement describe the matters to be acted upon at the Annual Meeting. You are welcome to present your views on these items and other subjects related to our operations. Your participation in our activities is important, regardless of the number of shares you hold.

To ensure that your shares are represented at the Annual Meeting, whether or not you are able to attend, please complete the enclosed proxy and return it to us in the postage-paid envelope.

I hope you will attend the Annual Meeting.

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

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**AIRGAS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
August 7, 2007**

**TO OUR STOCKHOLDERS:**

The Annual Meeting of the Stockholders of Airgas, Inc., a Delaware corporation, will be held on Tuesday, August 7, 2007, at 11:00 a.m., Eastern Daylight Time, at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103, for the following purposes:

1. To elect four Directors of the company.
  2. To vote upon a proposal to ratify the selection of KPMG LLP as Airgas independent registered public accounting firm for the fiscal year ending March 31, 2008.
  3. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.
- Stockholders of record at the close of business on June 21, 2007, are entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof.

All stockholders are cordially invited to attend the Annual Meeting in person, but whether or not you plan to attend, please promptly sign, date and mail the enclosed proxy in the return envelope. Returning your proxy does not deprive you of the right to attend the Annual Meeting and vote your shares in person.

By Order of the Board of Directors,

Dean A. Bertolino

*Vice President, General Counsel and Secretary*

Radnor, Pennsylvania

June 29, 2007

Airgas Annual Report to Stockholders for the fiscal year ended March 31, 2007 accompanies this notice, but is not incorporated as part of the proxy statement and is not to be regarded as part of the proxy solicitation material.

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**AIRGAS, INC.  
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 August 7, 2007.

Stockholders of record at the close of business on June 21, 2007, will be entitled to vote at the Annual Meeting. At the close of business on June 21, 2007, 79,192,940 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. This proxy statement and the enclosed form of proxy are being mailed to Airgas stockholders on or about June 29, 2007.

Shares represented by a proxy in the accompanying form, unless previously revoked, will be voted at the Annual Meeting if the proxy is returned to us properly executed and in sufficient time to permit the necessary examination and tabulation before a vote is taken. You may revoke a proxy at any time prior to its exercise by giving written notice to our Secretary, by giving a later dated proxy, or by voting in person at the Annual Meeting. Mere attendance at the Annual Meeting will not revoke the proxy. Any specific instructions indicated on your proxy will be followed. Unless record holders indicate otherwise on their proxy cards, their shares will be voted **FOR** each of Airgas Proposals 1 and 2, and at the discretion of the proxy holders on such other business as may properly come before the Annual Meeting. Shares held by brokers for beneficial owners will be voted as described below. The Board of Directors unanimously recommends that you vote to approve each of Airgas proposals.

Abstentions are counted as shares present for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting, but are not counted as shares voted in favor of a proposal and therefore have the effect of a vote against Proposal 2. 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 (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. A broker non-vote has the effect of a negative vote when a majority of the shares issued and outstanding is required for approval of the proposal. A broker non-vote has the effect of reducing the number of required affirmative votes when a majority of the shares present and entitled to vote is required for approval of the proposal.

The election of each nominee for director (Proposal 1) requires a plurality of votes cast. Brokers have discretionary authority to vote on this proposal. Ratification of the selection of our independent registered public accounting firm (Proposal 2) requires the approval of a majority of the outstanding shares of our common stock present and entitled to vote at the Annual Meeting. Brokers are not precluded from voting on Proposal 2 and, therefore, there will be no broker non-votes on that proposal.

The cost of proxy solicitation, including the cost of reimbursing banks and brokers for forwarding proxies and proxy statements to beneficial owners of our common stock, will be paid by Airgas. Some of our officers and other employees may solicit proxies without extra compensation by mail and, if found to be necessary, by telephone and personal interviews. Airgas has also retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies at an anticipated fee of \$7,500 plus out-of-pocket expenses.

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**GOVERNANCE OF THE COMPANY**

**Corporate Governance Commitment**

Our Board of Directors 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 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, and its 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. The Guidelines address the following matters.

**Board Independence and Expertise**

*Board and Committee Independence*

The Board of Directors is composed entirely of independent outside directors, with the exception of the Chief Executive Officer. 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: William O. Albertini; W. Thacher Brown; James W. Hovey; Richard C. Ill; Paula A. Sneed; David M. Stout; Lee M. Thomas; and John C. van Roden, Jr. 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 Albertini, the amount of annual purchases of goods and services from Airgas by Triumph Group, Inc., the company where he serves as a director, and determined that the amount of purchases in the 2007 fiscal year was below 2% of Triumph Group's consolidated gross revenues;

director Ill, the amount of annual purchases of goods and services from Airgas by Triumph Group, Inc., the company where he serves as president and chief executive officer and a director, and determined that the amount of purchases in the 2007 fiscal year was below 2% of Triumph Group's consolidated gross revenues;

director Sneed, the amount of annual purchases of goods and services from Airgas by Kraft Foods, Inc., the company where she served until December 2006 as an executive officer, and determined that the amount of purchases in the 2007 fiscal year was below 2% of Kraft's consolidated gross revenues;



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director Stout, the amount of annual purchases of goods and services from Airgas by GlaxoSmithkline, the company where he serves as an executive officer, and determined that the amount of purchases in the 2007 fiscal year was below 2% of GlaxoSmithkline's consolidated gross revenues; and

director Thomas, the amount of annual purchases of goods and services from Airgas by Rayonier, Inc., the company where he serves as president and chief executive officer, and determined that the amount of purchases in the 2007 fiscal year was below 2% of Rayonier's consolidated gross revenues.

*Board Membership Criteria*

As the composition of the Board of Directors demonstrates, Airgas values experience in business, educational achievement, moral and ethical character, diversity, skills, accountability and integrity, financial literacy, high performance standards and industry knowledge. The Governance and Compensation Committee is responsible for screening, selecting and recommending to the Board candidates for election as directors.

*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 Securities and Exchange Commission (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 a part of our Corporate Governance Guidelines. 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, 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 bylaws, 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

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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 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 11 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.

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**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's 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 at least seventy-five percent of the meetings of the Board and the committees on which he or she served during the 2007 fiscal year. All of the then current directors attended the last Annual Meeting.

*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 Acting Chairperson, Non-Management Directors, Airgas, Inc., 259 North Radnor-Chester Road, Radnor, Pennsylvania 19087-5283. Each year, the Board selects the Acting Chairperson of the non-management directors who will preside at the executive sessions of the Board and with whom stockholders wishing to communicate with the non-management directors may communicate.

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**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.

**ELECTION OF DIRECTORS**

**(Proposal 1)**

Our bylaws 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.

The names and biographical summaries of the four persons who have been nominated to stand for election at the 2007 Annual Meeting and the remaining directors whose terms are continuing until the 2008 or 2009 Annual Meetings appear below. W. Thacher Brown, Richard C. Ill and Peter McCausland have been nominated to serve as directors for terms expiring at the 2010 Annual Meeting and John C. van Roden, Jr., who was appointed by the Board in October 2006 to replace Mr. Yohe, who retired from the Board after reaching the Board's mandatory retirement age, has been nominated to serve as director for a term expiring at the 2008 Annual Meeting. Of the continuing directors, William O. Albertini and Lee M. Thomas were elected by the stockholders at the 2005 Annual Meeting. Their terms continue until the 2008 Annual Meeting. James W. Hovey, Paula A. Sneed and David M. Stout were elected by the stockholders at the 2006 Annual Meeting and their terms continue until the 2009 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 recommends that you vote FOR the election of Mr. Brown, Mr. Ill, Mr. McCausland and Mr. van Roden.**

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

***Nominees for Election for Terms Expiring at the 2010 Annual Meeting:***

W. Thacher Brown	Mr. Brown, age 59, was the 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
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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.

Peter McCausland Mr. McCausland, age 57, 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 NiSource Inc., The Valspar Corporation, the Fox Chase Cancer Center, the Independence Seaport Museum and the International Oxygen Manufacturers Association, Inc. and as a member of the Board of Trustees of Eisenhower Fellowships, Inc.

Richard C. III Richard C. III, age 64, has been President 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. III serves as a director of P.H. Glatfelter Company and is a member of the advisory board of Outward Bound, USA. Mr. III has served as an Airgas director since 2004.

***Nominee for Election for Term Expiring at the 2008 Annual Meeting:***

John C. van Roden, Jr. Mr. van Roden, age 58, 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 the company 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, Semco Energy, Inc., and Penn Virginia GP Holdings, L.P. Mr. van Roden has served as a director of the Company since October 2006.

***Directors Serving for Terms Expiring at the 2008 Annual Meeting:***

William O. Albertini Mr. Albertini, age 64, served as Executive Vice President and Chief Financial Officer of Bell Atlantic Global Wireless, Inc. from September 1997 until his retirement in April 1999. From January 1991 until August 1997, Mr. Albertini served as Executive Vice President and Chief Financial Officer of Bell Atlantic Corp. and, from 1995 to 1997, he served as a member of its Board of Directors. In addition, Mr. Albertini is a director of Triumph Group, Inc., Charming Shoppes, Inc. and BlackRock, Inc. He also serves as a trustee of the Weller Foundation. Mr. Albertini has served as an Airgas director since 2003.

Lee M. Thomas Mr. Thomas, age 63, has been President and Chief Executive Officer of Rayonier, Inc. since March 2007. Previously, he served as President of Georgia-Pacific Corporation, beginning in September 2002, and as

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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 Rayonier, Inc. and 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.

***Directors Serving for Terms Expiring at the 2009 Annual Meeting:***

- |                |  |
|----------------|--|
| James W. Hovey | Mr. Hovey, age 61, 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.   |
| Paula A. Sneed | Ms. Sneed, age 59, 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 that ensures world-class marketing, including advertising, media, promotions, marketing research, packaging, digital and interactive marketing, CRM and other marketing disciplines for 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, Teach for America and the Chicago Children's Museum. Ms. Sneed is also a member of the board of directors of The Charles Schwab Corporation. Ms. Sneed has been an Airgas director since 1999. |
| David M. Stout | Mr. Stout, age 53, has been President, Pharmaceuticals, GlaxoSmithKline, with responsibility for global pharmaceutical operations, since January 2003. 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 has been an Airgas director since 1999.   |

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**Board of Directors and Committees**

The Board of Directors held eight meetings during the fiscal year ended March 31, 2007. Each director attended at least 75% of the Board and committee meetings that he or she was scheduled to attend during the 2007 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, 2007, the Executive Committee held one meeting, the Governance and Compensation Committee held four meetings, the Audit Committee held 11 meetings and the Finance Committee held four 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 bylaws, 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 bylaws, declare dividends, appoint members of the Executive Committee, approve the acquisition of 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. Historically, and in accordance with the policy of the Executive Committee, the Executive Committee has met infrequently and only in extraordinary circumstances.

*Governance and Compensation Committee*

The members of the Governance and Compensation Committee are Richard C. Ill, 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;

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;

approving senior executive compensation;

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



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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 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 2007 fiscal year appears on page 26 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.

*Audit Committee*

The members of the Audit Committee are William O. Albertini, Paula A. Sneed and John C. van Roden, Jr. Each member of the Committee is independent from Airgas and its management. In addition, the Board of Directors has determined that Messrs. Albertini and van Roden 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 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 financial statements be included in Airgas' Annual Report to Stockholders; and

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

The Report of the Audit Committee for the 2007 fiscal year appears on page 41 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 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.

**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 2007 fiscal year was composed of cash, which consisted of an annual retainer of \$25,000 (increased on July 1, 2006 from the prior fiscal year's annual retainer of \$18,000), plus a fee of \$1,500 for each Board or committee meeting attended during the 2007 fiscal year, and stock option grants under the Airgas, Inc. 1997 Directors' Stock Option Plan, also referred to in this proxy statement as the 1997 Directors' Plan. The cash component of the directors' compensation is set 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 Airgas, Inc. 2006 Equity Incentive Plan, also referred to in this proxy statement as the 2006 Equity

Plan, and the Airgas, Inc. Deferred Compensation Plan II, also 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 22 of this proxy statement.

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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 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 2007 fiscal year expire after eight years and options granted to non-employee directors in prior fiscal years expire after 10 years. On August 9, 2006, each Board member serving on the Board as of that date was granted options to acquire 6,500 shares of our common stock with an exercise price of \$36.18 per share. Concurrent with becoming a director on October 3, 2006, Mr. van Roden received a stock option grant to acquire 5,540 shares of our common stock at an exercise price of \$36.05 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, some of our current directors maintain balances 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 or shares having a value equal to five times the director's annual Board retainers. Compliance with these guidelines is expected by January 31, 2012 for all current directors, and all but one director satisfies 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 2007 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>
William O. Albertini	56,750	89,318	-0-	146,068
W. Thacher Brown	54,750	89,318	-0-	144,068
James W. Hovey	41,250	89,318	-0-	130,568
Richard C. Ill	41,250	89,318	-0-	130,568
Paula A. Sneed	51,750	89,318	-0-	141,068
David M. Stout	39,750	89,318	-0-	129,068
Lee M. Thomas	45,500	89,318	-0-	134,818
John C. van Roden, Jr. <sup>(3)</sup>	21,364	75,843	-0-	97,207
Robert L. Yohe <sup>(4)</sup>	26,204	89,318	-0-	115,522

(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 2007 fiscal year, Mr. Albertini and Ms. Sneed

chose to defer portions of their cash compensation as directors under the Deferred Compensation Plan II.

- (2) The amounts shown reflect the dollar amount of options recognized for financial statement reporting purposes for the fiscal year ended March 31, 2007 for the stock options granted to the non-employee directors. The compensation expense reflected in the table is the same as the grant date fair value pursuant to SFAS 123R. The fair value was estimated using the Black-Scholes option pricing model in accordance with SFAS 123R. The material assumptions incorporated into the model include the exercise price of the option, the estimated term

of the option until exercise (which is 5.4 years for each of the directors in the table above), an interest rate factor (5.0%) based on the U.S. Treasury rate over the estimated term of the option until exercise, a volatility factor (36.2%) based on the standard deviation of the price of our common stock and a dividend yield (0.8%) based on the annualized dividend rate per share of our common stock. The actual value of the options, if any, will depend on the extent that the market value of our common stock at exercise is greater than the exercise price of the option. Each non-employee director (other than Mr. van Roden) was granted an option under the 1997 Directors Plan to purchase 6,500 shares on August 9, 2006 with an exercise price of \$36.18



per share. Mr. van Roden was granted an option to purchase 5,540 shares on October 3, 2006, the date on which he became a director, at an exercise price of \$36.05 per share. As of March 31, 2007, the following non-employee directors held options to purchase the following number of shares:

Mr. Albertini,  
28,500 shares;

Mr. Brown,  
71,250 shares;

Mr. Hovey,  
65,250 shares;

Mr. III, 21,000  
shares;

Ms. Sneed,  
65,250 shares;

Mr. Stout,  
65,250 shares;

Mr. Thomas,  
49,875 shares;

Mr. van Roden,  
5,540 shares;

and Mr. Yohe,  
59,000 shares.

- (3) Mr. van Roden was appointed as a director on October 3, 2006 to replace Mr. Yohe, who retired from the Board on that date.

- (4) Mr. Yohe  
retired as a  
director on  
October 3,  
2006.

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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 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, as it did in the 2007 fiscal year, 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 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 executives.

The following individuals, included in the Summary Compensation Table for the 2007 Fiscal Year found on page 27 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;

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

B. Shaun Powers, President, Eastern Division;

Ted R. Schulte, President, Gas Operations Division; and

Roger F. Millay, Former Senior Vice President and Chief Financial 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 investors 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 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 has primary responsibility for assisting the Board in evaluating potential candidates for executive positions, including the CEO position, and for overseeing the development of succession plans. 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

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the goals and objectives of the compensation program. Mr. McCausland, Mr. Molinini and Mr. McLaughlin, 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. The Committee has not sought advice or assistance from compensation consultants.

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, Dean A. Bertolino, our Vice President, General Counsel and Corporate Secretary, 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. Messrs. Wilson and Bertolino, along with Mr. McCausland, generally attend Committee meetings by invitation, but are excused for executive sessions. As requested, Messrs. McCausland, Bertolino and Wilson offer their opinions and recommendations to the Committee. The Committee may invite other members of management to attend meetings (as necessary) to discuss items within their specific areas of responsibility, although they do not play a role in their own compensation determination, other than discussing individual performance objectives with the CEO.

**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 we set, 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, 85% to 90% of our annual cash incentive payments are calculated based on Airgas' performance with regard to certain key financial metrics versus budgeted levels and 10% to 15% of those payments are calculated based on an executive's individual performance and contributions. There are two levels of approval for each discretionary award and the Committee has final approval for awards to executives who report directly to Mr. McCausland. Our equity-based 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.

**Table of Contents***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 wholesale 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 Albemarle Corporation, Applied Industrial Technologies, Inc., Cabot Corporation, Chemtura Corporation, Cytec Industries, Inc., Ecolab Inc., Ferro Corporation, FMC Corporation, Georgia Gulf Corporation, W.W. Grainger, Inc., International Flavors and Fragrances, Inc., Lubrizol Corporation, Nalco Holding Company, Olin Corporation, Patterson Companies, Inc., PolyOne Corporation, Rockwood Holdings, Inc., RPM International, Inc., A. Schulman, Inc., Scotts Miracle-Gro Company, Sigma-Aldrich Corporation, Valspar Corporation, Wesco International, Inc. and Westlake Chemical Corporation. The peer group includes companies in the S&P 400 MidCap index, including companies in the S&P MidCap 400 Chemicals industry group, plus other companies that are similar in size to Airgas. The peer group includes companies outside of our industry because the Committee believes that Airgas is similar in certain respects to such companies.

The most recent benchmarking of executive compensation levels was performed by Mr. Wilson during the 2006 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 and the reported value of stock grants to the total cash compensation. We believe that periodic reviews of outside compensation practices are appropriate to determine if our compensation levels and mix of components might require 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 wholesale 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.

During the 2007 fiscal year, the Committee approved an increase to Mr. Molinini's annual cash incentive target percentage to 60% of base salary from 50% of base salary during the prior fiscal year based on comparison to the second-ranked executive in the peer group companies. The Committee approved an increase in Mr. McLaughlin's annual base salary to \$300,000, taking into consideration the comparison to the chief financial officers in the peer group companies.

**Components of Executive Compensation for the 2007 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, 65% of their target total compensation for the 2007 fiscal year was allocated to at risk components consisting of annual cash incentives and stock options, with the remaining 35% allocated to base salary. 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

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strong incentives for our executives to maintain an ownership mentality, focusing them on maximizing long-term value creation for them and our stockholders.

Combined target cash and non-cash incentive compensation for named executive officers for the 2007 fiscal year ranged from 51% to 74% of total target compensation. Excluding Mr. Millay, actual cash incentive compensation ranged from 26% to 38% and non-cash incentive compensation ranged from 24% to 40% of total compensation for the named executive officers for the 2007 fiscal year. We believe that these mixes are both competitive within the marketplace and consistent with our stated compensation philosophy.

*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 do not generally seek to pay base salaries at levels exceeding the market median among comparably-sized companies in all industries. 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 wholesale 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 job levels; and

on a periodic basis, benchmark data on the compensation practices of peer companies, whether from available salary survey data or as reported in public company proxies.

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. All named executive officers received a merit pay increase for the 2007 fiscal year, averaging 6.25%. These increases were approved by the Committee in May 2006. In October 2006, the Committee approved a promotional increase for Mr. McLaughlin in recognition of the sizeable expansion of his responsibilities as CFO.

Mr. McCausland's base salary was adjusted to \$750,000 in June 2006, recognizing the overall performance of Airgas during the 2006 fiscal year and the enlargement of his responsibilities with the growth of Airgas.

**Table of Contents***Annual Cash Incentive Awards*

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 participates in our 2004 Executive Bonus Plan, referred to as our Executive Bonus Plan. In addition, depending upon the named executive officer's position and responsibilities with Airgas, each named executive officer participates 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 2007 Management Bonus Plan for Corporate Employees, in which Messrs. McCausland, McLaughlin, Millay and Molinini participated during the 2007 fiscal year, is available to all management-level employees who have corporate-wide responsibility;

the Fiscal Year 2007 Management Bonus Plan for Operating Company Management, in which Mr. Powers (Division President) participated during the 2007 fiscal year, is available to all management-level employees who work within our distribution businesses; and

the Fiscal Year 2007 Management Bonus Plan for Gas Operations Management, in which Mr. Schulte (Division President) participated during the 2007 fiscal year, is available to all management-level employees who worked within our Gas Operations division and its subsidiaries.

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 corporate performance goals and (2) a cash incentive award under the applicable Management Bonus Plan that is based on 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 cash flow growth, overall sales growth, sales growth for specific products or markets, margin improvements and return on capital (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. For example, as more fully described below under **Assigned Importance to Performance Criteria**, the Committee weighted the ROC component of the annual cash incentive awards at 15% for Messrs. McCausland, McLaughlin, Millay and Molinini. 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

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level of achievement of the pre-determined corporate performance metrics and the different weights assigned to each performance criteria component for each executive officer. As more fully described below, for the 2007 fiscal year, corporate financial performance goals represented 85% of the overall annual potential cash incentive award available for each executive officer who was not a Division President and corporate and division financial performance goals represented 90% of the overall annual potential cash incentive award available for each executive officer who was a Division President.

**Individual Performance Goals.** In addition to the corporate and division financial performance goals described above, under the applicable Management Bonus Plan, a portion of each named executive officer'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 2007 fiscal year. Mr. McCausland established individual performance objectives with Messrs. McLaughlin and Molinini, and Mr. Molinini established individual performance objectives for Messrs. Powers and Schulte (Division Presidents). The Committee reviewed, and based upon its subjective evaluation, approved the scores for Messrs. McLaughlin and Molinini, and Mr. McCausland reviewed, and based upon his subjective evaluation, approved the scores for Messrs. Powers and Schulte. For the 2007 fiscal year, individual performance goals under the Management Bonus Plans represented 15% of the overall annual potential cash incentive award available for each executive officer who was not a Division President and 10% of the overall annual potential cash incentive award available for each executive officer who was a Division President.

**Performance Criteria Selected for the 2007 Fiscal Year under Executive Bonus Plan.** The Committee determined that incentive cash award payments for the 2007 fiscal year for our named executive officers, other than for our Division Presidents, would be based on our performance for the fiscal year with regard to two key corporate financial performance criteria, as measured against budgeted levels:

cash flow measured as earnings before interest, taxes, depreciation and amortization (EBITDA); and

return on capital (ROC).

For Messrs. Powers and Schulte, who are Division Presidents, the Committee determined that their incentive cash award payments would be determined based on additional financial performance criteria relating to the performance of their divisions, as measured against budgeted levels:

EBITDA (for each respective division and as consolidated);

return on average capital employed (RACE); and

gross profit for targeted growth strategies, such as specific product lines or market segments.

**Target Award Percentages Assigned for the 2007 Fiscal Year.** The Committee established the following incentive target awards as percentages of annual base salary for each of our named executive officers for the 2007 fiscal year:

100% for Mr. McCausland;

60% for Mr. Molinini; and

50% for Messrs. McLaughlin, Millay, Powers and Schulte.

**Assigned Importance to Performance Criteria.** The Committee assigned the following relative weights to the corporate and division financial performance criteria for each named executive officer for the 2007 fiscal year:



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Consolidated EBITDA (weighted at 70% for Messrs. McCausland, McLaughlin, Millay and Molinini and weighted at 10% for Messrs. Powers and Schulte);

ROC (weighted at 15% for Messrs. McCausland, McLaughlin, Millay and Molinini);

Division EBITDA (weighted at 55% for Messrs. Powers and Schulte);

Division RACE (weighted at 10% for Messrs. Powers and Schulte); and

Gross Profit for Growth Strategies (weighted at 15% for Messrs. Powers and Schulte).

Individual Objectives under the Management Bonus Plans. Following the 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 the performance of Messrs. Powers and Schulte against their pre-determined individual objectives. Beyond his pre-determined individual objectives, the Committee recognized Mr. McCausland's outstanding leadership in building a highly effective team and infrastructure to manage the rapid growth of Airgas, and in conceiving and executing strategic initiatives that have positioned Airgas for continued growth rates above industry standard. For a more detailed description of the annual incentive compensation awards received by the named executive officers, see Summary Compensation Table for the 2007 Fiscal Year found on page 27 of this proxy statement.

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 and Molinini, and 138.5% for Messrs. Powers and Schulte. Extraordinary performance may be recognized with an additional bonus amount, but the total award opportunity is capped so that the maximum possible award is 200% of target. For the 2007 fiscal year, the Committee awarded each named executive officer, except for Mr. Millay, an aggregate cash incentive compensation award above the executive's aggregate target amount, but below each executive's maximum award opportunity.

Mr. McCausland and all of the other named executive officers (except Mr. Millay, who was not eligible for an award because his employment ceased prior to the payment of the awards) received their annual cash incentive awards for the 2007 fiscal year in June 2007 following Committee approval at its regular May meeting. Annual cash incentive awards earned by our named executive officers for performance during the 2007 fiscal year appear in the Summary Compensation Table for the 2007 Fiscal Year on page 27, under the headings Non-Equity Incentive Plan Compensation and Bonus.

*Long-Term Equity Incentive Compensation*

Our equity compensation program is designed to provide the Committee the flexibility to award long-term equity compensation incentives from several types of equity-based awards. 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 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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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. Previously, and including grants made to executive officers in May 2006, under our 1997 Stock Option Plan, long-term equity incentives could have consisted of awards of nonqualified stock options, ISOs and restricted stock.

The Committee historically has 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.

<b>Fiscal</b>	<b>Total Shares</b>	<b>Weighted</b>	<b>Employee</b>	<b>Total</b>	
<b>Year-End</b>	<b>Underlying</b>	<b>Average</b>	<b>Options</b>	<b>Outstanding</b>	
	<b>Options</b>	<b>Option</b>	<b>Granted in</b>	<b>Employee</b>	
	<b>Granted</b>	<b>Exercise</b>	<b>Fiscal</b>	<b>Options</b>	
	<b>to Employees</b>	<b>Price (\$)</b>	<b>Year</b>	<b>Fair Value on</b>	
				<b>Date of Grant</b>	
				<b>(\$)</b>	
				<b>Year-End</b>	
				<b>Shares at</b>	
				<b>Fiscal</b>	
				<b>Year-End</b>	
				<b>a % of</b>	
				<b>Outstanding</b>	
				<b>Shares at</b>	
				<b>Fiscal</b>	
				<b>Year-End</b>	
3/31/1998	1,244,577	15.45	474	8,151,979	8.9
3/31/1999	1,665,007	13.10	598	9,690,341	10.1
3/31/2000	1,126,845	11.27	535	5,848,326	11.0
3/31/2001	1,734,215	5.71	800	5,428,093	11.9
3/31/2002	1,525,120	9.29	565	8,098,387	11.8
3/31/2003	1,168,250	16.52	493	9,836,665	11.1
3/31/2004	1,104,800	19.36	488	9,081,456	10.4
3/31/2005	1,007,500	21.15	446	9,349,600	9.1
3/31/2006	1,007,200	24.03	538	9,417,320	8.4
3/31/2007	933,900	36.19	472	12,838,558	8.1
<i>Average Per Year</i>	1,251,741	15.80	541	8,774,073	10.1

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 2007 fiscal year were determined and approved at the Committee's regularly scheduled May 2006 meeting and are reflected in this proxy statement, including in the Summary Compensation Table for the 2007 Fiscal Year found on page 27 and the Grants of Plan-Based Awards in the 2007 Fiscal Year table found on page 30 of this proxy statement.

In determining the size of long-term equity incentive awards to the named executive officers for the 2007 fiscal year, the Committee's objective was to maintain the number of shares in each grant comparable to the 2006 fiscal year award levels. The Committee considered the dilution rate (shares granted as a percentage of shares outstanding), historical grants to the executive officers, the Black-Scholes valuation model for stock options, the value of equity-based compensation to top executives in comparable chemical and wholesale distribution companies and grant

sizes relative to the executive s peers at Airgas.

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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;

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 is the date of that meeting, on which the exercise price for the awards is set. We do not backdate options. 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 2007 fiscal year, options to purchase 262,200 shares were granted to 11 executive officers.

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 is set on the date of employment or the date of final approval, whichever is later. 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 2007 fiscal year of 68,600 shares. For the 2007 fiscal year, these grants totaled 6,000 shares to five 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 1997 Option 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 Option 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 has 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 in the 2007 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.

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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 or the Deferred Compensation Plan II.

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 entitled, "Nonqualified Deferred Compensation for the 2007 Fiscal Year" on page 33 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 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 Messrs. Millay, Molinini and Schulte held balances in the plan during the 2007 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 entitled, "Nonqualified Deferred Compensation for the 2007 Fiscal Year" on page 33 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 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 Messrs. Molinini and Schulte contributed to the plan during 2007.

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.

**Table of Contents***Change of Control Agreements*

Airgas has entered into change of control agreements with Messrs. McCausland, McLaughlin, Molinini, Powers, Schulte and Millay and two other executive officers. The terms of the agreements provide salary and benefit continuation if the executive is terminated upon a change of control. A change of control is defined to include events in which a party (other than Mr. McCausland) acquires 20% or more of the combined voting power of our then-outstanding securities, or in which Mr. McCausland, together with all affiliates and associates, acquires 30% or more of the combined voting power of our then-outstanding securities. Under the change of control agreements in place as of the end of the 2007 fiscal year, following the executive's termination, he or she would be entitled to a lump-sum payment equal to two times the sum of the executive's annual base salary at the time of termination, plus the executive's potential annual cash incentive award for the fiscal year in which the change of control occurred. The executive's health and welfare benefits would also continue for up to three years and the executive would be vested in all stock options and restricted stock. The cash and non-cash amounts payable under the change of control agreements and under any other arrangements with Airgas are limited to the maximum amount permitted without the imposition of an excise tax under the Internal Revenue Code. Generally, this would limit an executive's benefits under the agreement to 2.99 times the executive's average annual compensation for the preceding five years.

In addition, under an arrangement entered into in 1992, 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 1992 arrangement 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.

The Airgas, Inc. Severance Pay Plan, referred to in this proxy statement as the Severance Pay Plan, 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). Benefits under the plan are not available to a named executive officer if the named executive officer is eligible for similar benefits under a separate severance agreement with Airgas. Severance related benefits under the Severance Pay Plan are provided only if a participant executed a severance agreement satisfactory to Airgas. For a more detailed description of the benefits which our named executive officers may be eligible to receive under the Severance Pay Plan, see Potential Payments upon Termination Severance Benefits found on page 33 of this proxy statement.

In June 2007, the Committee approved a new form of change of control agreement so that benefits provided to some of our executives in the event of a change of control will conform to recent changes to applicable federal tax laws. The Committee delegated authority to our CEO to enter into arrangements with some of our executive officers, including those mentioned above and three other executives, using the new form of change of control agreement. The new agreement will provide benefits to those executive officers that are substantially similar to those in the existing change of control agreements without causing them to incur additional taxes under the applicable federal tax law changes.

*Perquisites and Personal Benefits*

Mr. McCausland received an automobile allowance and an airline club membership and utilized our corporate aircraft for personal use during the 2007 fiscal year. Mr. McCausland reimbursed Airgas for all direct costs associated with his personal use of the corporate aircraft. There were no other perquisites for

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executive officers during the 2007 fiscal year, except those benefits generally available to all employees. For a more detailed description of the perquisites and personal benefits received by our named executive officers, see the table on page 29 of this proxy statement entitled, All Other Compensation for the 2007 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.

Our executives are expected to comply with these guidelines starting on May 31, 2008 (five years after the guidelines were originally adopted) or five years after the executive becomes covered by the applicable ownership guideline tier. As of the end of the 2007 fiscal year, all of our named executive officers and all but three other executive officers subject to our stock ownership guidelines have already met their expected 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. 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 2007 fiscal year, Mr. McCausland was paid \$191,667 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 applying to nonqualified deferred compensation arrangements. While the final regulations have not yet become effective, we believe that Airgas is operating in good faith compliance with the statutory provisions that became effective January 1, 2005. A more detailed discussion of our nonqualified deferred compensation arrangements is provided on page 32 under the heading Nonqualified Deferred Compensation for the 2007 Fiscal Year.

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*Accounting for Stock-Based Compensation.* On April 1, 2006, we began accounting for stock-based awards, including stock options, in accordance with the requirements of FASB Statement 123(R).

**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 2007 Annual Report on Form 10-K filed with the SEC.

**Governance and Compensation Committee**

Lee M. Thomas, Chair

Richard C. III

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, 2007 by our named executive officers based on salary and bonus earned during the 2007 fiscal year.

**Summary Compensation Table for the 2007 Fiscal Year**

Name and Principal Position <sup>(1)</sup>	Fiscal Year	Salary (\$) <sup>(2)</sup>	Bonus (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(4)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(5)</sup>	Change in Pension Value and Non-qualified Deferred Earnings <sup>(6)</sup>	All Other Compensation (\$) <sup>(7)</sup>	Total (\$)
Peter McCausland <i>Chairman, President &amp; Chief Executive Officer</i>	2007	741,667	337,500	1,079,495	982,500	-0-	12,308	3,153,470
Robert M. McLaughlin <i>Senior Vice President and Chief Financial Officer</i>	2007	253,904	-0-	98,004	167,591	-0-	4,463	523,962
Roger F. Millay <i>Former Senior Vice President and Chief Financial Officer</i>	2007	153,098	-0-	276,505	-0-	-0-	3,572	433,175
Michael L. Molinini <i>Executive Vice President and Chief Operating Officer</i>	2007	354,750	-0-	230,164	285,318	-0-	7,537	877,769
B. Shaun Powers	2007	275,586	-0-	174,970	184,441	-0-	5,661	640,658

*Division**President- East*

Ted R. Schulte	2007	274,411	-0-	165,876	173,726	-0-	5,713	619,726
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*Division**President- Gas**Operations*

- (1) Mr. Millay resigned as our Chief Financial Officer effective on September 20, 2006. On October 3, 2006, Mr. McLaughlin was named Senior Vice President and Chief Financial Officer. Previously, Mr. McLaughlin was Vice President and Controller.
- (2) Messrs. Molinini and Schulte deferred a portion of their salaries earned in the 2007 fiscal year under the Deferred Compensation Plan II, the information for which is included in the table under Nonqualified

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Deferred  
Compensation for the  
2007 Fiscal Year on  
page 33 of this proxy  
statement. Each of the  
named executive  
officers also  
contributed a portion  
of his salary to our  
401(k) Plan.

- (3) As discussed on page  
20 of this proxy  
statement under  
Compensation  
Discussion and  
Analysis Annual  
Incentive Awards  
Individual Objectives  
under Management  
Bonus Plans, our  
Governance and  
Compensation  
Committee awarded  
Mr. McCausland an  
extraordinary award  
for the 2007 fiscal  
year in recognition of  
Airgas strategic  
accomplishments in  
addition to its  
financial performance.  
The Governance and  
Compensation  
Committee did not  
award any  
discretionary  
compensation for the  
2007 fiscal year to  
any other of our  
named executive  
officers.
- (4) The following stock  
options were granted  
to the named  
executive officers on  
May 23, 2006:  
Mr. McCausland,

100,000;  
Mr. McLaughlin,  
10,000; Mr. Millay,  
26,600; Mr. Molinini,  
28,700; Mr. Powers,  
15,800; and  
Mr. Schulte, 15,800.  
The amounts shown  
reflect the dollar  
expense recognized  
for financial reporting  
purposes with respect  
to the 2007 fiscal year  
for stock options  
granted to the named  
executive officers, in  
the 2007 fiscal year  
and in prior fiscal  
years (to the extent  
such awards remain  
unvested in whole or  
in part at the  
beginning of the 2007  
fiscal year), in  
accordance with  
SFAS 123R and 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  
14 to Airgas' financial  
statements for the  
fiscal year ended  
March 31, 2007,  
included in our  
Annual Report on  
Form 10-K filed with  
the SEC on May 30,

2007. For information on the valuation assumptions with respect to grants made prior to the 2007 fiscal year, refer to the note on Other Stock Related Information for the Airgas financial statements in our Annual Report on Form 10-K for the respective fiscal year-end. See the table under Grants of Plan-Based Awards in the 2007 Fiscal Year for information on the options granted in the 2007 fiscal year to the named executive officers.

- (5) The amounts shown reflect cash incentive awards earned by our named executive officers under the stockholder-approved Executive Bonus Plan for performance in fiscal year 2007, based on performance criteria established at the beginning of the 2007 fiscal year by our Governance and Compensation Committee. For officers with corporate-wide responsibilities, including Messrs. McCausland, McLaughlin, Millay 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). For officers with direct division or subsidiary company responsibility, including Messrs. Powers and Schulte, the Committee established four formulaic performance criteria for the fiscal year consolidated EBITDA, division or subsidiary EBITDA, return on average capital employed (RACE), and gross profit on specific product lines or market segments. In addition, a portion of each award is based on achievement of individual performance goals set at the beginning of the fiscal year, which do 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 Mr. McCausland, our Governance and Compensation Committee awarded \$337,500 in additional discretionary

compensation in recognition of his strategic and operational accomplishments in addition to the goals set at the beginning of the fiscal year. This additional amount resulted in \$191,667 of compensation above the tax deductible cap of Section 162(m) of the Internal Revenue Code. See page 18 of this proxy statement under Compensation Discussion and Analysis Annual Cash Incentive Awards for more detailed information on the Executive Bonus Plan.

- (6) Airgas offers its executive officers two deferred compensation plans Deferred Compensation Plan I and Deferred Compensation Plan II. 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 2007 Fiscal Year on page 33 of this proxy statement for additional information.

- (7) The amounts shown consist of the following items detailed in the table under All Other Compensation for the 2007 Fiscal Year :



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

automobile allowances; and

reimbursement for airline club memberships.

**All Other Compensation for the 2007 Fiscal Year**

The table below presents an itemized account of All Other Compensation provided to our named executive officers during the 2007 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			Total All Other Compensation (\$)
	Contributions to 401(k) (\$)	Auto Allowance (\$)	Airline Club Memberships (\$)	
Peter McCausland <sup>(1)</sup>	4,208	7,200	900	12,308
Robert M. McLaughlin	4,463	-0-	-0-	4,463
Roger F. Millay	3,572	-0-	-0-	3,572
Michael L. Molinini	7,237	-0-	300	7,537
B. Shaun Powers	5,361	-0-	300	5,661
Ted R. Schulte	5,413	-0-	300	5,713

(1) Mr. McCausland reimbursed Airgas \$107,311 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, and  
travel expenses  
for the flight  
crew.

**Table of Contents****Grants of Plan-Based Awards in the 2007 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 2007 fiscal year under the 1997 Stock Option Plan and the Management Bonus Plans.

Name	Grant Date	Estimated Future Payouts Under			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/share) <sup>(2)</sup>	Grant Date Fair Value of Option Awards (\$)
		Threshold	Target	Maximum			
Peter McCausland	5/23/2006	187,500	750,000	1,500,000	100,000	36.17	1,374,000
Robert M. McLaughlin	5/23/2006	31,983	127,932	169,510	10,000	36.17	137,400
Roger F. Millay	5/23/2006	40,572	162,286	215,029	26,600	36.17	365,484
Michael L. Molinini	5/23/2006	54,450	217,800	288,585	28,700	36.17	394,338
B. Shaun Powers	5/23/2006	29,531	138,968	192,471	15,800	36.17	217,092
Ted R. Schulte	5/23/2006	29,439	138,538	146,850	15,800	36.17	217,092

(1) These columns show the potential value of the payouts for each named executive officer under the Executive Bonus Plan for the 2007 fiscal year if the threshold, target or maximum goals are satisfied for all performance goals.

The potential payouts are performance-driven and therefore completely at risk. The performance criteria, performance goals and salary and incentive award percentages for determining the payouts are described under Compensation Discussion and Analysis Annual Cash Incentive Awards beginning on page 18 of this proxy statement. As reflected in the Summary Compensation Table for the 2007 Fiscal Year, no award was paid to Mr. Millay, as he did not meet the plan eligibility criterion requiring employment with Airgas on the date awards are paid except by retirement, disability or death. Awards were paid for the 2007 fiscal year to each of the other named executive officers and formulaic performance scores exceeded pre-established performance targets for each officer.

- (2) The Governance and Compensation

Committee met and approved the grants of stock options under our 1997 Stock Option Plan to our named executive officers on May 23, 2006, prior to the open of the NYSE. All of the stock options detailed in the table have a term of eight years and an exercise price set at the closing price of our common stock on the immediately prior trading day. All future grants of stock options under our 2006 Equity Plan will have an exercise price set as the closing price of our common stock on the date of grant.

Table of Contents**Outstanding Equity Awards at 2007 Fiscal Year-End**

Name	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date <sup>(1)</sup>
	Exercisable (#)	Unexercisable (#)		
Peter McCausland	130,000		15.63	05/14/2007
	130,000		15.94	05/14/2008
	130,000		11.50	05/18/2009
	150,000		5.50	05/16/2010
	150,000		8.99	05/08/2011
	125,000		16.52	05/06/2012
	86,250	28,750	19.22	05/12/2013
	57,500	57,500	21.15	05/25/2014
	27,500	82,500	24.09	05/24/2015
		100,000	36.17	05/23/2014
Robert M. McLaughlin	3,000		10.49	06/25/2011
	11,200		16.52	05/06/2012
	7,725	2,575	19.22	05/12/2013
	5,000	5,000	21.15	05/25/2014
	2,350	7,050	24.09	05/24/2015
		36.17	05/23/2014	
Roger F. Millay				
Michael L. Molinini	7,500		8.99	05/08/2011
	18,700		16.52	05/06/2012
	12,975	4,325	19.22	05/12/2013
	7,800	7,800	21.15	05/25/2014
	7,500	22,500	29.04	05/24/2015
		36.17	05/23/2014	
B. Shaun Powers	15,000		7.05	03/28/2011
	22,500		16.52	05/06/2012
	15,600	5,200	19.22	05/12/2013
	9,000	9,000	21.15	05/25/2014
	4,225	12,675	24.09	05/24/2015
		36.17	05/23/2014	
Ted R. Schulte	750		15.25	04/24/2008
	875		15.94	05/14/2008
	5,000		8.50	03/04/2009
	21,000		11.50	05/18/2009
	25,000		5.50	05/16/2010
	30,000		8.99	05/08/2011
		16.52	05/06/2012	

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15,600	5,200	19.22	05/12/2013
8,000	8,000	21.15	05/25/2014
3,750	11,250	24.09	05/24/2015
	15,800	36.17	05/23/2014

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- (1) The stock options listed above vest in 25% increments per year over four years. Except for the stock options granted to the named executive officers during the 2007 fiscal year, which have eight-year terms, all stock options granted to the named executive officers as set forth above have 10-year terms, subject to earlier termination or expiration in the event of termination of service or as otherwise set forth in the Airgas 1984 Stock Option Plan or the 1997 Stock Option Plan.

**Option Exercises During the 2007 Fiscal Year**

<b>Name</b>	<b>Option Awards</b>	
	<b>Number of Shares Acquired on Exercise</b>	<b>Value Realized on Exercise (\$)</b>
Peter McCausland	-0-	-0-
Michael L. Molinini	-0-	-0-



Ted R. Schulte	-0-	-0-
Robert M. McLaughlin	-0-	-0-
B. Shaun Powers <sup>(1)</sup>	10,000	336,200
Roger F. Millay <sup>(2)</sup>	145,900	3,845,180

(1) Mr. Powers exercised 10,000 stock options on March 1, 2007, with an exercise price of \$7.05 and a market price of \$40.67.

(2) On November 10, 2006, Mr. Millay exercised 40,000 stock options with an exercise price of \$8.99, 20,000 stock options with an exercise price of \$8.44, and 13,250 stock options with an exercise price of \$5.50. The closing price of our common stock on November 10, 2006 was \$38.31. On November 27, 2006, Mr. Millay exercised 29,900 stock options with an exercise price of \$16.52 and 20,700 stock options with an

exercise price of \$19.22. The closing price of our common stock on November 27, 2006 was \$41.19. On November 29, 2006, Mr. Millay exercised 15,000 stock options with an exercise price of \$21.15 and 7,050 stock options with an exercise price of \$24.09. The closing price of our common stock on November 29, 2006 was \$42.40.

**Nonqualified Deferred Compensation for the 2007 Fiscal Year**

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 Deferred Compensation Plan I provided employees the opportunity to defer base salary and all or any portion of their annual bonus. Amounts deferred are unsecured, but earn a return equal to the performance of selected mutual funds. All named executive officers were eligible, but only Messrs. Millay, Molinini and Schulte held balances in the Deferred Compensation Plan I during the 2007 fiscal year.

The Deferred Compensation Plan II is a nonqualified, unfunded plan available for contribution since July 1, 2006. The Deferred Compensation Plan II provides employees the opportunity to defer base salary and all or any portion of their annual bonus. Amounts deferred are unsecured, but earn a return equal to the performance of selected mutual funds and a choice to track Airgas common stock. There are no Airgas contributions to the Deferred Compensation Plan II. The purpose of the salary and bonus deferral program is to provide highly compensated employees with a convenient and efficient

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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 Messrs. Molinini and Schulte contributed to the Deferred Compensation Plan II during the 2007 fiscal year.

<b>Name</b>	<b>Executive Contributions in FY 2007 (\$)<sup>(1)</sup></b>	<b>Registrant Contributions in FY 2007 (\$)</b>	<b>Aggregate Earnings in FY 2007 (\$)<sup>(2)</sup></b>	<b>Aggregate Withdrawals/Distributions in FY 2007 (\$)<sup>(3)</sup></b>	<b>Aggregate Balance at 3/31/07 (\$)</b>
Peter McCausland	-0-	-0-	-0-	-0-	-0-
Robert M. McLaughlin	-0-	-0-	-0-	-0-	-0-
Roger F. Millay	-0-	-0-	1,866	6,747	34,924
Michael L. Molinini	5,294	-0-	8,135	-0-	145,474
B. Shaun Powers	-0-	-0-	-0-	-0-	-0-
Ted R. Schulte	14,431	-0-	46,915	-0-	459,022

(1) Reflects participation by Messrs. Molinini and Schulte in the deferred compensation plan during the 2007 fiscal year. Salary deferral became available to officers in the Deferred Compensation Plan II on July 1, 2006.

(2) Reflects earnings on balances in the Deferred Compensation Plan I and the Deferred Compensation Plan II. Earnings are from tracking

the results of mutual funds and a fund tracking Airgas common stock as selected by the named executive officer from the fund choices offered in each plan.

- (3) Mr. Millay withdrew some of the balance from the Deferred Compensation Plan I upon ending his employment with Airgas.

**Potential Payments upon Termination**

Our named executive officers are eligible to receive benefits in the event their employment is terminated (1) by Airgas without cause, (2) upon their retirement, disability or death or (3) in certain circumstances following a change in control. The amount of benefits will vary based on the reason for the termination.

The following sections present calculations as of March 31, 2007 of the estimated benefits our named executive officers would receive in these situations. Although the calculations are intended to provide reasonable estimates of the potential benefits, they are based on numerous assumptions and may not represent the actual amount a named executive officer would receive if an eligible termination event were to occur.

In addition to the amounts disclosed in the following sections, each named executive officer would retain the amounts which he has earned or accrued over the course of his employment prior to the termination event, such as the named executive officer's balances under our deferred compensation plans, accrued retirement benefits and previously vested stock options. For further information about previously earned and accrued amounts, see the tables entitled Summary Compensation Table for the 2007 Fiscal Year, Outstanding Equity Awards at the 2007 Fiscal Year-End, Option Exercises During the 2007 Fiscal Year and Non-Qualified Deferred Compensation for the 2007 Fiscal Year.

**Table of Contents****Severance Benefits**

If the employment of a named executive officer, other than Mr. McCausland, is terminated due to (1) a lack of work, (2) a reorganization of our business, (3) the closing of all or a portion of the named executive officer's principal workplace or (4) economic conditions, and not as a result of a change of control, the named executive officer may be entitled to receive benefits under our Severance Pay Plan. Messrs. McLaughlin, Molinini, Powers and Schulte participate in our severance plan, which is generally available to other employees. Severance-related benefits under the plan are provided only if the participant executes a separation agreement prepared by Airgas, which includes a release of claims in consideration of the payments.

Mr. McCausland's severance benefits are contained in an employment agreement, which is described below. In the event that Mr. McCausland's employment is terminated for reasons other than material dishonesty, he would receive a lump-sum payment equal to two times his annual salary that was effective at the end of his active employment, continuation of health and welfare benefits for the three years following active employment and immediate vesting of all unvested stock options.

The following table presents the estimated separation benefits that we would have been required to pay to Mr. McCausland under the terms of his employment agreement if his employment had been terminated, other than for material dishonesty, as of March 31, 2007.

Named Executive Officer	Severance Payments (\$)	Vesting of Unvested Stock Options (\$)	Health & Welfare Benefits (\$)	Total (\$)
Peter McCausland	1,500,000 <sup>(1)</sup>	3,954,688 <sup>(2)</sup>	16,785 <sup>(3)</sup>	5,471,473

(1) Represents a lump-sum payment equal to two times Mr. McCausland's annual salary.

(2) The value of accelerated vesting of stock options is estimated using the in-the-money value as of March 31, 2007 based on a stock price of \$42.15.

(3) The estimated net cost to Airgas of Mr. McCausland's health and welfare benefits continued for three years.

**Retirement, Disability and Death**

*Death or Retirement*

To be eligible for retirement, an executive officer must be at least age 65 or have combined age and Airgas service at least equal to 75 years. Mr. McCausland is the only named executive officer who is eligible for retirement as of March 31, 2007. In the event of death or retirement, an executive or his beneficiary is entitled to vesting of an additional year of unvested stock options and continued eligibility to exercise the vested stock options under the same terms as an active employee (i.e., until the original expiration dates unless terminated earlier under the terms of the applicable equity plan). Additionally, the named executive officer or his or her beneficiary is entitled to the executive's annual incentive cash bonus award, prorated based upon the number of days the executive was an active employee with Airgas during the fiscal year, on the next bonus payment date. In the event of a named executive officer's death, his or her beneficiary also would receive payouts under Airgas-funded life insurance policies.

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The following table presents the estimated benefits payable, based on death or retirement on March 31, 2007.

Named Executive Officer	Bonus Payment (\$) <sup>(1)</sup>	Vesting of Unvested Stock Options (\$) <sup>(2)</sup>	Total
Peter McCausland	1,320,000	1,909,138	3,229,138
Robert M. McLaughlin	167,591	168,936	336,527
Michael L. Molinini	285,318	359,429	644,747
B. Shaun Powers	184,411	313,661	498,072
Ted R. Schulte	173,726	294,582	468,308

(1) Represents the named executive officer's full bonus for the 2007 fiscal year payable on June 15, 2007.

(2) The value of vesting of stock options on the next anniversary is estimated using the in-the-money value as of March 31, 2007, based on a stock price of \$42.15.

*Disability*

Upon an executive's termination of employment due to disability, the named executive officer would receive the stock option benefits described in the Additional Benefits upon Retirement table above.

The following table presents the estimated benefits payable upon death or disability as of March 31, 2007.

Named Executive Officer	Vesting of Unvested Stock Options (\$) <sup>(1)</sup>
Peter McCausland	1,909,138
Robert M. McLaughlin	168,936
Michael L. Molinini	359,429

B. Shaun Powers	313,661
Ted R. Schulte	294,582

- (1) The value of vesting of stock options on the next anniversary is estimated using the in-the-money value as of March 31, 2007 based on a stock price of \$42.15.

#### **Potential Change of Control Payments**

We have agreements with all the named executive officers, which take effect only if a change of control or a potential change of control occurs. The severance and other benefits payable to the named executive officers under their agreements are due only if (1) there is a change of control and (2) we terminate their employment unrelated to cause, or if they terminate their employment for good reason within three years following a change of control, commonly referred to as a Double Trigger. Good



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reason includes a material diminution of position, a material decrease in compensation and benefits in the aggregate or a meaningful change in location.

Mr. McCausland's agreement entitles him to a lump-sum payment equal to two times his annual base salary plus two times his annual cash incentive target bonus. Mr. McCausland also is entitled to the lump-sum payment equal to two times his annual base salary, as described above under Severance Benefits. Messrs. McLaughlin's, Molinini's, Powers' and Schulte's agreements entitle them to a lump-sum payment equal to two times the annual base salary plus two times the cash incentive target bonus. All agreements accelerate vesting of all outstanding unvested stock options and entitle the named executive officer to continuation of health and welfare benefits for up to three years. In the aggregate, the benefits under these agreements are capped at 2.99 times the average base compensation as defined in Section 280G of the Internal Revenue Code.

A change of control is defined in the agreements to include a change in a majority of the Board, consummation of certain mergers, the sale of all or substantially all of Airgas' assets and stockholder approval of a complete liquidation or dissolution. The change of control definition also includes events in which a party (other than Mr. McCausland) acquires 20% or more of the combined voting power of our then-outstanding securities, or in which Mr. McCausland, together with all affiliates and associates, acquires 30% or more of the combined voting power of our then-outstanding securities. A potential change of control occurs if Airgas enters into an agreement that results in a change of control, a credible party announces the intent to cause a change of control, a holder of at least 10% of the outstanding shares increases ownership by at least 5% of the shares outstanding, or the Board declares a potential change of control.

The following table assumes that each named executive officer is terminated after a change of control for reasons other than cause, retirement, disability or death. These values are estimated as of March 31, 2007.

Named Executive Officer	Severance Payments (\$)	Vesting of Unvested Stock Options (\$) <sup>(2)</sup>	Health & Welfare	Total (\$)
			Benefits (\$) <sup>(3)</sup>	
Peter McCausland	4,500,000 <sup>(1)</sup>	3,954,688	16,785	8,471,473
Robert M. McLaughlin	849,776 <sup>(4)</sup>	351,168	24,750	1,225,694
Michael L. Molinini	1,161,600	840,948	16,785	2,019,333
B. Shaun Powers	833,808	631,631	24,750	1,490,189
Ted R. Schulte	795,616 <sup>(4)</sup>	584,895	24,750	1,405,261

(1) Mr. McCausland would have received the severance payment under his 1992 employment agreement (two times his annual base salary) in addition to the severance

payment under his change of control agreement (two times his annual base salary plus two times his annual cash incentive target bonus).

- (2) The value of accelerating vesting of stock options is estimated using the in-the-money value as of March 31, 2007, based on a stock price of \$42.15.
- (3) The estimated net cost to Airgas of health and welfare benefits continued for three years.
- (4) The estimated severance payments to Mr. McLaughlin and Mr. Schulte reflect the cap to limit benefits to 2.99 times the average base compensation as defined in Section 280G of the Internal Revenue Code.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Review and Approval of Related Person Transactions**

We review all relationships and transactions in which Airgas and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether Airgas or a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to Airgas or a related person are disclosed in our proxy statement. In addition, the Audit Committee reviews and approves or ratifies any related person transaction that is required to be disclosed. In the course of its review and approval or ratification of a disclosable related party transaction, the Committee considers:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to Airgas;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of Airgas; and

any other matters the Committee deems appropriate.

**Transactions**

Since the beginning of the 2007 fiscal year, we have not engaged in any transaction or series of similar transactions, or any currently proposed transaction or series of similar transactions, to which Airgas or any of its subsidiaries was or is to be a participant (1) in which the amount involved exceeds \$120,000 and (2) in which any of our directors, executive officers or persons known to us to be beneficial owners of more than 5% of our common stock, or members of the immediate families of those individuals, had or will have, a direct or indirect material interest.

We do have business relationships with corporations or other organizations in which a director, nominee for director or executive officer of Airgas may also be a director, executive officer, investor or trustee, or have some other similar direct or indirect relationship with the other corporation or organization. For example, we provide goods and services to companies such as GlaxoSmithKline (of which David M. Stout, one of our directors, is President, Pharmaceuticals), Kraft Foods, Inc. (of which Paula A. Sneed, one of our directors, was Executive Vice President of Global Marketing Resources and Initiatives until December 2006), Triumph Group, Inc. (of which, William O. Albertini, one of our directors, is a director, and Richard C. Ill, one of our directors, is President and Chief Executive Officer and a director) and Georgia-Pacific Corporation (of which Lee M. Thomas, one of our directors, was President and Chief Operating Officer and a director during our 2006 fiscal year). In all instances, including those described above, we enter into these arrangements in the ordinary course of business and each party provides to or receives from the other the relevant goods and services on a non-exclusive basis at arms-length negotiated rates. In addition, none of our directors was directly involved with the negotiation or consummation of any such arrangement. While any revenue, profits or other aspects of a business relationship with us may, of course, affect the individual's overall compensation or value of his or her investments in the other corporation or organization, we do not believe that in any of these cases the relevant director receives or has received any compensation from the other corporation that is directly linked to an Airgas-related business arrangement. None of these arrangements is material to us or to the

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other corporation or organization involved, and we do not believe that any indirect interest that our directors may have with respect to such an arrangement is material.

**STOCKHOLDER RETURN PERFORMANCE PRESENTATION**

Below is a graph comparing the yearly change in the cumulative total stockholder return on our common stock against the cumulative total return of the S&P MidCap 400 Chemicals Index and the S&P MidCap 400 Index for the five-year period that began April 1, 2002 and ended March 31, 2007.

We have approved the use of the S&P MidCap 400 Chemicals Index and the S&P MidCap 400 Index for purposes of this performance comparison because Airgas is a component of the indices and they include companies of similar size as Airgas.

**Airgas, Inc.**  
**Comparison of Five-Year Cumulative Total Return**

	March 31	2002	2003	2004	2005	2006	2007
..	Airgas, Inc.	100	92.09	106.86	120.74	199.10	216.24
m	S&P MidCap 400						
	Chemicals	100	74.24	97.42	124.38	128.30	156.55
n	S&P MidCap 400	100	76.55	114.14	126.04	153.29	166.24

The graph above assumes that \$100 was invested on April 1, 2002, in Airgas, Inc. common stock, the S&P MidCap 400 Chemicals Index, and the S&P MidCap 400 Index.

**Table of Contents****SECURITY OWNERSHIP**

The following table sets forth certain information, according to information supplied to Airgas regarding the number and percentage of shares of our common stock beneficially owned on March 31, 2007 (1) by each person who is the beneficial owner of more than 5% of our common stock, (2) by each director and nominee for director, (3) by each named executive officer and (4) by all of our directors, nominees for director and executive officers as a group. Unless otherwise indicated, the stockholders listed possess sole voting and investment power with respect to the shares listed.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percentage of Shares Outstanding%
Peter McCausland 1113 Brynlawn Road Villanova, PA	8,166,441 <sup>(2)(3)(4)</sup>	10.3
Bonnie F. McCausland 1113 Brynlawn Road Villanova, PA	7,182,780 <sup>(5)</sup>	9.1
William O. Albertini	48,500 <sup>(2)</sup>	*
W. Thacher Brown	185,750 <sup>(2)(6)</sup>	*
James W. Hovey	87,750 <sup>(2)</sup>	*
Richard C. III	28,250 <sup>(2)</sup>	*
Paula A. Sneed	70,256 <sup>(2)</sup>	*
David M. Stout	66,250 <sup>(2)</sup>	*
Lee M. Thomas	50,875 <sup>(2)</sup>	*
John C. van Roden, Jr.	8,040 <sup>(2)(7)</sup>	*
Michael L. Molinini	81,821 <sup>(2)</sup>	*
Robert McLaughlin	45,104 <sup>(2)</sup>	*
Ted R. Schulte	157,732 <sup>(2)(4)</sup>	*
B. Shaun Powers	90,619 <sup>(2)</sup>	*
Roger F. Millay	3,584	*
FMR Corp. 82 Devonshire Street Boston, MA 02109	5,713,700 <sup>(8)</sup>	7.3

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All directors and executive officers as a group  
(21 persons)

39

9,466,164(2)(3)(4)(5)(6)(7)

11.9

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- \* Less than 1% of our outstanding common stock
  
- (1) Includes all options and other rights to acquire shares exercisable on or within 60 days of March 31, 2007.
  
- (2) Includes the following number of shares of our common stock which may be acquired by certain directors, executive officers and 5% stockholders through the exercise of options that were exercisable as of March 31, 2007 or became exercisable within 60 days of that date:
  - Mr. McCausland, 966,250 shares;
  - Mr. Albertini, 28,500 shares;
  - Mr. Brown, 71,250 shares; Mr. Hovey, 65,250 shares;
  - Mr. Ill, 21,000 shares; Ms. Sneed, 65,250 shares;
  - Mr. Stout, 65,250 shares;
  - Mr. Thomas, 49,875 shares; Mr. van Roden, 5,540 shares;
  - Mr. Molinini, 77,375 shares;
  - Mr. McLaughlin, 39,200 shares;

Mr. Schulte,  
149,375 shares;  
Mr. Powers,  
84,200 shares; and  
all directors and  
executive officers  
as a group,  
2,026,030 shares.

- (3) Investment and/or voting power with respect to 7,106,210 of such shares are shared with, or under the control of, Mr. McCausland's spouse, Bonnie McCausland, and 35,070 shares are held by a charitable foundation of which Mr. McCausland is an officer and director.
- (4) Includes the following shares of our common stock held under our 401(k) Plan as of March 31, 2007: Mr. McCausland, 43,211 shares; Mr. Schulte, 1,764 shares; and all executive officers as a group, 57,712 shares.
- (5) Investment and/or voting power with respect to 7,106,210 of such shares are shared with, or under the control of, Mrs. McCausland's spouse, Peter McCausland, and



35,070 shares are held by a charitable foundation of which Mrs. McCausland is an officer and director.

- (6) Includes 8,000 shares owned by members of Mr. Brown's immediate family.
- (7) Includes 1,500 shares owned by a general partnership of which Mr. van Roden is a 0.5% owner and a general partner.
- (8) FMR Corp. and several related entities filing for the purposes of such report (collectively, FMR ), filed a Schedule 13G on February 14, 2007, upon which Airgas has relied in making this disclosure. FMR has sole voting power as to 362,480 shares and sole dispositive power as to 5,713,700 shares.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership of the securities with the SEC and the NYSE. Such persons are also required to furnish us with copies of all Section 16(a) forms they file. We are aware of one 10% stockholder, who is also an officer and director, and his spouse.

Based solely on its review of the copies of such reports furnished to us, or written representations from certain reporting persons that no other reports were required, we believe that all of our officers and directors complied with all filing requirements applicable to them.



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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee reviewed and discussed our audited financial statements for the fiscal year ended March 31, 2007 with our management and with the independent registered public accounting firm. The Audit Committee reviewed with the independent registered public accounting firm its judgment as to the quality of our application of U.S. generally accepted accounting principles and other such matters as required by Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended.

The Audit Committee discussed with both our internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee periodically met with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, evaluations of our internal control over financial reporting and the overall quality of our financial reporting.

The Audit Committee has discussed with and received written disclosure and a letter from the independent registered public accounting firm as required by the Independence Standards Board's Standard No. 1, Independence Discussions with Audit Committees, as amended, as to their independence from Airgas and its management.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended March 31, 2007, for filing with the Securities and Exchange Commission. The Audit Committee also appointed, and the Board of Directors is proposing that the stockholders ratify the appointment of, KPMG LLP as our independent registered public accounting firm for the 2008 fiscal year.

**Audit Committee**

William O. Albertini, Chair

Paula A. Sneed

John C. van Roden, Jr.

**Table of Contents****PROPOSAL TO RATIFY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
(Proposal 2)**

The Audit Committee of the Board of Directors has appointed the firm of KPMG LLP as our independent registered public accounting firm to audit our financial statements for the fiscal year ending March 31, 2008. The Board of Directors has proposed that the stockholders ratify the appointment of KPMG LLP. This firm audited our financial statements for the fiscal year ended March 31, 2007. Representatives of KPMG LLP are expected to attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

**Audit and Non-Audit Fees**

The following table shows the fees that we paid to the independent registered public accounting firm for services provided to us during the 2007 and 2006 fiscal years:

	2007	2006
Audit Fees	\$ 1,357,000	\$ 1,150,000
Audit-Related Fees	\$ 221,000	\$ 117,000
Tax Fees	\$ 23,000	\$ 10,000
All Other Fees	\$	\$

Audit Fees consist of fees billed for professional services rendered for the audit of our annual financial statements, the audit of the effectiveness of our internal control over financial reporting and reviews of the financial statements included in our quarterly report on Forms 10-Q.

Audit-Related Fees consist of services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. The services for the fees disclosed under this category for the 2007 and 2006 fiscal years include approximately \$73,000 and \$40,000, respectively, for employee benefit plan audits. These fees for the 2007 and 2006 fiscal years also include work performed related to the review of various technical accounting matters and work performed related to accounting for acquisitions.

Tax Fees consist of professional services rendered by the independent registered public accounting firm for tax compliance, tax return review and tax advice.

The Audit Committee considered whether the services provided above are compatible with maintaining the independent registered public accounting firm's independence.

**Pre-Approval of Audit and Non-Audit Services**

Under the Audit Committee's audit and non-audit services pre-approval policy, as adopted by the Audit Committee in 2003, the Audit Committee must pre-approve all audit and non-audit services provided by the independent registered public accounting firm. The policy, as described below, sets forth the procedures and conditions for such pre-approval of services to be performed by the independent registered public accounting firm. The policy utilizes both a framework of general pre-approval for certain specified services and specific pre-approval for all other services.

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Prior to engagement of the independent registered public accounting firm for the next year's audit, the Audit Committee is asked to pre-approve the engagement of the accounting firm, and the projected fees for audit services and audit-related services (assurance and related services that are reasonably related to the performance of the independent registered public accounting firm's review of the financial statements). The fee amounts approved for the audit and audit-related services are updated to the extent necessary at the regularly scheduled meetings of the Audit Committee during the year.

In addition, pursuant to its policy, the Audit Committee has pre-approved certain categories of non-audit services to be performed by the independent registered public accounting firm and an aggregate maximum amount of fees to be paid for such services. The Audit Committee receives updates from management and reviews these services at each of its quarterly meetings. Additional pre-approval is required for any of these services if the fees exceed the originally pre-approved aggregate amount annually. If we desire to engage the independent registered public accounting firm for other services that are not within the pre-approved categories, the Audit Committee must approve such specific engagement as well as the projected fees.

In the 2007 fiscal year, there were no fees paid to KPMG LLP under a de minimis exception to the rules that waives pre-approval for certain non-audit services.

**The Board of Directors recommends that you vote FOR ratification of KPMG LLP as our independent registered public accounting firm.**

**STOCKHOLDER PROPOSALS FOR  
NEXT ANNUAL MEETING**

**Stockholder Proposals for Inclusion in Next Year's Proxy Statement**

Under the rules of the Securities and Exchange Commission, if a stockholder wants to submit a proposal for inclusion in the proxy statement and presentation at the 2008 Annual Meeting, the proposal must be received by us, attention: Mr. Dean A. Bertolino, Secretary, at our principal offices, by March 2, 2008.

**Other Stockholder Proposals for Presentation at Next Year's Annual Meeting**

For any proposal, including a nomination for election to the Board of Directors, that is not submitted for inclusion in next year's proxy statement, but is instead sought to be presented directly at the 2008 Annual Meeting, our bylaws require, and the SEC rules permit, that the proposal be received at our principal executive offices not earlier than April 11, 2008 and not later than May 11, 2008. However, if the date of the Annual Meeting is more than 30 days before or more than 60 days after August 7, 2008, the notice must be received not earlier than 120 days before the Annual Meeting and not later than the later of 90 days before the Annual Meeting or the 10th day following public announcement of the date of the meeting. Our bylaws also provide that the notice must contain certain information regarding the proposal and the nomination.

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**APPENDIX A  
DIRECTOR INDEPENDENCE STANDARDS**

No director of Airgas, Inc. (the Company) will be considered independent unless the board of directors affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). When making independence determinations, the Board broadly considers all relevant facts and circumstances, as well as any other rules, interpretations and considerations of the New York Stock Exchange (NYSE), or any rule or regulation of any other regulatory body or self-regulatory body applicable to the Company. The Board has established the following standards, based upon those set forth in the NYSE Listing Standards, to assist it in determining director independence. These standards shall be interpreted in accordance with interpretations of the NYSE Listing Standards.

A director will not be independent if:

the director is a current partner or employee of the Company's independent auditor;

an immediate family member of the director is a current partner of the Company's independent auditor; or

an immediate family member of the director is a current employee of the Company's independent auditor and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice.

A director will not be independent if within the preceding three years:

the director was employed by the Company;

an immediate family member of the director was employed by the Company as an executive officer;

the director, or an immediate family member of the director, received more than \$100,000 per year in direct compensation from the Company (other than director's fees and pension or other forms of deferred compensation for prior service with the Company);

the director was (but is not currently) a partner with or employed by the Company's independent auditor and worked on the Company's audit within such three years;

an immediate family member of the director was (but is not currently) a partner with or employed by the Company's independent auditor and worked on the Company's audit within such three years; or

an executive officer of the Company was on the compensation committee of the board of directors of a company that employed either the director or an immediate family member of the director as an executive officer.

None of the following relationships shall disqualify any director or nominee from being considered independent and such relationships shall be deemed to be immaterial relationships with the Company:

a director is a current employee, or a director's immediate family member is a current executive officer, of another company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, did not exceed the greater of (a) \$1,000,000 or (b) 2% of such other company's consolidated gross revenues;

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a director or a director's immediate family member is an executive officer of another company in which the Company owns a common stock interest, and the amount of the common stock interest is less than 5% of the total shareholders' equity of the company for which the director serves as an executive officer; or

a director or a director's immediate family member serves as an officer, director or trustee of a tax exempt organization, and the Company's contributions to the organization in any single fiscal year are less than the greater of (a) \$1,000,000 or (b) 2% of that organization's gross revenues.

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**Airgas. C/O PROXY SERVICES P.O. BOX 9141 FARMINGDALE, NY 11735**

**VOTE BY INTERNET** [www.proxyvote.com](http://www.proxyvote.com) Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. **ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS** If you would like to reduce the costs incurred by Airgas, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years. **VOTE BY PHONE**

**1-800-690-6903** Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. **VOTE BY MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Airgas, Inc., c/o

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

AIRGA1 KEEP THIS PORTION FOR YOUR RECORDS DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**AIRGAS, INC.**

**The Board of Directors recommends voting FOR Proposals 1 and 2.**

**For Withhold For All** To withhold authority to vote for any individual **Vote On Directors** **All All Except** nominee(s), mark **For All Except** and write the name(s) of the nominee(s) on the line below.

1. Election of Directors

**Nominees:**

W. Thacher Brown, Richard C. Ill, Peter McCausland, and 0 0 0 John C. van Roden, Jr.

**For Against Abstain**

**Vote On Proposals**

2. Ratify the selection of KPMG LLP as the Company's independent registered public accounting firm. 0 0 0

3. In their discretion, vote upon such other matters as may properly come before the Meeting.

Note: Please sign exactly as name(s) appear(s) hereon. Executors, administrators, trustees, etc. should give full title as such.

For comments, please check this box and write them 0 on the back where indicated **Yes No Yes No**

Please indicate if you plan to attend this meeting 0 0 Please indicate if you wish to view meeting materials 0 0 electronically via the Internet rather than receiving a hard copy, please note that you will continue to receive a proxy card for voting purposes only

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

**Final Proxy Card.pdf**

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**AIRGAS, INC.**

**PROXY**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY  
FOR THE ANNUAL MEETING OF STOCKHOLDERS, AUGUST 7, 2007**

The undersigned holder of Common Stock of Airgas, Inc. hereby appoints Peter McCausland, Dean A. Bertolino and Robert M. McLaughlin, and each of them, as proxies, with powers of substitution in each, to vote on behalf of the undersigned at the Annual Meeting of Stockholders to be held at 11:00 a.m. on Tuesday, August 7, 2007, at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania, and at all adjournments thereof, as designated on the reverse side of this proxy, the number of shares which the undersigned would be entitled to vote if then personally present, and in their discretion upon such other business as may come before the Meeting. If the undersigned is a participant in the Airgas, Inc. 401(k) Plan and has a portion of his interest in the plan invested in Airgas Common Stock, the undersigned also instructs the trustee of the trust to vote the shares attributable to the undersigned's interest in the same manner shown on this proxy and in the discretion of the trustee upon such other business as may come before the Meeting, and if no instructions are given, the trustee will vote the shares in the same proportions as the shares for which voting instructions have been received.

**SHARES WILL BE VOTED AS INSTRUCTED, BUT IF NO INSTRUCTION IS GIVEN,  
SHARES WILL BE VOTED FOR ALL THE NOMINEES FOR DIRECTOR NAMED IN THE  
PROXY STATEMENT AND FOR THE COMPANY'S PROPOSAL 2, ALL AS MORE  
PARTICULARLY DESCRIBED IN THE PROXY STATEMENT, AND WITH  
DISCRETIONARY AUTHORITY ON SUCH OTHER MATTERS AS MAY COME BEFORE  
THE MEETING. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT  
YOU VOTE TO APPROVE EACH OF THE COMPANY'S PROPOSALS 1 AND 2.**

The undersigned acknowledges receipt with this proxy of a copy of the Notice of Annual Meeting of Stockholders and the Proxy

**Comments:**

(If you noted any Comments above, please mark corresponding box on the reverse side.)

PLEASE SIGN AND RETURN PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE.

(Continued, and to be signed, on the other side)