AIRGAS INC
Form DEF 14A
June 27, 2008

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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 þ
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Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o 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)

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(1) Amount previously paid:

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(3) Filing Party:

(4) Date Filed:

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Radnor Court
259 North Radnor-Chester Road
Radnor, Pennsylvania 19087-5283
June 27, 2008

TO OUR STOCKHOLDERS:

You are cordially invited to attend the Annual Meeting of Stockholders to be held on Tuesday, August 5, 2008, at 11:00 a.m., Eastern Daylight Time, at the Independence Seaport Museum, 211 S. Columbus Boulevard and Walnut Street, Philadelphia, Pennsylvania 19106.

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 card and return it to us in the enclosed postage-paid envelope, or vote by following the instructions on the voter instruction form if you hold your shares in street name.

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 5, 2008

TO OUR STOCKHOLDERS:

The Annual Meeting of the Stockholders of Airgas, Inc., a Delaware corporation, will be held on Tuesday, August 5, 2008, at 11:00 a.m., Eastern Daylight Time, at the Independence Seaport Museum, 211 S. Columbus Boulevard and Walnut Street, Philadelphia, Pennsylvania 19106, for the following purposes:

1. To elect three Directors of the company.
2. To ratify the selection of KPMG LLP as Airgas independent registered public accounting firm for the fiscal year ending March 31, 2009.
3. To approve the Airgas Executive Bonus Plan (formerly named the 2004 Executive Bonus Plan).
4. 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 12, 2008 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 or, if you hold your shares in the name of a bank, broker or other holder of record, vote in accordance with the instructions on the enclosed voter instruction form. 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,

Robert H. Young, Jr.
Senior Vice President, General Counsel and Secretary

Radnor, Pennsylvania
June 27, 2008

Airgas Annual Report to Stockholders for the fiscal year ended March 31, 2008 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.
Radnor Court
259 North Radnor-Chester Road
Radnor, Pennsylvania 19087-5283

PROXY STATEMENT

GENERAL INFORMATION REGARDING THE ANNUAL MEETING

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 5, 2008.

Stockholders of record at the close of business on June 12, 2008 will be entitled to vote at the Annual Meeting. At the close of business on June 12, 2008, 82,878,090 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 27, 2008.

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: (1) giving written notice to our Secretary; (2) giving a later dated proxy; or (3) 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, 2 and 3, 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.

Vote Required for Approval

The presence, in person or by proxy, of stockholders entitled to cast a majority of the votes which all stockholders are entitled to cast at the Annual Meeting is necessary to constitute a quorum for the transaction of business. Abstentions are not counted as shares voted in favor of a proposal and therefore have the effect of a vote against Proposals 2 and 3. 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 since shares that have not been voted by brokers are not considered present for voting purposes.

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

Proposal 1. Election of Directors: The election of each nominee for director requires a plurality of votes cast. Brokers have discretionary authority to vote on this proposal.

Proposal 2. Ratification of Selection of KPMG LLP: The affirmative vote of a majority of the outstanding shares of our common stock present and entitled to vote at the Annual Meeting is required to approve the ratification of our selection of KPMG LLP. Abstentions will have the same effect as a vote against this proposal.

Proposal 3. Approval of Airgas Executive Bonus Plan: The affirmative vote of a majority of the outstanding shares of our common stock present and entitled to vote at the Annual Meeting is required to approve the Airgas Executive Bonus Plan. Abstentions will have the same effect as a vote against this proposal.

Brokers are not precluded from voting on Proposals 2 and 3, and therefore, there will be no broker non-votes on these proposals.

Proxy Solicitation

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.

Householding of Annual Meeting Materials

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

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON AUGUST 5, 2008

Our 2008 notice of annual meeting and proxy statement for our Annual Meeting to be held on Tuesday, August 5, 2008 at 11:00 a.m. at the Independence Seaport Museum, 211 S. Columbus Boulevard and Walnut Street, Philadelphia, Pennsylvania 19106, and the 2008 annual report to stockholders are available at http://investor.shareholder.com/arg/annuals.cfm. The Board of Directors recommends that you vote for each of the proposals to be acted on at the Annual Meeting.

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

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 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 2008 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 2008 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 Tyco Electronics, Ltd., the company where she serves as a director, and determined that the amount of purchases in the 2008 fiscal year was below 2% of Tyco Electronics 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 chairman, president and chief executive officer, and determined that the amount of purchases in the 2008 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 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 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 12 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 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 2008 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.

Assessing the Board s Performance

Board Evaluation Process

The Board of Directors conducts an annual evaluation of itself and its committees. The directors

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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 three persons who have been nominated to stand for election at the 2008 Annual Meeting and the remaining directors whose terms are continuing until the 2009 or 2010 Annual Meetings appear below. William O. Albertini, Lee M. Thomas and John C. van Roden, Jr. have been nominated to serve as directors for terms expiring at the 2011 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. W. Thacher Brown, Richard C. Ill and Peter McCausland were elected by the stockholders at the 2007 Annual Meeting and their terms continue until the 2010 Annual Meeting.

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

The Board of Directors unanimously recommends that you vote FOR the election of Mr. Albertini, Mr. Thomas and Mr. van Roden.

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

Nominees for Election for Terms Expiring at the 2011 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 64, has been President and Chief Executive Officer of Rayonier, Inc. since March 2007 and Chairman of the Board since July 2007. Previously, he served as President of Georgia-Pacific Corporation, beginning in September 2002, and as President and Chief Operating Officer, beginning in March 2003, until his retirement in December 2005. Mr. Thomas held these and other senior executive positions within

	Georgia-Pacific Corporation since 1993. Prior to that, he was Chairman and Chief Executive Officer of Law Companies Environmental Group Inc. and has held numerous federal and state government positions, including positions with the U.S. Environmental Protection Agency, the Federal Emergency Management Agency and the Office of the Governor of South Carolina. Mr. Thomas is a director of Regal Entertainment Group and also serves as a member of the board of the Federal Reserve Bank of Atlanta. Mr. Thomas has served as an Airgas director since 1998.
John C. van Roden, Jr.	Mr. van Roden, age 59, 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, Horsehead Corporation, and Penn Virginia GP Holdings, L.P. Mr. van Roden has served as an Airgas director since October 2006.

Directors Serving for Terms Expiring at the 2009 Annual Meeting:

James W. Hovey	Mr. Hovey, age 62, 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 60, 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 and Teach for America and is a member of the Visiting Committee of the Harvard Business School. Ms. Sneed is also a member of the board of directors of The Charles Schwab Corporation and Tyco Electronics, Ltd. Ms. Sneed has been an Airgas director since 1999.
David M. Stout	Mr. Stout, age 54, is retired. Prior to his retirement, he served as President, Pharmaceuticals, GlaxoSmithKline, with responsibility for global pharmaceutical operations, from January 2003 to February 2008. Prior to that, he served as President, U.S. Pharmaceuticals from 1999 to January 2003. He served as Senior Vice President and Director, Sales and Marketing-U.S., for SmithKline Beecham from October 1996 until 1998. Mr. Stout was President of Schering Laboratories, a division of

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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.

Directors Serving for Terms Expiring at the 2010 Annual Meeting:

W. Thacher Brown	Mr. Brown, age 60, 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 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 58, has been an Airgas director since June 1986, the Chairman of the Board and Chief Executive Officer of Airgas since May 1987, and President of Airgas from June 1986 to August 1988, from April 1993 to November 1995, from April 1997 to January 1999 and from January 2005 to the present. Mr. McCausland serves as a director of the Fox Chase Cancer Center, the Independence Seaport Museum and the International Oxygen Manufacturers Association, Inc. and as a member of the Board of Trustees of Eisenhower Fellowships, Inc.
Richard C. Ill	Richard C. Ill, age 65 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. Ill serves as a director of P.H. Glatfelter Company and is a member of the advisory board of Outward Bound, USA. Mr. Ill has served as an Airgas director since 2004.

Board of Directors and Committees

The Board of Directors held eight meetings during the fiscal year ended March 31, 2008. Each director attended at least 75% of the Board and committee meetings that he or she was scheduled to attend during the 2008 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, 2008, the Executive Committee held no meetings, the Governance and Compensation Committee held five meetings, the Audit Committee held nine 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;

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

recommending assignment of Board members to committees;

reviewing policies for Board compensation;

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

making reports for consideration by the Board;

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

reviewing succession plans for senior executive officers;

conducting an annual evaluation of its performance and its charter;

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

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

approving senior executive compensation;

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

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

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

preparing the Compensation Committee Report for the annual proxy statement.

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

The Report of the Governance and Compensation Committee for the 2008 fiscal year appears on page 28 of this proxy statement. A copy of the Governance and Compensation Committee Charter can be found on our website at www.airgas.com and is available in print to any stockholder who requests it from our Secretary.

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Audit Committee

The members of the Audit Committee are 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 consolidated financial statements, including the disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations ;

reviewing our earnings releases;

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

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

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

conducting an annual evaluation of its performance and its charter;

recommending to the Board of Directors that the audited consolidated financial statements be included in Airgas 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 2008 fiscal year appears on page 42 of this proxy statement. A copy of the Audit Committee Charter is attached as Appendix B and can be found on our website at 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 2008 fiscal year was composed of cash, which consisted of an annual retainer of $25,000, plus a fee of $1,500 for each Board or committee meeting attended during the 2008 fiscal year, and stock option grants under the Airgas, Inc. 2006 Equity Incentive Plan, referred to in this proxy statement as the 2006 Equity Plan. The cash component of the directors compensation is set by the 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 Plan and the Airgas, Inc. Deferred Compensation Plan II, referred to in this proxy statement as the Deferred Compensation Plan II, and some of our directors have participated in the Airgas, Inc. Deferred Compensation Plan I, referred to in the proxy statement as the Deferred Compensation Plan I, and more fully described under the heading Retirement and Other Plans and Programs found on page 24 of this proxy statement.

In order to closely align the interests of directors with those of our stockholders, a majority of the directors compensation is in the form of stock options. The number of options granted is determined annually by the 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 2008 and 2007 fiscal years expire after eight years and options granted to non-employee directors in prior fiscal years expire after 10 years. On August 7, 2007, 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 $46.63 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

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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 satisfy these ownership requirements at the present time.

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Director Compensation Table

The following table shows the compensation earned by each non-employee director in the 2008 fiscal year.

Director	Fees Earned or Paid in Cash ($)[1]	Option Awards ($)[2]	All Other Compensation ($)	Total ($)
William O. Albertini	52,500	104,621	-0-	157,121
W. Thacher Brown	50,500	104,621	-0-	155,121
James W. Hovey	41,500	104,621	-0-	146,121
Richard C. Ill	46,000	104,621	-0-	150,621
Paula A. Sneed	47,500	104,621	-0-	152,121
David M. Stout	46,000	104,621	-0-	150,621
Lee M. Thomas	50,500	104,621	-0-	155,121
John C. van Roden, Jr.	53,500	104,621	-0-	158,121

(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 2008 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, 2008 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 Statement of Financial Accounting Standards No. 123R, *Share-based Payment*, or SFAS 123R. The fair value was estimated using the Black-Scholes option pricing model in accordance with SFAS 123R. The material inputs and assumptions incorporated

into the model include the exercise price of the option, the estimated term of the option until exercise, an interest rate factor of 4.7% based on the U.S. Treasury rate over the estimated term of the option until exercise, a volatility factor of 30.8% based on the standard deviation of the price of our common stock and a dividend yield of 0.82% 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 was granted an option under the 2006 Equity Plan to purchase 6,500 shares on August 7, 2007 with an exercise price of $46.63 per share. As of March 31, 2008,

the following non-employee directors held options to purchase the following number of shares:
Mr. Albertini, 35,000 shares;
Mr. Brown, 65,500 shares;
Mr. Hovey, 65,500 shares;
Mr. Ill, 27,500 shares;
Ms. Sneed, 71,750 shares;
Mr. Stout, 71,750 shares;
Mr. Thomas, 53,375 shares; and
Mr. van Roden, 12,040 shares.

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COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Program

The Governance and Compensation Committee of our Board of Directors has responsibility for establishing and implementing our compensation philosophy, and for continually monitoring our adherence to that philosophy. The Committee reviews and approves compensation levels for all Airgas executive officers as well as all of our compensation, retirement, perquisite and insured benefit programs, including programs applicable to our senior management team, which includes our named executive officers. With respect to Peter McCausland, our Chairman, President and Chief Executive Officer, the Committee annually evaluates his accomplishments and performance against established objectives and sets his compensation level based upon such evaluation. The Committee may choose to award additional annual cash incentive compensation to our CEO based upon the Committee s subjective evaluation of his performance. These functions are set forth in the Committee s Charter, which appears on our website (www.airgas.com) 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 2008 Fiscal Year found on page 29 of this proxy statement, are referred to as our named executive officers throughout this proxy statement:

Peter McCausland, Chairman, President and Chief Executive Officer;

Leslie J. Graff, Senior Vice President, Corporate Development;

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

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

B. Shaun Powers, President, Eastern Division.

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 oversees the design, development and implementation of the compensation program for the CEO and the other executives, including the named executive officers. The Committee evaluates the performance of the CEO and determines the CEO s compensation in light of the goals and objectives of the compensation program. Mr. McCausland, 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 did not seek advice or assistance from compensation consultants during the 2008 fiscal year.

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The Committee s work is accomplished through a series of meetings, following a regular calendar schedule, to ensure that all major elements of compensation are addressed and compensation and benefit programs are properly designed, implemented and monitored. Occasionally, special meetings are called to address matters that require attention outside of the regular compensation cycle. Working with the Committee Chair, Lee M. Thomas, Robert H. Young, Jr., our Senior Vice President and General Counsel, and Dwight T. Wilson, our Senior Vice President, Human Resources, prepare an agenda and supporting materials for each meeting, which are provided to Committee members between two-to-four days in advance of the meeting. Mr. Wilson and Mr. Young, along with Mr. McCausland, generally attend Committee meetings by invitation, but are excused for executive sessions. As requested, Mr. McCausland, Mr. Young and Mr. Wilson offer their opinions and recommendations to the Committee. The Committee may invite other members of management to attend meetings (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, 80% to 85% of our annual cash incentive payments are calculated based on Airgas performance with regard to certain key financial metrics versus budgeted levels and 15% to 20% of those payments are calculated based on an executive s attainment of strategic goals, individual performance and contributions. There are two levels of approval for each discretionary award and the Committee has final approval for awards to executive officers. Our equity-based program is intended to reward the management team s success in delivering value to our stockholders. Specifically, stock option grants reward our executives for their contributions that result in increases in our stock price over time. In each case, we strive to ensure that our compensation program provides rewards based on meaningful measures of performance, and the Committee makes adjustments to the incentive programs each year in light of past experience, changes in strategic focus, regulatory requirements and other relevant factors.

Benchmarking Compensation Against Our Peers

Periodically, Mr. Wilson provides the Committee with data comparing our elements of compensation and levels of executive compensation against relevant companies in the chemicals and 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 MidCap 400 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^{th} percentile and 50^{th} percentile base salary, total cash compensation and total direct compensation of similar positions in the peer group companies. Direct compensation adds the Black-Scholes value of stock option grants to the total cash compensation. We believe that periodic reviews of outside compensation practices are appropriate to determine if 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.

Compensation of our Chief Executive Officer

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

Components of Executive Compensation for the 2008 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, 70% of their target total compensation (including the Black-Scholes value of stock option grants) for the 2008 fiscal year was allocated to at risk components consisting of annual cash incentives and stock options, with the remaining 30% 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 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 2008 fiscal year ranged from 57% to 78% of total target compensation. Actual cash incentive compensation ranged from 20% to 33% and non-cash incentive compensation ranged from 34% to 49% of total compensation for the named executive officers for the 2008 fiscal year. We believe that these mixes are both competitive within the marketplace and consistent with our stated compensation philosophy.

For Mr. McCausland, 78% of his targeted total compensation for the 2008 fiscal year was allocated to at risk compensation. His actual cash incentive compensation was 33% and his non-cash incentive compensation was 48%, of his total compensation. Our Committee believes that the relatively larger component of his compensation that is at risk reflects the significant difference in Mr. McCausland s overall responsibilities, which could result in higher compensation for Mr. McCausland than for our other named executive officers.

Base Salary

Base salary is the component of compensation that is fixed and intended to compensate our executives, based on their experience, expertise, job responsibilities and the performance of their responsibilities during the fiscal year. While base salaries must be competitive in order to recruit and retain qualified executives, we 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;