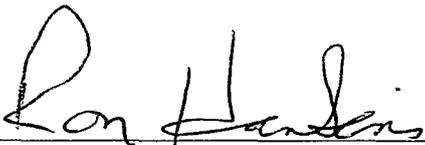


ORDINANCE NO. 97-1

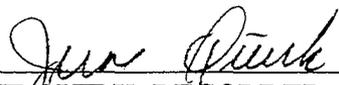
AN ORDINANCE AUTHORIZING THE TRANSFER OF  
THE FRANCHISE FOR THE NATURAL GAS TRANSMISSION  
AND DISTRIBUTION SYSTEM IN THE TOWN OF SPRING HILL,  
TENNESSEE, FROM UNITED CITIES GAS COMPANY  
TO ATMOS ENERGY CORPORATION

BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE TOWN OF SPRING HILL, TENNESSEE that written notice to the Town having been received from United Cities Gas Company of the planned merger of that corporation into Atmos Energy Corporation, a Texas corporation, and pursuant to Section 12 of Ordinance No. 85-20, adopted December 16, 1985, granting the gas franchise in the Town of Spring Hill to United Cities Gas Company, the Town of Spring Hill, Tennessee hereby approves the transfer of the gas franchise from United Cities Gas Company to Atmos Energy Corporation upon the consummation of the merger. This approval is contingent upon the signature of Atmos Energy Corporation below, whereby Atmos Energy Corporation accepts the terms of Ordinance 85-20 for the gas franchise, dated December 16, 1985, and agrees to perform all of the conditions thereof.

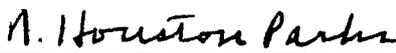
Passed and adopted by the Board of Mayor and Aldermen of the Town of Spring Hill, Tennessee on the 17th day of February, 1997.

  
\_\_\_\_\_  
RON HANKINS, MAYOR

ATTEST:

  
\_\_\_\_\_  
JUNE QUIRK, RECORDER

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
N. HOUSTON PARKS, ATTORNEY

PASSED ON 1ST READING: 1/20/97

PASSED ON 2ND READING: 2/17/97

CAPTION PUBLISHED: 3-28-97

ACCEPTED:

ATMOS ENERGY CORPORATION

By: J. Charles Good

Title: \_\_\_\_\_

ATTEST:

By: Elan A. Blasek  
Corporate Secretary



Herbert L. Haynes  
Vice President-  
Illinois/Tennessee/Missouri Division

Mayor Ron Hankins  
The Governing Body Of The Town of Spring Hill  
City Hall, Town Square  
Spring Hill, TN 37174

January 2, 1997

RE: Merger of United Cities Gas Company into Atmos Energy Corporation

Dear Mayor Hankins and Board Members:

On July 19, 1996, United Cities Gas Company and Atmos Energy Corporation entered into a definitive agreement to merge the two companies into a single corporation, with Atmos as the surviving entity headquartered in Dallas, Texas.

On November 12, 1996, the shareholders of United Cities and Atmos voted to approve the merger. The required regulatory approvals needed to complete the merger are still pending, however the transaction is expected to be closed by the end of March 1997.

Under the terms of the agreement, one share of Atmos stock will be exchanged for each share of United Cities' stock. The merger is expected to be tax-free to United Cities shareholders and accounted for as a pooling of interests.

The board of directors of the combined company will consist of all 11 current Atmos board members and four current members from the 10-member board of United Cities. Charles K. Vaughan will remain chairman of the board of Atmos and will be the chief executive officer of Atmos, Gene C. Koonce, currently United Cities' chairman of the board, president and chief executive officer, will become vice chairman of the Atmos board. Robert F. Stephens will remain president and chief operating officer of Atmos, and James F. Purser will remain executive vice president and chief financial officer, James B. Ford, currently United Cities' senior vice president and treasurer, will become senior vice president of finance for Atmos. Thomas R. Blose, currently United Cities' senior vice president of operations and engineering, will become vice president of Atmos and president of United Cities Gas Company, a division of Atmos Energy Corporation.

United Cities and Atmos believe the merger offers strategic, financial and operational benefits. The two companies have strong track records of internal growth and growth through acquisitions, as well as compatible business and management philosophies. The

Mayor Ron Hankins  
The Governing Body Of The Town of Spring Hill  
January 2, 1997  
Page two

combined company will have a well-balanced mix of income from regulated and unregulated businesses. In addition, the collective service territories of United Cities and Atmos will be larger and more diverse enabling the surviving entity to be more effective in meeting the challenges of an increasingly competitive utility environment.

Atmos currently provides natural gas service to approximately 674,000 customers in Texas, Colorado, Kansas, Missouri, Louisiana and Kentucky. Its operating companies include Energas Company, Greeley Gas Company, Trans Louisiana Gas Company and Western Kentucky Gas Company. The combined entity would serve approximately 1 million customers in 13 states, making it one of the largest natural gas utilities in the United States based on number of customers.

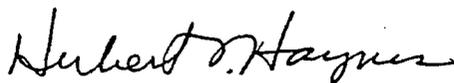
We are enclosing a proposed ordinance authorizing the transfer of the franchise for a natural gas transmission and distribution system in the Town of Spring Hill, and held by United Cities Gas Company, to Atmos Energy Corporation.

We request the enclosed proposed ordinance be approved by the Governing body of the Town of Spring Hill and approved by the Mayor as soon as possible.

Should you have any question or if we can be of assistance in this matter please let us know.

Sincerely,

UNITED CITIES GAS COMPANY



Herbert L. Haynes  
Division Vice President & General Manager