AIRGAS SOUTH INC
Form 424B2
September 09, 2009

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As filed pursuant to Rule 424(b)(2)
Registration No. 333-161774

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
4.50% Notes due 2014	$399,520,000	$22,293.22

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933 (the Securities Act).

Prospectus Supplement
(To prospectus dated September 8, 2009)

$400,000,000

4.50% Notes due 2014

We are offering $400,000,000 principal amount of 4.50% notes due 2014 (the notes). We will pay interest on the notes on March 15 and September 15 of each year, beginning March 15, 2010. The notes will mature on September 15, 2014. The notes will be issued only in denominations of $2,000 and integral multiples of $1,000 above that amount. We may redeem the notes, in whole or in part, at any time and from time to time prior to their maturity at the redemption prices as described under Description of the Notes Optional Redemption. If we experience a change of control triggering event, we may be required to purchase the notes from holders at the applicable price as described under Description of the Notes Change of Control Triggering Event.

The notes will be general unsecured senior obligations and rank equally with all of our other unsecured unsubordinated indebtedness from time to time outstanding. The notes are guaranteed by certain of our domestic subsidiaries and will rank pari passu to all existing and future indebtedness and other obligations of our domestic subsidiaries.

Investing in the notes involves risks. See Risk Factors beginning on page S-7 for a discussion of certain risks that you should consider in connection with an investment in the notes.

	Per Note	Total
Public offering price[(1)]	99.880%	$ 399,520,000
Underwriting discount	0.600%	$ 2,400,000

Proceeds, before expenses, to us[(1)]	99.280%	$ 397,120,000

(1) Plus accrued interest from September 11, 2009, if settlement occurs after that date.

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

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about September 11, 2009.

Joint Book-Running Managers

BofA Merrill Lynch **Barclays Capital** **J.P. Morgan**

Lead Managers

BNY Mellon Capital Markets, LLC **Goldman, Sachs & Co.** **Wells Fargo Securities**

Co-Managers

BB&T Capital Markets **CALYON** **RBS**

Daiwa Securities America Inc. **Mizuho Securities USA Inc.** **SunTrust Robinson Humphrey**

The date of this prospectus supplement is September 8, 2009

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes. The second part, the accompanying prospectus dated September 8, 2009, gives more general information, some of which may not apply to this offering.

This prospectus supplement and the information incorporated by reference in this prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in Where You Can Find More Information in the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or the underwriters or any one of them, to subscribe to or purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See Underwriting.

In this prospectus supplement, unless otherwise stated or the context otherwise requires, references to we, us, our and Company refer to Airgas, Inc. and, in some instances, its consolidated subsidiaries. If we use a capitalized term in this prospectus supplement and do not define the term in this document, it is defined in the accompanying prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain certain estimates, predictions, and other forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Forward-looking statements are generally identified with the words believe, expect, anticipate, intend, estimate, target, may, will, wou should, continue, or the negative thereof or other similar expressions, or discussion of future goals or aspirations, which are predictions of or indicate future events and trends and which do not relate to historical matters.

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain statements that are forward looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements regarding: the Company s expectation that fiscal 2010 second quarter net earnings will range from $0.64 to $0.69 per diluted share; the Company s expectation that fiscal 2010 earnings will range from $2.65 to $2.85 per diluted share and that its overall effective tax rate for fiscal 2010 will range from 39.0% to 39.5% of pre-tax earnings; the continued weak business climate; our identification of an additional $12 million of annual expense reductions to be fully implemented by the end of the second quarter; our realization of $45 million in annual expense reductions and $10 million of additional expected annual savings in fiscal 2010 from ongoing efficiency initiatives; the Company s ability and intention to refinance principal payments on its outstanding term loans with borrowings under its long-term revolving credit facilities; the Company s evaluation of its trade receivable securitization agreement and bank arrangements; the Company s expectation that its accounts receivable securitization will be available as a source of funds through its expiration date in March 2010; the Company s belief that if the accounts receivable securitization was not available as a source of funds that it could secure an alternate source of funds; the Company s ability to manage its exposure to interest rate risk through the use of interest rate swap agreements; the performance of counterparties under interest rate swap agreements; the Company s estimate that for every 25 basis point increase in LIBOR, annual interest expense will increase approximately $2 million; the estimate of future interest payments on the Company s long-term debt obligations; and the estimate of future payments or receipts under interest rate swap agreements.

These forward-looking statements involve risks and uncertainties. Factors that could cause actual results to differ materially from those predicted in any forward-looking statement include, but are not limited to: the Company s inability to meet its earnings estimates due to lower sales, higher product costs and/or higher operating expenses than that forecasted by the Company; continued weakening of the economy resulting in weakening demand for the Company s products; weakening operating and financial performance of the Company s customers, which can negatively impact the Company s sales and the Company s ability to collect its accounts receivable; changes in the environmental regulations that affect the Company s production and sales of specialty gases and other products; higher or lower overall tax rates in fiscal 2010 than that estimated by the Company resulting from changes in tax laws, reserves and other estimates; increase in debt in future periods and the impact on the Company s ability to pay and/or grow its dividend; a decline in demand from markets served by the Company; adverse customer response to the Company s strategic product sales initiatives; the Company s inability to continue sales of strategic products in markets growing faster than GDP; a lack of cross-selling opportunities for the Company s strategic products; a lack of specialty gas sales growth due to a downturn in certain markets; the negative effect of an economic downturn on strategic product sales and margins; the inability of strategic products to diversify against cyclicality; supply shortages of certain gases and the resulting inability of the Company to meet customer gas requirements; customers acceptance of current prices and of future price increases; adverse changes in customer buying patterns; a rise in product costs and/or operating expenses at a rate faster than the Company s ability to increase prices; higher or lower capital expenditures than that estimated by the Company; the inability to refinance payments on the term loans due to a lack of availability under the revolving credit facilities; limitations on the Company s borrowing capacity dictated by the Senior Credit Facility (as defined in Description of Other Obligations herein); our continued ability to access credit markets on satisfactory terms; the impact of tightened credit markets on our customers; the impact of changes in tax and fiscal policies and laws; the extent and duration of current

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recessionary trends in the U.S. economy; potential disruption to the Company s business from integration problems associated with acquisitions; the Company s success in implementing and continuing its cost reduction program; the Company s ability to successfully identify, consummate and integrate acquisitions to achieve anticipated acquisition synergies; potential liabilities arising from withdrawals from the Company s assumed multi-employer pension plans; the inability to pay dividends as a result of loan covenant restrictions; the inability to manage interest rate exposure; the potential reduction in the availability of the Company s securitization agreement; higher or lower interest expense than that estimated by the Company due to changes in debt levels or increases in interest rates; unanticipated non-performance by counterparties related to interest rate swap agreements; the effects of competition from independent distributors and vertically integrated gas producers on products, pricing and sales growth; changes in product prices from gas producers and name-brand manufacturers and suppliers of hardgoods; changes in customer demand resulting in the inability to meet minimum product purchases under supply agreements; and the effects of, and changes in, the economy, monetary and fiscal policies, laws and regulations, inflation and monetary fluctuations, both on a national and international basis. The Company does not undertake to update any forward-looking statement made herein or that may be made from time to time by or on behalf of the Company.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us. It may not contain all of the information that may be important to you in deciding whether to invest in the notes. You should read this entire prospectus supplement and the accompanying prospectus, including our consolidated financial statements and related notes, together with the information incorporated by reference, before making an investment decision. Our fiscal year ends on March 31 and whenever we refer to any of our fiscal years, we refer to the twelve-month period ending March 31 of such year.

Our Company

We are the largest U.S. distributor of industrial, medical and specialty gases delivered in packaged or cylinder form, and hardgoods, such as welding equipment and supplies. We are also one of the largest U.S. distributors of safety products, the largest U.S. producer of nitrous oxide and dry ice, the largest liquid carbon dioxide producer in the Southeast, the fifth largest producer of atmospheric merchant gases in North America and a leading distributor of process chemicals, refrigerants and ammonia products. During the year ended March 31, 2009, we had revenues of $4.35 billion and adjusted EBITDA of $766.3 million. In addition, during the three months ended June 30, 2009, we had revenues of $979.3 million and adjusted EBITDA of $174.2 million. We provide a reconciliation of adjusted EBITDA to its closest GAAP counterpart in Summary Historical Financial Data.

With sales to a wide variety of industry segments and no single customer accounting for more than 0.5% of sales, our revenues are not dependent on a single or small group of customers or industry segments. We market our products to this diversified customer base through an integrated network of more than 14,000 employees and over 1,100 locations including branches, retail stores, packaged gas fill plants, specialty gas labs, production facilities, and distribution centers. We also distribute our products and services through retail stores, strategic customer account programs, telesales, catalogs, e-business as well as independent distributors. Our national scale and strong local presence offer a competitive edge to our diversified customer base.

We have two reporting segments, Distribution and All Other Operations. The Distribution business segment, which accounted for approximately 90% of consolidated sales for the fiscal year ended March 31, 2009, primarily engages in the distribution of industrial, medical, and specialty gases, hardgoods, and in the production of gases primarily to supply the regional distribution companies. The Distribution business segment derives revenues from the sale of gases, including industrial, medical and specialty gases sold in packaged and bulk quantities, rental revenues and the distribution of hardgoods. Gas sales in the Distribution business segment include nitrogen, oxygen, argon, helium, hydrogen, welding and fuel gases, such as acetylene, propylene and propane, carbon dioxide, nitrous oxide, ultra high purity grades, special application blends and process chemicals. The Distribution business segment derives rental income from gas cylinders, cryogenic liquid containers, bulk storage tanks, tube trailers and through the rental of welding and welding related equipment. Hardgoods consist of welding consumables and equipment, safety products, and maintenance, repair and operating supplies. Gas sales and rental income represented 57% and hardgoods sales represented 43% of the Distribution business segment s sales for the fiscal year ended March 31, 2009.

The All Other Operations business segment consists of six business units. The primary products manufactured and distributed are carbon dioxide, dry ice (solid form of carbon dioxide), nitrous oxide, ammonia and refrigerant gases. The All Other Operations business segment accounted for 10% of our consolidated sales for the fiscal year ended March 31, 2009.

We operate in 48 states, Canada and to a lesser extent Mexico, Russia, Dubai and Europe. Our Distribution business segment operates a network of multiple use facilities consisting of approximately 850 branches, 325 cylinder fill plants, 65 regional specialty gas laboratories, nine national specialty gas laboratories, one research and development center, two specialty gas equipment centers, 19 acetylene plants and 16 air separation units, as well as six regional distribution centers, various customer call centers, buying centers and administrative offices. Our All Other Operations business segment consists of businesses, located throughout the United States,

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which operate multiple use facilities consisting of approximately 70 branch/distribution locations, seven liquid carbon dioxide and 11 dry ice production facilities, and four nitrous oxide production facilities.

Our industry has three principal modes of gas distribution: on-site supply, bulk or merchant supply, and cylinder or packaged gas supply. Our market focus has been on packaged gas distribution, supplying customers with gases in cylinders, and in less than truck-load bulk quantities. Generally, packaged gas distributors also sell welding hardgoods. We believe the U.S. market for packaged gases and welding hardgoods to be approximately $13 billion in annual revenues.

We are the largest distributor of packaged gases and welding hardgoods in the United States, with approximately 25% market share. Our competitors in this market include local and regional independent distributors, which serve about half of the market, and large independent distributors and vertically integrated gas producers, which serve the remaining market. We also sell safety equipment. We believe the U.S. market for safety equipment is greater than $7 billion annually, of which our share is approximately 10%.

Our Strategy

Our primary objective is to maximize shareholder value by driving market-leading sales growth through core and strategic product offerings that leverage our infrastructure and customer base, by pursuing acquisitions in our core business and in adjacent businesses, by providing outstanding customer service and by improving operational efficiencies. To meet this objective, we are focusing on:

- high potential growth markets, such as energy and infrastructure construction;
- less cyclical markets, such as medical, environmental, research, life sciences and food products;
- strategic product offerings expected to grow faster than the overall economy, such as bulk gases, specialty gases, medical products, carbon dioxide and safety products;
- continued account penetration;
- improved training, tools and resources for front line associates;
- reducing costs associated with production, cylinder maintenance and distribution logistics; and
- acquisitions to complement and expand our business and to leverage our significant national platform.

Corporate information

Our executive offices are located at 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087-5283, and our telephone number is (610) 687-5253. Our common stock is listed under the symbol ARG on the New York Stock Exchange.

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THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the notes, see the section entitled Description of the Notes.

Issuer	Airgas, Inc.
Notes Offered	$400 million aggregate principal amount of 4.50% Notes due 2014.
Maturity	The notes will mature on September 15, 2014.
Further Issuances	We may create and issue additional notes ranking equally and ratably with the notes in all respects, so that such additional notes shall be consolidated and form a single series with the notes, including for purposes of voting and redemptions.
Interest	4.50% per year.
Interest Payment Dates	March 15 and September 15 of each year, commencing March 15, 2010.
Ranking	The notes: are unsecured; rank equally with all our existing and future unsecured and unsubordinated debt; are senior to any future subordinated debt; and are effectively subordinated to any of our future secured indebtedness to the extent of the value of the assets securing such indebtedness. As of June 30, 2009, we had indebtedness of approximately $1.7 billion (excluding intercompany liabilities) and $1.1 billion of this indebtedness ranks equally with the notes.
Guarantees	The notes are guaranteed by certain of our domestic subsidiaries and will rank pari passu to all existing and future indebtedness and other obligations, including trade payables, of our domestic subsidiaries. As of June 30, 2009, our domestic subsidiaries had approximately $966 million of liabilities (excluding intercompany liabilities). The guarantees by our domestic subsidiaries of the notes will be automatically released upon the release of such subsidiaries guarantees under our Senior Credit Facility.
Optional Redemption	We may redeem, at our option, at any time and from time to time prior to maturity, any or all of the notes of each series, in whole or in part as described in the section entitled Description of the Notes Optional Redemption.

Change of Control Triggering Event	Upon a Change of Control Triggering Event (as defined in Description of the Notes Change of Control Triggering Event), you will have the right to require us to repurchase your notes at a repurchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest.

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Covenants	The indenture under which the notes will be issued contains covenants for your benefit. These covenants restrict our ability, with certain exceptions, to: incur liens; engage in sale/leaseback transactions; and merge or consolidate with another entity.
Use of Proceeds	We anticipate that we will receive approximately $396.7 million in net proceeds from the offering of the notes, after deducting underwriting discounts and commissions and other estimated expenses of the offering. The net proceeds from the sale of the notes will be used for general corporate purposes including repaying revolving indebtedness under our Senior Credit Facility.
Risk Factors	See Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before investing in the notes.

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SUMMARY HISTORICAL FINANCIAL DATA

We derived the summary consolidated historical financial data shown below from our historical consolidated financial statements. The consolidated historical financial data as of March 31, 2008 and 2009 and for the years ended March 31, 2007, 2008 and 2009 are derived from our audited consolidated financial statements incorporated by reference in this prospectus supplement. The consolidated historical financial data as of June 30, 2009 and for the three months ended June 30, 2008 and 2009 are derived from the unaudited consolidated financial statements incorporated by reference in this prospectus supplement. You should read these summary consolidated historical financial data together with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009 and our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2009, which are incorporated by reference herein.

	Year Ended March 31,			Three Months Ended June 30,	
	2009	2008	2007	2009	2008
			($ in thousands)		
Statement of Earnings Data:					
Net sales	$ 4,349,455	$ 4,017,024	$ 3,205,051	$ 979,257	$ 1,116,714
Cost of products sold (excluding depreciation expense)	2,045,020	1,929,263	1,567,232	439,836	538,465
Selling, distribution and administrative expenses	1,558,772	1,422,162	1,148,979	375,113	389,893
Depreciation	198,033	175,802	138,818	51,583	48,098
Amortization	22,762	13,973	8,525	4,816	5,406
Operating income	524,868	475,824	341,497	107,909	134,852
Interest expense, net	(84,395)	(89,485)	(60,180)	(18,367)	(19,080)
Discount on securitization of trade receivables	(10,738)	(17,031)	(13,630)	(1,615)	(2,984)
Loss on the extinguishment of debt			(12,099)		
Other income (expense), net	(382)	1,454	1,556	1,205	320
Earnings before income taxes and minority interest	429,353	370,762	257,144	89,132	113,108
Income taxes	(168,265)	(144,184)	(99,883)	(34,316)	(44,225)
Minority interest in earnings of consolidated affiliate		(3,230)	(2,845)		
Net earnings	$ 261,088	$ 223,348	$ 154,416	$ 54,816	$ 68,883
Cash Flow Statement Data:					
Capital expenditures	$ 351,912	$ 267,378	$ 238,274	$ 67,312	$ 85,564
Net cash provided by operating activities	582,767	549,926	326,343	162,259	128,619
Net cash used in investing activities	(609,924)	(739,445)	(917,955)	(69,098)	(105,433)
	31,297	206,636	582,558	(80,617)	(1,288)

Net cash provided by financing activities

	As of March 31, 2009	As of March 31, 2008	June 30, 2009
	($ in thousands)		
Balance Sheet Data:			
Plant and equipment, net	$ 2,366,526	$ 2,194,870	$ 2,386,806
Total assets	4,399,537	3,987,264	4,392,514
Current portion of long-term debt	11,058	40,400	11,033
Long-term debt, excluding current portion	1,750,308	1,539,648	1,675,194
Total debt	1,761,366	1,580,048	1,686,227
Total stockholders equity	1,571,755	1,413,336	1,636,104

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Reconciliation of Adjusted EBITDA

We define adjusted EBITDA as operating income before stock-based compensation expense, and depreciation and amortization. We believe adjusted EBITDA provides investors meaningful insight into our ability to generate cash from operations to support required working capital, capital expenditures, debt repayment and other financial obligations, as well as to fund future acquisitions. Adjusted EBITDA is not a measure of performance under GAAP, and our computation of adjusted EBITDA may vary from others in our industry. You should not consider adjusted EBITDA as an alternative to operating income or net income as a measure of our operating performance or to cash flows as a measure of our liquidity. Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, adjusted EBITDA:

does not reflect our cash expenditures or requirements for capital expenditures or capital commitments;

does not reflect changes in, or cash requirements for, our working capital needs; and

does not reflect any costs related to the current or future replacement of assets being depreciated and amortized.

The following table provides a reconciliation of operating income to adjusted EBITDA to net cash provided by operating activities (in millions):

	Three Months Ended		Year Ended	
	June 30, 2009	June 30, 2008	March 31, 2009	March 31, 2008
Operating income	$ 107.9	$ 134.9	$ 524.9	$ 475.8
Add:				
Depreciation & amortization	56.4	53.5	220.8	189.8
Stock-based compensation expense	9.9	8.0	20.6	16.6
Adjusted EBITDA	$ 174.2	$ 196.4	$ 766.3	$ 682.2
(Uses)/sources of cash excluded from Adjusted EBITDA, included in Cash from Operations:				
Interest expense, net	(18.4)	(19.1)	(84.4)	(89.5)
Discount on securitization of receivables	(1.6)	(3.0)	(10.7)	(17.0)
Current income taxes	(18.7)	(20.8)	(65.0)	(69.5)
Other income (expense), net	1.2	0.3	(0.4)	1.5
(Gain)/losses on sale of PP&E	0.3		(1.0)	0.7
Cash provided (used) by working capital	25.2	(25.2)	(22.1)	41.5

Net Cash Provided by Oper