

UGI CORP /PA/  
Form DEF 14A  
January 03, 2005  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**  
**(Amendment No. \_\_ )**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**UGI CORPORATION**

(Name of Registrant as Specified In Its Charter)

---

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

---

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

---

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

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: UGI CORP /PA/ - Form DEF 14A

(1) Amount Previously Paid:

---

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

---

(3) Filing Party:

---

(4) Date Filed:

---

**Table of Contents**

**UGI**

**CORPORATION**

x Notice of February 23, 2005  
Annual Meeting and  
Proxy Statement \_\_\_\_\_

**Table of Contents**

BOX 858 VALLEY FORGE, PA 19482 610-337-1000

**UGI**

**CORPORATION**

**LON R. GREENBERG**

**Chairman, President and**

**Chief Executive Officer**

December 30, 2004

Dear Shareholder,

On behalf of our entire Board of Directors, I cordially invite you to attend our Annual Meeting of Shareholders on Wednesday, February 23, 2005. At the meeting, we will review UGI's performance for Fiscal 2004 and our expectations for the future.

A notice of the meeting and Proxy Statement follow. You will also find enclosed your proxy voting card and the 2004 Annual Report. I would like to take this opportunity to remind you that your vote is important. Please read the proxy materials and take a moment now to vote via the Internet, by telephone or by using the enclosed proxy voting card and returning it in the postage-paid envelope we have provided.

I look forward to seeing you on February 23rd and addressing your questions and comments.

Sincerely,

Lon R. Greenberg

460 NORTH GULPH ROAD, KING OF PRUSSIA, PA 19406

**Table of Contents**

BOX 858 VALLEY FORGE, PA 19482 610-337-1000

**UGI**

**CORPORATION**

December 30, 2004

NOTICE OF

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of UGI Corporation will be held on Wednesday, February 23, 2005, at 10:00 a.m., at The Desmond Hotel and Conference Center, Ballrooms A and B, One Liberty Boulevard, Malvern, Pennsylvania. Directions to The Desmond Conference Center are included in our Proxy Statement. Shareholders will consider and take action on the following matters:

1. Election of eight directors to serve until the next annual meeting of Shareholders;
2. Ratification of the appointment of PricewaterhouseCoopers LLP as independent public accountants for Fiscal 2005; and
3. Transaction of any other business that is properly raised at the meeting.

Margaret M. Calabrese  
*Corporate Secretary*

460 NORTH GULPH ROAD, KING OF PRUSSIA, PA 19406

**Table of Contents**

**TABLE OF CONTENTS**

<u>Annual Meeting Information</u>	1
<u>Who is entitled to vote?</u>	1
<u>What am I voting on?</u>	1
<u>How does the Board of Directors recommend I vote on the proposals?</u>	1
<u>What does it mean if I get more than one proxy card?</u>	1
<u>How do I vote?</u>	2
<u>What is a quorum?</u>	3
<u>How are votes, abstentions and broker non-votes counted?</u>	3
<u>What vote is required to approve each item?</u>	3
<u>Who will count the vote?</u>	4
<u>What are the deadlines for Shareholders' proposals for next year's Annual Meeting?</u>	4
<u>How much did this proxy solicitation cost?</u>	4
<u>Securities Ownership of Management</u>	4
<u>Section 16 (a) Beneficial Ownership Reporting Compliance</u>	6
<u>Securities Ownership of Certain Beneficial Owners</u>	6
<u>Item 1 Election of Directors</u>	6
<u>Nominees</u>	6
<u>Corporate Governance</u>	9
<u>Communications with the Board</u>	10
<u>Board Committees and Meeting Attendance</u>	11
<u>Compensation of Directors</u>	15
<u>Directors' Compensation Under the 2004 Plan</u>	15
<u>Report of the Audit Committee of the Board of Directors</u>	17

**Table of Contents**

<u>The Independent Public Accountants</u>	18
<u>Report of The Compensation and Management Development Committee of the Board of Directors</u>	19
<u>Role of the Committee</u>	19
<u>Executive Compensation Program</u>	19
<u>Fiscal 2004 CEO Compensation</u>	21
<u>Policy on Deductibility of Compensation</u>	22
<u>Corporate Performance</u>	23
<u>Compensation of Executive Officers</u>	24
<u>Summary of Compensation</u>	24
<u>Option Grants in Fiscal 2004</u>	27
<u>Option Exercises in Fiscal 2004 and Fiscal Year-End Option Values</u>	28
<u>Retirement Benefits</u>	29
<u>Severance Pay Plan for Senior Executive Employees</u>	30
<u>Change of Control Arrangements</u>	30
<u>Stock Ownership Policy and Indebtedness of Management</u>	31
<u>Market Price of Shares</u>	32
<u>Item 2 Ratification of Appointment of Independent Public Accountants</u>	32
<u>Item 3 Other Matters</u>	32
<u>Glossary</u>	33
Directions to The Desmond Great Valley Hotel and Conference Center	



**Table of Contents**

**UGI CORPORATION**

460 North Gulph Road

King of Prussia, Pennsylvania 19406

**PROXY STATEMENT**

**ANNUAL MEETING INFORMATION**

This proxy statement contains information related to the Annual Meeting of Shareholders of UGI Corporation to be held on Wednesday, February 23, 2005, beginning at 10:00 a.m., at The Desmond Hotel and Conference Center, One Liberty Boulevard, Malvern, Pennsylvania, and at any postponements or adjournments thereof. Please refer to the map showing the meeting location that appears at the back of this booklet. This proxy statement was prepared under the direction of the Company's Board of Directors to solicit your proxy for use at the Annual Meeting. It will be mailed to Shareholders on or about December 30, 2004.

***Who is entitled to vote?***

Shareholders of record of our Common Stock at the close of business on December 10, 2004 are entitled to vote at the Annual Meeting, or any postponement or adjournment of the meeting scheduled in accordance with Pennsylvania law. Each Shareholder has one vote per Share on all matters to be voted on. On December 10, 2004, there were 51,267,786 Shares of Common Stock outstanding.

***What am I voting on?***

You will be asked to elect nominees to serve on the Company's Board of Directors and to ratify the appointment of our independent public accountants for Fiscal 2005. The Board of Directors is not aware of any other matters to be presented for action at the meeting.

***How does the Board of Directors recommend I vote on the proposals?***

The Board of Directors recommends a vote **FOR** the election of each of the nominees for Director, and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent public accountants for Fiscal 2005.

***What does it mean if I get more than one proxy card?***

## Edgar Filing: UGI CORP /PA/ - Form DEF 14A

If your Shares are registered differently and are in more than one account, you will receive more than one card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your Shares are voted.

## **Table of Contents**

### ***How do I vote?***

You may vote in one of three ways:

#### **Vote Over the Internet**

*If your Shares are held in the name of a broker, bank or other nominee:* Vote your Shares over the Internet by following the voting instructions provided on the voting instruction form that you receive from such broker, bank or other nominee.

*If your Shares are registered in your name:* Vote your Shares over the Internet by accessing the Mellon Investor Services LLC Proxy Vote Online website at:

*<http://www.eproxy.com/ugi>*

and following the on-screen instructions. You will need the control number that appears on your proxy card when you access the web page.

#### **Vote By Telephone (Touch-Tone Phone Only)**

*If your Shares are held in the name of a broker, bank or other nominee:* Vote your Shares over the telephone by following the telephone voting instructions, if any, provided on the proxy card you receive from such broker, bank or other nominee.

*If your Shares are registered in your name:* Vote your Shares over the telephone by accessing the telephone voting system toll-free at 1-800-435-6710 and following the telephone voting instructions. The telephone instructions will lead you through the voting process. You will need the control number that appears on your proxy card when you call.

Internet and telephone voting will provide proxy holders the same authority to vote your Shares as if you returned your proxy card by mail. In addition, Internet and telephone voting will reduce the Company's proxy-related first-class postage expenses.

#### **Vote by Returning Your Proxy Card**

You may vote by signing and returning your proxy card. The proxy holders will vote your Shares according to your directions. If you sign and return your proxy card without specifying choices, your Shares will be voted as recommended by the Board of Directors.



**Table of Contents**

**If You Change Your Mind After Voting**

You can revoke your proxy at any time before it is voted. Proxies are voted at the Annual Meeting. If you are a Shareholder of record, you can write to the Company's Corporate Secretary at our principal offices, 460 North Gulph Road, King of Prussia, Pennsylvania 19406, stating that you wish to revoke your proxy and that you need another proxy card. If you hold your Shares through a broker, bank or other nominee, you can revoke your proxy by contacting the broker, bank or other nominee and asking for a new proxy card. Alternatively, you can vote again, either over the Internet or by telephone. If you attend the meeting, you may vote by ballot, which will cancel your previous proxy vote. Your last vote is the vote that will be counted.

***What is a quorum?***

A quorum of the holders of the outstanding Shares must be present for the Annual Meeting to be held. A quorum is the presence at the meeting, in person or represented by proxy, of the holders of a majority of the outstanding Shares entitled to vote.

***How are votes, abstentions and broker non-votes counted?***

Abstentions are counted for purposes of determining the presence or absence of a quorum, but are not considered a vote cast under Pennsylvania law.

A broker non-vote may occur when a broker, bank or other nominee holding Shares on your behalf does not receive voting instructions from you. If that happens, the broker, bank or other nominee may vote those Shares only on matters deemed routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of the independent accountants. A broker non-vote occurs when a broker has not received voting instructions and either declines to exercise its discretionary authority to vote on routine matters or is barred from doing so because the matter is non-routine. Broker non-votes are counted to determine if a quorum is present, but are not considered a vote cast under Pennsylvania law.

As a result, abstentions and broker non-votes are not included in the tabulation of the voting results on issues requiring approval of a majority of the votes cast and, therefore, do not have the effect of votes in opposition in such tabulation.

***What vote is required to approve each item?***

The Director nominees will be elected by a plurality of the votes cast at the Annual Meeting. The other matter to be considered at the meeting requires the affirmative vote of a majority of the votes cast at the meeting on the item to be approved.

## **Table of Contents**

### ***Who will count the vote?***

Mellon Investor Services LLC, our Transfer Agent, will tabulate the votes cast by proxy or in person at the Annual Meeting.

### ***What are the deadlines for Shareholders proposals for next year s Annual Meeting?***

Shareholders may submit proposals on matters appropriate for Shareholder action at future annual meetings by following the rules of the Securities and Exchange Commission. Proposals intended for inclusion in next year s proxy statement and proxy card must be received by the Company not later than September 1, 2005. With respect to proposals not intended for inclusion in the Company s proxy materials for next year s annual meeting, if the Company does not receive notice of such a proposal by November 15, 2005 and the matter is raised at that meeting, the proxy holders will have discretionary authority to vote on the matter. All proposals and notifications should be addressed to the Corporate Secretary.

### ***How much did this proxy solicitation cost?***

The Company has engaged Georgeson Shareholder to solicit proxies for the Company for a fee of \$6,500 plus reasonable expenses for additional services. We also reimburse banks, brokerage firms and other institutions, nominees, custodians and fiduciaries for their reasonable expenses for sending proxy materials to beneficial owners and obtaining their voting instructions. Certain Directors, officers and regular employees of the Company and its subsidiaries may solicit proxies personally or by telephone or facsimile without additional compensation.

## **SECURITIES OWNERSHIP OF MANAGEMENT**

The following table shows the number of Shares beneficially owned by each Director, by each of the executive officers named in the Summary Compensation Table on pages 24 and 25, and by all Directors and executive officers as a group. The table shows their beneficial ownership as of October 1, 2004.

Our subsidiary AmeriGas Propane, Inc. is the General Partner of AmeriGas Partners, L.P., one of our consolidated subsidiaries and a publicly-traded limited partnership. The table also shows, as of October 1, 2004, the number of Common Units of AmeriGas Partners, L.P. beneficially owned by each Director and executive officer and by all Directors and executive officers as a group.

Mr. Greenberg beneficially owns approximately 1.6% of the outstanding Common Stock. Each other person named in the table beneficially owns less than 1% of the outstanding Common Stock and less than 1% of the outstanding Common Units of AmeriGas Partners. Directors and executive officers as a group own approximately 3% of the outstanding Common Stock and less than 1% of the outstanding Common Units of AmeriGas Partners. For purposes of reporting



**Table of Contents**

total beneficial ownership. Shares that may be acquired within 60 days of October 1, 2004 through UGI stock option exercises are included.

**Beneficial Ownership of Directors and Executive Officers**

Name	Aggregate Number of Shares of UGI Common Stock <sup>(1)</sup>	Stock Units Held Under 2004 Plan <sup>(2)</sup>	Exercisable Options for UGI Stock	Aggregate Number of
				AmeriGas Partners, L.P. Common Units
James W. Stratton	7,804 <sup>(3)</sup>	23,792	32,450	1,000 <sup>(3)</sup>
Richard C. Gozon	10,804	32,748	32,450	5,000
Stephen D. Ban	8,248	17,866	23,450	0
Lon R. Greenberg	217,313 <sup>(4)</sup>	0	580,000	6,500 <sup>(4)</sup>
Marvin O. Schlanger	3,862	13,719	29,450	1,000 <sup>(5)</sup>
Thomas F. Donovan	6,866	7,986	16,250	1,000
Anne Pol	2,947	18,446	23,450	0
Ernest E. Jones	1,309	3,991	16,250	0
Anthony J. Mendicino	67,736 <sup>(6)</sup>	0	97,500	10,000 <sup>(6)</sup>
Robert J. Chaney	64,988 <sup>(7)</sup>	0	26,334	0
Eugene V. N. Bissell	56,190 <sup>(8)</sup>	0	0	16,748 <sup>(8)</sup>
Robert H. Knauss	6,756	0	12,000	12,003
Directors and executive officers as a group (16 persons)	514,917	118,548	1,028,084	53,251

(1) Sole voting and investment power unless otherwise specified.

(2) The UGI Corporation 2004 Omnibus Equity Compensation Plan (the 2004 Plan ) provides that Stock Units will be converted to Shares and paid out to Directors upon their retirement or termination of service. Effective January 1, 2004, the Amended and Restated Directors Equity Compensation Plan was merged into the 2004 Plan. The Stock Units shown above include Units previously held under the Directors Equity Plan.

(3) Mr. Stratton s Shares and Common Units are held jointly with his spouse.

(4) Mr. Greenberg holds 132,330 Shares jointly with his spouse and 9,810 Shares held in the UGI Stock Fund of the 401(k) Employee Savings Plan, based on September 30, 2004 statements. Mr. Greenberg s adult children hold 4,500 of the Common Units shown.

(5) Mr. Schlanger s spouse holds all Common Units shown.

(6) Mr. Mendicino holds 129 Shares and all Common Units jointly with his spouse.

(7) Mr. Chaney is the trustee of a trust that holds 20,475 Shares.

(8) Mr. Bissell s Shares and Common Units are held jointly with his spouse.





**Table of Contents**

***Section 16(a) Beneficial Ownership Reporting Compliance***

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors, certain officers and 10% beneficial owners to report their ownership of Shares and changes in such ownership to the Securities and Exchange Commission. Based on our records, we believe that during Fiscal 2004, all of such reporting persons complied with all Section 16(a) reporting requirements applicable to them.

**SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table shows information regarding each person known by the Company to be the beneficial owner of more than 5% of the Company's Common Stock. The ownership information below is based on information reported on a Form 13F as filed with the SEC in November 2004 for the quarter ended September 30, 2004.

**Securities Ownership of Certain Beneficial Owners**

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class <sup>(1)</sup></b>
Common Stock	Wellington Management Company LLP  Wellington Management Company  75 State Street  Boston, MA 02109	6,574,060	12.8%
Common Stock	Barclays Bank PLC  Barclays Global Investors NA  45 Fremont Street  San Francisco, CA 94105	3,880,736	7.5%

<sup>(1)</sup> Based on 51,267,786 Shares of Common Stock issued and outstanding at December 10, 2004.

**ITEM 1 ELECTION OF DIRECTORS**

**NOMINEES**

## Edgar Filing: UGI CORP /PA/ - Form DEF 14A

Eight Directors will be elected at the Annual Meeting. Directors will serve until the next annual meeting or until their earlier resignation or removal. If any nominee is not available for election, proxies will be voted for another person nominated by the Board of Directors or the size of the Board will be reduced. All eight members of the Board of Directors elected at last year's annual meeting are standing for re-election this year.

**Table of Contents**

The nominees are as follows:

**JAMES W. STRATTON**

*Director since 1979*

*Age 68*

Mr. Stratton is the Chairman, Chief Executive Officer, and a Director of Stratton Management Company (an investment advisory and financial consulting firm) (since 1972). Mr. Stratton serves as a Director of UGI Utilities, Inc.; AmeriGas Propane, Inc.; Stratton Growth Fund, Inc.; Stratton Monthly Dividend REIT Shares, Inc.; Stratton Small-Cap Value Fund; and Teleflex, Inc.

**RICHARD C. GOZON**

*Director since 1989*

*Age 66*

Mr. Gozon retired in April of 2002 as Executive Vice President of Weyerhaeuser Company (an integrated forest products company) and Chairman of Norpac (North Pacific Paper Company, a joint venture with Nippon Paper Industries headquarters in Tokyo, Japan), positions he had held since 1994. Mr. Gozon was formerly a Director (1984 to 1993), President and Chief Operating Officer of Alco Standard Corporation (a provider of paper and office products) (1988 to 1993); Executive Vice President and Chief Operating Officer (1988), President (1985 to 1987) of Paper Corporation of America. He also serves as a Director of UGI Utilities, Inc.; AmeriGas Propane, Inc.; AmeriSource Bergen Corp. and Triumph Group, Inc.

**STEPHEN D. BAN**

*Director since 1991*

*Age 64*

Dr. Ban is currently serving as the Director of the Technology Transfer Division of the Argonne National Laboratory (science-based Department of Energy laboratory dedicated to advancing the frontiers of science in energy, environment, biosciences and materials) (March 2002 to present). He previously served as President and Chief Executive Officer of the Gas Research Institute (gas industry research and development funded by distributors, transporters, and producers of natural gas) (1987 through 1999). He also served as Executive Vice President. Prior to joining GRI in 1981, he was Vice President, Research and Development and Quality

**Table of Contents**

Control of Bituminous Materials, Inc. Dr. Ban also serves as a Director of UGI Utilities, Inc. and Energen Corporation.

**LON R. GREENBERG**

*Director since 1994*

*Age 54*

Mr. Greenberg has been Chairman of the Board of Directors of UGI since August 1996, Chief Executive Officer since August 1995, and President since 1994. He was formerly Vice Chairman of the Board (1995 to 1996), and Senior Vice President Legal and Corporate Development (1989 to 1994). Mr. Greenberg also serves as a Director of UGI Utilities, Inc. and AmeriGas Propane, Inc.

**MARVIN O. SCHLANGER**

*Director since 1998*

*Age 56*

Mr. Schlanger is a Principal in the firm of Cherry Hill Chemical Investments, L.L.C. (management services and capital for chemical and allied industries) (October 1998 to present) and Chairman and Chief Executive Officer of Resolution Performance Products, Inc. (a manufacturer of specialty and intermediate chemicals) (November 2000 to present). Mr. Schlanger was previously President and Chief Executive Officer (May 1998 to October 1998), Executive Vice President and Chief Operating Officer (1994 to May 1998), and a Director (1994 to 1998) of ARCO Chemical Company. Mr. Schlanger also held the position of Senior Vice President of ARCO Chemical Company and President of ARCO Chemical Americas Company (1992 to 1994). Mr. Schlanger also serves as a Director of UGI Utilities, Inc. and Chairman of Resolution Specialty Materials, LLC.

**THOMAS F. DONOVAN**

*Director since 1998*

*Age 71*

Mr. Donovan retired as Vice Chairman of Mellon Bank on January 31, 1997, a position he had held since 1988. He continues to serve as a Director of UGI Utilities, Inc. and AmeriGas Propane, Inc.

**Table of Contents**

**ANNE POL**

*Director 1993 through 1997 and since December 1999*

*Age 57*

Mrs. Pol is President and Chief Operating Officer of Trex Enterprises Corporation (a high technology research and development company), a position she has held since October 2001. She previously served as Senior Vice President, Thermo Electron Corporation (environmental monitoring, analytical instruments and a major producer of recycling equipment, biomedical products and alternative energy systems) (1998 to 2001), and Vice President (1996 to 1998). Mrs. Pol also served as President, Pitney Bowes Shipping and Weighing Systems Division, a business unit of Pitney Bowes Inc. (mailing and related business equipment) (1993 to 1996); Vice President, New Product Programs in the Mailing Systems Division of Pitney Bowes Inc. (1991 to 1993) and Vice President, Manufacturing Operations in the Mailing Systems Division of Pitney Bowes Inc. (1990 to 1991). Mrs. Pol also serves as a Director of UGI Utilities, Inc.

**ERNEST E. JONES**

*Director since 2002*

*Age 60*

Mr. Jones is President and Chief Executive Officer of Philadelphia Workforce Development Corporation (an agency which funds, coordinates and implements employment and training activities in Philadelphia, Pennsylvania), a position he has held since 1998. He formerly served as President and Executive Director of the Greater Philadelphia Urban Affairs Coalition (1983 to 1998). Mr. Jones also served as Executive Director of Community Legal Services, Inc. (1977 to 1983). Mr. Jones serves as a Director of the African American Museum in Philadelphia; Wachovia Regional Foundation; Thomas Jefferson University; and the William Penn Foundation. Mr. Jones also serves as a Director of UGI Utilities, Inc.

**CORPORATE GOVERNANCE**

The business of UGI Corporation is managed under the direction of the Board of Directors. As part of its duties, the Board oversees the corporate governance of the Company for the purpose of creating long-term value for its Shareholders and safeguarding its commitment to its other stakeholders: our employees, our customers, our suppliers and creditors, and the communities in which we do business. To accomplish this purpose, the Board considers the interests of the Company's stakeholders when, together with management, it sets the strategies and objectives of the Company. The Board also evaluates management's performance in pursuing those strategies and achieving those objectives.

## **Table of Contents**

In carrying out its responsibilities under the guidelines set forth by the Principles of Corporate Governance, the Board will:

Approve the Company's strategies and objectives;

Evaluate the performance and compensation of the Chief Executive Officer and senior management;

Review succession planning;

Advise and counsel management;

Monitor policies on corporate governance and conduct;

Establish and monitor Board and Committee structure; and

Assess Board performance.

The full text of the Company's Principles of Corporate Governance can be found on the Company's website, [www.ugicorp.com](http://www.ugicorp.com), under Investor Relations and Corporate Governance. The Company has also adopted (i) a Code of Ethics for the Chief Executive Officer and Senior Financial Officers that applies to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, and (ii) a Code of Business Conduct and Ethics for Directors, Officers and Employees. Both Codes and the Charters of the Corporate Governance, Audit, and Compensation and Management Development Committees of the Board of Directors are posted on the Company's website, [www.ugicorp.com](http://www.ugicorp.com), under Investor Relations and Corporate Governance. All of these documents are also available free of charge by writing to Robert W. Krick, Vice President and Treasurer, UGI Corporation, P.O. Box 858, Valley Forge, PA 19482.

## **COMMUNICATIONS WITH THE BOARD**

You may contact the Board of Directors or the non-management Directors as a group by writing to them c/o UGI Corporation, P. O. Box 858, Valley Forge, PA 19482.

Any communications directed to the Board of Directors or the non-management Directors as a group from employees or others that concern complaints regarding accounting, internal controls or auditing matters will be handled in accordance with procedures adopted by the Audit Committee of the Board.

All other communications directed to the Board of Directors or the non-management Directors as a group are initially reviewed by the General Counsel. The Chairman of the Corporate Governance Committee is advised promptly of any such communication that alleges misconduct on the part of Company management or raises legal, ethical or compliance concerns about Company policies or practices.

## Edgar Filing: UGI CORP /PA/ - Form DEF 14A

On a periodic basis, the Chairman of the Corporate Governance Committee receives updates on other communications that raise issues related to the affairs of the Company but do not fall into the two prior categories. The Chairman of the Corporate Governance Committee determines which of these communications he would like to see. The Corporate Secretary will maintain a log of all such communications that will be available for review upon request of any member of the Board for one year.



## **Table of Contents**

Typically, we do not forward to our Board of Directors communications from our Shareholders or other parties which are of a personal nature or are not related to the duties and responsibilities of the Board, including junk mail, customer complaints, job inquiries, surveys and polls, and business solicitations.

These procedures have been posted on the Company's website at [www.ugicorp.com](http://www.ugicorp.com) under Investor Relations and Corporate Governance.

### **BOARD COMMITTEES AND MEETING ATTENDANCE**

The Board of Directors has determined that, other than Mr. Greenberg, no Director has a material relationship with the Company and each is an independent director as defined under the rules of the New York Stock Exchange. The Board of Directors has established the following guideline to assist it in determining director independence: If a Director serves as an officer, Director or trustee of a non-profit organization, charitable contributions to that organization by the Company and its affiliates in an amount up to \$50,000 per year will not be considered to result in a material relationship between such Director and the Company.

The Board of Directors held 9 meetings in Fiscal 2004. All Directors attended at least 75% of the meetings of the Board of Directors and all meetings of Committees of the Board of which they were members. Generally, all Directors attend the Company's Annual Meetings of Shareholders, and each of the Company's Directors attended the 2004 Annual Meeting of Shareholders, held on February 24, 2004.

The Board of Directors has established the Audit Committee, the Compensation and Management Development Committee, the Executive Committee, the Corporate Governance Committee, and the Planning and Finance Committee. All of these committees are responsible to the full Board of Directors. The functions of and other information about these committees are summarized below.

#### ***Audit Committee***

Oversees the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

Appoints and approves the compensation of the Company's independent accountants.

Monitors the independence of the Company's independent accountants and the performance of the independent accountants and the internal audit function.

Oversees the adequacy of the Company's controls relative to financial and business risk.

Provides a means for open communication among the Company's independent accountants, management, internal audit staff and the Board.

**Table of Contents**

Oversees compliance with applicable legal and regulatory requirements.

AUDIT COMMITTEE MEMBERS: T. F. Donovan (Chairperson), M. O. Schlanger and A. Pol.

The Board of Directors has determined that all of the audit Committee members Mr. Donovan, Mr. Schlanger and Mrs. Pol, qualify as audit committee financial experts in accordance with the applicable rules and regulations of the SEC. Each of the members of the Audit Committee is independent as defined by the New York Stock Exchange listing standards.

MEETINGS HELD LAST YEAR: 8

***Compensation and Management Development Committee***

Establishes executive compensation policies and programs.

Recommends to the Board base salaries and target bonus levels for senior executive personnel.

Reviews the Company's management development and succession planning policies.

Reviews and approves corporate goals and objectives relevant to CEO compensation, evaluates the CEO's performance in light of those goals and objectives, and together with the other independent Directors on the Board, determines and approves the CEO's compensation based upon this evaluation.

Approves the awards and payments to be made to senior executive personnel of the Company under its long-term compensation plans.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE MEMBERS: R. C. Gozon (Chairperson), T. F. Donovan and A. Pol.

Each of the members of the Committee is independent as defined by the New York Stock Exchange listing standards.

MEETINGS HELD LAST YEAR: 4

## **Table of Contents**

### ***Executive Committee***

Has the full power of the Board between meetings of the Board, with specified limitations relating to major corporate matters.

EXECUTIVE COMMITTEE MEMBERS: J. W. Stratton (Chairperson), R. C. Gozon and L. R. Greenberg.

The Chairman of the Executive Committee presides over regularly scheduled meetings of the non-management Directors.

MEETINGS HELD LAST YEAR: 1

### ***Corporate Governance Committee***

Identifies nominees and reviews the qualifications of persons eligible to stand for election as Directors and makes recommendations to the Board on this matter.

Reviews and recommends candidates for committee membership and chairs.

Advises the Board with respect to significant developments in corporate governance matters.

Reviews and assesses the performance of the Board and each Committee.

Reviews and recommends Director compensation.

Reviews Directors' and officers' indemnification and insurance coverage.

### ***Selection and Evaluation of Board Candidates***

The Corporate Governance Committee seeks director candidates based upon a number of qualifications, including their independence, knowledge, judgment, character, leadership skills, education, experience, financial literacy, standing in the community, and ability to foster a diversity of backgrounds and views and to complement the Board's existing strengths. As part of the process of selecting Board candidates, the Committee obtains an opinion of the Company's General Counsel that there is no reason to believe that the Board candidate is not independent as defined by the New York Stock Exchange listing standards. The Committee conducts an annual assessment of the composition of the Board and Committees and reviews with the Board the appropriate skills and characteristics required of Board members. The Committee generally relies upon recommendations from a wide variety of its business contacts, including current executive officers, Directors, community leaders, and Shareholders as a source for potential board candidates. The Committee sometimes uses the services of a third-party executive search firm to assist it in identifying and evaluating possible nominees for director.



**Table of Contents**

The Company has appointed John L. Walsh, age 49, to the position of President and Chief Operating Officer of the Company effective no later than April 1, 2005. The Committee believes it is appropriate for Mr. Walsh to be elected to the Company's Board of Directors effective on the date he assumes that position. Mr. Walsh is currently Chief Executive of the Industrial and Special Products Division of The BOC Group plc (industrial gases) and has been an Executive Director of BOC since 2001. He joined BOC in 1986 as Vice President - Special Gases and has held various senior management positions in BOC including President of Process Gas Solutions, North America (2000 to 2001) and President of BOC Process Plants (1996 to 2000). Prior to joining BOC, Mr. Walsh was a Vice President of the Company's industrial gas division prior to its sale to BOC in 1989. From 1981 until 1986, Mr. Walsh held several management positions with the Company.

Written recommendations for director nominees should be delivered to the Corporate Secretary, UGI Corporation, 460 North Gulph Road, King of Prussia, PA 19406. The Company's bylaws do not permit Shareholders to nominate candidates from the floor at an annual meeting without notifying the Corporate Secretary 45 days prior to the anniversary of the mailing date of the Company's proxy statement for the previous year's annual meeting. Notification must include certain information detailed in the Company's bylaws. If you intend to nominate a candidate from the floor at an annual meeting, please contact the Corporate Secretary.

CORPORATE GOVERNANCE COMMITTEE MEMBERS: J. W. Stratton (Chairperson), R. C. Gozon, and E. E. Jones.

Each of the members of the Committee is independent as defined by the New York Stock Exchange listing standards.

MEETINGS HELD LAST YEAR: 3

***Planning and Finance Committee***

Reviews the Company's planning and budgeting processes and its Annual Budget and Three Year Plan.

Reviews the financial prospects of the Company and its capital structure and risk profile.

PLANNING AND FINANCE COMMITTEE MEMBERS: M. O. Schlanger (Chairperson), S. D. Ban, R. C. Gozon, L. R. Greenberg and J. W. Stratton.

MEETINGS HELD LAST YEAR: 1

**Table of Contents**

**COMPENSATION OF DIRECTORS**

The table below shows the components of director compensation for Fiscal 2004. A Director who is an officer or employee of the Company or its subsidiaries is not compensated for service on the Board of Directors or on any Committee of the Board.

**Directors Compensation**

	<b>Cash</b>	<b>Equity</b>
	<b>Component <sup>(1)</sup></b>	<b>Component</b>
Annual retainer	\$ 52,000	1,275 Units <sup>(2)</sup> 4,250 Options <sup>(3)</sup>
Annual retainer for Audit Committee Members	\$ 57,000	
Annual retainer for Audit Committee Chair	\$ 62,000	

<sup>(1)</sup> Directors can defer, until they leave the Board or reach age 72, whichever is later, the receipt of all or a part of the cash retainers payable to them for services as a Director. Effective January 1, 2004, Mr. Jones elected this deferral option.

<sup>(2)</sup> An award of Stock Units was made effective January 8, 2004 pursuant to the 2004 Plan described below.

<sup>(3)</sup> An award of options for the purchase of Common Stock was made effective January 8, 2004 under the 2004 Plan described below. These options are immediately exercisable.

***Directors Compensation Under the 2004 Plan***

*Purpose.* The purpose of the 2004 Plan is to provide an incentive to our Directors, as well as our employees, to contribute to our economic success by aligning their interests with the interests of the Shareholders through grants of equity-based awards.

*Administration.* With respect to grants made to non-employee Directors, the 2004 Plan is administered by the Board. The Board has the authority to determine the individuals to whom grants will be made, the time when grants will be made, and the type, size, and terms of each grant.

*Grants.* The Board may make the following types of grants under the 2004 Plan to the non-management Directors, with terms to be established by the Board:

Stock options

Edgar Filing: UGI CORP /PA/ - Form DEF 14A

Stock Units or Performance Units whose value is based on the value of our Common Stock

Stock awards, which are awards of our Common Stock

Dividend Equivalents in connection with grants of options, Stock Units, Performance Units or other stock-based awards

**Table of Contents**

Other stock-based awards, which are other awards based on, measured by or payable in our Common Stock

*Options.* All stock options will be non-qualified stock options, which are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code. The exercise price of an option may not be less than the fair market value of a Share on the date of grant. The exercise price may be paid in cash, in Shares having a fair market value on the date of exercise equal to the amount of the exercise price, through a broker by having the broker sell Shares simultaneously with the exercise of the option, or by any other method permitted by the Board.

The term of each option will not exceed ten years. Except as otherwise provided by the Board, all options are fully vested on the date of the grant and may only be exercised while the participant is a Director, with exceptions for exercise following retirement, disability or death.

*Stock Units.* The Board may grant Stock Units to non-employee Directors. Each Stock Unit represents the right of the participant to receive a Share or an amount based on the value of a Share. Unless otherwise provided by the Board, all whole Stock Units credited to a Director earn Dividend Equivalents on each record date for the payment of a dividend by the Company on its Shares. A Dividend Equivalent is an amount determined by multiplying the number of Units credited to a participant's account by the per-Share cash dividend, or the per-Share fair market value of any non-cash dividend, paid by the Company on its Shares on a dividend payment date. Accrued Dividend Equivalents are converted to additional whole Units annually, on the last day of the calendar year.

All Stock Units and Dividend Equivalents are fully vested when credited to the participant's account. Account balances become payable in Shares upon retirement or termination of service, unless the Director elected to defer receipt of those benefits.

*Transferability of Grants.* Grants under the 2004 Plan are not transferable by the participant except by will or the laws of descent and distribution. Grants under the 2004 Plan may not be pledged or otherwise encumbered by a participant or otherwise subject to the claims of a participant's creditors.

*Directors' Equity Compensation Plan.* The UGI Corporation Directors' Equity Compensation Plan merged into the 2004 Plan as of the effective date of the 2004 Plan. All outstanding awards and Dividend Equivalents under the Directors' Equity Compensation Plan will be paid under the 2004 Plan. In the future, Dividend Equivalents will be credited under the 2004 Plan with respect to awards that were outstanding under the Directors' Equity Compensation Plan as of January 1, 2004.

*Notwithstanding anything to the contrary, the following reports of the Audit Committee and the Compensation and Management Development Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.*



**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The role of the Committee is to assist the Board of Directors in its oversight of the quality and integrity of the Company's financial reporting process. The Committee also has the sole authority to appoint, retain, fix the compensation of and oversee the work of the Company's independent auditors.

In this context, the Committee has met and held discussions with management and the independent auditors to review and discuss the audited financial statements for Fiscal 2004. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended, and the independent auditors' independence. In addition, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independent Discussions with Audit Committees*.

Management has the primary responsibility for the financial reporting process, including the system of internal controls, and for preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The Company's independent auditors are responsible for auditing those financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America. The Committee's responsibility is to monitor and review these processes.

The members of the Committee are not professionally engaged in the practice of auditing or accounting. The members of the Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America, that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America or that our auditors are, in fact, independent.

Based upon the reviews and discussions described in this report, the Committee has recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004 for filing with the Securities and Exchange Commission.

*Audit Committee*

Thomas F. Donovan, Chairman

Anne Pol

Marvin O. Schlanger

**Table of Contents****THE INDEPENDENT PUBLIC ACCOUNTANTS**

The aggregate fees billed by PricewaterhouseCoopers, the Company's independent public accountants, in Fiscal 2004 and 2003 were as follows:

	2004		2003	
	Fees	% of Total	Fees	% of Total
<b>Audit Fees</b>				
For professional services rendered for (i) the audit of the annual consolidated financial statements of the Company and its subsidiaries, including AmeriGas Partners, L.P., Antargaz, UGI Utilities, Inc., Flaga GmbH, and UGI Energy Services, Inc., and (ii) the reviews of the interim financial statements included in the Quarterly Reports on Form 10-Q of the Company, AmeriGas Partners, L.P. and UGI Utilities, Inc.	\$ 1,407,215	55%	\$ 783,700	62%
<b>Audit Related Fees</b>				
For professional services rendered for (i) acquisition due diligence, (ii) review of new auditing standards, and (iii) audit of employee benefit plans of the Company's subsidiaries.	\$ 524,300	21%	\$ 140,203	11%
<b>Tax Fees</b>				
For professional services rendered for (i) preparation of Substitute Schedule K-1 forms for unitholders of AmeriGas Partners, L.P., (ii) acquisition-related tax planning, and (iii) tax planning and advice.	\$ 602,341	24%	\$ 332,000	26%
<b>All Other Fees</b>				
For software licenses.	\$ 7,800	<1%	\$ 7,800	<1%
<b>Total Fees</b>	<b>\$ 2,541,656</b>		<b>\$ 1,263,703</b>	

In the course of its meetings, the Audit Committee considered whether the provision by PricewaterhouseCoopers of the professional services described in this section is compatible with

## **Table of Contents**

PricewaterhouseCoopers independence. The Committee concluded that the independent public accountants are independent from the Company and its management.

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the Company's independent accountants. In recognition of this responsibility, the Audit Committee has a policy of pre-approving all audit and permissible non-audit services provided by the independent accountants.

Prior to engagement of the Company's independent accountants for the next year's audit, management submits a list of services and related fees expected to be rendered during that year within each of the four categories of services noted above to the Audit Committee for approval.

## **REPORT OF THE COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE OF THE BOARD OF DIRECTORS**

### ***Role of the Committee***

The Committee establishes and oversees the Company's executive compensation policies and programs. The Committee also recommends to the Board of Directors base salaries, target bonus levels, actual bonuses, and long-term incentive awards to be paid to senior management. The Committee, together with the independent members of the Board, determines and approves CEO compensation. In carrying out these functions, we believe it is important to align executive compensation with business objectives and strategies, management initiatives, financial performance and enhanced Shareholder value.

Our Committee is comprised of independent Directors, none of whom is or was an officer or employee of the Company or its subsidiaries. Periodically, we solicit and receive recommendations and advice from independent third-party compensation consultants. Towers Perrin has acted in this capacity since 1986. Compensation for the chief executive officers of each of UGI Utilities, Inc. and AmeriGas Propane, Inc. is determined by the Compensation Committee and Board of Directors of those companies under the same process described in this report.

### ***Executive Compensation Program***

The executive compensation program is designed to attract and retain key executives with outstanding abilities and to motivate them to perform to the full extent of their abilities. We believe that executives should have a greater portion of their compensation at risk than other employees, and that executive compensation, as stated above, should be tied to the performance of the business and be aligned with benefits realized by the Company's Shareholders.

Compensation for Company executives consists of both cash and equity-based opportunities. The annual cash compensation consists of (i) base salary and (ii) annual bonus opportunity under the Company's Annual Bonus Plan. Long-term equity-based opportunities for Fiscal 2004 are



## **Table of Contents**

provided under the 2004 Plan and, in prior years, under the Company's 2000 Stock Incentive Plan.

The Committee determines base salary ranges for executive officers based upon competitive pay practices, including those in the energy services industry. The base salary ranges for all executive officers were set at the 50<sup>th</sup> percentile of the survey companies. For Fiscal 2004, as has been the practice in the past, the Committee reviewed a report from Towers Perrin which compared base salary ranges for executive officers with base salary ranges for similar positions, as reported in published survey results in Towers Perrin's Executive Compensation Database, and Towers Perrin's Energy Services Executive Compensation Database. This comparison was weighted to reflect the Company's approximate business mix at the beginning of Fiscal 2004.

Annually, the Committee recommends to the Board of Directors changes in actual salaries of senior executives based on judgments of past performance, job duties, scope and responsibilities, and expected future contributions. The most recent past performance is the prime determinant.

The Committee also oversees the Company's Annual Bonus Plan for senior executives. We establish challenging objectives based on business targets. For Messrs. Greenberg, Mendicino, and Knauss, the sole objective in 2004 was achieving the financial performance goal for the Company. Mr. Bissell is covered under the AmeriGas Propane, Inc. Annual Bonus Plan. For Mr. Bissell the objective is achieving the financial performance goal for AmeriGas Propane, and this result may be leveraged by 0 to 200% based on the accomplishment of strategic business goals. Mr. Chaney was covered under the UGI Utilities, Inc. Annual Bonus Plan. For Mr. Chaney, the sole objective was achieving the financial performance goal for UGI Utilities, Inc.

Each year, after completion of the audit of the Company's financial statements, the Committee reviews business results and determines and recommends to the Board cash bonus payments under the terms of the Annual Bonus Plan. The financial objective for Fiscal 2004 for UGI Corporation senior executives was achievement of targeted earnings per share. For executives whose sole objective is achieving a financial performance goal, bonus payments are subject to a maximum 15% adjustment of the calculated bonus based on the individual's contribution having a significant impact on corporate performance. During Fiscal 2004, the financial objective for UGI Utilities, Inc. was net earnings after preferred stock dividends. For AmeriGas Propane, Inc. the financial objective was earnings per AmeriGas Partners' Common Unit and the strategic business goal was achievement of targeted customer growth.

Periodically, the Committee reviews the overall competitiveness of the Annual Bonus Plan with its compensation consultant. For 2004, using the published survey sources and methodology previously identified, the Annual Bonus Plan target bonus opportunity for each executive remained at the 75<sup>th</sup> percentile of the survey companies. The 75<sup>th</sup> percentile level was determined to be appropriate in light of the Committee's view that the annual bonus opportunities should have a high reward potential to recognize the difficulty of achieving the annual goals and the significant corporate impact of doing so.

The Committee believes that the Company competes for key executives from a broad pool of companies in general industry and the energy industry. This pool of companies is much larger

## **Table of Contents**

than the group of companies comprising the S&P Utilities Index, against which total Shareholder return is compared in the Corporate Performance section of this Proxy Statement. Therefore, the survey companies used to determine competitive pay practices and to establish base salary ranges, Annual Bonus Plan target opportunities and long-term equity-based awards, are not the same as the companies comprising the S&P Utilities Index.

The 2004 Plan permits grants of stock options, Stock Units, Performance Units, Stock, Dividend Equivalents and other stock-based awards. A Performance Unit represents the right to receive a Share, or the value of a Share, if objective, performance-based goals and other conditions are met. The Committee has established a practice of granting long-term equity-based awards annually. During Fiscal 2004, awards of stock options, Performance Units and Dividend Equivalents were made to the executive officers. Award levels were set by the Committee based on competitive practices as reported by Towers Perrin. For awards of Performance Units and Dividend Equivalents, the Committee selected total Shareholder return for the Company over a three-year period, compared to that of the companies comprising the S&P Utilities Index, as the objective performance criteria. Performance Units and Dividend Equivalents granted January 1, 2004 will be earned and vested on December 31, 2006 in amounts ranging from 0% to 200% of the original award, based on the Company's performance over that three-year performance period, relative to that of the companies in the S&P Utilities index.

In the case of Mr. Bissell, a separate AmeriGas program provides annual awards having three-year performance measurement periods. These awards consist of phantom performance-contingent restricted AmeriGas Partners' Common Units and a similar performance-contingent cash award based on Partnership distributions paid during the restriction period. The objective performance-based goal for Mr. Bissell's award is total unitholder return for AmeriGas Partners relative to a peer group of publicly traded limited partnerships.

### ***Fiscal 2004 CEO Compensation***

The compensation for Mr. Greenberg recommended by the Committee to the Board of Directors was based upon the procedure for determining base salary ranges, actual salaries within ranges, Annual Bonus Plan targets and long-term incentive awards described earlier in this report and the factors and criteria described below.

*Base Salary.* For Fiscal 2004, the Committee determined that Mr. Greenberg's base salary be increased by 5.94% over the level set for Fiscal 2003. In making this determination, the Committee considered (i) Mr. Greenberg's position in salary range, (ii) individual performance, and (iii) the strong overall financial, strategic and operational performance of the Company. The Committee did not assign specific weight to these factors.

*Annual Bonus.* For Fiscal 2004, Mr. Greenberg earned the annual bonus shown on page 24. The amount of this bonus is based on the Company's Fiscal 2004 earnings per share (excluding the dilutive effects of the Antargaz transaction), which increased 12.2% over Fiscal 2003 earnings. The Antargaz transaction is described in the Company's 2004 Annual Report.

**Table of Contents**

*Long-Term Incentive.* During Fiscal 2004, after consultation with Towers Perrin regarding industry practices, the Board made a grant to Mr. Greenberg under the 2004 Plan of 180,000 stock options, as well as a grant of 35,000 Performance Units. These grants were effective January 1, 2004 (following approval of the 2004 Plan by Shareholders in February 2004). The performance period for the Performance Units will end December 31, 2006.

***Policy on Deductibility of Compensation***

Section 162(m) of the Internal Revenue Code limits the tax deduction to \$1,000,000 for compensation paid to the Chief Executive Officer and the other Named Executive Officers unless certain requirements are met. One of the requirements is that compensation over \$1,000,000 must be based upon attainment of performance goals approved by Shareholders.

To the extent possible, the Committee intends to preserve deductibility of long-term compensation, but it may choose to provide long-term compensation that is not deductible in order to maximize Shareholder return and to retain and reward high-performing executives.

*Compensation and Management*

*Development Committee*

Richard C. Gozon, Chairman

Thomas F. Donovan

Anne Pol

**Table of Contents**

**CORPORATE PERFORMANCE**

The line graph shown below shows a five-year comparison of the cumulative total return on the Common Stock of the Company as compared to the cumulative total return of two other indices: the S&P 500 Index and the S&P Utilities Index. The annualized returns reflected in the graph for the Company, the S&P 500 Index and the S&P Utilities Index were 25.59%, (1.31%) and 0.29% respectively.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
UGI Corporation	100.00	112.20	133.42	188.53	234.03	312.50
S&P 500	100.00	113.27	83.13	66.12	82.23	93.62
S&P Utilities Index	100.00	143.31	107.17	69.27	84.88	101.46

The performance illustrated assumes that \$100 was invested in UGI Common Stock and each index on September 30, 1999, and that all dividends were reinvested.



**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Summary of Compensation**

The following table shows cash and other compensation paid or accrued during the last three fiscal years to the Company's Chief Executive Officer and each of the four other most highly compensated executive officers.

**Summary Compensation Table**

Name and Principal Position	Annual Compensation				Long Term Compensation				
	Fiscal Year	Salary	Bonus <sup>(1)</sup>	Other Compensation <sup>(2)</sup>	Awards		Payouts		
					Restricted Stock Awards <sup>(3)</sup>	Securities		Other Compensation <sup>(4)</sup>	
						Options/ LTIP	Underlying		All
Lon R. Greenberg Chairman, President and Chief Executive Officer	2004	\$ 801,788	\$ 1,179,856	\$ 13,649	\$ 1,186,500	180,000	\$ 0	\$	42,250
	2003	\$ 757,008	\$ 1,075,981	\$ 12,824	\$ 972,140	180,000	\$ 0	\$	28,757
	2002	\$ 705,015	\$ 521,092	\$ 15,342	\$ 785,200	120,000	\$ 0	\$	28,033
					\$ 785,200				
					\$ 785,200				
Anthony J. Mendicino Senior Vice President- Finance and Chief Financial Officer	2004	\$ 349,288	\$ 393,032	\$ 0	\$ 305,100	52,000	\$ 0	\$	15,938
	2003	\$ 330,207	\$ 359,053	\$ 0	\$ 243,035	52,500	\$ 0	\$	11,196
	2002	\$ 305,894	\$ 167,413	\$ 0	\$ 196,300	35,000	\$ 0	\$	10,360
					\$ 196,300				
					\$ 196,300				
Eugene V. N. Bissell President and Chief Executive Officer, AmeriGas Propane, Inc. Robert J. Chaney	2004	\$ 383,458	\$ 480,602	\$ 3,052	\$ 420,150	52,000	\$ 0	\$	86,079
	2003	\$ 372,080	\$ 245,281	\$ 2,520	\$ 238,500	52,500	\$ 0	\$	60,277
					\$ 238,500				
	2002	\$ 352,656	\$ 109,941	\$ 585	\$ 190,145	35,000	\$ 0	\$	42,717

Edgar Filing: UGI CORP /PA/ - Form DEF 14A

President and Chief	2004	\$ 319,832	\$ 134,069	\$ 8,113	\$ 152,550	24,000	\$ 0	\$	12,391
	2003	\$ 307,534	\$ 230,880	\$ 8,695	\$ 149,560	27,000	\$ 0	\$	9,299
Executive Officer,	2002	\$ 294,415	\$ 105,754	\$ 6,814	\$ 120,800	18,000	\$ 0	\$	9,867
					\$ 120,800				
UGI Utilities, Inc.					\$ 120,800				
(Retired)									

**Table of Contents**

Name and Principal Position	Fiscal Year	Salary	Bonus <sup>(1)</sup>	Securities				
				Other Compensation <sup>(2)</sup>	Restricted Stock Awards <sup>(3)</sup>	Underlying		All Other Compensation <sup>(4)</sup>
						Options/SARs	LTIP Payouts	
Robert H. Knauss	2004	\$ 221,960	\$ 181,010	\$ 5,061	\$ 101,700	19,000	\$ 0	\$ 4,994
Vice President and	2003	\$ 202,143	\$ 71,032	\$ 1,838	\$ 47,700	21,750	\$ 0	\$ 27,346
General Counsel	2002	\$ 196,172	\$ 34,935	\$ 1,612	\$ 38,029	8,000	\$ 0	\$ 19,117

(1) Bonuses earned under the Annual Bonus Plans of the Company and its subsidiaries are for the year reported, regardless of the year paid. The Annual Bonus Plans are based on the achievement of business and/or financial performance objectives, which support business plans and goals. Bonus opportunities vary by position and for Fiscal 2004 ranged from 0% to 196% of base salary for Mr. Greenberg, 0% to 150% for Mr. Mendicino, 0% to 150% for Mr. Bissell, 0% to 86% for Mr. Chaney, and 0% to 104% for Mr. Knauss.

(2) Amounts represent tax payment reimbursements for certain benefits.

(3) Effective January 1, 2004, the Board of Directors of the Company and, with respect to Mr. Chaney, the Board of Directors of UGI Utilities, Inc., approved performance units ( Performance Units ) to the Named Executives, other than Mr. Bissell, under the 2004 Plan. Each Performance Unit represents the right of the recipient to receive a share of Stock or an amount based on the value of a share of Stock, if specified performance goals and other conditions are met. Dividend Equivalents will accumulate on the Performance Units awarded. A Dividend Equivalent is an amount determined by multiplying the number of Units credited to a recipient's account by the per-Share cash dividend, or the per-Share fair market value of any non-cash dividend, paid by the Company on its Shares on a dividend payment date. These Dividend Equivalents will also be leveraged based on the Company's total shareholder return ( TSR ) performance as described below and distributed when the performance period on the Performance Units ends on December 31, 2006. If the recipient ceases to be employed by the Company before the end of the performance period, other than by reason of retirement, disability or death, awards of Performance Units and Dividend Equivalents will be forfeited. The performance requirement is that the Company's TSR during the relevant performance period equals the median of a peer group. The peer group is the group of companies that comprise the S&P Utilities Index. The actual amount of the award may be higher or lower than the original grant, or even zero, based on the Company's TSR percentile rank relative to the companies in the S&P Utilities Index. The maximum payout potential is 200% of the original award. The maximum number of Shares to be issued in respect of awards of Performance Units will be the target number of Shares originally awarded. All leverage on awards of Performance Units will be paid in cash, as will Dividend Equivalents.

Effective January 1, 2004, the Board of Directors of AmeriGas Propane, Inc. approved a phantom performance-contingent restricted Common Unit award ( Restricted Units ) to Mr. Bissell, under the 2000 AmeriGas Propane, Inc. Long-Term Incentive Plan. Each Restricted Unit represents the right of the recipient to receive a Common Unit or an amount based on the value of a Common Unit, if specified performance goals and other conditions are met. Distribution Equivalents will accumulate on the Restricted Units awarded. These Distribution Equivalents may be leveraged based on performance described below. The performance period for the award will end on December 31, 2006. If the recipient ceases to be employed by the General Partner before December 31, 2006, other than by reason of retirement, disability or death, all awards of Restricted Units and Distribution Equivalents will be forfeited. The performance requirement is that the Partnership's total unitholder return ( TR ) during the relevant measurement period equals the median TR of a peer group of publicly traded limited partnerships. The actual amount of the award may be higher or lower than the original grant, or even zero, based on the Partnership's TR percentile rank relative to that of the partnerships in the peer group. The maximum payout potential is 200% of the original award.

## Edgar Filing: UGI CORP /PA/ - Form DEF 14A

Effective January 1, 2003, the Board of Directors of the Company and, with respect to Mr. Chaney, the Board of Directors of UGI Utilities, Inc., approved phantom performance-contingent restricted stock awards ( Restricted

**Table of Contents**

Shares ) to the Named Executives, other than Messrs. Bissell and Knauss, under the UGI Corporation 2000 Stock Incentive Plan. Each Restricted Share represents the right of the recipient to receive a share of Stock or an amount based on the value of a share of Stock, if specified performance goals and other conditions are met. Dividend Equivalents will accumulate on the Restricted Shares awarded. These Dividend Equivalents will also be leveraged based on the Company's total Shareholder return ( TSR ) performance as described below and distributed when the performance period on the Restricted Shares ends on December 31, 2005. If the recipient ceases to be employed by the Company before the end of the performance period, other than by reason of retirement, disability or death, awards of Restricted Shares and Dividend Equivalents will be forfeited. The performance requirement is that the Company's TSR during the relevant performance period equals the median of a peer group. The peer group is the group of companies that comprise the S&P Utilities Index. The actual amount of the award may be higher or lower than the original grant, or even zero, based on the Company's TSR percentile rank relative to the companies in the S&P Utilities Index. The maximum payout potential is 200% of the original award. The maximum number of Shares to be issued in respect of awards of Restricted Shares will be the target number of Shares originally awarded. All leverage on awards of Restricted Shares will be paid in cash, as will Dividend Equivalents.

Effective January 1, 2003, the Board of Directors of AmeriGas Propane, Inc. approved three awards of Restricted Units to Mr. Bissell and Mr. Knauss, under the 2000 AmeriGas Propane, Inc. Long-Term Incentive Plan. The performance requirement for the first performance measurement period was not met, and therefore, that award was forfeited. Distribution Equivalents will accumulate on the Restricted Units awarded. These Distribution Equivalents may be leveraged based on performance described below. Each award has a separate performance measurement period as follows: January 1, 2003 through December 31, 2003; January 1, 2003 through December 31, 2004; and January 1, 2003 through December 31, 2005. The performance period for all three awards will end on December 31, 2005. The two remaining awards are shown above. If the recipient ceases to be employed by the General Partner before December 31, 2005, other than by reason of retirement, disability or death, all awards of Restricted Units and Distribution Equivalents will be forfeited. The performance requirement is that the Partnership's total unitholder return ( TR ) during the relevant measurement period equals the median TR of a peer group of publicly traded limited partnerships. The actual amount of the award may be higher or lower than the original grant, or even zero, based on the Partnership's TR percentile rank relative to that of the partnerships in the peer group. The maximum payout potential is 200% of the original award.

Effective January 1, 2002, the Board of Directors of the Company and, with respect to Mr. Chaney, the Board of Directors of UGI Utilities, Inc., approved three awards of Restricted Shares to the Named Executives, other than Messrs. Bissell and Knauss, under the UGI Corporation 2000 Stock Incentive Plan. Dividend Equivalents will accumulate on the Restricted Shares awarded. These Dividend Equivalents will also be leveraged based on the Company's TSR performance as described below and distributed when the performance period on the Restricted Shares ends on December 31, 2004. Each award has a separate performance measurement period as follows: January 1, 2002 through December 31, 2002; January 1, 2002 through December 31, 2003; and January 1, 2002 through December 31, 2004. The performance period for all three awards will end on December 31, 2004. If the recipient ceases to be employed by the Company before the end of the performance period, other than by reason of retirement, disability or death, awards of Restricted Shares and Dividend Equivalents will be forfeited. The performance requirement is that the Company's TSR during the relevant performance measurement period equals the median of a peer group. The peer group is the group of companies that comprise the S&P Utilities Index. The actual amount of the award may be higher or lower than the original grant, or even zero, based on the Company's TSR percentile rank relative to the companies in the S&P Utilities Index. The maximum payout potential is 200% of the original award. The maximum number of shares to be issued in respect of awards of Restricted Shares will be the target number of shares originally awarded. All leverage on Restricted Share awards will be paid in cash, as will Dividend Equivalents.

Effective January 1, 2002, the Board of Directors of AmeriGas Propane, Inc. approved an award of Restricted Units to Mr. Bissell and Mr. Knauss under the 2000 AmeriGas Propane, Inc. Long-Term Incentive Plan. Distribution Equivalents will accumulate on the Restricted Units awarded. These distributions will be paid out when the performance period on the Restricted Units ends on December 31, 2004. The performance requirement was AmeriGas' meaningful progress toward the achievement of its strategic objectives during 2002 including the Partnership's acquisition integration, productivity improvement, internal growth, and cash generation goals. The Restricted Units reported for Fiscal 2002 reflect actual performance equal to 85% of the original award.

**Table of Contents**

The dollar values shown in the Restricted Stock Awards column of the table above for all years, represent the aggregate value of each award on the date of grant, determined by multiplying the number of Performance Units and Restricted Shares (collectively, Restricted Shares ) awarded by the closing price of UGI Common Stock or, for Mr. Bissell and Mr. Knauss, the number of Restricted Units by the closing price of a Common Unit, on the New York Stock Exchange on the effective dates of the respective grants. Mr. Knauss' Fiscal 2004 award was in Performance Units, and his Fiscal 2003 and 2002 awards were in Restricted Units. The total number of Restricted Shares reflected in the table above, and the total market value of those Shares as of September 30, 2004 is as follows: Mr. Greenberg, 191,000 Restricted Shares - market value \$7,116,660; Mr. Mendicino, 48,000 Restricted Shares - market value \$1,788,480; Mr. Chaney, 28,500 Restricted Shares - market value \$1,061,910; and Mr. Knauss, 3,000 Restricted Shares - market value \$111,780. The total number of Restricted Units reflected in the table above, and the market value of those Units on September 30, 2004 is as follows: Mr. Bissell, 43,500 Restricted Units - market value \$1,284,555; and Mr. Knauss, 5,700 Restricted Units - market value \$168,321.

- (4) Amounts represent Company contributions in accordance with the provisions of the UGI Utilities, Inc. Employee 401(k) Savings Plan or, for Mr. Bissell and for Mr. Knauss (for Fiscal 2003 and 2002), the AmeriGas Propane, Inc. Employee 401(k) Savings Plan and allocations under the Supplemental Executive Retirement Plans. During Fiscal 2004, 2003 and 2002, the following contributions were made to the Named Executives: (i) under the Employee Savings Plan: For each of Messrs. Greenberg, Chaney, and Mendicino, \$4,500, \$4,500 and \$3,825; Mr. Bissell, \$9,673, \$8,541, and \$4,957; and Mr. Knauss, \$4,500, \$10,029, and \$4,506; and (ii) under the Supplemental Executive Retirement Plan: Mr. Greenberg, \$37,750, \$24,257, and \$24,208; Mr. Mendicino, \$11,438, \$11,438 and \$6,696; Mr. Chaney, \$7,891, \$4,799, and \$6,042; Mr. Knauss, \$494, \$17,317 and \$14,611; and Mr. Bissell, \$76,406, \$51,736, and \$37,760.

**Option Grants in Fiscal 2004**

The table below shows option grants to each of the Named Executives:

**Option Grants in Fiscal 2004**

Name	Individual Grants		% of Total			Grant Date
	Number of Securities	Options Granted to	Employees in	Exercise or	Expiration	
	Underlying Options Granted	Fiscal 2004 <sup>(1)</sup>	Base Price	Date	Present Value <sup>(2)</sup>	
Lon R. Greenberg	180,000	25.09%	\$ 33.97	12/31/2013	\$ 761,400	
Anthony J. Mendicino	52,000	7.25%	\$ 33.97	12/31/2013	\$ 219,960	
Eugene V. N. Bissell	52,000	7.25%	\$ 33.97	12/31/2013	\$ 219,960	
Robert J. Chaney	24,000	3.34%	\$ 33.97	12/31/2013	\$ 101,520	
Robert H. Knauss	19,000	2.65%	\$ 33.97	12/31/2013	\$ 80,370	

- (1) A total of 717,500 options were granted to employees and executive officers of the Company during Fiscal 2004 under the 2004 Plan. Under this Plan, the option exercise price is not less than 100% of the fair market value of UGI's Common Stock on the effective date of the grant. The options shown above become exercisable in three equal annual installments beginning on the first anniversary of the grant date. All options are nontransferable and generally exercisable only while the optionee is employed by the Company or an affiliate, with exceptions for exercise following retirement, disability and death. Options are subject to adjustment in the



**Table of Contents**

event of recapitalizations, stock splits, mergers, and other similar corporate transactions affecting UGI's Common Stock.

(2) Based on the Black-Scholes options pricing model. The assumptions used in calculating the grant date present value are as follows:

Three years of closing monthly stock price and dividend observations were used to calculate the stock volatility and dividend yield assumptions.	
Stock volatility	18.36%
Stock's dividend yield	4.96%
Length of option term	10 years
Annualized risk-free interest rate	4.58%
Discount of risk of forfeiture	3% per year

All options were granted at fair market value. The actual value, if any, the executive may realize will depend on the excess of the stock price on the date the option is exercised over the exercise price. There is no assurance that the value realized by the executive will be at or near the value estimated by the Black-Scholes model.

**Option Exercises in Fiscal 2004 and Fiscal Year-End Option Values**

The table below shows the number and value of stock options for each of the Named Executives:

**Option Exercises in Fiscal 2004 and Fiscal Year-End Option Values**

Name	Number of Shares Acquired on Exercise	Value Realized <sup>(1)</sup>	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-The-Money Options at Fiscal Year End <sup>(2)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Lon R. Greenberg	200,000	\$ 3,823,983	580,000	360,000	\$ 12,165,625	\$ 3,059,400
Anthony J. Mendicino	-0-	\$ 0	97,500	104,500	\$ 1,860,325	\$ 890,680
Eugene V. N. Bissell	58,875	\$ 611,987	-0-	104,500	\$ 0	\$ 890,680
Robert J. Chaney	76,500	\$ 1,263,691	26,334	51,000	\$ 495,912	\$ 449,040
Robert H. Knauss	-0-	\$ 0	12,000	31,000	\$ 183,400	\$ 226,990

(1) Value realized is calculated on the difference between the option exercise price and the fair market value of the Company's Common Stock on the date of exercise multiplied by the number of Shares to which the exercise relates.

(2) The closing price of the Company's Common Stock as reported on the New York Stock Exchange Composite tape on September 30, 2004 was \$37.26 and is used in calculating the value of unexercised options.





**Table of Contents****Retirement Benefits**

The following Pension Plan Benefits Table shows the annual benefits payable upon retirement to the Named Executives other than Mr. Bissell under the Company's Retirement Plan and its Supplemental Executive Retirement Plan. The amounts shown assume the executive retires in 2004 at age 65, and that the aggregate benefits are not subject to statutory maximums. Messrs. Greenberg, Mendicino, Chaney and Knauss had, respectively, 24 years, 12 years, 40 years and 18 years of credited service under these Plans at September 30, 2004. Mr. Bissell has a vested annual retirement benefit of approximately \$3,300 based on prior credited service with UGI and its subsidiaries. He does not currently participate in the Company's Retirement Plan.

**Pension Plan Benefits Table****Annual Plan Benefit for Years of Credited Service Shown <sup>(2)</sup>**

<b>Final 5-Year</b>								
<b>Average Annual</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>	<b>40</b>
<b>Earnings <sup>(1)</sup></b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
\$ 200,000	\$ 19,000	\$ 38,000	\$ 57,000	\$ 76,000	\$ 95,000	\$ 114,000	\$ 133,000	\$ 136,800 <sup>(3)</sup>
\$ 400,000	\$ 38,000	\$ 76,000	\$ 114,000	\$ 152,000	\$ 190,000	\$ 228,000	\$ 266,000	\$ 273,600 <sup>(3)</sup>
\$ 600,000	\$ 57,000	\$ 114,000	\$ 171,000	\$ 228,000	\$ 285,000	\$ 342,000	\$ 399,000	\$ 410,400 <sup>(3)</sup>
\$ 800,000	\$ 76,000	\$ 152,000	\$ 228,000	\$ 304,000	\$ 380,000	\$ 456,000	\$ 532,000	\$ 547,200 <sup>(3)</sup>
\$1,000,000	\$ 95,000	\$ 190,000	\$ 285,000	\$ 380,000	\$ 475,000	\$ 570,000	\$ 665,000	\$ 684,000 <sup>(3)</sup>
\$1,200,000	\$ 114,000	\$ 228,000	\$ 342,000	\$ 456,000	\$ 570,000	\$ 684,000	\$ 798,000	\$ 820,800 <sup>(3)</sup>
\$1,400,000	\$ 133,000	\$ 266,000	\$ 399,000	\$ 532,000	\$ 665,000	\$ 798,000	\$ 931,000	\$ 957,600 <sup>(3)</sup>
\$1,600,000	\$ 152,000	\$ 304,000	\$ 456,000	\$ 608,000	\$ 760,000	\$ 912,000	\$ 1,064,000	\$ 1,094,400 <sup>(3)</sup>
\$1,800,000	\$ 171,000	\$ 342,000	\$ 513,000	\$ 684,000	\$ 855,000	\$ 1,026,000	\$ 1,197,000	\$ 1,231,200 <sup>(3)</sup>
\$2,000,000	\$ 190,000	\$ 380,000	\$ 570,000	\$ 760,000	\$ 950,000	\$ 1,140,000	\$ 1,330,000	\$ 1,368,000 <sup>(3)</sup>
\$2,200,000	\$ 209,000	\$ 418,000	\$ 627,000	\$ 836,000	\$ 1,045,000	\$ 1,254,000	\$ 1,463,000	\$ 1,504,800 <sup>(3)</sup>

<sup>(1)</sup> Consists of (i) base salary, commissions and cash payments under the Annual Bonus Plan, and (ii) deferrals thereof permitted under the Internal Revenue Code.

<sup>(2)</sup> Annual benefits are computed on the basis of straight life annuity amounts. These amounts include pension benefits, if any, to which a participant may be entitled as a result of participation in a pension plan of a subsidiary during previous periods of employment. The amounts shown do not take into account exclusion of up to 35% of the estimated primary Social Security benefit. The Retirement Plan provides a minimum benefit equal to 25% of a participant's final 12-months' earnings, reduced proportionately for less than 15 years of credited service at retirement. The minimum Retirement Plan benefit is not subject to Social Security offset.

<sup>(3)</sup> The maximum benefit under the Retirement Plan and the UGI Supplemental Executive Retirement Plan is equal to 60% of a participant's highest consecutive 12 months' earnings during the last 120 months.

## **Table of Contents**

### ***Severance Pay Plan for Senior Executive Employees***

The UGI Corporation Severance Pay Plan for Senior Executive Employees and the AmeriGas Propane, Inc. Executive Employee Severance Pay Plan assist certain senior level employees of the Company and AmeriGas Propane, Inc. in the event their employment is terminated without fault on their part. Benefits are payable to a senior executive covered by either Severance Plan if the senior executive's employment is involuntarily terminated for any reason other than for cause or as a result of the senior executive's death or disability.

Each Severance Plan provides for cash payments equal to a participant's compensation for a period of time ranging from 3 months to 15 months (30 months in the case of Mr. Greenberg and 18 months in the case of Mr. Bissell), depending on length of service. In addition, a participant receives the cash equivalent of his target bonus under the Annual Bonus Plan, pro-rated for the number of months served in the fiscal year. However, if the termination occurs in the last two months of the fiscal year, the Chief Executive Officer has the discretion to determine whether the participant will receive a pro-rated target bonus, or the actual annual bonus which would have been paid after the end of the fiscal year, had the participant's entire bonus been contingent on meeting the Company's financial performance goal. Certain employee benefits are continued under the Plan for a period up to 15 months (30 months in the case of Mr. Greenberg and 18 months in the case of Mr. Bissell). The Company has the option to pay a participant the cash equivalent of those employee benefits. All payments under the Severance Plans can be reduced by an amount equal to the fair market value of certain equity-based awards, other than stock options, payable to the participant after the termination of employment.

In order to receive benefits under the applicable Severance Plan, a senior executive is required to execute a release which discharges the Company and its subsidiaries from liability for any claims the senior executive may have against any of them, other than claims for amounts or benefits due the executive under any plan, program or contract binding on UGI or its subsidiaries. The senior executive is also required to ratify post-employment activities agreements and to cooperate in attending to matters pending at the time of his termination.

### ***Change of Control Arrangements***

Messrs. Greenberg, Mendicino, Bissell and Knauss each have an agreement with the Company, or its subsidiary, AmeriGas Propane, Inc., that provides certain benefits in the event of a change of control of the Company. The agreements operate independently of the Severance Plan, and are automatically renewed annually for one-year terms unless, prior to a change of control, the Company terminates an agreement. In the absence of a change of control or termination by the Company, each agreement will terminate when, for any reason, the executive terminates his employment with the Company or its subsidiaries.

## **Table of Contents**

A change of control is generally deemed to occur in the following instances:

Any person (other than certain persons or entities affiliated with the Company), together with all affiliates and associates of such person, acquires securities representing 20% or more of either (A) the then outstanding Shares of Common Stock, or (B) the combined voting power of the Company's then outstanding voting securities; or

individuals, who at the beginning of any 24-month period constitute the Board of Directors (the Incumbent Board) and any new Director whose election by the Board of Directors, or nomination for election by the Company's Shareholders, was approved by a vote of at least a majority of the Incumbent Board, cease for any reason to constitute a majority; or

the Company is reorganized, merged or consolidated with or into, or sells all or substantially all of its assets to, another corporation in a transaction in which former Shareholders of the Company do not own more than 50% of, respectively, the outstanding Common Stock and the combined voting power of the then outstanding voting securities of the surviving or acquiring corporation; or

the Company is liquidated or dissolved.

The agreement covering Mr. Bissell provides benefits upon a change of control of AmeriGas Propane, Inc. or its subsidiaries, in addition to providing benefits in the event of a change of control of the Company.

The agreements provide for payment of severance benefits if there is a termination of the executive's employment without cause at any time within three years after a change of control. In addition, following a change of control, the executive may elect to terminate his employment without loss of severance benefits in certain situations, including termination of officer status; a significant adverse change in authority, duties, responsibilities or compensation; the failure of the Company to comply with any of the terms of the agreement; or a substantial relocation or excessive travel requirements.

An executive terminated with rights to severance compensation under a change of control agreement will receive an amount equal to 1.0 or 1.5 (2.5 in the case of Mr. Greenberg) times his average annual total cash remuneration for the preceding five calendar years. If the severance compensation payable, either alone or together with other payments to an executive, would constitute excess parachute payments, as defined in Section 280G of the Internal Revenue Code of 1986, as amended, the executive will also receive an amount to satisfy the executive's additional tax burden.

### ***Stock Ownership Policy and Indebtedness of Management***

The Board of Directors established a policy effective October 1, 1997 that requires individuals in key management positions in the Company and its subsidiaries to own significant amounts of Common Stock. The required levels of ownership currently range from 3,000 Shares to 150,000 Shares for the Company's Chief Executive Officer. The policy is designed to

**Table of Contents**

encourage growth in Shareholder value by closely linking executives' risks and rewards with the Company's total Shareholder return. Prior to enactment of the Sarbanes-Oxley Act of 2002, the Company assisted officers and employees in purchasing Stock to comply with the policy by making interest-bearing loans available. Each loan is full recourse to the borrower and is secured by a pledge of the Stock purchased. All loans had 10-year terms. The Company is not currently offering loans under this program.

All of the Company's executive officers obtained loans to finance the purchase of Stock to comply with the policy. As of October 1, 2003, all of the executive officers had repaid their loans in full, except Mr. Hall. The highest amount outstanding under Mr. Hall's loan during Fiscal 2004 was \$76,060. On September 30, 2004, he had an outstanding balance of \$57,440.

***Market Price of Shares***

The closing price of our stock, as reported on the New York Stock Exchange Composite Tape on December 10, 2004 was \$40.06.

**ITEM 2 RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT PUBLIC ACCOUNTANTS**

The Audit Committee of the Board of Directors appointed PricewaterhouseCoopers as independent public accountants to examine and report on the consolidated financial statements of the Company for Fiscal 2005 and recommends that the Shareholders ratify the appointment. If the Shareholders do not ratify the appointment of PricewaterhouseCoopers, the Audit Committee will consider the appointment of other independent public accountants. One or more representatives of PricewaterhouseCoopers will be present at the Annual Meeting. They will have the opportunity to respond to appropriate questions and to make a statement if they wish to do so.

**The Board of Directors of UGI Corporation unanimously recommends a vote FOR this proposal.**

**ITEM 3 OTHER MATTERS**

The Board of Directors is not aware of any other matter to be presented for action at the meeting. If any other matter requiring a vote of the Shareholders should arise, the Proxies (or their substitutes) will vote in accordance with their best judgment.

**Table of Contents**

**GLOSSARY**

2004 Plan	UGI Corporation 2004 Omnibus Equity Compensation Plan.
AmeriGas Partners or Partnership	AmeriGas Partners, L.P., a limited partnership whose Common Units trade on the New York Stock Exchange.
AmeriGas Propane	AmeriGas Propane, Inc., a subsidiary of the Company and the General Partner of AmeriGas Partners, L.P.
Annual Meeting	Annual Meeting of Shareholders of UGI Corporation to be held on February 23, 2005.
Board or Board of Directors	Board of Directors of UGI Corporation.
Common Stock or Stock	UGI Corporation Common Stock.
Common Unit	A limited partnership interest in AmeriGas Partners, L.P.
Distribution Equivalent	A Distribution Equivalent is an amount determined by multiplying the number of Restricted Units by the per-unit cash distribution, or the per-unit fair market value of any non-cash distribution, paid by the Partnership on its Common Units on a distribution payment date.
Dividend Equivalent	A Dividend Equivalent is an amount determined by multiplying the number of Restricted Shares, Performance Units, or Stock Units by the per-Share cash dividend, or the per-Share fair market value of any non-cash dividend, paid by the Company on its Shares on a dividend payment date.
Fiscal	The twelve-month period ended September 30.
Named Executives	The Company's Chief Executive Officer and each of the four other most highly compensated executive officers.

**Table of Contents**

Performance Unit	Each Performance Unit represents the right of the recipient to receive a share of Stock or an amount based on the value of a share of Stock, if specified performance goals and other conditions are met.
PricewaterhouseCoopers	PricewaterhouseCoopers LLP.
Proxies	Lon R. Greenberg, James W. Stratton and Stephen D. Ban, or any one of them.
Restricted Share	Each Restricted Share represents the right of the recipient to receive a share of Stock or an amount based on the value of a share of Stock, if specified performance goals and other conditions are met.
Restricted Unit	Each Restricted Unit represents the right of the recipient to receive a Common Unit or an amount based on the value of a Common Unit, if specified performance goals and other conditions are met.
Retirement Plan	Retirement Income Plan for Employees of UGI Utilities, Inc.
Securities and Exchange Commission or SEC or Commission	The United States Securities and Exchange Commission.
Severance Plan	UGI Corporation Severance Pay Plan for Senior Executive Employees.
Share or Shares	A Share or Shares of UGI Corporation Common Stock.
Shareholder	A holder of UGI Common Stock.
Stock Unit	A single unit granted under the 2004 Plan that represents the right of the recipient to receive a Share or an amount based on the value of a Share.
UGI or Company	UGI Corporation.

**Table of Contents**

**DIRECTIONS TO THE DESMOND GREAT VALLEY HOTEL AND CONFERENCE CENTER**

***Directions from Philadelphia.*** Take the Schuylkill Expressway (I-76) West. Follow I-76 West to Route 202 South. Take Route 202 South to the Great Valley/Route 29 North Exit. At the end of the ramp, proceed through the light onto Liberty Boulevard. The Desmond will be on the right.

***Directions from South Jersey.*** Take I-95 South to Route 322 West. Take 322 West to Route 1 South to Route 202 North. Take Route 202 North to Great Valley/Route 29 North Exit. Turn right onto Route 29 North. Turn right at second light onto Liberty Boulevard. The Desmond will be on the left.

***Directions from Philadelphia Airport.*** Take I-95 South to 476 North. Follow 476 North to the Schuylkill Expressway (I-76) West to Route 202 South. Take Route 202 South to the Great Valley/Route 29 North Exit. At the end of the ramp, proceed through the light onto Liberty Boulevard. The Desmond will be on the right.

***Directions from Wilmington and Points South (Delaware and Maryland).*** Take I-95 North to Route 202 North to the Great Valley/Route 29 North Exit. Turn right onto Route 29 North. Turn right at second light onto Liberty Boulevard. The Desmond will be on the left.

***Directions from New York and Points North.*** Take the New Jersey Turnpike South to Exit 6, the Pennsylvania Turnpike extension. Follow the Turnpike West to Exit 326, Valley Forge. Take Route 202 South to the Great Valley/Route 29 North Exit. At the end of the ramp, proceed through the light onto Liberty Boulevard. The Desmond will be on the right.

***Directions from Harrisburg and Points West.*** Take the Pennsylvania Turnpike East to Exit 326, Valley Forge. Take Route 202 South to Great Valley/Route 29 North Exit. At the end of the ramp, proceed through the light onto Liberty Boulevard. The Desmond will be on the right.



**Table of Contents**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR NUMBERS 1 AND 2**

Mark Here for  
Address Change ..  
or Comments  
**PLEASE SEE  
REVERSE SIDE**

1. ELECTION OF DIRECTORS		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
<b>FOR</b>	<b>WITHHOLD</b>			
<b>all nominees</b>	<b>AUTHORITY</b>			

2. RATIFICATION OF APPOINTMENT OF  
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT PUBLIC  
ACCOUNTANTS

(except as noted) (all nominees)

01 J.W. Stratton, 02 S.D. Ban,  
03 R.C. Gozon, 04 L.R. Greenberg,  
05 T.F. Donovan, 06 M.O.  
Schlanger, 07 A. Pol, 08 E.E. Jones

**Consenting to receive all future annual meeting materials and shareholder communications electronically is simple and fast!** Enroll today at [www.melloninvestor.com/ISD](http://www.melloninvestor.com/ISD) for secure online access to your proxy materials, statements, tax documents and other important shareholder correspondence.

**Withheld for the nominees you list below; (Write that nominee s name in the space provided below.)**

**Signature**

**Signature**

**Date**

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Ù Detach here from proxy voting card. Ù

**Vote by Internet or Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

**Internet and telephone voting is available through 11:59 PM Eastern Time**

**the day prior to annual meeting day.**

**Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner**

**as if you marked, signed and returned your proxy card.**

**Internet**

**<http://www.eproxy.com/ugi>**

Use the Internet to vote your proxy.

Have your proxy card in hand when you access the web site.

**Telephone**

**1-800-435-6710**

**OR**

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

**OR**

**Mail**

Mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

**If you vote your proxy by Internet or by telephone,  
you do NOT need to mail back your proxy card.**

**You can view the Annual Report and Proxy Statement**

**on the internet at: <http://www.ugicorp.com>**

**Table of Contents**

**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF  
UGI CORPORATION**

The undersigned hereby appoints James W. Stratton, Lon R. Greenberg and Stephen D. Ban, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of UGI Corporation Common Stock which the undersigned is entitled to vote, and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Shareholders of the Company to be held February 23, 2005 or at any adjournment thereof, with all powers which the undersigned would possess if present at the Meeting.

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

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**Ù Detach here from proxy voting card. Ù**

***You can now access your UGI Corporation account online.***

*Access your UGI Corporation shareholder account online via Investor ServiceDirect® (ISD).*

Mellon Investor Services LLC, agent for UGI Corporation, now makes it easy and convenient to get current information on your shareholder account. After a simple and secure process of establishing a Personal Identification Number (PIN), you are ready to log in and access your account to:

- |                             |                                    |
|-----------------------------|------------------------------------|
| View account status         | View payment history for dividends |
| View certificate history    | Make address changes               |
| View book-entry information | Obtain a duplicate 1099 tax form   |

Establish/change your PIN

*Visit us on the web at <http://www.melloninvestor.com>*

*and follow the instructions shown on this page.*

**Step 1: FIRST TIME USERS Establish a PIN**

You must first establish a Personal Identification Number (PIN) online by following the directions provided in the upper right portion of the web screen as follows. You will also need your Social Security Number (SSN) or Investor ID available to establish a PIN.

**The confidentiality of your personal information is protected using secure socket layer (SSL) technology.**

SSN or Investor ID

Then click on the **Establish PIN** button

*Please be sure to remember your PIN, or maintain it in a secure place for future reference.*

**Step 2: Log in for Account Access**

You are now ready to log in. To access your account please enter your:

SSN or Investor ID

PIN

Then click on the **Submit** button

*If you have more than one account, you will now be asked to select the appropriate account.*

**Step 3: Account Status Screen**

You are now ready to access your account information. Click on the appropriate button to view or initiate transactions.

Certificate History

Book-Entry Information

Issue Certificate

Payment History

Address Change

Duplicate 1099

**For Technical Assistance Call 1-877-978-7778 between**

**9am-7pm Monday-Friday Eastern Time**

**Table of Contents**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR NUMBERS 1 AND 2**

Mark Here

for Address

Change or

Comments

**PLEASE SEE  
REVERSE SIDE**

1. ELECTION OF DIRECTORS

**FOR AGAINST ABSTAIN**

**FOR WITHHOLD  
AUTHORITY**

2. RATIFICATION OF APPOINTMENT OF  
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT PUBLIC  
ACCOUNTANTS

.. .. ..

all nominees

(all nominees)

(except as noted)

01 J.W. Stratton, 02 S.D. Ban, 03  
R.C. Gozon, 04 L.R. Greenberg, 05  
T.F. Donovan, 06 M.O. Schlanger,  
07 A. Pol, 08 E.E. Jones

**Withheld for the nominees you  
list below; (Write that nominee s  
name in the space provided  
below.)**

**Signature**

**Date**

**NOTE: Please sign as name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.**

Û Detach here from proxy voting card. Û

**Vote by Internet or Telephone or Mail  
24 Hours a Day, 7 Days a Week**

**Internet and telephone voting is available through 11:59 PM Eastern Time**

**the day prior to annual meeting day.**

**Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner**

**as if you marked, signed and returned your proxy card.**

**Internet**

**OR**

**Telephone**

**OR**

**Mail**

<http://www.eproxy.com/ugi>

**1-800-435-6710**

Mark, sign and date

Edgar Filing: UGI CORP /PA/ - Form DEF 14A

Use the Internet to vote your proxy.  
Have your proxy card in hand when you  
access the web site.

Use any touch-tone telephone to vote  
your proxy. Have your proxy card in  
hand when you call.

your proxy card  
and  
return it in the  
enclosed postage-paid envelope.

**If you vote your proxy by Internet or by telephone,  
you do NOT need to mail back your proxy card.**

**You can view the Annual Report and Proxy Statement**

**on the internet at: <http://www.ugicorp.com>**

**Table of Contents**

**PROXY**

**FIDELITY MANAGEMENT TRUST COMPANY**

Upon return of this Proxy to you, you are instructed to cause all UGI Corporation Common Stock in my AmeriGas Propane, Inc. Savings Plan Account to be voted at the Annual Meeting of Shareholders of UGI Corporation, to be held on February 23, 2005, and any adjournment thereof, as follows:

As indicated by me on the reverse side, but, if I make no indication as to a particular matter, then as recommended by the Board of Directors on such matter, and in their discretion, upon such other matters as may properly come before the meeting. The Trustee will keep my vote completely confidential.

If the Trustee does not receive my executed Proxy by February 18, 2005, I understand the Trustee will vote the shares represented by this Proxy in the same proportion as it votes those shares for which it does receive a properly executed Proxy.

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

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**Ù Detach here from proxy voting card. Ù**

**Table of Contents**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR NUMBERS 1 AND 2**

Mark Here

for Address

Change or

Comments

**PLEASE SEE  
REVERSE SIDE**

1. ELECTION OF DIRECTORS

**FOR**

all nominees

**WITHHOLD  
AUTHORITY**

(all nominees)

(except as noted)

2. RATIFICATION OF APPOINTMENT OF  
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT  
PUBLIC ACCOUNTANTS

**FOR AGAINST ABSTAIN**

.. .. ..

01 J.W. Stratton, 02 S.D. Ban, 03 R.C.  
Gozon, 04 L.R. Greenberg, 05 T.F.  
Donovan, 06 M.O. Schlanger, 07 A. Pol,  
08 E.E. Jones

**Withheld for the nominees you list  
below; (Write that nominee s name in  
the space provided below.)**

**Signature**

**Date**

NOTE: Please sign as name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Û **Detach here from proxy voting card.** Û

**Vote by Internet or Telephone or Mail  
24 Hours a Day, 7 Days a Week**

**Internet and telephone voting is available through 11:59 PM Eastern Time**

**the day prior to annual meeting day.**

**Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner**

**as if you marked, signed and returned your proxy card.**

**Internet**

**OR**

**Telephone**

**OR**

**Mail**

**<http://www.eproxy.com/ugi>**

**1-800-435-6710**

Mark, sign and date



Edgar Filing: UGI CORP /PA/ - Form DEF 14A

Use the Internet to vote your proxy.  
Have your proxy card in hand when you  
access the web site.

Use any touch-tone telephone to vote  
your proxy. Have your proxy card in  
hand when you call.

your proxy card  
and  
return it in the  
enclosed postage-paid envelope.

**If you vote your proxy by Internet or by telephone,  
you do NOT need to mail back your proxy card.**

**You can view the Annual Report and Proxy Statement**

**on the internet at: <http://www.ugicorp.com>**

**Table of Contents**

**PROXY**

**FIDELITY MANAGEMENT TRUST COMPANY**

Upon return of this Proxy to you, you are instructed to cause all UGI Corporation Common Stock in my UGI Utilities, Inc. Savings Plan Account to be voted at the Annual Meeting of Shareholders of UGI Corporation, to be held on February 23, 2005, and any adjournment thereof, as follows:

As indicated by me on the reverse side, but, if I make no indication as to a particular matter, then as recommended by the Board of Directors on such matter, and in their discretion, upon such other matters as may properly come before the meeting. The Trustee will keep my vote completely confidential.

If the Trustee does not receive my executed Proxy by February 18, 2005, I understand the Trustee will vote the shares represented by this Proxy in the same proportion as it votes those shares for which it does receive a properly executed Proxy.

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

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**Ù Detach here from proxy voting card. Ù**

**Table of Contents**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR NUMBERS 1 AND 2**

Mark Here

for Address

Change or

Comments

**PLEASE SEE  
REVERSE SIDE**

1. ELECTION OF DIRECTORS

**FOR AGAINST ABSTAIN**

**FOR WITHHOLD  
AUTHORITY**

2. RATIFICATION OF APPOINTMENT OF  
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT PUBLIC  
ACCOUNTANTS

.. .. ..

all nominees

(all nominees)

(except as noted)

01 J.W. Stratton, 02 S.D. Ban, 03  
R.C. Gozon, 04 L.R. Greenberg, 05  
T.F. Donovan, 06 M.O. Schlanger,  
07 A. Pol, 08 E.E. Jones

**Withheld for the nominees you  
list below; (Write that nominee s  
name in the space provided  
below.)**

**Signature**

**Date**

NOTE: Please sign as name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Û Detach here from proxy voting card. Û

**Vote by Internet or Telephone or Mail  
24 Hours a Day, 7 Days a Week**

**Internet and telephone voting is available through 11:59 PM Eastern Time**

**the day prior to annual meeting day.**

**Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner**

**as if you marked, signed and returned your proxy card.**

**Internet**

**OR**

**Telephone**

**OR**

**Mail**

<http://www.eproxy.com/ugi>

**1-800-435-6710**

Edgar Filing: UGI CORP /PA/ - Form DEF 14A

Use the Internet to vote your proxy.  
Have your proxy card in hand when you  
access the web site.

Use any touch-tone telephone to vote  
your proxy. Have your proxy card in  
hand when you call.

Mark, sign and date  
your proxy card  
and  
return it in the  
enclosed postage-paid envelope.

**If you vote your proxy by Internet or by telephone,  
you do NOT need to mail back your proxy card.**

**You can view the Annual Report and Proxy Statement**

**on the internet at: <http://www.ugicorp.com>**

**Table of Contents**

**PROXY**

**FIDELITY MANAGEMENT TRUST COMPANY**

Upon return of this Proxy to you, you are instructed to cause all UGI Corporation Common Stock in my UGI HVAC Enterprises, Inc. Savings Plan Account to be voted at the Annual Meeting of Shareholders of UGI Corporation, to be held on February 23, 2005, and any adjournment thereof, as follows:

As indicated by me on the reverse side, but, if I make no indication as to a particular matter, then as recommended by the Board of Directors on such matter, and in their discretion, upon such other matters as may properly come before the meeting. The Trustee will keep my vote completely confidential.

If the Trustee does not receive my executed Proxy by February 18, 2005, I understand the Trustee will vote the shares represented by this Proxy in the same proportion as it votes those shares for which it does receive a properly executed Proxy.

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

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**Ù Detach here from proxy voting card. Ù**