WESTERN ASSET GLOBAL HIGH INCOME FUND INC.
Form DEF 14A
August 28, 2015

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.   )

Filed by the Registrant x   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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Western Asset Global High Income Fund Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i) (4) 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:

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¨ 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.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

(NYSE: EHI)

620 Eighth Avenue, 49th Floor, New York, New York 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

August 28, 2015

To the Stockholders:

The Annual Meeting of Stockholders of Western Asset Global High Income Fund Inc. (the Fund) will be held at 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York, on Friday, September 25, 2015 at 10:00 a.m., New York time, for the following purposes:

1. A proposal to elect three Class II Directors and one Class III Director to the Fund s Board of Directors; and

2. The transaction of such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on July 24, 2015 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting and any adjournments or postponements thereof.

By Order of the Board of Directors

Robert I. Frenkel

Secretary

August 28, 2015

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING IN PERSON OR BY PROXY; IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE PROXY CARD (which will be made available to you separately) OR PROVIDE VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET.

Instructions for Signing Proxy Cards

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.

2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.

3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration	Valid Signature
Corporate Accounts	
(1) ABC Corp	ABC Corp. (by John Doe, Treasurer)
(2) ABC Corp	John Doe, Treasurer
(3) ABC Corp., c/o John Doe, Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee, u/t/d 12/28/78	Jane B. Doe
Custodial or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith
(2) John B. Smith	John B. Smith, Jr., Executor

Instructions for Telephone/Internet Voting

Various brokerage firms may offer the convenience of providing you with voting instructions via telephone or the Internet for shares held through such firms. Instructions for Internet and telephonic voting are included with the proxy card or voting instruction form.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

(NYSE: EHI)

620 Eighth Avenue, 49th Floor, New York, New York 10018

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the Board) of Western Asset Global High Income Fund Inc. (the Fund) of proxies to be voted at the Annual Meeting of Stockholders of the Fund to be held at 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York, on Friday, September 25, 2015 at 10:00 a.m., New York time, and at any adjournments or postponements thereof (the Meeting), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders (the Notice).

This Proxy Statement and the accompanying materials are being made available to stockholders on or about August 28, 2015.

The Fund is organized as a Maryland corporation and is a registered investment company.

Legg Mason Partners Fund Advisor, LLC (LMPFA), whose principal business address is 620 Eighth Avenue, New York, NY 10018, is the Fund s investment adviser and administrator. Pursuant to respective sub-advisory agreements with Western Asset Management Company (Western Asset), Western Asset Management Company Limited in London (Western Asset Limited) and Western Asset Management Company Pte. Ltd. in Singapore (Western Singapore), each serves as the Fund s sub-investment advisors. Western Asset has offices at 385 East Colorado Boulevard, Pasadena, California 91101 and 620 Eighth Avenue, New York, New York 10018. Western Asset Limited has offices at 10 Exchange Square, Primrose Street, London EC2A 2EN. Western Singapore has offices at 1 George Street #23-01, Singapore 049145. LMPFA, Western Asset, Western Asset Limited and Western Singapore are all wholly-owned subsidiaries of Legg Mason, Inc. (Legg Mason).

Even if you plan to attend the Meeting, please sign, date and return a proxy card, or provide voting instructions by telephone or over the Internet. If you vote by telephone or over the Internet, you will be asked to enter a unique code that has been assigned to you and which is printed on your proxy card. This code is designed to confirm your identity, provide access into the voting sites and confirm that your instructions are properly recorded. If you require additional information, please call toll free at 1-888-227-9349.

All properly executed proxies received prior to the Meeting will be voted at the Meeting in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, shares represented by the proxies will be voted FOR the election of each nominee in Proposal 1. Stockholders who execute proxies may revoke them at any time before they are voted by filing with the Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date or by attending the Meeting and voting in person. In accordance with the Fund s By-Laws, a quorum is constituted by the presence in person or by proxy of the holders of record of a majority of the outstanding shares of the Fund s common stock entitled to vote at the Meeting. For purposes of determining the presence of a quorum for transacting business at the Meeting, abstentions will be treated as shares that are present but which have not been voted.

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The Board has fixed the close of business on July 24, 2015 as the record date (the Record Date) for the determination of stockholders of the Fund entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof. Stockholders of the Fund on that date will be entitled to one vote on each matter for each share held, and a fractional vote with respect to fractional shares, with no cumulative voting rights. At the Record Date, the Fund had outstanding 31,053,250 shares of Common Stock, par value $0.001 per share, the only authorized class of stock.

Annual reports are sent to stockholders of record of the Fund following the Fund s fiscal year end. The Fund will furnish, without charge, a copy of its annual report and most recent semi-annual report succeeding the annual report, if any, to a stockholder upon request. Such requests should be directed to the Fund at 620 Eighth Avenue, 49th Floor, New York, New York 10018 or by calling toll free at 888-777-0102. Copies of annual and semi-annual reports of the Fund are also available on the Fund s website at lmcef.com or on the EDGAR Database on the Securities and Exchange Commission s Internet site at www.sec.gov.

Please note that only one annual or semi-annual report or Proxy Statement may be delivered to two or more stockholders of the Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual or semi-annual report or the Proxy Statement, or for instructions as to how to request a separate copy of these documents or as to how to request a single copy if multiple copies of these documents are received, stockholders should contact the Fund at the address and phone number set forth above.

Vote Required and Manner of Voting Proxies

A quorum of stockholders is required to take action at the Meeting. A majority of the shares of the Fund entitled to vote at the Meeting, represented in person or by proxy, will constitute a quorum of stockholders at the Meeting.

Votes cast by proxy or in person at the Meeting will be tabulated by the inspector of election appointed for the Meeting. The inspector of election, who is an employee of the proxy solicitor engaged by the Fund, will determine whether or not a quorum is present at the Meeting. The inspector of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which proxies have been returned but (a) instructions have not been received from the beneficial owners or persons entitled to vote and (b) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

If you hold shares directly (not through a broker-dealer, bank or other financial intermediary) and if you return a signed proxy card that does not specify how you wish to vote on a proposal, your shares will be voted FOR Proposal 1.

Broker-dealer firms holding shares of the Fund in street name for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on each Proposal before the Meeting. A signed proxy card or other authorization by a beneficial owner of Fund shares that does not specify how the beneficial owner s shares should be voted on a proposal will be deemed an instruction to vote such shares in favor of Proposal 1.

If you hold shares of the Fund through a service agent that has entered into a service agreement with the Fund, the service agent may be the record holder of your shares. At the Meeting, a service agent will vote shares for which it receives instructions from its customers in accordance with those instructions. A signed proxy card or other authorization by a stockholder that does not specify how the stockholder s shares should be voted on a proposal may be deemed to authorize a service agent to vote such shares in favor of Proposal 1. Depending on its policies, applicable law or contractual or other restrictions, a service agent may be permitted to vote shares with respect to which it has not received specific voting instructions from its customers. In those cases, the service agent may, but may not be required to, vote such shares in the same proportion as those shares for which the service agent has received voting instructions. This practice is commonly referred to as echo voting.

If you beneficially own shares that are held in street name through a broker-dealer or that are held of record by a service agent and if you do not give specific voting instructions for your shares, they may not be voted at all or, as described above, they may be voted in a manner that you may not intend. Therefore, you are strongly encouraged to give your broker-dealer or service agent specific instructions as to how you want your shares to be voted.

Required Vote

Directors are elected by a plurality of the votes cast by the holders of shares of the Fund s Common Stock present in person or represented by proxy at a Meeting at which a quorum is present.

For purposes of the election of Directors, abstentions and broker non-votes will not be considered votes cast, and do not affect the plurality vote required for the election of Directors.

In the event that a quorum is not present, or if sufficient votes to elect Directors in Proposal No. 1 as set forth in the Notice and this Proxy Statement are not received by the time scheduled for the Meeting, the persons named as proxies may move for one or more adjournments of the Meeting to permit further solicitation of proxies with respect to such proposal. In determining whether to adjourn the Meeting, the following factors may be considered: the nature of the proposal that is the subject of the Meeting, the percentage of votes actually cast, the nature of any further solicitation and the information to be provided to stockholders with respect to the reasons for the solicitation. Any such adjournment will require the affirmative vote of a majority of the shares present at the Meeting. If an adjournment is proposed, the persons named as proxies will vote the shares that they are entitled to vote in their discretion.

Important Notice Regarding the Availability of Proxy Materials for the Meeting to be Held on September 25, 2015

The proxy statement and related materials are available at www.proxyonline.com/docs/leggmason.

Proposal No. 1: Election of Directors

In accordance with the Fund s Charter, the Board is currently classified into three classes: Class I, Class II and Class III. The Directors serving in Class II have terms expiring at the Meeting, and they have been nominated by the Board of Directors for election at the Meeting to serve for a term of three years (until the 2018 Annual Meeting of Stockholders), or until their successors have been duly elected and qualified or until they resign or are otherwise removed. Effective July 31, 2015, Kenneth D. Fuller resigned from his responsibilities as a Class II Director, Chairman, President and Chief Executive Officer of the Fund. Jane E. Trust has been selected as a successor to Mr. Fuller and nominated by the Board of Directors for election at the meeting as a Class II Director for a term of three years (until the 2018 Annual Meeting of Stockholders) or until her successor has been duly elected and qualified or until she resigns or is otherwise removed. One Director has also been nominated by the Board of Directors for election at the meeting as a Class III Director for a term

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of one year (until the 2016 Annual Meeting of Stockholder) or until his successor has been duly elected and qualified or until he resigns or is otherwise removed. The terms of office of the remaining Class I and Class III Directors expire at the year 2017 and 2016 Annual Meeting of Stockholders, respectively, or thereafter until their successors have been duly elected and qualified or until they resign or are otherwise removed. The effect of these staggered terms is to limit the ability of other entities or persons to acquire control of the Fund by delaying the replacement of a majority of the Board of Directors.

The persons named in the proxy intend to vote at the Meeting (unless directed not to vote) FOR the election of the nominees named below. Each of the nominees is currently a member of the Fund s Board of Directors and has indicated that he or she will serve if elected. However, if any nominee should be unable to serve, the proxy will be voted for any other person determined by the persons named in the proxy in their discretion.

Certain information concerning the nominees for Directors of the Fund and other Directors of the Fund is set forth in the following table.

Persons Nominated for Election as Directors

Name, Address and Birth Year	**Position(s) Held with Fund**	**Term of Office and Length Time Served**	**Principal Occupations During Past Five Years**	**Number of Portfolios in Fund Complex** Overseen by Director**	**Other Directorships Held by Director**
Nominees to serve as Class II Directors until 2018 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTOR NOMINEES					
Leslie H. Gelb c/o Chairman of the Fund Legg Mason & Co. LLC (Legg Mason & Co.) 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1937	Director and Member of Audit and Nominating Committees	Since 2003	President Emeritus and Senior Board Fellow, The Council on Foreign Relations (since 2003); formerly, President, The Council on Foreign Relations (prior to 2003); formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, *The New York Times*	31	Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1994); Director, Encyclopedia Brittanica; Director, Centre Partners IV and V, LP and Affiliates
William R. Hutchinson c/o Chairman of the Fund Legg Mason & Co.	Director and Member of Audit and Nominating Committees	Since 2003	President, W.R. Hutchinson & Associates Inc. (consulting)	31	Director (Non-Executive Chairman of the Board (since December 1, 2009)),

620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1942	Associated Banc-Corp. (since 1994)

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
INTERESTED DIRECTOR NOMINEE					
Jane E. Trust, CFA c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Born 1962	Chairman, President and Chief Executive Officer	Effective August 1, 2015	Managing Director of Legg Mason & Co. (since 2015); Officer and/or Trustee/Director of 156 funds associated with LMPFA or its affiliates (since 2015); President and Chief Executive Officer of LMPFA (since 2015); formerly, Senior Vice President of LMPFA (2015). Formerly, Director of ClearBridge, LLC (formerly, Legg Mason Capital Management, LLC) (2007 to 2014); Managing Director of Legg Mason Investment Counsel & Trust Co. (2000 to 2007).	147	None
Nominee to serve as Class III Director until 2016 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTOR NOMINEE					
Robert D. Agdern c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Year of birth: 1950	Director and Member of Nominating and Audit Committees	Since January 1, 2015	Member of the Advisory Committee of the Dispute Resolution Research Center at the Kellogg Graduate School of Business, Northwestern University since 2002; Deputy General Counsel responsible for western hemisphere matters for BP PLC from 1999 to 2001; Associate General Counsel at Amoco Corporation responsible	31	None

for corporate, chemical, and refining and marketing matters and special assignments from 1993 to 1998 (Amoco merged with British Petroleum in 1998 forming BP PLC).

* Ms. Trust is an interested person as defined in the Investment Company Act of 1940, as amended (the 1940 Act), because he is an officer of LMPFA and certain of its affiliates.

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
The following table provides information concerning the remaining Directors of the Fund:					
Class III Directors serving until the 2016 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTORS					
Dr. Riordan Roett c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1938	Director and Member of Audit and Nominating Committees	Since 2003	The Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University (since 1973)	31	None
Eileen A. Kamerick c/o Chairman of the Fund Legg Mason & Co., 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1958	Director and Member of Audit and Nominating Committees	Since 2013	Senior Vice President and Chief Financial Officer, ConnectWise, Inc. (software and services company) (since 2015) and Adjunct Professor, Washington University in St.· Louis and University of Iowa law schools (since 2014); formerly, CFO, Press Ganey Associates (health care informatics company) (since 2012); formerly Managing Director and CFO, Houlihan Lokey (international investment bank) (2010 to 2012)	31	Director of Associated Banc-Corp (financial services company) (since 2007); Westell Technologies, Inc. (technology company) (since 2003)

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
Class I Directors serving until 2017 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTORS					
Carol L. Colman c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1946	Director and Member of Audit and Nominating Committees	Since 2003	President, Colman Consulting Co.	31	None
Daniel P. Cronin c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1946	Director and Member of Audit and Nominating Committees	Since 2003	Retired; formerly, Associate General Counsel, Pfizer, Inc.	31	None
Paolo M. Cucchi c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1941	Director and Member of Audit and Nominating Committees	Since 2007	Emeritus Professor of French and Italian at Drew University (since 2014); formerly, Professor of French and Italian at Drew University (2009 to 2014); Vice President and Dean of College of Liberal Arts at Drew University (1984 to 2009)	31	None

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Each of the Directors has served as a director of the Fund as indicated in the table above. The Directors were selected to join the Board based upon the following as to each Board Member: his or her character and integrity; such person s service as a board member of other funds in the Legg Mason fund complex; such person s willingness to serve and willingness and ability to commit the time necessary to perform the duties of a Director; as to each Director other than Ms. Trust, his or her status as not being an interested person as defined in the 1940 Act; and, as to Ms. Trust, his role with Legg Mason. No factor, by itself, was controlling.

In addition to the information provided in the table included above, each Director possesses the following attributes: Mr. Agdern, experience in business and as a legal professional; Ms. Colman, experience as a consultant and investment professional; Mr. Cronin, legal and managerial experience; Mr. Cucchi, experience as a college professor and leadership experience as an academic dean; Mr. Gelb, academic and world affairs and foreign relations experience and service as a board member of other registered investment companies; Mr. Hutchinson, experience in accounting and working with auditors, consulting, business and finance and service as a board member of another financial services company; Ms. Kamerick, experience in business and finance, including financial reporting, and experience as a board member of a highly regulated financial services company; Dr. Roett, expertise in Latin and South American societies and economies and academic leadership experience; and Ms. Trust, investment management and risk oversight experience as an executive and portfolio manager and leadership roles within Legg Mason and affiliated entities. References to the qualifications, attributes and skills of the Directors are pursuant to requirements of the Securities and Exchange Commission, do not constitute holding out of the Board or any Director as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

Security Ownership of Management

The following table provides information concerning the dollar range of equity securities owned beneficially by each Director and nominee for election as Director as of December 31, 2014:

Name of Director/Nominee	Dollar Range(1) of Equity Securities in the Fund	Aggregate Dollar Range(1) of Equity Securities in all Funds Overseen by Director/Nominee in Family of Investment Companies(2)
NON-INTERESTED DIRECTORS		
Robert D. Agdern(3)	A	A
Carol L. Colman	C	E
Daniel P. Cronin	E	E
Paolo M. Cucchi	A	C
Leslie H. Gelb	A	A
William R. Hutchinson	C	E
Eileen A. Kamerick	A	A
Dr. Riordan Roett	B	C
INTERESTED DIRECTOR		
Jane E. Trust(4)	A	A

(1) The dollar ranges are as follows: A = None; B = $1-$10,000; C = $10,001-$50,000; D = $50,001-$100,000; E Over $100,000.

(2) The term, Family of Investment Companies , means any two or more registered investment companies that share the same investment adviser or principal underwriter or hold themselves out to investors as related companies for purposes of investment and investor services.

(3) Effective January 1, 2015, Mr. Agdern became a Director.

(4) Effective August 1, 2015, Ms. Trust became a Director.

At July 24, 2015, the nominees, Directors and officers of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund s Common Stock.

No Director or nominee for election as Director who is not an interested person of the Fund as defined in the 1940 Act, nor any immediate family members, to the best of the Fund s knowledge, had any interest in the Fund s investment adviser, or any person or entity (other than the Fund) directly or indirectly controlling, controlled by, or under common control with Legg Mason as of December 31, 2014.

Director Compensation

Under the federal securities laws, and in connection with the Meeting, the Fund is required to provide to stockholders in connection with the Meeting information regarding compensation paid to the Directors by the Fund, as well as by the various other investment companies advised by LMPFA. The following table provides information concerning the compensation paid to each Director by the Fund during the fiscal year ended May 31, 2015 and the total compensation paid to each Director during the calendar year ended December 31, 2014. The Directors listed below are members of the Fund s Audit and Nominating Committees, as well as committees of the boards of certain other investment companies advised by LMPFA. Accordingly, the amounts provided in the table include compensation for service on all such committees. The Fund does not provide any pension or retirement benefits to Directors. In addition, no remuneration was paid during the fiscal year ended May 31, 2015 by the Fund to Mr. Fuller who is an interested person as defined in the 1940 Act.

Name of Directors	**Aggregate Compensation from the Fund for Fiscal Period Ended 05/31/15**	**Total Compensation from the Fund and Fund Complex[(1)] for Calendar Year Ended 12/31/14**
Directorships[(2)]		
Robert D. Agdern[(3)]	$ 3,944	None
Carol L. Colman	9,386	$ 258,816
Daniel P. Cronin	9,184	258,816
Paolo M. Cucchi	7,777	231,941
Leslie H. Gelb	7,592	231,941
Willian R. Hutchinson	10,348	280,231
Eileen A. Kamerick	9,954	198,668
Dr. Riordan Roett	7,711	231,941
Jeswald W. Salacuse[(4)]	112	135,559

(1) Fund Complex means two or more Funds (a registrant or, where the registrant is a series company, a separate portfolio of the registrant) that hold themselves out to investors as related companies for purposes of investment and investor services or have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other Funds.

(2) Each Director currently holds 31 investment company directorships within this Fund Complex.

(3) Effective January 1, 2015, Mr. Agdern became a Director.

(4) Mr. Salacuse retired from the Board of Directors, effective June 30, 2014.

Responsibilities of the Board of Directors

The Board of Directors is responsible under applicable state law for overseeing generally the management and operations of the Fund. The Directors oversee the Fund s operations by, among other things, meeting at its regularly scheduled meetings and as otherwise needed with the Fund s management and evaluating the performance of the Fund s service providers including LMPFA, Western Asset, Western Asset Limited, Western Singapore, the custodian and the transfer agent. As part of this process, the Directors consult with the Fund s independent auditors and with their own separate independent counsel.

The Directors review the Fund s financial statements, performance, net asset value and market price and the relationship between them, as well as the quality of the services being provided to the Fund. As part of this process, the Directors review the Fund s fees and expenses in light of the nature, quality and scope of the services being received while also seeking to ensure that the Fund continues to have access to high quality services in the future.

The Board of Directors has four regularly scheduled meetings each year, and additional meetings may be scheduled as needed. In addition, the Board has a standing Audit Committee and Corporate Governance and Nominating Committee (the Nominating Committee) that meet periodically and whose responsibilities are described below.

During the fiscal year ended May 31, 2015, the Board of Directors held four regular meetings and two special meetings. Each Director attended at least 75% of the aggregate number of meetings of the Board and the committees for which he or she was eligible. The Fund does not have a formal policy regarding attendance by Directors at annual meetings of stockholders.

Each of the Audit Committee and the Nominating Committee is composed of all Directors who have been determined not to be interested persons of the Fund, LMPFA, Western Asset or their affiliates within the meaning of the 1940 Act, and who are independent as defined in the New York Stock Exchange listing standards (Independent Directors), and is chaired by an Independent Director. The Board in its discretion from time to time may establish *ad hoc* committees.

The Board of Directors is currently comprised of nine directors, eight of whom are Independent Directors. Effective August 1, 2015, Jane E. Trust became Chairman of the Board. Ms. Trust is an interested person of the Fund. The appointment of Ms. Trust as Chairman reflects the Board s belief that his experience, familiarity with the Fund s day-to-day operations and access to individuals with responsibility for the Fund s management and operations provides the Board with insight into the Fund s business and activities and, with his access to appropriate administrative support, facilitates the efficient development of meeting agendas that address the Fund s business, legal and other needs and the orderly conduct of board meetings. Mr. Hutchinson serves as Lead Independent Director. The Chairman develops agendas for Board meetings in consultation with the Lead Independent Director and presides at all meetings of the Board. The Lead Independent Director, among other things, chairs executive sessions of the Independent Directors, serves as a spokesperson for the Independent Directors and serves as a liaison between the Independent Directors and the Fund s management between Board meetings. The Independent Directors regularly meet outside the presence of management and are advised by independent legal counsel. The Board also has determined that its leadership structure, as described above, is appropriate in light of the size and complexity of the Fund, the number of Independent Directors (who constitute a super-majority of the Board s membership) and the Board s general oversight responsibility. The Board also believes that its leadership structure not only facilitates the orderly and efficient flow of information to the Independent Directors from management, including Western Asset, Western Asset Limited and Western Singapore, the Fund s subadvisers, but also enhances the independent and orderly exercise of its responsibilities.

Audit Committee

The Fund s Audit Committee is composed entirely of all of the Independent Directors: Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Ms. Kamerick serves as the Chair of the Audit Committee and has been determined by the Board to be an audit committee financial expert. The principal functions of the Audit Committee are: to (a) oversee the scope of the Fund s audit, the Fund s accounting and financial reporting policies and practices and its internal controls and enhance the quality and objectivity of the audit function; (b) approve, and recommend to the Independent Board Members (as such term is defined in the Audit Committee Charter) for their ratification, the selection, appointment, retention or termination of the Fund s independent registered public accounting firm, as well as approving the compensation thereof; and (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by the Fund s independent registered public accounting firm. This Committee met two times during the fiscal year ended May 31, 2015. The Fund s Board of Directors most recently reviewed and adopted an Audit Committee Charter at a meeting held on February 11, 2014, a copy of which was attached as Annex A to the Fund s proxy statement dated August 27, 2014.

Nominating Committee

The Fund s Nominating Committee, the principal function of which is to select and nominate candidates for election as Directors of the Fund, is composed of all of the Independent Directors: Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Mr. Cronin serves as the Chair of the Nominating Committee. The Nominating Committee may consider nominees recommended by the stockholder as it deems appropriate. Stockholders who wish to recommend a nominee should send recommendations to the Fund s Secretary that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Directors. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders. The Nominating Committee met twice during the fiscal year ended May 31, 2015. The Fund s Board of Directors most recently reviewed and adopted a Corporate Governance and Nominating Committee Charter at a meeting held on February 14, 2013, a copy of which was attached as Annex B to the Fund s proxy statement dated August 23, 2013.

The Nominating Committee identifies potential nominees through its network of contacts, and in its discretion may also engage a professional search firm. The Nominating Committee meets to discuss and consider such candidates qualifications and then chooses a candidate by majority vote. The Nominating Committee does not have specific, minimum qualifications for nominees and has not established specific qualities or skills that it regards as necessary for one or more of the Fund s Directors to possess (other than any qualities or skills that may be required by applicable law, regulation or listing standard). However, as set forth in the Nominating Committee Charter, in evaluating a person as a potential nominee to serve as a Director of the Fund, the Nominee Committee may consider the following factors, among any others it may deem relevant:

- whether or not the person is an interested person as defined in the 1940 Act and whether the person is otherwise qualified under applicable laws and regulations to serve as a Director of the Fund;

- whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the investment manager of the Fund, Fund service providers or their affiliates;

- whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes;

- whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Director of the Fund;

- the contribution which the person can make to the Board and the Fund (or, if the person has previously served as a Director of the Fund, the contribution which the person made to the Board during his or her previous term of service), with consideration being given to the person s business and professional experience, education and such other factors as the Committee may consider relevant;

- the character and integrity of the person; and whether or not the selection and nomination of the person would be consistent with the requirements of the Fund s retirement policies.

The Nominating Committee does not have a formal diversity policy with regard to the consideration of diversity in identifying potential director nominees but may consider diversity of professional experience, education and skills when evaluating potential nominees for Board membership.

Risk Oversight

The Board s role in risk oversight of the Fund reflects its responsibility under applicable state law to oversee generally, rather than to manage, the operations of the Fund. In line with this oversight responsibility, the Board receives reports and makes inquiry at its regular meetings and as needed regarding the nature and extent of significant Fund risks (including investment, compliance and valuation risks) that potentially could have a materially adverse impact on the business operations, investment performance or reputation of the Fund, but relies upon the Fund s management (including the Fund s portfolio managers) and Chief Compliance Officer, who reports directly to the Board, and the Manager to assist it in identifying and understanding the nature and extent of such risks and determining whether, and to what extent, such risks may be eliminated or mitigated. In addition to reports and other information received from Fund management and the Manager regarding the Fund s investment program and activities, the Board as part of its risk oversight efforts meets at its regular meetings and as needed with the Fund s Chief Compliance Officer to discuss, among other things, risk issues and issues regarding the policies, procedures and controls of the Fund. The Board may be assisted in performing aspects of its role in risk oversight by the Audit Committee and such other standing or special committees as may be established from time to time by the Board. For example, the Audit Committee of the Board regularly meets with the Fund s independent public accounting firm to review, among other things, reports on the Fund s internal controls for financial reporting.

The Board believes that not all risks that may affect the Fund can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Fund s goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Directors as to risk management matters are typically summaries of relevant information and may be inaccurate or incomplete. As a result of the foregoing and other factors, the Board s risk management oversight is subject to substantial limitations.

Officers

The Fund s executive officers are chosen each year at a regular meeting of the Board of Directors of the Fund, to hold office until their respective successors are duly elected and qualified. Officers of the Fund receive no compensation from the Fund although they may be reimbursed by the Fund for reasonable out-of-pocket travel expenses for attending Board meetings. In addition to Ms. Trust, the Fund s Chairman, CEO and President, the executive officers of the Fund currently are:

Name, Address and Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 years
Richard F. Sennett Legg Mason & Co. 100 International Drive Baltimore, MD 21202 Birth year: 1970	Principal Financial Officer	Since 2011	Principal Financial Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co. s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC s Division of Investment

Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC s Division of Investment Management (2002 to 2007)

Name, Address and Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 years
Ted P. Becker Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1951	Chief Compliance Officer	Since 2006	Director of Global Compliance at Legg Mason (since 2006); Managing Director of Compliance at Legg Mason, (since 2005); Chief Compliance Officer with certain mutual funds associated with Legg Mason (since 2006); Managing Director of Compliance at Legg Mason or its predecessors (2002-2005). Prior to 2002, Managing Director Internal Audit & Risk Review at Citigroup Inc.
Vanessa A. Williams Legg Mason & Co. 100 First Stamford Place, Stamford, CT 06902 Birth year: 1979	Identity Theft Prevention Officer	Since 2011	Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); formerly, Assistant Vice President and Senior Compliance Officer of Legg Mason & Co. or its predecessor (2008 to 2011); formerly, Compliance Analyst of Legg Mason & Co. or its predecessor (2004 to 2008)
Steven Frank Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth Year: 1967	Treasurer	Since 2010	Vice President of Legg Mason & Co. (since 2002); Treasurer of certain funds associated with Legg Mason or its affiliates (since 2010); formerly, Controller of certain funds associated with Legg Mason or its predecessors (from 2005 to 2010); Formerly, Assistant Controller of certain mutual funds associated with Legg Mason predecessors (from 2001 to 2005)
Robert I. Frenkel Legg Mason & Co.	Secretary and Chief Legal	Since 2003	Managing Director and General Counsel of Global Mutual Funds

100 First Stamford Place Stamford, CT 06902 Birth year: 1954	Officer	for Legg Mason and its predecessor (since 1994); Secretary and Chief Legal Officer of mutual funds associated with Legg Mason (since 2003); formerly, Secretary of CFM (2001-2004)

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the 1934 Act) and Section 30(h) of the 1940 Act in combination require the Fund s Directors and officers and persons who own more than 10% of the Fund s common stock, as well as LMPFA and certain of its affiliated persons, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC) and the New York Stock Exchange, Inc. (NYSE). Such persons and entities are required by SEC regulations to furnish the Fund with copies of all such filings. Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Fund believes that, during the fiscal year ended May 31, 2015, all such filing requirements were met with respect to the Fund, except, due to an administrative oversight, a late filing of an initial Form 3 was made on behalf of each of the following persons: Amy Olmert, Manager of LMPFA (Form 3 was due in April 2011); Peter Nachtwey, Manager of LMPFA (Form 3 was due in April 2011); and Barry Bilson, Director of Western Asset (Form 3 was due in September 2013).

Report of the Audit Committee

Pursuant to a meeting of the Audit Committee on July 21, 2015, the Audit Committee reports that it has: (i) reviewed and discussed the Fund s audited financial statements with management; (ii) discussed with KPMG LLP (KPMG), the independent registered public accounting firm of the Fund, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (iii) previously received written confirmation from KPMG that it is independent and written disclosures regarding such independence as required by Independence Standards Board Standard No. 1, and discussed with KPMG the independent registered public accounting firm s independence.

Pursuant to the Audit Committee Charter adopted by the Fund s Board, the Audit Committee is responsible for conferring with the Fund s independent registered public accounting firm, reviewing annual financial statements and recommending the selection of the Fund s independent registered public accounting firm. The Audit Committee advises the full Board with respect to accounting, auditing and financial matters affecting the Fund. The independent registered public accounting firm is responsible for planning and carrying out the proper audits and reviews of the Fund s financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are responsible for oversight. Moreover, the Audit Committee relies on and makes no independent verification of the facts presented to it or representations made by management or the independent registered public accounting firm. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principals and policies, or internal controls and procedures, designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions referred to above do not provide assurance that the audit of the Fund s financial statements has been carried out in accordance with generally accepted accounting standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based on the review and discussions referred to in items (i) through (iii) above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Fund s annual report for the Fund s fiscal year ended May 31, 2015.

Submitted by the Audit Committee

of the Fund s Board of Directors

Robert D. Agdern

Carol L. Colman

Daniel P. Cronin

Paolo M. Cucchi

Leslie H. Gelb

William R. Hutchinson

Eileen A. Kamerick

Riordan Roett

July 21, 2015

Board Recommendation and Required Vote

Directors are elected by a plurality of the votes cast by the holders of shares of the Fund s common stock present in person or represented by proxy at a meeting at which a quorum is present. For purposes of the election of Directors, abstentions and broker non-votes will not be considered votes cast, and do not affect the plurality vote required for Directors.

The Board of Directors, including the Directors who are not interested persons unanimously recommends that stockholders of the Fund vote FOR each of the nominees for Director.

Disclosure of Fees Paid to Independent Registered Public Accounting Firm

Audit Fees. The aggregate fees billed in the last two fiscal years ending May 31, 2014 and May 31, 2015 for professional services rendered by KPMG for the audit of the Fund s annual financial statements, or services that are normally provided in connection with the statutory and regulatory filings or engagements were $70,050 in 2014 and $70,750 in 2015.

Audit-Related Fees. The aggregate fees billed by KPMG in connection with assurance and related services related to the annual audit of the Fund and for review of the Fund s financial statements, other than the Audit Fees described above, for the fiscal years ended May 31, 2014 and May 31, 2015 was $0 and $0, respectively.

In addition, there were no Audit Related Fees billed in the fiscal years ended May 31, 2014 and May 31, 2015 for assurance and related services by KPMG to LMPFA and any entity controlling, controlled by or under common control with LMPFA that provides ongoing services to the Fund (LMPFA and such other entities together, the Service Affiliates), that were related to the operations and financial reporting of the Fund.

Tax Fees. The aggregate fees billed by KPMG for tax compliance, tax advice and tax planning services, which include the filing and amendment of federal, state and local income tax returns, timely regulated investment company qualification review and tax distribution and analysis planning to the Fund for the fiscal years ended May 31, 2014 and May 31, 2015 were $3,800 and $3,840, respectively.

There were no fees billed by KPMG to the Service Affiliates for tax services for the fiscal years ended May 31, 2014 and May 31, 2015 that were required to be approved by the Fund s Audit Committee.

All Other Fees. There were no other fees billed for other non-audit services rendered by KPMG to the Fund for the fiscal years ended May 31, 2014 and May 31, 2015.

There were no other non-audit services rendered by KPMG to the Service Affiliates in the fiscal years ended May 31, 2014 and May 31, 2015.

Generally, the Audit Committee must approve (a) all audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit services to be provided to the Service Affiliates that relate directly to the operations and financial reporting of the Fund. The Audit Committee may implement policies and procedures by which such services are approved other than by the full Committee but has not yet done so.

The Audit Committee approved 100% of the Audit Related Fees, Tax Fees and Other Fees, if any, for each of the fiscal years ended May 31, 2014 and May 31, 2015.

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The Audit Committee shall not approve non-audit services that the Committee believes may impair the independence of the registered public accounting firm. As of the date of the approval of the Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent registered public accounting firm, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Audit Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Manager and any Covered Service Provider constitutes not more than 5% of the total amount of revenues paid to the independent registered public accounting firm during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) LMPFA and (c) any entity partially controlled by or under common control with LMPFA that provides ongoing services to the Fund during the fiscal year in which the services are provided that would not have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee (or its delegate(s)) prior to the completion of the audit.

No aggregate non-audit fees have been billed to the Fund and to the Service Affiliates by KPMG for non-audit services rendered to the Fund and Service Affiliates for the fiscal years ended May 31, 2014 and May 31, 2015.

A representative of KPMG, if requested by any stockholder, will be present via telephone at the Meeting to respond to appropriate questions from stockholders and will have an opportunity to make a statement if he or she chooses to do so.

5% Beneficial Ownership

At July 24, 2015, to the knowledge of management, the registered stockholders who owned of record or owned beneficially more than 5% of the Fund s capital stock outstanding is noted in the table below. As of the close of business on July 24, 2015, Cede & Co., a nominee for participants in the Depository Trust Company, held of record 31,023,755 shares, equal to approximately 99% of the Fund s outstanding shares, including the shares shown below.

Percent	Name	Address
5.06%(1)	Guggenheim Capital, LLC and its affiliates	227 West Monroe Street Chicago, IL 60606

(1) Based upon information obtained from Schedule 13G filed with the SEC on February 17, 2015.

Submission of Stockholder Proposals and Other Stockholder Communications

All proposals by stockholders of the Fund that are intended to be presented at the 2016 Annual Meeting of Stockholders must be received by the Fund for inclusion in the Fund s proxy statement and proxy relating to that meeting no later than April 30, 2016. Any stockholder who desires to bring a proposal at the 2016 Annual Meeting of Stockholders without including such proposal in the Fund s proxy statement must deliver written notice thereof to the Secretary of the Fund (addressed to c/o Legg Mason, 100 First Stamford Place, 6th Floor, Stamford, CT 06902) during the period from June 27, 2016 to July 27, 2016. However, if the Fund s 2016 Annual Meeting of Stockholders is held earlier than August 26, 2016 or later than November 24, 2016, such written notice must be delivered to the Secretary of the Fund no earlier than 90 days before the date of the 2016 Annual Meeting of Stockholders and no later than the later of 60 days prior to the date of the 2016 Annual Meeting of Stockholders or 10 days following the public announcement of the date of the 2016 Annual Meeting of Stockholders. Stockholder proposals are subject to certain regulations under the federal securities laws.

The Fund s Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, Accounting Matters). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Chief Compliance Officer (CCO). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund s Audit Committee Chair (together with the CCO, Complaint Officers). Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

620 Eighth Avenue, 49th Floor

New York, New York 10018

Complaints may also be submitted by telephone at 1-800-742-5274. Complaints submitted through this number will be received by the CCO.

The Fund s Audit Committee Chair may be contacted at:

Western Asset Global High Income Fund Inc.

Audit Committee Chair

c/o Robert K. Fulton, Esq.

Stradley Ronon Stevens & Young, LLP

2600 One Commerce Square

Philadelphia, PA 19103

A stockholder who wishes to send any other communications to the Board should also deliver such communications to the Secretary of the Fund at 100 First Stamford Place, 6th Floor, Stamford, CT 06902. The Secretary is responsible for determining, in consultation with other officers of the Fund, counsel, and other advisers as appropriate, which stockholder communications will be relayed to the Board.

Expenses of Proxy Solicitation

The costs of preparing, assembling and mailing material in connection with this solicitation of proxies will be borne by the Fund and are expected to be approximately $36,000. Proxies may also be solicited in-person by officers of the Fund and by regular employees of LMPFA or its affiliates, or other representatives of the Fund or by telephone, in addition to the use of mails. Brokerage houses, banks and other fiduciaries may be requested to forward proxy solicitation material to their principals to obtain authorization for the execution of proxies, and will be reimbursed by the Fund for such out-of-pocket expenses.

Other Business

The Fund s Board of Directors does not know of any other matter that may come before the Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the proxy to vote the proxies in accordance with their judgment on that matter.

By Order of the Board of Directors,

Robert I. Frenkel

Secretary

August 28, 2015

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE THEREFORE URGED TO COMPLETE AND SIGN, DATE AND RETURN THE PROXY CARD AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. **PLEASE CAST YOUR PROXY VOTE TODAY!**

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Robert I. Frenkel, George P. Hoyt, Michael Kocur and Barbara Allen and each of them, attorneys and proxies for the undersigned, with full power of substitution and revocation to represent the undersigned and to vote on behalf of the undersigned all shares of Western Asset Global High Income Fund Inc. (the Fund) which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Fund to be held at Legg Mason, 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York on September 25, 2015, at 10:00 a.m., Eastern Daylight Time and at any adjournments thereof (the Meeting). The undersigned hereby acknowledges receipt of the Notice of Meeting and accompanying proxy statement and hereby instructs said attorneys and proxies to vote said shares as indicated hereon. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. A majority of the proxies present and acting at the Meeting in person or by substitute (or, if only one shall be so present, then that one) shall have and may exercise all of the power and authority of said proxies hereunder. The undersigned hereby revokes any proxy previously given.

This proxy, if properly executed, will be voted in the manner directed by the stockholder. If no direction is made, this proxy will be voted FOR the election of the nominees as director.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON SEPTEMBER 25, 2015. The Proxy Statement is available at www.proxyonline.com/docs/leggmason.

Please refer to the Proxy Statement for a discussion of the proposal.

PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE HEREOF AND RETURN THE SIGNED PROXY PROMPTLY IN THE ENCLOSED ENVELOPE.

[PROXY ID NUMBER HERE]	[BAR CODE HERE]	[CUSIP HERE]

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

YOUR SIGNATURE IS REQUIRED FOR YOUR VOTE TO BE COUNTED.

Please sign this proxy card exactly as your name(s) appear(s) on the proxy card. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, the signature should be that of an authorized officer who should state his or her title.

SIGNATURE (AND TITLE IF APPLICABLE) DATE

SIGNATURE (IF HELD JOINTLY) DATE

PLEASE SIGN, DATE AND RETURN PROMPLTY IN THE ENCLOSED ENVELOPE.

PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE. Example: l

	FOR	**WITHHOLD**
The Board of Directors recommends a vote FOR the following proposal:		
1. Election of Directors: (1-3) Class II Directors, to serve until the 2018 Annual Meeting of Stockholders; (4) Class III Director to serve until the 2016 Annual Meeting of Stockholders		
(01) Leslie H. Gelb	O	O
(02) William R. Hutchinson	O	O
(03) Jane E. Trust	O	O
(04) Robert D. Agdern	O	O

THANK YOU FOR VOTING

[PROXY ID NUMBER HERE]	[BAR CODE HERE]	[CUSIP HERE]

Roman" SIZE="2">Miscellaneous (4,388) (5,842)

Total Income Taxes

$111,390 $140,681

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Significant components of the Company s deferred tax liabilities and assets were as follows (in thousands):

	At June 30, 2012	At September 30, 2011
Deferred Tax Liabilities:		
Property, Plant and Equipment	$ 1,227,448	$ 1,062,255
Pension and Other Post-Retirement Benefit Costs	205,684	217,302
Other	68,995	70,389
Total Deferred Tax Liabilities	1,502,127	1,349,946
Deferred Tax Assets:		
Pension and Other Post-Retirement Benefit Costs	(264,080)	(263,606)
Tax Loss Carryforwards	(107,999)	(71,516)
Other	(81,951)	(74,863)
Total Deferred Tax Assets	(454,030)	(409,985)
Total Net Deferred Income Taxes	$ 1,048,097	$ 939,961
Presented as Follows:		
Net Deferred Tax Liability/(Asset) Current	$ (14,727)	$ (15,423)
Net Deferred Tax Liability Non-Current	1,062,824	955,384
Total Net Deferred Income Taxes	$ 1,048,097	$ 939,961

As a result of certain realization requirements of the authoritative guidance on stock-based compensation, the table of deferred tax liabilities and assets shown above does not include certain deferred tax assets that arose directly from excess tax deductions related to stock-based compensation. Cumulative tax benefits of $32.2 million and $19.1 million for the periods ending June 30, 2012 and September 30, 2011, respectively, relating to the excess stock-based compensation deductions will be recorded in Paid in Capital in future years when such tax benefits are realized.

Regulatory liabilities representing the reduction of previously recorded deferred income taxes associated with rate-regulated activities that are expected to be refundable to customers amounted to $65.6 million and $65.5 million at June 30, 2012 and September 30, 2011, respectively. Also, regulatory assets representing future amounts collectible from customers, corresponding to additional deferred income taxes not previously recorded because of prior ratemaking practices, amounted to $147.7 million and $144.4 million at June 30, 2012 and September 30, 2011, respectively.

The Company files U.S. federal and various state income tax returns. The Internal Revenue Service (IRS) is currently conducting examinations of the Company for fiscal 2011 and fiscal 2012 in accordance with the Compliance Assurance Process (CAP). The CAP audit employs a real time review of the Company s books and tax records by the IRS that is intended to permit issue resolution prior to the filing of the tax return. While the federal statute of limitations remains open for fiscal 2009 and later years, IRS examinations for fiscal 2008 and prior years have been completed and the Company believes such years are effectively settled. During fiscal 2009, consent was received from the IRS National Office approving the Company s application to change its tax method of accounting for certain capitalized costs relating to its utility property. Local IRS examiners proposed to disallow most of the tax accounting method change recorded by the Company in fiscal 2009 and fiscal 2010. The Company has filed protests for fiscal 2009 and fiscal 2010 with the IRS Appeals Office disputing the local IRS findings.

The Company is also subject to various routine state income tax examinations. The Company s principal subsidiaries operate mainly in four states which have statutes of limitations that generally expire between three to four years from the date of filing of the income tax return.

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Note 5 Capitalization

Common Stock. During the nine months ended June 30, 2012, the Company issued 442,894 original issue shares of common stock as a result of stock option and SARs exercises and 41,525 original issue shares for restricted stock awards (non-vested stock as defined by the current accounting literature for stock-based compensation). In addition, the Company issued 118,523 original issue shares of common stock for the Direct Stock Purchase and Dividend Reinvestment Plan. The Company also issued 11,705 original issue shares of common stock to the non-employee directors of the Company who receive compensation under the Company s 2009 Non-Employee Director Equity Compensation Plan, as partial consideration for the directors services during the nine months ended June 30, 2012. Holders of stock options, SARs or restricted stock will often tender shares of common stock to the Company for payment of option exercise prices and/or applicable withholding taxes. During the nine months ended June 30, 2012, 156,961 shares of common stock were tendered to the Company for such purposes. The Company considers all shares tendered as cancelled shares restored to the status of authorized but unissued shares, in accordance with New Jersey law.

Current Portion of Long-Term Debt. Current Portion of Long-Term Debt at June 30, 2012 consists of $250 million of 5.25% notes that mature in March 2013. Current Portion of Long-Term Debt at September 30, 2011 consisted of $150 million of 6.70% notes that matured in November 2011.

Long-Term Debt. On December 1, 2011, the Company issued $500.0 million of 4.90% notes due December 1, 2021. After deducting underwriting discounts and commissions, the net proceeds to the Company amounted to $496.1 million. The holders of the notes may require the Company to repurchase their notes at a price equal to 101% of the principal amount in the event of a change in control and a ratings downgrade to a rating below investment grade. The proceeds of this debt issuance were used for general corporate purposes, including refinancing short-term debt that was used to pay the $150 million due at the maturity of the Company s 6.70% notes in November 2011.

Note 6 Commitments and Contingencies

Environmental Matters. The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and to comply with regulatory policies and procedures. It is the Company s policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs.

The Company has agreed with the NYDEC to remediate a former manufactured gas plant site located in New York. In February 2009, the Company received approval from the NYDEC of a Remedial Design Work Plan (RDWP) for this site. In October 2010, the Company submitted a RDWP addendum to conduct additional Preliminary Design Investigation field activities necessary to design a successful remediation. An estimated minimum liability for remediation of this site of $14.0 million has been recorded.

At June 30, 2012, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites (including the former manufactured gas plant site discussed above) will be in the range of $15.5 million to $19.7 million. The minimum estimated liability of $15.5 million, which includes the $14.0 million discussed above, has been recorded in Other Deferred Credits on the Consolidated Balance Sheet at June 30, 2012. The Company expects to recover its environmental clean-up costs through rate recovery.

The Company is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental regulations, new information or other factors could adversely impact the Company.

Other. The Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations and other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While these other matters arising in the normal course of business could have a material effect on earnings and cash flows in the period in which they are resolved, an estimate of the possible loss or range of loss, if any, cannot be made at this time.

Note 7 Business Segment Information

The Company reports financial results for four segments: Utility, Pipeline and Storage, Exploration and Production, and Energy Marketing. The division of the Company s operations into reportable segments is based upon a combination of factors including differences in products and services, regulatory environment and geographic factors.

The data presented in the tables below reflect financial information for the segments and reconciliations to consolidated amounts. As stated in the 2011 Form 10-K, the Company evaluates segment performance based on income before discontinued operations, extraordinary items and cumulative effects of changes in accounting (when applicable). When these items are not applicable, the Company evaluates performance based on net income. There have been no changes in the basis of segmentation nor in the basis of measuring segment profit or loss from those used in the Company s 2011 Form 10-K. As for segment assets, the significant changes from the segment assets disclosed in the 2011 Form 10-K involve the Exploration and Production, Utility, and Pipeline and Storage segments as well as the All Other category. Total Exploration and Production segment assets, Utility segment assets and Pipeline and Storage segment assets have increased by $474.4 million, $28.9 million, and $23.1 million, respectively, during the nine months ended June 30, 2012. The All Other category assets have increased by $35.9 million during the nine months ended June 30, 2012.

Quarter Ended June 30, 2012 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 117,240	$ 36,631	$ 138,549	$ 35,377	$ 327,797	$ 824	$ 240	$ 328,861
Intersegment Revenues	$ 2,703	$ 22,076	$	$ 579	$ 25,358	$ 4,307	$ (29,665)	$
Segment Profit:								
Net Income (Loss)	$ 5,096	$ 12,627	$ 21,915	$ 923	$ 40,561	$ 2,815	$ (192)	$ 43,184

Nine Months Ended June 30, 2012 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 622,836	$ 113,976	$ 411,449	$ 161,822	$ 1,310,083	$ 2,784	$ 726	$ 1,313,593
Intersegment Revenues	$ 12,643	$ 64,434	$	$ 1,135	$ 78,212	$ 10,828	$ (89,040)	$
Segment Profit:								
Net Income (Loss)	$ 52,725	$ 35,428	$ 74,422	$ 4,662	$ 167,237	$ 5,557	$ (1,519)	$ 171,275

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Quarter Ended June 30, 2011 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 146,215	$ 29,933	$ 130,974	$ 71,746	$ 378,868	$ 1,873	$ 238	$ 380,979
Intersegment Revenues	$ 3,475	$ 20,324	$	$ 156	$ 23,955	$ 2,810	$ (26,765)	$
Segment Profit:								
Net Income (Loss)	$ 6,328	$ 4,503	$ 32,784	$ 1,891	$ 45,506	$ 2,713	$ (1,328)	$ 46,891

Nine Months Ended June 30, 2011 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 750,802	$ 103,115	$ 388,571	$ 246,719	$ 1,489,207	$ 2,895	$ 706	$ 1,492,808
Intersegment Revenues	$ 14,680	$ 60,838	$	$ 156	$ 75,674	$ 7,026	$ (82,700)	$
Segment Profit:								
Net Income (Loss)	$ 62,399	$ 24,036	$ 93,455	$ 9,122	$ 189,012	$ 34,320	$ (2,287)	$ 221,045

Note 8 Retirement Plan and Other Post-Retirement Benefits

Components of Net Periodic Benefit Cost (in thousands):

Three months ended June 30,

	Retirement Plan		Other Post-Retirement Benefits	
	2012	2011	2012	2011
Service Cost	$ 3,551	$ 3,693	$ 1,004	$ 1,069
Interest Cost	10,381	10,669	5,329	5,471
Expected Return on Plan Assets	(14,925)	(14,776)	(7,243)	(7,291)
Amortization of Prior Service Cost	67	147	(534)	(427)
Amortization of Transition Amount			3	135
Amortization of Losses	9,904	8,718	6,014	5,948
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) [1]	(2,252)	(2,346)	718	1,602
	$ 6,726	$ 6,105	$ 5,291	$ 6,507

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Nine months ended June 30,	Retirement Plan		Other Post-Retirement Benefits	
	2012	2011	2012	2011
Service Cost	$ 10,652	$ 11,079	$ 3,012	$ 3,207
Interest Cost	31,144	32,007	15,986	16,413
Expected Return on Plan Assets	(44,776)	(44,328)	(21,728)	(21,873)
Amortization of Prior Service Cost	202	441	(1,604)	(1,282)
Amortization of Transition Amount			8	405
Amortization of Losses	29,711	26,155	18,043	17,845
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) (1)	(1,896)	(584)	7,993	9,564
Net Periodic Benefit Cost	$ 25,037	$ 24,770	$ 21,710	$ 24,279

(1) The Company s policy is to record retirement plan and other post-retirement benefit costs in the Utility segment on a volumetric basis to reflect the fact that the Utility segment experiences higher throughput of natural gas in the winter months and lower throughput of natural gas in the summer months.

Employer Contributions. During the nine months ended June 30, 2012, the Company contributed $31.8 million to its tax-qualified, noncontributory defined-benefit retirement plan (Retirement Plan) and $18.9 million to its VEBA trusts and 401(h) accounts for its other post-retirement benefits. In the remainder of 2012, the Company expects to contribute $12.2 million to the Retirement Plan. Changes in the discount rate, other actuarial assumptions, and asset performance could ultimately cause the Company to fund larger amounts to the Retirement Plan in fiscal 2012 in order to be in compliance with the Pension Protection Act of 2006. In the remainder of 2012, the Company expects to contribute between $2.0 million and $3.0 million to its VEBA trusts and 401(h) accounts.

In July 2012, the Surface Transportation Extension Act, which is also referred to as the Moving Ahead for Progress in the 21st Century Act (the Act), was passed by Congress and signed by the President. The Act included pension funding stabilization provisions. The Company is currently in the process of evaluating the provisions of the Act.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Please note that this overview is a high-level summary of items that are discussed in greater detail in subsequent sections of this report.

The Company is a diversified energy holding company that owns a number of subsidiary operating companies, and reports financial results in four reportable business segments. For the quarter ended June 30, 2012 compared to the quarter ended June 30, 2011, the Company experienced a decrease in earnings of $3.7 million. The earnings decrease for the quarter is primarily due to lower earnings in the Exploration and Production segment, Utility segment, and Energy Marketing segment, partially offset by higher earnings in the Pipeline and Storage segment. For the nine months ended June 30, 2012 compared to the nine months ended June 30, 2011, the Company experienced a decrease in earnings of $49.7 million. The earnings decrease for the nine-month period was primarily driven by the recognition of a gain on the sale of unconsolidated subsidiaries of $50.9 million ($31.4 million after tax) during the quarter ended March 31, 2011 in the All Other category that did not recur during the nine months ended June 30, 2012. In February 2011, the Company sold its 50% equity method investments in Seneca Energy and Model City for $59.4 million. Seneca Energy and Model City generated and sold electricity using methane gas obtained from landfills owned by outside parties. The sale was the result of the Company s strategy to pursue the sale of smaller, non-core assets in order to focus on its core businesses, including the development of the Marcellus Shale and the expansion of its pipeline business throughout the Appalachian region. Lower earnings in the Exploration and Production segment, Utility segment and Energy Marketing segment also contributed to the decrease in earnings for the nine-month period, partly offset by higher earnings in the Pipeline and Storage segment. For further discussion of the Company s earnings, refer to the Results of Operations section below.

The Company s natural gas reserve base has grown substantially in recent years from development in the Marcellus Shale, a Middle Devonian-age geological shale formation that is present nearly a mile or more below the surface in the Appalachian region of the United States, including much of Pennsylvania and southern New York. Natural gas proved developed and undeveloped reserves in the Appalachian region increased from 331 Bcf at September 30, 2010 to 607 Bcf at September 30, 2011. The Company has spent significant amounts of capital in this region related to the development of such reserves. For the nine months ended June 30, 2012, the Company spent $500.4 million towards the development of the Marcellus Shale. However, while the Company remains focused on the development of the Marcellus Shale, the current low natural gas price environment has caused some significant changes to the Company s near term plans. First of all, the Company has announced a reduction in drilling activity under its Marcellus Shale joint venture agreement with EOG Resources, Inc. Along with this change, the Company has reduced its estimated capital expenditures in the Appalachian region to $382.5 million for fiscal 2013. Forecasted production in the Appalachian region for fiscal 2013 has been reduced from a range of 80 to 93 Bcfe to a range of 72 to 83 Bcfe.

While the Company s development of its Marcellus Shale acreage in the Exploration and Production segment has slowed, the Company s Pipeline and Storage segment continues to build pipeline gathering and transmission facilities to connect Marcellus Shale production with existing pipelines in the region and is pursuing the development of additional pipeline and storage capacity in order to meet anticipated demand for the large amount of Marcellus Shale production expected to come on-line in the months and years to come. One such project, Empire s Tioga County Extension Project, was placed in service in November 2011. Supply Corporation s planned Northern Access expansion project is also considered significant. Just like the Tioga County Extension Project, the Northern Access expansion project is designed to receive natural gas produced from the Marcellus Shale and transport it to Canada and the Northeast United States to meet growing demand in those areas. Service for the Northern Access expansion project is expected to begin in November 2012. These projects, which are discussed more completely in the Investing Cash Flow section that follows, have or will involve significant capital expenditures.

From a capital resources perspective, the Company has largely been able to meet its capital expenditure needs for all of the above projects by using cash from operations. In addition, the Company s December 2011 issuance of $500.0 million of 4.90% notes due in December 2021 enhanced its liquidity position to meet these needs. On January 6, 2012, the Company entered into an Amended and Restated Credit Agreement that replaced the Company s $300.0 million committed credit facility with a similar committed credit facility totaling $750.0 million that extends to January 6, 2017.

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The possibility of environmental risks associated with a well completion technology referred to as hydraulic fracturing continues to be debated. In Pennsylvania, where the Company is focusing its Marcellus Shale development efforts, the permitting and regulatory processes seem to strike a balance between the environmental concerns associated with hydraulic fracturing and the benefits of increased natural gas production. Hydraulic fracturing is a well stimulation technique that has been used for many years, and in the Company s experience, one that the Company believes has little negative impact to the environment. Nonetheless, the potential for increased state or federal regulation of hydraulic fracturing could impact future costs of drilling in the Marcellus Shale and lead to operational delays or restrictions. There is also the risk that drilling could be prohibited on certain acreage that is prospective for the Marcellus Shale. For example, New York State had a moratorium in place that prevented hydraulic fracturing of new horizontal wells in the Marcellus Shale. The moratorium ended in July 2011 and the NYDEC has issued its recommendations for shale development and production. However, the recommendations have not gone into effect to date. Due to the small amount of Marcellus Shale acreage owned by the Company in New York State, the final outcome of the NYDEC s recommendations are not expected to have a significant impact on the Company s plans for Marcellus Shale development. Please refer to the Risk Factors section of the Form 10-K for the year ended September 30, 2011 for further discussion.

CRITICAL ACCOUNTING ESTIMATES

For a complete discussion of critical accounting estimates, refer to Critical Accounting Estimates in Item 7 of the Company s 2011 Form 10-K and Item 2 of the Company s December 31, 2011 and March 31, 2012 Form 10-Qs. There have been no material changes to those disclosures other than as set forth below. The information presented below updates and should be read in conjunction with the critical accounting estimates in those documents.

Oil and Gas Exploration and Development Costs. The Company, in its Exploration and Production segment, follows the full cost method of accounting for determining the book value of its oil and natural gas properties. In accordance with this methodology, the Company is required to perform a quarterly ceiling test. Under the ceiling test, the present value of future revenues from the Company s oil and gas reserves based on an unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve-month period prior to the end of the reporting period (the ceiling) is compared with the book value of the Company s oil and gas properties at the balance sheet date. If the book value of the oil and gas properties exceeds the ceiling, a non-cash impairment charge must be recorded to reduce the book value of the oil and gas properties to the calculated ceiling. At June 30, 2012, the ceiling exceeded the book value of the oil and gas properties by approximately $107.0 million. The 12-month average of the first day of the month price for crude oil for each month during the twelve months ended June 30, 2012, based on posted Midway Sunset prices, was $106.03 per Bbl. The 12-month average of the first day of the month price for natural gas for each month during the twelve months ended June 30, 2012, based on the quoted Henry Hub spot price for natural gas, was $3.15 per MMBtu. (Note Because actual pricing of the Company s various producing properties varies depending on their location and hedging, the actual various prices received for such production is utilized to calculate the ceiling, rather than the Midway Sunset and Henry Hub prices, which are only indicative of 12-month average prices for the twelve months ended June 30, 2012.) If natural gas average prices used in the ceiling test calculation at June 30, 2012 had been $1 per MMBtu lower, the book value of the Company s oil and gas properties would have exceeded the ceiling by approximately $65.8 million, which would have resulted in an impairment charge. If crude oil average prices used in the ceiling test calculation at June 30, 2012 had been $5 per Bbl lower, the ceiling would have exceeded the book value of the Company s oil and gas properties by approximately $60.7 million, which would not have resulted in an impairment charge. If both natural gas and crude oil average prices used in the ceiling test calculation at June 30, 2012 were lower by $1 per MMBtu and $5 per Bbl, respectively, the book value of the Company s oil and gas properties would have exceeded the ceiling by approximately $111.6 million, which would have resulted in an impairment charge. These calculated amounts are based solely on price changes and do not take into account any other changes to the ceiling test calculation. For a more complete discussion of the full cost method of accounting, refer to Oil and Gas Exploration and Development Costs under Critical Accounting Estimates in Item 7 of the Company s 2011 Form 10-K.

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RESULTS OF OPERATIONS

Earnings

The Company s earnings were $43.2 million for the quarter ended June 30, 2012 compared with earnings of $46.9 million for the quarter ended June 30, 2011. The decrease in earnings of $3.7 million is primarily a result of lower earnings in the Exploration and Production segment, Utility segment and Energy Marketing segment. Higher earnings in the Pipeline and Storage segment and the All Other category, as well as a lower loss in the Corporate category partially offset these decreases.

The Company s earnings were $171.3 million for the nine months ended June 30, 2012 compared to earnings of $221.0 million for the nine months ended June 30, 2011. The decrease in earnings of $49.7 million is primarily a result of lower earnings in the All Other category, Exploration and Production segment, Utility segment and Energy Marketing segment. Higher earnings in the Pipeline and Storage segment and a lower loss in the Corporate category partially offset these decreases. The Company s earnings for the nine months ended June 30, 2011 include a $50.9 million ($31.4 million after tax) gain on the sale of unconsolidated subsidiaries as a result of the Company s sale of its 50% equity method investments in Seneca Energy and Model City, as discussed above.

Additional discussion of earnings in each of the business segments can be found in the business segment information that follows. Note that all amounts used in the earnings discussions are after-tax amounts, unless otherwise noted.

Earnings (Loss) by Segment

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Utility	$ 5,096	$ 6,328	$ (1,232)	$ 52,725	$ 62,399	$ (9,674)
Pipeline and Storage	12,627	4,503	8,124	35,428	24,036	11,392
Exploration and Production	21,915	32,784	(10,869)	74,422	93,455	(19,033)
Energy Marketing	923	1,891	(968)	4,662	9,122	(4,460)
Total Reportable Segments	40,561	45,506	(4,945)	167,237	189,012	(21,775)
All Other	2,815	2,713	102	5,557	34,320	(28,763)
Corporate	(192)	(1,328)	1,136	(1,519)	(2,287)	768
Total Consolidated	$ 43,184	$ 46,891	$ (3,707)	$ 171,275	$ 221,045	$ (49,770)

Utility

Utility Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Retail Sales Revenues:						
Residential	$ 82,738	$ 105,001	$ (22,263)	$ 438,409	$ 545,786	$ (107,377)
Commercial	9,262	12,474	(3,212)	55,115	73,833	(18,718)
Industrial	1,005	807	198	3,703	4,951	(1,248)
	93,005	118,282	(25,277)	497,227	624,570	(127,343)

Transportation	24,850	25,016	(166)	102,938	105,380	(2,442)
Off-System Sales		3,976	(3,976)	27,010	29,564	(2,554)
Other	2,088	2,416	(328)	8,304	5,968	2,336
	$ 119,943	$ 149,690	$ (29,747)	$ 635,479	$ 765,482	$ (130,003)

Utility Throughput

(MMcf)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Increase (Decrease)	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011	Increase (Decrease)
Retail Sales:						
Residential	7,543	8,867	(1,324)	43,476	54,075	(10,599)
Commercial	954	1,203	(249)	6,109	8,044	(1,935)
Industrial	168	79	89	456	618	(162)
	8,665	10,149	(1,484)	50,041	62,737	(12,696)
Transportation	12,016	12,335	(319)	51,663	57,916	(6,253)
Off-System Sales		867	(867)	9,544	6,188	3,356
	20,681	23,351	(2,670)	111,248	126,841	(15,593)

Degree Days

	Normal	2012	2011	Percent Colder (Warmer) Than Normal[1]	Percent Colder (Warmer) Than Prior Year[1]
Three Months Ended June 30					
Buffalo	927	751	848	(19.0)	(11.4)
Erie	885	751	814	(15.1)	(7.7)
Nine Months Ended June 30					
Buffalo	6,551	5,171	6,674	(21.1)	(22.5)
Erie	6,142	4,875	6,286	(20.6)	(22.4)

(1) Percents compare actual 2012 degree days to normal degree days and actual 2012 degree days to actual 2011 degree days.

2012 Compared with 2011

Operating revenues for the Utility segment decreased $29.7 million for the quarter ended June 30, 2012 as compared with the quarter ended June 30, 2011. This decrease largely resulted from a $25.3 million decrease in retail gas sales revenues. The decrease in retail gas sales revenues was primarily due to warmer weather combined with the recovery of lower gas costs (subject to certain timing variations, gas costs are recovered dollar for dollar in revenues). The recovery of lower gas costs resulted from lower volumes sold combined with a lower cost of purchased gas. The Utility segment s average cost of purchased gas, including the cost of transportation and storage, was $4.46 per Mcf for the three months ended June 30, 2012, a decrease of 30.6% from the average cost of $6.43 per Mcf for the three months ended June 30, 2011.

Off-system sales decreased from $4.0 million during the quarter ended June 30, 2011 to zero during the quarter ended June 30, 2012. The lack of off-system sales during the quarter ended June 30, 2012 is a result of a change in gas purchase strategy whereby Distribution Corporation has eliminated contractual commitments to purchase gas from the southwest region of the United States during the April through October time period. With the elimination of such commitments, there is a corresponding reduction in the ability to conduct off-system sales. Distribution Corporation intends to meet its gas purchase needs through the spot market during the April through October time frame. It will continue to maintain contractual commitments to purchase gas from the southwest region of the United States during the November through March time period. Due to profit sharing with retail customers, the margins resulting from off-system sales are minimal and there is not a material impact to margins.

Operating revenues for the Utility segment decreased $130.0 million for the nine months ended June 30, 2012 as compared with the nine months ended June 30, 2011. This decrease largely resulted from a $127.3 million decrease in retail gas sales revenues. The decrease in retail gas sales revenues was primarily due to warmer weather combined with the recovery of lower gas costs (subject to certain timing

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variations, gas costs are recovered dollar for dollar in revenues). The recovery of lower gas costs resulted from lower volumes sold combined with a lower cost of purchased gas. The Utility segment s average cost of purchased gas, including the cost of transportation and storage, was $5.03 per Mcf for the nine months ended June 30, 2012, a decrease of 19.6% from the average cost of $6.26 per Mcf for the nine months ended June 30, 2011.

The decrease in off-system sales revenues of $2.6 million for the nine months ended June 30, 2012 is primarily a result of the change in gas purchase strategy discussed above for the quarter ending June 30, 2012. Prior to the quarter ending June 30, 2012, off-system sales revenues and volumes had increased over the prior year. Due to profit sharing with retail customers, the margins resulting from off-system sales are minimal and there is not a material impact to margins. The decrease in transportation revenues of $2.4 million for the nine months ended June 30, 2012 is primarily due to a 6.3 Bcf decrease in throughput (primarily due to warmer weather). The decrease in transportation revenues was partially offset by a migration of customers from retail sales to transportation services. The $2.3 million increase in other operating revenues for the nine months ended June 30, 2012 was largely attributable to a regulatory adjustment to increase a previous undercollection of pension and other post-retirement benefit costs.

The Utility segment s earnings for the quarter ended June 30, 2012 were $5.1 million, a decrease of $1.2 million when compared with earnings of $6.3 million for the quarter ended June 30, 2011. The decrease in earnings is largely attributable to warmer weather ($2.3 million). In addition, earnings were negatively impacted by higher depreciation of $0.7 million and higher income tax expense of $0.8 million. The increase in depreciation was largely due to depreciation adjustments for certain assets. The increase in income tax expense was largely due to higher state income tax and a provision to return adjustment recorded in 2012. These decreases were partially offset by lower operating expenses of $0.8 million, lower property, franchise and other taxes of $0.3 million, higher usage per account of $0.7 million and the positive earnings impact of lower interest expense of $0.4 million (largely due to lower interest on deferred gas costs). The phrase usage per account refers to average gas consumption per account after factoring out any impact that weather may have had on consumption. The decrease in operating expenses was due to various cost-saving measures. The decrease in property, franchise and other taxes, which includes FICA taxes, is largely due to lower personnel costs and lower property taxes (as a result of a decrease in assessed property values).

The impact of weather variations on earnings in the New York jurisdiction is mitigated by that jurisdiction s weather normalization clause (WNC). The WNC in New York, which covers the eight-month period from October through May, has had a stabilizing effect on earnings for the New York rate jurisdiction. In addition, in periods of colder than normal weather, the WNC benefits the Utility segment s New York customers. For the quarter ended June 30, 2012, the WNC preserved earnings of approximately $1.2 million, as the weather was warmer than normal. For the quarter ended June 30, 2011, the WNC reduced earnings by $0.2 million, as it was colder than normal.

The Utility segment s earnings for the nine months ended June 30, 2012 were $52.7 million, a decrease of $9.7 million when compared with earnings of $62.4 million for the nine months ended June 30, 2011. The decrease in earnings is largely attributable to warmer weather ($10.0 million). In addition, earnings were negatively impacted by higher depreciation of $1.0 million (as a result of the adjustments discussed above), regulatory true-up adjustments of $0.9 million associated with the Lower Income Residential Assistance Program and higher income tax expense of $1.4 million (as a result of higher state income tax and a provision to return adjustment recorded in 2012). These decreases were partially offset by lower property, franchise and other taxes of $0.7 million, higher usage per account of $0.9 million and the positive earnings impact of lower interest expense of $1.1 million (largely due to lower interest on deferred gas costs). The decrease in property, franchise and other taxes, which includes FICA taxes, is largely due to lower personnel costs and lower property taxes (as a result of a decrease in assessed property values).

For the nine months ended June 30, 2012, the WNC preserved earnings of approximately $5.9 million, as the weather was warmer than normal. For the nine months ended June 30, 2011, the WNC reduced earnings by $1.0 million, as it was colder than normal.

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Pipeline and Storage

Pipeline and Storage Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Firm Transportation	$ 40,065	$ 31,208	$ 8,857	$ 124,204	$ 103,448	$ 20,756
Interruptible Transportation	318	305	13	1,056	1,035	21
	40,383	31,513	8,870	125,260	104,483	20,777
Firm Storage Service	17,226	16,629	597	50,408	50,090	318
Interruptible Storage Service	7		7	7	19	(12)
Other	1,091	2,115	(1,024)	2,735	9,361	(6,626)
	$ 58,707	$ 50,257	$ 8,450	$ 178,410	$ 163,953	$ 14,457

Pipeline and Storage Throughput

	Three Months Ended June 30,			Nine Months Ended June 30,		
(MMcf)	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Firm Transportation	79,921	53,326	26,595	281,579	266,545	15,034
Interruptible Transportation	247	489	(242)	1,511	1,709	(198)
	80,168	53,815	26,353	283,090	268,254	14,836

2012 Compared with 2011

Operating revenues for the Pipeline and Storage segment increased $8.5 million in the quarter ended June 30, 2012 as compared with the quarter ended June 30, 2011. The increase was primarily due to an increase in transportation revenues of $8.9 million, largely due to new contracts for transportation service on Supply Corporation s Line N Expansion Project, which was placed in service in October 2011, and Empire s Tioga County Extension Project, which was placed in service in November 2011. Both projects provide pipeline capacity for Marcellus Shale production and are discussed in the Investing Cash Flow section that follows. Additionally, effective May 2012, both transportation and storage revenues increased due to an overall net increase in tariff rates as a result of the implementation of Supply Corporation s proposed rate case settlement. The rate case and proposed settlement are discussed further in the Rate and Regulatory Matters section. These increases more than offset a reduction in transportation revenues due to the turnback of other pipeline capacity at Niagara. The increase in transportation and storage revenues were partially offset by a decrease in efficiency gas revenues of $1.2 million (reported as a part of other revenue in the table above) resulting from lower natural gas prices and lower efficiency gas volumes. Prior to May 2012, under Supply Corporation s previous tariff with shippers, Supply Corporation was allowed to retain a set percentage of shipper-supplied gas as compressor fuel and for other operational purposes. To the extent that Supply Corporation did not need all of the gas to cover such operational needs, it was allowed to keep the excess gas as inventory. That inventory would later be sold to buyers on the open market. The excess gas that was retained as inventory, as well as any gains resulting from the sale of such inventory, represented efficiency gas revenue to Supply Corporation. Effective with the implementation of the proposed rate settlement mentioned above, Supply Corporation implemented a tracking mechanism, thus eliminating the impact efficiency gas had to revenues and earnings prior to the proposed rate settlement.

Operating revenues for the Pipeline and Storage segment for the nine months ended June 30, 2012 increased $14.5 million as compared with the nine months ended June 30, 2011. The increase was primarily due to an increase in transportation revenues of $20.8 million, which was primarily the result of new contracts for transportation service on Supply Corporation s Line N Expansion Project and Empire s Tioga County

Extension Project, as discussed above, which more than offset a decline in transportation revenues due to the turnback of other pipeline capacity at Niagara. The increase in transportation revenues was partially offset by a decrease in efficiency gas revenues of $6.8 million resulting from lower natural gas prices, lower efficiency gas volumes and adjustments to reduce the carrying value of Supply Corporation s efficiency gas inventory to market value during the nine months ended June 30, 2012. To a lesser extent, the variations reflect the impact of implementing a proposed rate settlement in May 2012. As discussed above for the quarter, the proposed settlement resulted in higher transportation and storage rates and established a tracking mechanism for gas retained from customers.

Transportation volumes for the quarter ended June 30, 2012 increased by 26.4 Bcf from the prior year s quarter. For the nine months ended June 30, 2012, transportation volumes increased by 14.8 Bcf from the prior year s nine-month period. The large increase in transportation volumes for the quarter primarily reflects an increase in deliveries for power generation on Empire s system. On a year-to-date basis, higher transportation volumes for power generation on Empire s system during the quarter ended June 30, 2012 more than offset lower transportation volumes experienced by both Supply Corporation and Empire during the first six months of the fiscal year due to warmer weather during the fall and winter. Volume fluctuations generally do not have a significant impact on revenues as a result of the straight fixed-variable rate design utilized by Supply Corporation and Empire.

The Pipeline and Storage segment s earnings for the quarter ended June 30, 2012 were $12.6 million, an increase of $8.1 million when compared with earnings of $4.5 million for the quarter ended June 30, 2011. The increase in earnings is primarily due to the earnings impact of higher transportation revenues of $5.8 million, as discussed above, combined with lower operating expenses ($2.1 million) and a lower effective tax rate ($0.8 million). The decrease in operating expenses can be attributed primarily to a decrease in other post-retirement benefits expense, a decline in compressor station maintenance costs, a gain on disposal of property, plant and equipment in the current quarter versus the write-off of expired and unused storage rights in the prior-year quarter and a decrease in the reserve for preliminary project costs. The decrease in other post-retirement benefits expense reflects the implementation of Supply Corporation s proposed rate settlement. Absent significant changes in actuarial assumptions, it is expected that Supply Corporation will have lower post-retirement benefit costs under this proposed settlement. The proposed settlement does not include a tracking mechanism related to post-retirement benefit costs. The lower effective tax rate was due to a return to provision adjustment in the current quarter. The earnings increases were partially offset by the earnings impact associated with lower efficiency gas revenues ($0.8 million), as discussed above.

The Pipeline and Storage segment s earnings for the nine months ended June 30, 2012 were $35.4 million, an increase of $11.4 million when compared with earnings of $24.0 million for the nine months ended June 30, 2011. The increase in earnings is primarily due to the earnings impact of higher transportation revenues of $13.5 million, lower operating expenses ($2.0 million) and a lower effective tax rate ($1.0 million), all of which are discussed above, combined with an increase in the allowance for funds used during construction (equity component) of $0.7 million mainly due to construction during the nine months ended June 30, 2012 on Supply Corporation s Northern Access Expansion Project, Line N 2012 Expansion Project and Empire s Tioga County Extension Project. These earnings increases were partially offset by the earnings impact associated with lower efficiency gas revenues ($4.4 million), as discussed above, and higher depreciation expense ($1.1 million). The increase in depreciation expense is mostly the result of additional projects that were placed in service in the last year offset partially by a decrease in depreciation rates as of May 2012 as a result of Supply Corporation s proposed rate case settlement.

Exploration and Production

Exploration and Production Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Gas (after Hedging)	$ 69,943	$ 70,849	$ (906)	$ 201,655	$ 202,114	$ (459)
Oil (after Hedging)	64,664	56,058	8,606	198,056	176,088	21,968
Gas Processing Plant	5,966	7,379	(1,413)	19,212	20,721	(1,509)
Other	(50)	337	(387)	108	265	(157)
Intrasegment Elimination [1]	(1,974)	(3,649)	1,675	(7,582)	(10,617)	3,035
	$ 138,549	$ 130,974	$ 7,575	$ 411,449	$ 388,571	$ 22,878

[1] Represents the elimination of certain West Coast gas production revenue included in Gas (after Hedging) in the table above that was sold to the gas processing plant shown in the table above. An elimination for the same dollar amount was made to reduce the gas processing

plant s Purchased Gas expense.

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Production Volumes	Three Months Ended June 30,			Nine Months Ended June 30,		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Gas Production *(MMcf)*						
Appalachia	16,778	12,090	4,688	43,125	31,020	12,105
West Coast	1,025	826	199	2,670	2,616	54
Gulf Coast		22	(22)		4,092	(4,092)
Total Production	17,803	12,938	4,865	45,795	37,728	8,067
Oil Production *(Mbbl)*						
Appalachia	11	13	(2)	29	35	(6)
West Coast	710	661	49	2,136	1,958	178
Gulf Coast [1]		(9)	9		187	(187)
Total Production	721	665	56	2,165	2,180	(15)

(1) The sale of Gulf Coast properties in April 2011 and various adjustments to prior months production resulted in negative oil production.

Average Prices

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Average Gas Price/Mcf						
Appalachia	$ 2.14	$ 4.55	$ (2.41)	$ 2.70	$ 4.36	$ (1.66)
West Coast	$ 2.97	$ 4.87	$ (1.90)	$ 3.74	$ 4.40	$ (0.66)
Gulf Coast	N/M	N/M	N/M	N/M	$ 5.02	N/M
Weighted Average	$ 2.19	$ 4.67	$ (2.48)	$ 2.76	$ 4.44	$ (1.68)
Weighted Average After Hedging	$ 3.93	$ 5.48	$ (1.55)	$ 4.40	$ 5.36	$ (0.96)
Average Oil Price/Bbl						
Appalachia	$ 95.43	$ 92.89	$ 2.54	$ 94.24	$ 87.36	$ 6.88
West Coast	$ 104.24	$ 108.30	$ (4.06)	$ 108.56	$ 94.74	$ 13.82
Gulf Coast	N/M	N/M	N/M	N/M	$ 88.57	N/M
Weighted Average	$ 104.11	$ 107.97	$ (3.86)	$ 108.37	$ 94.10	$ 14.27
Weighted Average After Hedging	$ 89.70	$ 84.37	$ 5.33	$ 91.50	$ 80.78	$ 10.72

2012 Compared with 2011

Operating revenues for the Exploration and Production segment increased $7.6 million for the quarter ended June 30, 2012 as compared with the quarter ended June 30, 2011. Oil production revenue after hedging increased $8.6 million, largely due to a $5.33 per Bbl increase in the weighted average price of crude oil after hedging coupled with an increase in production. A $0.9 million decrease in natural gas production revenue partially offset this increase. The decrease in natural gas production revenue was due to a $1.55 per Mcf decrease in the weighted average price of natural gas after hedging, offset substantially by an increase in Appalachian natural gas production. The increase in Appalachian production was primarily due to increased development within the Marcellus Shale formation, mainly in Tioga County, Pennsylvania with additional Marcellus Shale production from Lycoming County, Pennsylvania.

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Operating revenues for the Exploration and Production segment increased $22.9 million for the nine months ended June 30, 2012 as compared with the nine months ended June 30, 2011. Oil production revenue after hedging increased $22.0 million due to an increase in the weighted average price of oil after hedging ($10.72 per Bbl). While oil production increased in the West Coast region, it was more than offset by the decrease in oil production stemming from the sale of this segment s offshore oil and natural gas properties in April 2011. In addition, there was a $1.5 million increase in processing plant revenues (net of eliminations) due to a lower cost of gas used in the West Coast processing plant. Partially offsetting these increases was a $0.5 million reduction in gas production revenue after hedging as increases in Appalachian natural gas production were more than offset by the reduction in the weighted average price of natural gas ($0.96 per Mcf) combined with a decrease in natural gas production resulting from the aforementioned sale in April 2011.

The Exploration and Production segment s earnings for the quarter ended June 30, 2012 were $21.9 million, a decrease of $10.9 million when compared with earnings of $32.8 million for the quarter ended June 30, 2011. This was largely attributable to lower natural gas prices after hedging ($17.9 million). In addition, higher depletion expense ($10.1 million), higher general, administrative and other operating expenses ($1.4 million), higher interest expense ($2.9 million), and higher lease operating expenses ($2.0 million) further reduced earnings. The increase in depletion expense is primarily due to an increase in depletable base (due to increased capital spending in the Appalachian region) and production. Higher personnel costs led to increases in general, administrative and other operating expenses. The increase in lease operating expense is largely attributable to higher transportation, compression, water disposal, equipment rental and repair costs in the Appalachian region. The increase in interest expense was attributable to an increase in the weighted average amount of debt (due to the Exploration and Production segment s share ($470 million) of the $500 million long-term debt issuance in December 2011). In addition, the $1.7 million accrual of a new impact fee imposed by Pennsylvania in 2012 (retroactively applied to all wells) further reduced earnings. These earnings decreases were partially offset by higher natural gas production ($17.3 million), higher crude oil production ($3.1 million), higher crude oil prices ($2.5 million), and the positive earnings impact of lower income taxes ($1.6 million). The reduction in income taxes was due to changes in state allocation rates.

The Exploration and Production segment s earnings for the nine months ended June 30, 2012 were $74.4 million, a decrease of $19.1 million when compared with earnings of $93.5 million for the nine months ended June 30, 2011. Lower natural gas and crude oil revenues ($24.5 million) due to the sale of the offshore oil and natural gas properties in April 2011 contributed to the decrease in earnings. In the Appalachian and West Coast regions, lower natural gas prices after hedging also decreased earnings ($28.2 million). In addition, earnings were reduced by higher depletion expense ($16.7 million), higher interest expense ($4.4 million), higher lease operating expenses ($4.2 million), and higher general, administrative and other expenses ($3.6 million). The increase in depletion expense is primarily due to an increase in depletable base and production. The long-term debt issuance discussed above led to the increase in interest expense. The increase in lease operating expense is largely attributable to higher transportation, compression costs, water disposal, equipment rental and repair costs in the Appalachian region. Higher personnel costs led to increases in general, administrative and other operating expenses. In addition, the $8.1 million accrual of a new impact fee imposed by Pennsylvania in 2012 (retroactively applied to all wells) further reduced earnings. These earnings decreases were partially offset by higher Appalachian and West Coast natural gas production ($41.5 million), higher Appalachian and West Coast crude oil production ($9.1 million), higher Appalachian and West Coast crude oil prices ($16.0 million), higher processing plant revenues ($1.0 million), and the positive earnings impact of lower property and other taxes ($2.0 million). The reduction in property and other taxes was due to a revision of the California property tax liability in January 2011, which led to an increase in West Coast property taxes in 2011 that did not recur in 2012. The sale of the offshore oil and natural gas properties in April 2011 led to a further reduction of property and other taxes.

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Energy Marketing

Energy Marketing Operating Revenues

(Thousands)	Three Months Ended June 30, 2012	2011	Decrease	Nine Months Ended June 30, 2012	2011	Decrease
Natural Gas (after Hedging)	$ 35,950	$ 71,892	$ (35,942)	$ 162,923	$ 246,825	$ (83,902)
Other	6	10	(4)	34	50	(16)
	$ 35,956	$ 71,902	$ (35,946)	$ 162,957	$ 246,875	$ (83,918)

Energy Marketing Volume

	Three Months Ended June 30, 2012	2011	Decrease	Nine Months Ended June 30, 2012	2011	Decrease
Natural Gas (MMcf)	10,818	13,508	(2,690)	38,857	45,863	(7,006)

2012 Compared with 2011

Operating revenues for the Energy Marketing segment decreased $35.9 million and $83.9 million for the quarter and nine months ended June 30, 2012, as compared with the quarter and nine months ended June 30, 2011. The decrease for both the quarter and nine months ended June 30, 2012 reflects a decline in gas sales revenue due to a lower average price of natural gas and a decrease in volume sold. Warmer weather is primarily responsible for the decrease in volume.

The Energy Marketing segment s earnings for the quarter ended June 30, 2012 were $0.9 million, a decrease of $1.0 million when compared with earnings of $1.9 million for the quarter ended June 30, 2011. The Energy Marketing segment s earnings for the nine months ended June 30, 2012 were $4.7 million, a decrease of $4.4 million when compared with earnings of $9.1 million for the nine months ended June 30, 2011. These decreases were largely attributable to a decline in margin of $0.9 million and $4.3 million for the quarter and nine-month periods, respectively. The decrease in margin was primarily driven by lower volume sold to retail customers as well as a reduction in the benefit the Energy Marketing segment derived from its contracts for storage capacity.

Corporate and All Other

2012 Compared with 2011

Corporate and All Other operations recorded earnings of $2.6 million for the quarter ended June 30, 2012, an increase of $1.2 million when compared with earnings of $1.4 million for the quarter ended June 30, 2011. The increase in earnings is primarily due to higher interest income of $2.5 million, lower property, franchise and other taxes of $0.7 million, higher gathering and processing revenues of $1.1 million and lower operating expenses of $0.3 million. The Company issued $500 million of notes at 4.90% in December 2011 and repaid $150 million of 6.70% notes that matured in November 2011. The higher interest income is due to higher interest collected from the Company s Exploration and Production segment as a result of their share of these borrowings. The increase in gathering and processing revenues are due to Midstream Corporation s increase in gathering operations for Marcellus Shale gas in Tioga County and Lycoming County, both of which are in Pennsylvania (due to the Trout Run Gathering System being placed into service in May 2012). The decrease in operating expenses is largely due to various cost-saving measures and lower compensation costs. The factors contributing to the overall increase in earnings were partially offset by higher interest expense of $2.4 million, lower margins of $0.7 million and higher depreciation expense of $0.2 million (largely due to an increase in capital spending in the gathering operations). The higher interest expense is due to the borrowings discussed above. The lower margins are due to a decrease in revenues from the sale of standing timber.

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For the nine months ended June 30, 2012, Corporate and All Other operations had earnings of $4.0 million, a decrease of $28.0 million when compared with earnings of $32.0 million for the nine months ended June 30, 2011. The decrease in earnings is primarily a reflection of the gain recorded on the sale of Horizon Power s investments in Seneca Energy and Model City of $31.4 million during the quarter ended March 31, 2011. In addition, higher interest expense of $4.0 million and higher depreciation expense of $0.2 million (due to an increase in capital spending in gathering operations) further decreased earnings. The higher interest expense is due to the borrowings as discussed above. The factors contributing to the overall decrease in earnings were partially offset by higher interest income of $4.4 million, higher gathering and processing revenues of $2.4 million, lower property, franchise and other taxes of $0.7 million, lower operating expenses of $0.5 million, higher margins of $0.3 million and a lower loss from unconsolidated subsidiaries of $0.3 million. The higher interest income is due to higher interest collected from the Company s Exploration and Production segment as a result of their share of the borrowing discussed above. The higher margins are due to an increase in revenues from the sale of standing timber. The increase in gathering and processing revenues are due to Midstream Corporation s increase in gathering operations for Marcellus Shale gas in Tioga County and Lycoming County, as mentioned above. The lower loss from unconsolidated subsidiaries is primarily due to the non-recurrence of renewable energy credit adjustments recorded by Seneca Energy and Model City during the quarter ended December 31, 2010. Seneca Energy and Model City were sold in February 2011. The decrease in operating expenses is largely due to various cost-saving measures and lower compensation costs.

Interest Expense on Long-Term Debt (amounts below are pre-tax amounts)

Interest on long-term debt increased $3.7 million for the quarter ended June 30, 2012 as compared with the quarter ended June 30, 2011. For the nine months ended June 30, 2012, interest on long-term debt increased $4.6 million as compared with the nine months ended June 30, 2011. This increase is due to higher borrowings. The Company issued $500 million of notes at 4.90% in December 2011 and repaid $150 million of 6.70% notes that matured in November 2011.

Other Interest Expense (amounts below are pre-tax amounts)

Other interest expense decreased $0.3 million for the quarter ended June 30, 2012 as compared with the quarter ended June 30, 2011. For the nine months ended June 30, 2012, other interest expense decreased $1.2 million as compared with the nine months ended June 30, 2011. The decrease is mainly due to lower interest expense on regulatory deferrals (primarily interest on deferred gas costs) in the Utility segment.

CAPITAL RESOURCES AND LIQUIDITY

The Company s primary sources of cash during the nine-month period ended June 30, 2012 consisted of cash provided by operating activities, proceeds from the issuance of long-term debt, net proceeds from short-term borrowings and net proceeds from the issuance of common stock. The Company s primary sources of cash during the nine-month period ended June 30, 2011 consisted of cash provided by operating activities, net proceeds from the sale of unconsolidated subsidiaries and net proceeds from the sale of oil and gas producing properties. During the nine months ended June 30, 2012 and June 30, 2011, the common stock used to fulfill the requirements of the Company s 401(k) plans was obtained via open market purchases. In April 2011, the Company began issuing original issue shares for the Direct Stock Purchase and Dividend Reinvestment Plan.

Operating Cash Flow

Internally generated cash from operating activities consists of net income available for common stock, adjusted for non-cash expenses, non-cash income and changes in operating assets and liabilities. Non-cash items include depreciation, depletion and amortization and deferred income taxes. Net income available for common stock is also adjusted for the gain on the sale of unconsolidated subsidiaries.

Cash provided by operating activities in the Utility and Pipeline and Storage segments may vary substantially from period to period because of the impact of rate cases. In the Utility segment, supplier refunds, over- or under-recovered purchased gas costs and weather may also significantly impact cash flow. The impact of weather on cash flow is tempered in the Utility segment s New York rate jurisdiction by its WNC and in the Pipeline and Storage segment by the straight fixed-variable rate design used by Supply Corporation and Empire.

Because of the seasonal nature of the heating business in the Utility and Energy Marketing segments, revenues in these segments are relatively high during the heating season, primarily the first and second quarters of the fiscal year, and receivable balances historically increase during these periods from the receivable balances at September 30.

The storage gas inventory normally declines during the first and second quarters of the fiscal year and is replenished during the third and fourth quarters. For storage gas inventory accounted for under the LIFO method, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption Other Accruals and Current Liabilities. Such reserve is reduced as the inventory is replenished.

Cash provided by operating activities in the Exploration and Production segment may vary from period to period as a result of changes in the commodity prices of natural gas and crude oil as well as changes in production. The Company uses various derivative financial instruments, including price swap agreements and futures contracts in an attempt to manage this energy commodity price risk.

Net cash provided by operating activities totaled $541.0 million for the nine months ended June 30, 2012, an increase of $4.7 million compared with $536.3 million provided by operating activities for the nine months ended June 30, 2011. The increase in cash provided by operating activities is primarily due to an increase in cash provided by operations in both the Utility segment and Exploration and Production segment, partially offset by a decrease in cash provided by operations in the Energy Marketing segment. The increase in the Utility segment can be attributed to the timing of gas cost recovery. The increase in the Exploration and Production segment reflects higher cash receipts from oil and natural gas production in the West Coast and Appalachian regions combined with hedging collateral account fluctuations, which both offset the loss of cash flow from the Company s former oil and natural gas properties in the Gulf of Mexico. The variation in the Energy Marketing segment can be attributed to lower margins (cash receipts minus cash payments for gas costs), combined with hedging collateral account fluctuations.

Investing Cash Flow

Expenditures for Long-Lived Assets

The Company s expenditures for long-lived assets totaled $803.2 million during the nine months ended June 30, 2012 and $594.7 million for the nine months ended June 30, 2011. The table below presents these expenditures:

Total Expenditures for Long-Lived Assets
Nine Months Ended June 30,

(Millions)	2012	2011	Increase
Utility :			
Capital Expenditures	$ 39.9	$ 39.4	$ 0.5
Pipeline and Storage:			
Capital Expenditures	97.3 (1)(2)	75.0 (3)	22.3
Exploration and Production:			
Capital Expenditures	598.6 (1)(2)	473.5 (3)(4)	125.1
All Other:			
Capital Expenditures	67.4 (1)(2)	6.8	60.6
	$ 803.2	$ 594.7	$ 208.5

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(1) Capital expenditures for the Exploration and Production segment include $74.2 million of accrued capital expenditures at June 30, 2012, the majority of which was in the Appalachian region. Capital expenditures for the Pipeline and Storage segment include $8.0 million of accrued capital expenditures at June 30, 2012. In addition, capital expenditures for the All Other category include $16.2 million of accrued capital expenditures at June 30, 2012. These amounts have been excluded from the Consolidated Statement of Cash Flows at June 30, 2012 since they represent non-cash investing activities at that date.

(2) Capital expenditures for the Exploration and Production segment for the nine months ended June 30, 2012 exclude $63.5 million of capital expenditures, the majority of which was in the Appalachian region. Capital expenditures for the Pipeline and Storage segment for the nine months ended June 30, 2012 exclude $7.3 million of capital expenditures. Capital expenditures for the All Other category for the nine months ended June 30, 2012 exclude $1.4 million of capital expenditures. These amounts were accrued at September 30, 2011 and paid during the nine months ended June 30, 2012. These amounts were excluded from the Consolidated Statement of Cash Flows at September 30, 2011 since they represented non-cash investing activities at that date. These amounts have been included in the Consolidated Statement of Cash Flows at June 30, 2012.

(3) Capital expenditures include $60.7 million of accrued capital expenditures for the Exploration and Production segment at June 30, 2011, the majority of which was in the Appalachian region. In addition, capital expenditures for the Pipeline and Storage segment include $5.9 million of accrued capital expenditures at June 30, 2011. These amounts were excluded from the Consolidated Statement of Cash Flows at June 30, 2011 since they represented non-cash investing activities at that date.

(4) Capital expenditures for the Exploration and Production segment for the nine months ended June 30, 2011 exclude $55.5 million of capital expenditures, the majority of which was in the Appalachian region. This amount was accrued at September 30, 2010 and paid during the nine months ended June 30, 2011. This amount was excluded from the Consolidated Statement of Cash Flows at September 30, 2010 since it represented a non-cash investing activity at that date. This amount was included in the Consolidated Statement of Cash Flows at June 30, 2011.

Utility

The majority of the Utility capital expenditures for the nine months ended June 30, 2012 and June 30, 2011 were made for replacement of mains and main extensions, as well as for the replacement of service lines.

Pipeline and Storage

The majority of the Pipeline and Storage capital expenditures for the nine months ended June 30, 2012 were related to the construction of Empire s Tioga County Extension Project, Supply Corporation s Line N Expansion Project, Supply Corporation s Line N 2012 Expansion Project and Supply Corporation s Northern Access expansion project, as discussed below. The Pipeline and Storage segment capital expenditures for the nine months ended June 30, 2012 include $20.4 million spent on the Tioga County Extension Project, $2.5 million spent on the Line N Expansion Project, $18.8 million spent on the Line N 2012 Expansion Project, and $24.3 million spent on the Northern Access expansion project. The Pipeline and Storage capital expenditures for the nine months ended June 30, 2012 also include additions, improvements, and replacements to this segment s transmission and gas storage systems. The majority of the Pipeline and Storage capital expenditures for the nine months ended June 30, 2011 were related to additions, improvements, and replacements to this segment s transmission and gas storage systems. In addition, the Pipeline and Storage capital expenditure amounts for the nine months ended June 30, 2011 include $11.8 million spent on the Line N Expansion Project, $7.0 million spent on the Lamont Phase II Project and $11.2 million spent on the Tioga County Extension Project.

In light of the growing demand for pipeline capacity to move natural gas from new wells being drilled in Appalachia specifically in the Marcellus Shale producing area Supply Corporation and Empire are actively pursuing several expansion projects and paying for preliminary survey and investigation costs, which are initially recorded as Deferred Charges on the Consolidated Balance Sheet. An offsetting reserve is established as those preliminary survey and investigation costs are incurred, which reduces the Deferred Charges balance and increases Operation and Maintenance Expense on the Consolidated Statement of Income. The Company reviews all projects on a quarterly basis, and if it is determined that it is highly probable that the project will be built, the reserve is reversed. This reversal reduces Operation and Maintenance Expense and reestablishes the original balance in Deferred Charges. After the reversal of the reserve, the amounts remain in Deferred Charges until such time as capital expenditures for the project have been incurred and activities that are necessary to get the construction project ready for its intended use are in progress. At that point, the balance is transferred from Deferred Charges to Construction Work in Progress, a component of Property, Plant and Equipment on the Consolidated Balance Sheet. As of June 30, 2012, the total amount reserved for the Pipeline and Storage segment s preliminary survey and investigation costs was $7.4 million.

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Supply Corporation and Empire are moving forward with several projects designed to move anticipated Marcellus production gas to other interstate pipelines and to markets beyond the Supply Corporation and Empire pipeline systems.

Supply Corporation has a precedent agreement with Statoil Natural Gas LLC (Statoil) to provide 320,000 Dth/day of firm transportation capacity for a 20-year term in conjunction with its Northern Access expansion project, and has executed the transportation service agreement. This capacity will provide Statoil with a firm transportation path from the Tennessee Gas Pipeline (TGP) 300 Line at Ellisburg and Transcontinental Pipeline at Leidy to the TransCanada Pipeline at Niagara. These receipt points are attractive because they provide routes for Marcellus shale gas from the TGP 300 Line and Transco Leidy Line in northern Pennsylvania, to be transported from the Marcellus supply basin to northern markets. Supply Corporation received from the FERC its NGA Section 7(c) Certificate authorization of this project on October 20, 2011, and received its Notice to Proceed on April 13, 2012. The project facilities involve approximately 9,500 horsepower of additional compression at Supply Corporation s existing Ellisburg Station and a new approximately 5,000 horsepower compressor station in Wales, New York, along with other system enhancements including enhancements to the jointly owned Niagara Spur Loop Line. Service is expected to begin in November 2012. The cost estimate for the Northern Access expansion is $75 million. As of June 30, 2012, approximately $26.8 million has been spent on the Northern Access expansion project, all of which has been capitalized as Construction Work in Progress.

Supply Corporation has begun service under two service agreements which total 160,000 Dth/day of firm transportation capacity in its Line N Expansion Project. This project allows Marcellus production located in the vicinity of Line N to flow south and access markets at Texas Eastern s Holbrook Station (TETCO Holbrook) in southwestern Pennsylvania. The FERC issued the NGA Section 7(c) certificate on December 16, 2010, and the project was placed into service on October 19, 2011. Completed cost for the Line N Expansion Project is expected to be approximately $22 million. As of June 30, 2012, approximately $20.7 million has been spent on the Line N Expansion Project, all of which is included in Property, Plant and Equipment on the Consolidated Balance Sheet at June 30, 2012.

Supply Corporation has also executed three precedent agreements for a total of 163,000 Dth/day of additional capacity on Line N to TETCO Holbrook for service beginning November 2012 (Line N 2012 Expansion Project). On July 8, 2011, Supply Corporation filed for FERC authorization to construct the Line N 2012 Expansion Project which consists of an additional 20,620 horsepower of compression at its Buffalo Compressor Station, and the replacement of 4.85 miles of 20 pipe with 24 pipe, to enhance the integrity and reliability of its system and to create the additional capacity. The FERC issued the NGA Section 7(c) Certificate on March 29, 2012. The preliminary cost estimate for the Line N 2012 Expansion Project is approximately $34.1 million for the incremental capacity plus approximately $8.9 million allocated to system replacement. As of June 30, 2012, approximately $21.2 million has been spent on the Line N 2012 Expansion Project, all of which has been capitalized as Construction Work in Progress.

Supply Corporation continues to market the West-to-East (W2E) pipeline project, which is designed to transport locally produced Marcellus natural gas supplies, principally from the dry central area of the trend, to the Ellisburg/Leidy/Corning area. Supply Corporation anticipates that the development of the W2E project will occur in phases. As currently envisioned, the initial phases of W2E, referred to as the W2E Overbeck to Leidy project, are designed to transport at least 425,000 Dth/day, and involves construction of a new 82-mile pipeline through Elk, Cameron, Clinton, Clearfield and Jefferson Counties to the Leidy Hub, from Marcellus and other producing areas along over 300 miles of Supply Corporation s existing pipeline system. The W2E Overbeck to Leidy project also includes a total of approximately 25,000 horsepower of compression at two separate stations. On March 31, 2010, the FERC granted Supply Corporation s request for a pre-filing environmental review of the W2E Overbeck to Leidy project. Supply Corporation has since withdrawn from the FERC process, which would be restarted upon the development of an adequate market to support the estimated $290 million capital cost of the project. As of June 30, 2012, approximately $5.7 million has been spent to study the W2E Overbeck to Leidy project, which has been included in preliminary survey and investigation charges and has been fully reserved for at June 30, 2012.

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On August 4, 2011, Supply Corporation concluded an Open Season to increase its capability to move gas north on its Line N system and deliver gas to Tennessee Gas Pipeline at Mercer, Pennsylvania, a pooling point recently established at Tennessee s Station 219 (Mercer Expansion Project). Supply Corporation is continuing discussions with an anchor shipper that would take all 150,000 Dth/day of the capacity on the project. Service is expected to begin in 2014 and the estimated cost is $25 million to $30 million. As of June 30, 2012, less than $0.1 million has been spent to study the Mercer Expansion Project, all of which has been included in preliminary survey and investigation charges and has been fully reserved for at June 30, 2012.

Empire has begun service under two service agreements which total 350,000 Dth/day of incremental firm transportation capacity in its Tioga County Extension Project. This project transports Marcellus production from new interconnections at the southern terminus of a 15-mile extension of its Empire Connector line, in Tioga County, Pennsylvania. Completed cost for the Tioga County Extension Project is expected to be approximately $55 million, of which approximately $52.2 million has been spent through June 30, 2012. This project enables shippers to deliver their natural gas at existing Empire interconnections with Millennium Pipeline at Corning, New York, with the TransCanada Pipeline at the Niagara River at Chippawa, and with utility and power generation markets along its path, as well as to the new interconnection with TGP s 200 Line (Zone 5) in Ontario County, New York. The FERC issued the NGA Section 7(c) certificate on May 19, 2011 and the project was placed fully in service on November 22, 2011. All costs associated with the project are included in Property, Plant and Equipment on the Consolidated Balance Sheet at June 30, 2012.

On December 17, 2010, Empire concluded an Open Season for up to 260,000 Dth/day of additional capacity from Tioga County, Pennsylvania, to TransCanada Pipeline and the TGP 200 Line, as well as additional short-haul capacity to Millennium Pipeline at Corning (Central Tioga County Extension). Empire is in discussions with an anchor shipper for a significant portion of the proposed capacity, with service commencing in 2014 or 2015, likely tied to a rebound in commodity pricing due to the dry gas nature of this area of the Marcellus. The Central Tioga County Extension project may involve up to 25,000 horsepower of compression at up to three new stations and a 25 mile 24 pipeline extension, at a preliminary cost estimate of $135 million. As of June 30, 2012, approximately $0.2 million has been spent to study the Central Tioga County Extension project, which has been included in preliminary survey and investigation charges and has been fully reserved for at June 30, 2012.

Exploration and Production

The Exploration and Production segment capital expenditures for the nine months ended June 30, 2012 were primarily well drilling and completion expenditures and included approximately $552.0 million for the Appalachian region (including $500.4 million in the Marcellus Shale area) and $46.6 million for the West Coast region. These amounts included approximately $198.7 million spent to develop proved undeveloped reserves.

The Exploration and Production segment capital expenditures for the nine months ended June 30, 2011 were primarily well drilling and completion expenditures and included approximately $441.2 million for the Appalachian region (including $433.5 million in the Marcellus Shale area), $28.1 million for the West Coast region and $4.2 million for the Gulf Coast region (former offshore oil and natural gas properties in the Gulf of Mexico). These amounts included approximately $165.5 million spent to develop proved undeveloped reserves. The capital expenditures in the Appalachian region included the Company s acquisition of oil and gas properties in the Covington Township area of Tioga County, Pennsylvania from EOG Resources, Inc. for approximately $24.1 million in November 2010. The Company funded this transaction with cash from operations.

For all of fiscal 2013, the Company expects to spend $450.0 million on Exploration and Production segment capital expenditures. Previously reported 2013 estimated capital expenditures for the Exploration and Production segment were $500.0 million. In the Appalachian region, estimated capital expenditures will decrease from $442.5 million to $382.5 million. Estimated capital expenditures in the West Coast region will increase from $57.5 million to $67.5 million. The decrease in estimated capital expenditures for the Appalachian region noted above is due to an anticipated reduction in drilling and completion activity associated with a Marcellus Shale joint venture agreement with EOG Resources, Inc. The anticipated reduction in joint venture activity is largely a response to the current low natural gas price environment.

In April 2011, the Company completed the sale of its offshore oil and natural gas properties in the Gulf of Mexico. Initial proceeds received through June 30, 2011 totaled $61.8 million. Price adjustments subsequent to June 30, 2011 reduced the final net proceeds to $55.4 million. Under the full cost method of accounting for oil and gas properties, the sale proceeds were accounted for as a reduction of capitalized costs. Since the disposition did not significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to the cost center, the Company did not record any gain or loss from this sale.

In May 2011, the Company sold the Sprayberry property in the West Coast region for $8.1 million. Under the full cost method of accounting for oil and natural gas properties, the sale proceeds were accounted for as a reduction of capitalized costs. Since the disposition did not significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to the cost center, the Company did not record any gain or loss from this sale.

All Other

The majority of the All Other category s capital expenditures for the nine months ended June 30, 2012 were for the construction of Midstream Corporation s Trout Run Gathering System and the expansion of Midstream Corporation s Covington Gathering System, as discussed below. The majority of the All Other category s capital expenditures for the nine months ended June 30, 2011 were primarily for the expansion of Midstream Corporation s Covington Gathering system as well as for the construction of Midstream Corporation s Trout Run Gathering System.

NFG Midstream Trout Run, LLC, a wholly owned subsidiary of Midstream Corporation, is developing a gathering system in Lycoming County, Pennsylvania. The project, Trout Run Gathering System, was placed in service in May 2012. The current system consists of approximately 26 miles of backbone and in-field gathering system. The complete buildout will include additional in-field gathering pipelines and compression at a cost of approximately $130 million. As of June 30, 2012, the Company has spent approximately $71.7 million in costs related to this project, including approximately $56.2 million spent during the nine months ended June 30, 2012, all of which is included in Property, Plant and Equipment on the Consolidated Balance Sheet at June 30, 2012.

NFG Midstream Covington, LLC, a wholly owned subsidiary of Midstream Corporation, has been expanding its gathering system in Tioga County, Pennsylvania. As of June 30, 2012, the Company has spent approximately $24.1 million in costs related to the Covington Gathering System, including approximately $7.8 million spent during the nine months ended June 30, 2012. All costs associated with this gathering system are included in Property, Plant and Equipment on the Consolidated Balance Sheet at June 30, 2012.

Midstream Corporation is planning the construction of several smaller gathering systems. As of June 30, 2012, the Company has spent approximately $2.9 million in costs related to these projects, all of which has been capitalized as Construction Work in Progress.

Project Funding

The Company has been financing the Pipeline and Storage segment projects and the Midstream Corporation projects mentioned above, as well as the Exploration and Production segment capital expenditures, with cash from operations. Going forward, while the Company expects to use cash from operations as the first means of financing these projects, it is expected that the Company will increase its use of short-term borrowings during fiscal 2012. Natural gas and crude oil prices combined with production from existing wells will be a significant factor in determining how much of the capital expenditures are funded with cash from operations. The Company also issued additional long-term debt in December 2011 to enhance its liquidity position.

The Company continuously evaluates capital expenditures and investments in corporations, partnerships, and other business entities. The amounts are subject to modification for opportunities such as the acquisition of attractive oil and gas properties, natural gas storage facilities and the expansion of natural gas transmission line capacities. While the majority of capital expenditures in the Utility segment are necessitated by the continued need for replacement and upgrading of mains and service lines, the magnitude of future capital expenditures or other investments in the Company s other business segments depends, to a large degree, upon market conditions.

Financing Cash Flow

Consolidated short-term debt increased $30.2 million during the nine months ended June 30, 2012. The maximum amount of short-term debt outstanding during the nine months ended June 30, 2012 was $327.8 million. The Company used its $500.0 million long-term debt issuance in December 2011 to substantially reduce its short-term debt. The Company continues to consider short-term debt (consisting of short-term notes payable to banks and commercial paper) an important source of cash for temporarily financing capital expenditures and investments in corporations and/or partnerships, gas-in-storage inventory, unrecovered purchased gas costs, margin calls on derivative financial instruments, exploration and development expenditures, repurchases of stock, other working capital needs and repayment of long-term debt. Fluctuations in these items can have a significant impact on the amount and timing of short-term debt. At June 30, 2012, the Company had outstanding commercial paper and short-term notes payable to banks of $50.0 and $20.2 million, respectively.

As for bank loans, the Company maintains a number of individual uncommitted or discretionary lines of credit with certain financial institutions for general corporate purposes. Borrowings under these lines of credit are made at competitive market rates. These credit lines, which totaled $335.0 million at June 30, 2012, are revocable at the option of the financial institutions and are reviewed on an annual basis. The Company anticipates that its uncommitted lines of credit generally will be renewed at amounts near current levels, or substantially replaced by similar lines.

The total amount available to be issued under the Company s commercial paper program is $300.0 million. At June 30, 2012, the commercial paper program was backed by a syndicated committed credit facility totaling $750.0 million, which commitment extends through January 6, 2017. Under the committed credit facility, the Company agreed that its debt to capitalization ratio would not exceed .65 at the last day of any fiscal quarter through January 6, 2017. At June 30, 2012, the Company s debt to capitalization ratio (as calculated under the facility) was .42. The constraints specified in the committed credit facility would have permitted an additional $2.22 billion in short-term and/or long-term debt to be outstanding (further limited by the indenture covenants discussed below) before the Company s debt to capitalization ratio exceeded .65.

If a downgrade in any of the Company s credit ratings were to occur, access to the commercial paper markets might not be possible. However, the Company expects that it could borrow under its committed credit facility, uncommitted bank lines of credit or rely upon other liquidity sources, including cash provided by operations.

Under the Company s existing indenture covenants, at June 30, 2012, the Company would have been permitted to issue up to a maximum of $1.56 billion in additional long-term unsecured indebtedness at then current market interest rates in addition to being able to issue new indebtedness to replace maturing debt. The Company s present liquidity position is believed to be adequate to satisfy known demands. However, if the Company were to experience a significant loss in the future (for example, as a result of an impairment of oil and gas properties), it is possible, depending on factors including the magnitude of the loss, that these indenture covenants would restrict the Company s ability to issue additional long-term unsecured indebtedness for a period of up to nine calendar months, beginning with the fourth calendar month following the loss. This would not at any time preclude the Company from issuing new indebtedness to replace maturing debt.

The Company s 1974 indenture pursuant to which $99.0 million (or 7.1%) of the Company s long-term debt (as of June 30, 2012) was issued, contains a cross-default provision whereby the failure by the Company to perform certain obligations under other borrowing arrangements could trigger an obligation to repay the debt outstanding under the indenture. In particular, a repayment obligation could be triggered if the Company fails (i) to pay any scheduled principal or interest on any debt under any other indenture or agreement, or (ii) to perform any other term in any other such indenture or agreement, and the effect of the failure causes, or would permit the holders of the debt to cause, the debt under such indenture or agreement to become due prior to its stated maturity, unless cured or waived.

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The Company s $750.0 million committed credit facility also contains a cross-default provision whereby the failure by the Company or its significant subsidiaries to make payments under other borrowing arrangements, or the occurrence of certain events affecting those other borrowing arrangements, could trigger an obligation to repay any amounts outstanding under the committed credit facility. In particular, a repayment obligation could be triggered if (i) the Company or any of its significant subsidiaries fails to make a payment when due of any principal or interest on any other indebtedness aggregating $40.0 million or more, or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating $40.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of June 30, 2012, the Company did not have any debt outstanding under the committed credit facility.

The Company s embedded cost of long-term debt was 6.17% at June 30, 2012 and 6.85% at June 30, 2011.

Current Portion of Long-Term Debt at June 30, 2012 consists of $250.0 million of 5.25% notes that mature in March 2013. Currently, the Company expects to refund these notes in fiscal 2013 with cash on hand, short-term borrowings and/or long-term debt. The Company repaid $150 million of 6.70% notes that matured on November 21, 2011, which had been classified as Current Portion of Long-Term Debt at September 30, 2011.

On December 1, 2011, the Company issued $500.0 million of 4.90% notes due December 1, 2021. After deducting underwriting discounts and commissions, the net proceeds to the Company amounted to $496.1 million. The holders of the notes may require the Company to repurchase their notes at a price equal to 101% of the principal amount in the event of a change in control and a ratings downgrade to a rating below investment grade. The proceeds of this debt issuance were used for general corporate purposes, including refinancing short-term debt that was used to pay the $150 million due at the maturity of the Company s 6.70% notes in November 2011.

The Company may issue debt or equity securities in a public offering or a private placement from time to time. The amounts and timing of the issuance and sale of debt or equity securities will depend on market conditions, indenture requirements, regulatory authorizations and the capital requirements of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has entered into certain off-balance sheet financing arrangements. These financing arrangements are primarily operating leases. The Company s consolidated subsidiaries have operating leases, the majority of which are with the Exploration and Production segment and Corporate operations, having a remaining lease commitment of approximately $30.7 million. These leases have been entered into for the use of compressors, buildings, meters and other items and are accounted for as operating leases.

OTHER MATTERS

In addition to the legal proceedings disclosed in Part II, Item 1 of this report, the Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations or other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While these normal-course matters could have a material effect on earnings and cash flows in the quarterly and annual period in which they are resolved, they are not expected to change materially the Company s present liquidity position, nor are they expected to have a material adverse effect on the financial condition of the Company.

During the nine months ended June 30, 2012, the Company contributed $31.8 million to its Retirement Plan and $18.9 million to its VEBA trusts and 401(h) accounts for its other post-retirement benefits. In the remainder of 2012, the Company expects to contribute $12.2 million to the Retirement Plan.

Changes in the discount rate, other actuarial assumptions, and asset performance could ultimately cause the Company to fund larger amounts to the Retirement Plan in fiscal 2012 in order to be in compliance with the Pension Protection Act of 2006. In the remainder of 2012, the Company expects to contribute between $2.0 million and $3.0 million to its VEBA trusts and 401(h) accounts.

Market Risk Sensitive Instruments

On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act includes provisions related to the swaps and over-the-counter derivatives markets. Certain provisions of the Dodd-Frank Act related to derivatives became effective July 16, 2011, but other provisions related to derivatives will not become effective until federal agencies (including the Commodity Futures Trading Commission (CFTC), various banking regulators and the SEC) adopt rules to implement the law. For purposes of the Dodd-Frank Act, under rules adopted by the SEC and/or CFTC, the Company believes that it qualifies as a non-financial end user of derivatives, that is, as a non-financial entity that uses derivatives to hedge or mitigate commercial risk. Nevertheless, other rules that are being developed could have a significant impact on the Company. For example, banking regulators have proposed a rule that would require swap dealers and major swap participants subject to their jurisdiction to collect initial and variation margin from counterparties that are non-financial end users, though such swap dealers and major swap participants would have the discretion to set thresholds for posting margin (unsecured credit limits). Regardless of the levels of margin that might be required, concern remains that swap dealers and major swap participants will pass along their increased capital and margin costs through higher prices and reductions in thresholds for posting margin. In addition, while the Company expects to be exempt from the Dodd-Frank Act s requirement that swaps be cleared and traded on exchanges or swap execution facilities, the cost of entering into a non-cleared swap that is available as a cleared swap may be greater. The Company continues to monitor these developments but cannot predict the impact the Dodd-Frank Act may ultimately have on its operations.

In accordance with the authoritative guidance for fair value measurements, the Company has identified certain inputs used to recognize fair value as Level 3 (unobservable inputs). The Level 3 derivative net liabilities relate to crude oil swap agreements used to hedge forecasted sales at a specific location (southern California). The Company s internal model that is used to calculate fair value applies a historical basis differential (between the sales locations and NYMEX) to a forward NYMEX curve because there is not a forward curve specific to this sales location. Given the high level of historical correlation between NYMEX prices and prices at this sales location, the Company does not believe that the fair value recorded by the Company would be significantly different from what it expects to receive upon settlement.

The Company uses the crude oil swaps classified as Level 3 to hedge against the risk of declining commodity prices and not as speculative investments. Gains or losses related to these Level 3 derivative net liabilities (including any reduction for credit risk) are deferred until the hedged commodity transaction occurs in accordance with the provisions of the existing guidance for derivative instruments and hedging activities. The Level 3 Net Liabilities amount to $16.5 million at June 30, 2012 and represent 7.6% of the Total Net Assets shown in Part I, Item 1 at Note 2 Fair Value Measurements at June 30, 2012.

The increase in the net fair value liability of the Level 3 positions from October 1, 2011 to June 30, 2012, as shown in Part I, Item 1 at Note 2, was attributable to an increase in the commodity price of crude oil relative to the swap price during that period. The Company believes that these fair values reasonably represent the amounts that the Company would realize upon settlement based on commodity prices that were present at June 30, 2012.

The fair value of all of the Company s Net Derivative Assets was reduced by $0.5 million at June 30, 2012 based upon the Company s assessment of counterparty credit risk (for the Company s derivative assets) and the Company s credit risk (for the Company s derivative liabilities). The Company applied default probabilities to the anticipated cash flows that it was expecting to receive and pay to its counterparties to calculate the credit reserve.

For a complete discussion of market risk sensitive instruments, refer to Market Risk Sensitive Instruments in Item 7 of the Company s 2011 Form 10-K. There have been no subsequent material changes to the Company s exposure to market risk sensitive instruments.

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Rate and Regulatory Matters

Utility Operation

Delivery rates for both the New York and Pennsylvania divisions are regulated by the states respective public utility commissions and are changed only when approved through a procedure known as a rate case. Currently neither division has a rate case on file. In both jurisdictions, delivery rates do not reflect the recovery of purchased gas costs. Prudently-incurred gas costs are recovered through operation of automatic adjustment clauses, and are collected primarily through a separately-stated supply charge on the customer bill.

New York Jurisdiction

Customer delivery rates charged by Distribution Corporation s New York division were established in a rate order issued on December 21, 2007 by the NYPSC. The rate order approved a revenue increase of $1.8 million annually, together with a surcharge that would collect up to $10.8 million to cover expenses for implementation of an efficiency and conservation incentive program. The rate order further provided for a return on equity of 9.1%. In connection with the efficiency and conservation program, the rate order approved a revenue decoupling mechanism. The revenue decoupling mechanism decouples revenues from throughput by enabling the Company to collect from small volume customers its allowed margin on average weather normalized usage per customer. The effect of the revenue decoupling mechanism is to render the Company financially indifferent to throughput decreases resulting from conservation. The Company surcharges or credits any difference from the average weather normalized usage per customer account. The surcharge or credit is calculated to recover total margin for the most recent twelve-month period ending December 31, and is applied to customer bills annually, beginning March 1st.

On April 18, 2008, Distribution Corporation filed an appeal with Supreme Court, Albany County, seeking review of the rate order. The appeal contended, among other things, that the NYPSC improperly disallowed recovery of certain environmental clean-up costs. Following further appeals, on March 29, 2011, the Court of Appeals, the state s highest court, issued a judgment and opinion in favor of Distribution Corporation. The matter was remanded to the NYPSC to be implemented consistent with the decision of the court.

Pennsylvania Jurisdiction

Distribution Corporation s current delivery charges in its Pennsylvania jurisdiction were approved by the PaPUC on November 30, 2006 as part of a settlement agreement that became effective January 1, 2007.

Pipeline and Storage

Supply Corporation filed a general rate case with the FERC on October 31, 2011, proposing rate increases to be effective December 1, 2011. The parties on April 17, 2012 reached an agreement in principle to settle the rate case at rates generally lower than the rates proposed in October 2011 by Supply Corporation. On April 27, 2012, the FERC accepted the new settled rates to be effective May 1, 2012 on an interim basis, subject to surcharge and refund if the settlement in principle does not become effective.

To become effective, the settlement in principle must be memorialized in a written stipulation approved by the parties, certified by the Administrative Law Judge, and approved by the FERC. On May 22, 2012, Supply Corporation submitted a written Stipulation and Agreement that is supported or not opposed by all intervenors participating in the settlement conferences in the rate case and by the FERC Trial Staff. On June 19, 2012, the Administrative Law Judge certified the Stipulation and Agreement as an uncontested partial settlement. If approved by the FERC, the Stipulation and Agreement resolves or provides procedures for resolving all issues in the rate case.

If no settlement is implemented, and the rates finally approved at the end of the proceeding exceed the rates that were in effect at October 31, 2011 but are less than the rates put into effect subject to refund on May 1, 2012, then Supply Corporation will be required to refund the difference between the rates collected subject to refund and the final approved rates, with interest at the FERC-approved rate. If no settlement is implemented, and the rates approved at the end of the proceeding are lower than the rates in effect at October 31, 2011, then the refund obligation will be limited to the difference between the rates in effect at October 31, 2011 and the rates put into effect subject to refund on May 1, 2012, with interest at the FERC-approved rate. To the extent any final FERC-approved rates are below those in effect at October 31, 2011, there is no refund for that rate differential. The final FERC-approved rates would be charged to customers only prospectively, from the date they go into effect.

Empire s facilities known as the Empire Connector project were placed into service on December 10, 2008. As of that date, Empire became an interstate pipeline subject to FERC regulation, performing services under a FERC-approved tariff and at FERC-approved rates. The December 21, 2006 FERC order issuing Empire its NGA Section 7(c) Certificate required Empire to file a cost and revenue study at the FERC following three years of actual operation as an interstate pipeline, in conjunction with which Empire will either justify Empire s existing recourse rates or propose alternative rates. Empire satisfied this obligation on March 14, 2012 by filing a cost and revenue study based on the twelve months ended December 31, 2011, and did not propose alternative rates. The FERC has not yet responded to Empire s filing or issued any notice setting a deadline for others to respond.

Environmental Matters

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and comply with regulatory policies and procedures. It is the Company s policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs.

The Company has agreed with the NYDEC to remediate a former manufactured gas plant site located in New York. In February 2009, the Company received approval from the NYDEC of a Remedial Design Work Plan (RDWP) for this site. In October 2010, the Company submitted a RDWP addendum to conduct additional Preliminary Design Investigation field activities necessary to design a successful remediation. An estimated minimum liability for remediation of this site of $14.0 million has been recorded.

At June 30, 2012, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites (including the former manufactured gas plant site discussed above) will be in the range of $15.5 million to $19.7 million. The minimum estimated liability of $15.5 million, which includes the $14.0 million discussed above, has been recorded in Other Deferred Credits on the Consolidated Balance Sheet at June 30, 2012. The Company expects to recover its environmental clean-up costs through rate recovery.

Legislative and regulatory measures to address climate change and greenhouse gas emissions are in various phases of discussion or implementation. Pursuant to an EPA determination, effective January 2011 projects proposing new stationary sources of significant greenhouse gas emissions or major modifications of existing facilities are required under the federal Clean Air Act to obtain permits covering such emissions. The EPA is also considering other regulatory options to regulate greenhouse gas emissions from the energy industry. In April 2011, the U.S. Senate rejected bills aimed at curbing the authority of the EPA to regulate greenhouse gas emissions. In April 2012, the EPA adopted rules which will restrict emissions associated with oil and natural gas drilling. Compliance with these new rules will not materially change the Company s ongoing emissions limiting technologies and practices, and is not expected to have a significant impact on the Company. In addition, the U.S. Congress has from time to time considered bills that would establish a cap-and-trade program to reduce emissions of greenhouse gases. Legislation or regulation that restricts carbon emissions could increase the Company s cost of environmental compliance by requiring the Company to install new equipment to reduce emissions from larger facilities and/or purchase emission allowances. International, federal, state or regional climate change and greenhouse gas measures could also delay or otherwise negatively affect efforts to obtain permits and other regulatory approvals with regard to existing and new facilities, or impose additional monitoring and reporting requirements. Climate change and greenhouse gas initiatives, and incentives to conserve energy or use alternative energy sources, could also reduce demand for oil and natural gas. But legislation or regulation that sets a price on or otherwise restricts carbon emissions could also benefit the Company by increasing demand for natural gas,

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because substantially fewer carbon emissions per Btu of heat generated are associated with the use of natural gas than with certain alternate fuels such as coal and oil. The effect (material or not) on the Company of any new legislative or regulatory measures will depend on the particular provisions that are ultimately adopted.

The Company is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental regulations, new information or other factors could adversely impact the Company.

New Authoritative Accounting and Financial Reporting Guidance

In May 2011, the FASB issued authoritative guidance regarding fair value measurement as a joint project with the IASB. The objective of the guidance was to bring together as closely as possible the fair value measurement and disclosure guidance issued by the two boards. The guidance includes a few updates to measurement guidance and some enhanced disclosure requirements. For all Level 3 fair value measurements, the guidance requires quantitative information about significant unobservable inputs used and a description of the valuation processes in place. The guidance also requires a qualitative discussion about the sensitivity of recurring Level 3 fair value measurements and information about any transfers between Level 1 and Level 2 of the fair value hierarchy. The new guidance also contains a requirement that all fair value measurements, whether they are recorded on the balance sheet or disclosed in the footnotes, be classified as Level 1, Level 2 or Level 3 within the fair value hierarchy. This authoritative guidance became effective for the quarter ended March 31, 2012. The Company has updated its disclosures to reflect the new requirements in Item 1 at Note 2 Fair Value Measurements.

In June 2011, the FASB issued authoritative guidance regarding the presentation of comprehensive income. The new guidance allows companies only two choices for presenting net income and other comprehensive income: in a single continuous statement, or in two separate, but consecutive, statements. The guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. This authoritative guidance will be effective as of the Company s first quarter of fiscal 2013 and is not expected to have a significant impact on the Company s results of operations.

In September 2011, the FASB issued revised authoritative guidance that simplifies the testing of goodwill for impairment. The revised guidance allows companies the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The revised authoritative guidance is required to be effective for the Company s annual impairment test performed in fiscal 2013. While early adoption is permitted, the Company has not adopted the new provisions to date.

In December 2011, the FASB issued authoritative guidance requiring enhanced disclosures regarding offsetting assets and liabilities. Companies are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This authoritative guidance will be effective as of the Company s first quarter of fiscal 2014 and is not expected to have a significant impact on the Company s financial statements.

Safe Harbor for Forward-Looking Statements

The Company is including the following cautionary statement in this Form 10-Q to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are also expressly qualified by these cautionary statements. Certain statements contained in this report, including, without limitation, statements regarding future prospects, plans, objectives, goals, projections, estimates of oil and gas quantities, strategies, future events or performance and underlying assumptions, capital structure, anticipated capital expenditures, completion of construction projects, projections for pension and other post-retirement benefit obligations, impacts of the adoption of new accounting rules, and possible outcomes of litigation or regulatory proceedings, as well as statements that

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are identified by the use of the words anticipates, estimates, expects, forecasts, intends, plans, predicts, projects, believes, seeks similar expressions, are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 and accordingly involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The Company s expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, but there can be no assurance that management s expectations, beliefs or projections will result or be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements:

1. Factors affecting the Company s ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including among others geology, lease availability, title disputes, weather conditions, shortages, delays or unavailability of equipment and services required in drilling operations, insufficient gathering, processing and transportation capacity, the need to obtain governmental approvals and permits, and compliance with environmental laws and regulations;

2. Changes in laws, regulations or judicial interpretations to which the Company is subject, including those involving derivatives, taxes, safety, employment, climate change, other environmental matters, real property, and exploration and production activities such as hydraulic fracturing;

3. Changes in the price of natural gas or oil;

4. Impairments under the SEC s full cost ceiling test for natural gas and oil reserves;

5. Uncertainty of oil and gas reserve estimates;

6. Significant differences between the Company s projected and actual production levels for natural gas or oil;

7. Changes in demographic patterns and weather conditions;

8. Changes in the availability, price or accounting treatment of derivative financial instruments;

9. Governmental/regulatory actions, initiatives and proceedings, including those involving rate cases (which address, among other things, allowed rates of return, rate design and retained natural gas), environmental/safety requirements, affiliate relationships, industry structure, and franchise renewal;

10. Delays or changes in costs or plans with respect to Company projects or related projects of other companies, including difficulties or delays in obtaining necessary governmental approvals, permits or orders or in obtaining the cooperation of interconnecting facility operators;

11. Financial and economic conditions, including the availability of credit, and occurrences affecting the Company s ability to obtain financing on acceptable terms for working capital, capital expenditures and other investments, including any downgrades in the Company s credit ratings and changes in interest rates and other capital market conditions;

12. Changes in economic conditions, including global, national or regional recessions, and their effect on the demand for, and customers ability to pay for, the Company s products and services;

13. The creditworthiness or performance of the Company s key suppliers, customers and counterparties;

14. Economic disruptions or uninsured losses resulting from major accidents, fires, severe weather, natural disasters, terrorist activities, acts of war, cyber attacks or pest infestation;

15. Changes in price differential between similar quantities of natural gas at different geographic locations, and the effect of such changes on the demand for pipeline transportation capacity to or from such locations;

16. Other changes in price differentials between similar quantities of oil or natural gas having different quality, heating value, geographic location or delivery date;

17. Significant differences between the Company s projected and actual capital expenditures and operating expenses;

18. Changes in laws, actuarial assumptions, the interest rate environment and the return on plan/trust assets related to the Company s pension and other post-retirement benefits, which can affect future funding obligations and costs and plan liabilities;

19. The cost and effects of legal and administrative claims against the Company or activist shareholder campaigns to effect changes at the Company;

20. Increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide other post-retirement benefits; or

21. Increasing costs of insurance, changes in coverage and the ability to obtain insurance.

The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the Market Risk Sensitive Instruments section in Item 2 MD&A.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The Company s management, including the Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company s Chief Executive Officer and Principal Financial Officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2012.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For a discussion of various environmental and other matters, refer to Part I, Item 1 at Note 6 Commitments and Contingencies, and Part I, Item 2 MD&A of this report under the heading Other Matters Environmental Matters.

In addition to these matters, the Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims

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and tax, regulatory or other governmental audits, inspections, investigations or other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service, and purchased gas cost issues, among other things. While these other matters arising in the normal course of business could have a material effect on earnings and cash flows in the period in which they are resolved, they are not expected to change materially the Company s present liquidity position, nor are they expected to have a material adverse effect on the financial condition of the Company.

Item 1A. Risk Factors

The risk factors in Item 1A of the Company s 2011 Form 10-K, as amended by Item 1A of Part II of the Company s Forms 10-Q for the quarters ended December 31, 2011 and March 31, 2012, have not materially changed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 2, 2012, the Company issued a total of 3,600 unregistered shares of Company common stock to the eight non-employee directors of the Company then serving on the Board of Directors of the Company, 450 shares to each such director. On June 7, 2012, the Company issued 119 unregistered shares of Company common stock to David C. Carroll, who joined the Board that day as a non-employee director. All of these unregistered shares were issued under the Company s 2009 Non-Employee Director Equity Compensation Plan as partial consideration for such directors services during the quarter ended June 30, 2012. These transactions were exempt from registration under Section 4(2) of the Securities Act of 1933, as transactions not involving a public offering.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[a]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Share Repurchase Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Share Repurchase Plans or Programs [b]
Apr. 1 - 30, 2012	8,165	$ 45.50		6,971,019
May 1 - 31, 2012	7,825	$ 45.37		6,971,019
June 1 - 30, 2012	9,622	$ 44.51		6,971,019
Total	25,612	$ 45.09		6,971,019

(a) Represents (i) shares of common stock of the Company purchased on the open market with Company matching contributions for the accounts of participants in the Company s 401(k) plans, and (ii) shares of common stock of the Company tendered to the Company by holders of stock options, SARs or shares of restricted stock for the payment of option exercise prices or applicable withholding taxes. During the quarter ended June 30, 2012, the Company did not purchase any shares of its common stock pursuant to its publicly announced share repurchase program. Of the 25,612 shares purchased other than through a publicly announced share repurchase program, 24,113 were purchased for the Company s 401(k) plans and 1,499 were purchased as a result of shares tendered to the Company by holders of stock options, SARs or shares of restricted stock.

(b) In September 2008, the Company s Board of Directors authorized the repurchase of eight million shares of the Company s common stock. The Company, however, stopped repurchasing shares after September 17, 2008. Since that time, the Company has increased its emphasis on Marcellus Shale development and pipeline expansion. As such, the Company does not anticipate repurchasing any shares in the near future.

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Item 6. **Exhibits**

Exhibit Number	Description of Exhibit
	Form of Indemnification Agreement between the Company and David C. Carroll, Director (Exhibit 10.1, Form 8-K dated September 18, 2006 in File No. 1-3880)
12	Statements regarding Computation of Ratios: Ratio of Earnings to Fixed Charges for the Twelve Months Ended June 30, 2012 and the Fiscal Years Ended September 30, 2008 through 2011.
31.1	Written statements of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
31.2	Written statements of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
32	Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	National Fuel Gas Company Consolidated Statement of Income for the Twelve Months Ended June 30, 2012 and 2011.
101	Interactive data files submitted pursuant to Regulation S-T: (i) the Consolidated Statements of Income and Earnings Reinvested in the Business for the three and nine months ended June 30, 2012 and 2011, (ii) the Consolidated Balance Sheets at June 30, 2012 and September 30, 2011, (iii) the Consolidated Statements of Cash Flows for the nine months ended June 30, 2012 and 2011, (iv) the Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2012 and 2011 and (v) the Notes to Condensed Consolidated Financial Statements.

Incorporated herein by reference as indicated.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the material contained in Exhibit 32 is furnished and not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the Registrant specifically incorporates it by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL FUEL GAS COMPANY
(Registrant)

/s/ D. P. Bauer
D. P. Bauer
Treasurer and Principal Financial Officer

/s/ K. M. Camiolo
K. M. Camiolo
Controller and Principal Accounting Officer

Date: August 3, 2012