

AGL RESOURCES INC  
Form S-3/A  
November 05, 2004  
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As filed with the Securities and Exchange Commission on November 5, 2004

Registration No. 333-119921

333-119921-01

333-119921-02

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Pre-Effective Amendment No. 1**

**to**

**FORM S-3**

**REGISTRATION STATEMENT**

**Under**

THE SECURITIES ACT OF 1933

**AGL RESOURCES INC.**

**Georgia**

**58-2210952**

**Ten Peachtree Place, N.E.,**

**Atlanta, Georgia 30309**

**(404) 584-4000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Richard T. O'Brien**

**Executive Vice President and**

**Chief Financial Officer**

**AGL CAPITAL CORPORATION**  
(Exact name of registrant as specified in its charter)

**Nevada**  
(State of Incorporation)

**88-80472393**  
(I.R.S. Employer Identification Number)

**2325-B Renaissance Drive,  
Las Vegas, Nevada 89119  
(702) 967-2442**

**Paul R. Shlanta**

**President**

**AGL Capital Corporation**

**AGL CAPITAL TRUST III**

**Delaware**

**20-6321730**

**c/o AGL Resources Inc.**

**Ten Peachtree Place, N.E.,**

**Atlanta, Georgia 30309**

**(404) 584-4000**

**c/o Paul R. Shlanta**

**President**

**AGL Capital Corporation**

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<b>AGL Resources Inc.</b>	<b>Ten Peachtree Place, N.E.</b>	<b>Ten Peachtree Place, N.E.</b>
<b>Ten Peachtree Place, N.E.</b>	<b>Atlanta, Georgia 30309</b>	<b>Atlanta, Georgia 30309</b>
<b>Atlanta, Georgia 30309</b>	<b>(404) 584-4000</b>	<b>(404) 584-4000</b>
<b>(404) 584-4000</b>	<b>(Name, address, including zip code, and telephone number, including area code, of agent for service)</b>	

---

*Copy to:*

**M. Hill Jeffries, Esq.**

**Alston & Bird LLP**

**1201 West Peachtree Street**

**Atlanta, Georgia 30309**

**(404) 881-7000**

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**Approximate date of commencement of proposed sale of the securities to the public:** From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If delivery of this prospectus is expected to be made pursuant to Rule 434, please check the following box.  \_\_\_\_\_

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Title of each class of securities to be registered (1)	Amount to be registered (2)	Proposed maximum offering price per unit (3)	Proposed maximum aggregate offering price (2)	Amount of Registration Fee (4)
Debt Securities (5)				
Guarantee of Debt Securities (6)				
Trust Preferred Securities				
Junior Subordinated Debentures (5)				
Guarantee with respect to the Trust Preferred Securities (6)				
Guarantee with respect to the Junior Subordinated Debentures (6)				
Indenture (6)				
Amended and Restated Trust Agreement (6)				
Common Stock, \$5.00 par value per Share (5)(7)				
Preferred Stock (5)				
Purchase Contracts (8)				
Guarantee of Purchase Contracts (6)				
Warrants (9)				
Guarantee of Warrants (6)				
Units (10)				
Guarantee of Units (6)				
<b>TOTAL</b>	\$ 1,500,000,000		\$ 1,500,000,000	\$ 190,050(11)

- (1) Any securities registered on this registration statement may be sold separately or as units with other securities registered on this registration statement.
- (2) Estimated in accordance with Rule 457(o) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee. Such amount in U.S. dollars or the equivalent thereof in other currencies, as shall result in an aggregate offering price for all securities of an amount not to exceed \$1,500,000,000.
- (3) Omitted pursuant to General Instruction II(D) of Form S-3 under the Securities Act.
- (4) A filing fee of \$187,500 was paid on September 17, 2001 in connection with the filing by the registrants of Registration Statement No. 333-69500, which registered an aggregate of \$750,000,000 of securities. Of this amount of registered securities, an aggregate of \$383,320,000 of unsold securities remained as of September 23, 2003 and was included pursuant to Rule 429 under the Securities Act in the registrant's Registration Statement No. 333-109061 filed on September 23, 2003. Pursuant to Rule 457(p) under the Securities Act, the amount of the filing fee associated with the \$383,320,000 of unsold securities was used to offset the amount of the registration fee due for Registration Statement No. 333-109061. The filing fee for Registration Statement No. 333-69500 was calculated at the then effective rate of \$250 per \$1,000,000 and the amount of such filing fee remaining available to offset the filing fee for Registration Statement No. 333-109061 was \$95,830. The fee rate in effect when Registration Statement No. 333-109061 was filed was \$80.90 per \$1,000,000, resulting in a registration fee of \$80,900 in connection with the registration of \$1,000,000,000 of securities on Registration Statement No. 333-109061. Therefore, the registrant had \$95,830 available via the unused portion of Registration Statement No. 333-69500 to offset the entire filing fee of \$80,900 for Registration Statement No. 333-109061, leaving \$14,930 available from Registration Statement No. 333-69500 to be applied to future registration statements. An aggregate of \$750,000,000 of unsold securities remains from Registration Statement No. 333-109061 as of the date hereof and is included in this registration statement pursuant to Rule 429 under the Securities Act. Pursuant to Rule 457(p) under the Securities Act, the \$60,675 filing fee associated with the \$750,000,000 of unsold securities from Registration Statement No. 333-109061 as well as the \$14,930 remaining filing fee associated with the \$383,320,000 of unsold securities from Registration Statement No. 333-69500 can be used to offset the amount of registration fee due for this registration statement. The registration fee due in connection with the filing of this registration statement has been calculated based on a fee rate in effect on the date hereof of \$126.70 per \$1,000,000, resulting in a registration fee of \$190,050. The registrant has \$75,605 available via the unused portions of Registration Statement No. 333-69500 and Registration Statement No. 333-109061 to offset against the registration fee due for this registration statement, leaving \$114,445 due in connection with this registration statement.
- (5) Also includes such indeterminate number of Debt Securities, Junior Subordinated Debentures and shares of Common Stock and Preferred Stock as may be issued upon conversion of or in exchange for any Debt Securities, Junior Subordinated Debentures or Preferred Stock that provide for conversion or exchange into other securities. No separate consideration will be received for the Debt Securities, Junior Subordinated Debentures or shares of Preferred Stock or Common Stock issuable upon conversion of or in exchange for Debt Securities, Junior Subordinated Debentures or Preferred Stock.
- (6) No separate consideration will be received for the Guarantee with respect to the Debt Securities, the Guarantee with respect to the Trust Preferred Securities, the Guarantee with respect to the Junior Subordinated Debentures, the Indenture, the Amended and Restated Trust Agreement, the Guarantee with respect to the Purchase Contracts, the Guarantee with respect to the Warrants or the Guarantee with respect to the Units, and, pursuant to Rule 457(n) under the Securities Act, no registration fee is required with respect to these guarantees.
- (7) Includes AGL Resources Inc. preferred share purchase rights. Prior to the occurrence of certain events, the preferred share purchase rights will not be evidenced separately from the AGL Resources Inc. Common Stock.
- (8) There are being registered hereby such indeterminate number of Purchase Contracts as may be issued at indeterminate prices. Such Purchase Contracts may be issued together with any of the other securities being registered hereby. Purchase Contracts may require the holder thereof to purchase or sell any of the other securities registered hereby or to purchase or sell securities of an entity unaffiliated with the registrant, a basket of such securities, an index or indices of such securities or any combination of the above.

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- (9) There are being registered hereby such indeterminate number of Warrants as may be issued at indeterminate prices. Such Warrants may be issued together with any of the securities registered hereby or separately. Warrants may be exercised to purchase any of the other securities registered hereby or to purchase or sell securities of an entity unaffiliated with the registrant, a basket of such securities, an index or indices of such securities or any combination of the above.
- (10) There are being registered hereby such indeterminate number of Units as may be issued at indeterminate prices. Units may consist of any combination of the securities being registered hereby.
- (11) Previously paid.

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included in this registration statement also relates to an aggregate of \$750,000,000 of unsold securities registered under Registration Statement Nos. 333-69500 and 333-109061 for which a registration fee of \$75,605 was paid.

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**PROSPECTUS**

**\$1,500,000,000**

**AGL Resources Inc.**

**AGL Capital Corporation**

**AGL Capital Trust III**

**Debt Securities**

**Guarantee of Debt Securities**

**Trust Preferred Securities**

**Guarantee with respect to the Trust Preferred Securities**

**Junior Subordinated Debentures**

**Guarantee with respect to the Junior Subordinated Debentures**

**Common Stock**

## **Preferred Stock**

### **Preferred Stock Purchase Rights**

### **Purchase Contracts**

### **Guarantee of Purchase Contracts**

### **Warrants**

### **Guarantee of Warrants**

### **Units**

### **Guarantee of Units**

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We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement. The securities offered in this prospectus and the applicable prospectus supplement may be offered at a fixed public offering price or at varying prices determined at the time of sale. Our common stock trades on the New York Stock Exchange under the symbol ATG. There is no established public trading market for any of the other securities offered in this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. any representation to the contrary is a criminal offense.

**The date of this Prospectus is November 9, 2004.**

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**RISK FACTORS**

Investing in our securities involves risk. Each time that we issue new securities, risk factors, if appropriate, will be included in the prospectus supplement relating to the new securities.

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$1,500,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Material United States federal income tax considerations applicable to the offered securities will also be discussed in the applicable prospectus supplement. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the headings **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference**. As used in this prospectus, the terms **we**, **our**, **ours**, **us** and similar references mean AGL Resources Inc., together with its subsidiaries, including AGL Capital Trust III and AGL Capital Corporation, or AGL Capital, unless otherwise indicated.

**PRINCIPAL EXECUTIVE OFFICES**

The address of AGL Resources' principal executive offices is Ten Peachtree Place, Atlanta, Georgia 30309, and its telephone number is (404) 584-4000. We maintain a website at <http://www.aglresources.com> where general information about us is available. We are not, however, incorporating the contents of our website into this prospectus. AGL Capital's principal address is 2325-B Renaissance Drive, Las Vegas, Nevada 89119, and its telephone number is (702) 967-2442. AGL Capital Trust III's registered office in the State of Delaware is c/o The Bank of New York (Delaware), White Clay Center, Route 273, Newark, Delaware 19711. The principal executive office of the trust is c/o AGL Resources Inc., Ten Peachtree Place, N.E., Atlanta, Georgia 30309 (telephone number 404-584-4000).

**WHERE YOU CAN FIND MORE INFORMATION**

We filed a registration statement under the Securities Act of 1933 with the SEC that registers the offer and sale of the securities described in this prospectus. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us.

In addition, we file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any information we file with the SEC at its public reference facility at 450 Fifth Street, N.W., Room 1300, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility.

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The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, who file information electronically with the SEC. The address of that site is <http://www.sec.gov>.

You can also inspect annual, quarterly and special reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, except for any information that is superseded by information that is included directly in this document or in a more recent incorporated document.

This prospectus incorporates by reference the documents listed below that we (or our predecessors) have previously filed with the SEC. We do not incorporate by reference documents that have been furnished to the SEC unless we expressly state otherwise in a prospectus supplement. The incorporated documents contain important information about us and our financial condition.

Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed on February 6, 2004 (SEC File No. 001-14174);

Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed on April 28, 2004 (SEC File No. 001-14174);

Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 filed on July 29, 2004 (SEC File No. 001-14174);

Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on October 27, 2004 (SEC File No. 001-14174);

Current Reports on Form 8-K dated January 26, April 26, July 15, July 26, September 9, September 22, September 30, and October 26, 2004 (SEC File No. 001-14174); and

Registration Statement on Form 8-A filed on March 6, 1996 (SEC File No. 001-11659), as amended by the Form 8-A/A filed on June 5, 2002 (SEC File No. 001-14174).

We also incorporate by reference all documents that we may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, after the date of this prospectus and prior to the termination of the offering. Additionally, we incorporate by reference all documents that we may file with the SEC after the date of the filing of the registration statement of which this prospectus is a part and prior to the effectiveness of the registration statement. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this prospectus from us, or from the SEC through the SEC's Internet website at the address described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents, unless the exhibit is also specifically incorporated by reference in this prospectus. You can obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address:

Investor Relations

AGL Resources Inc.

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Ten Peachtree Place, N.E.

Atlanta, Georgia 30309

Telephone: (404) 584-3801

We have not authorized anyone to give any information or make any representation about us that is different from, or in addition to, the information and representations contained in this prospectus or in any of the materials that we have incorporated into this prospectus. If anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this prospectus and the date of the prospectus supplement, unless the information specifically indicates that another date applies.

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**FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this registration statement reflect assumptions, expectations, projections, intentions or beliefs about future events. These statements, which may relate to such matters as future earnings, growth, supply and demand, costs, subsidiary performance, new technologies and strategic initiatives, are forward-looking statements within the meaning of the federal securities laws. These statements do not relate strictly to historical or current facts, and you can identify certain of these statements, but not necessarily all, by the use of the words anticipate, assume, indicate, estimate, believe, predict, forecast, rely, expect, continue, grow and other similar words having that meaning. Although we believe that the expectations and assumptions reflected in these statements are reasonable in view of the information currently available, there can be no assurance that these expectations will prove to be correct. These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. In addition to the specific factors discussed in AGL Resources reports that are incorporated by reference, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements:

changes in industrial, commercial and residential growth in our service territories;

changes in price, supply and demand for natural gas and related products;

impact of changes in state and federal legislation and regulation, including orders of various state public service commissions and of the Federal Energy Regulatory Commission, or FERC, on the gas and electric industries and on us;

actions taken by government agencies, including decisions on base rate increase requests by state regulators;

the ultimate impact of the Sarbanes-Oxley Act of 2002 and any future changes in accounting regulations or practices in general with respect to public companies, the energy industry or our operations specifically;

the enactment of new accounting standards, or interpretations of existing accounting standards, by the Financial Accounting Standards Board, or FASB, or the SEC, that could impact the way we record revenues, assets and liabilities, which in turn could adversely affect reported results of operations;

the enactment of new auditing standards, or interpretations of existing auditing standards, by the Public Company Accounting Oversight Board, or PCAOB, which could adversely affect our ability to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

effects and uncertainties of deregulation and competition, particularly in markets where prices and providers historically have been regulated, and unknown issues following deregulation such as the stability of the Georgia retail gas market, including risks related to energy marketing and risk management;

concentration of credit risk in marketers who are certificated by the Georgia Public Service Commission, or GPSC, to sell retail natural gas in Georgia, as well as concentration of credit risk in customers of AGL Resources wholesale services segment;

excess high-speed network capacity and demand for dark fiber in metropolitan network areas;

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market acceptance of new technologies and products, as well as the adoption of new networking standards;

the ability to negotiate new fiber optic contracts with telecommunications providers for the provision of dark fiber services;

utility and energy industry consolidation;

performance of equity and bond markets and the impact on pension and post-retirement funding costs;

impact of acquisitions and divestitures, including:

the risk that the businesses of NUI Corporation, or NUI, and/or Jefferson Island Storage & Hub, L.L.C. will not be integrated successfully with AGL Resources or that such integrations may be more difficult, time-consuming or costly than expected;

revenues following the acquisitions may be lower than expected;

expected revenue synergies and cost savings from these two acquisitions may not be fully realized or realized within the expected time frame;

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the ability to obtain governmental approvals of the NUI acquisition on the proposed terms and schedule;

the failure of NUI's shareholders to approve the transaction;

the risk that AGL Resources may be unable to obtain financing necessary to consummate the acquisition of NUI or that the terms of such financing may be onerous; and

the risk that any financing plan may have the effect of diluting AGL Resources' shareholder value in the near term;

direct or indirect effects on AGL Resources' business, financial condition or liquidity resulting from a change in its credit rating or the credit ratings of its counterparties or competitors;

interest rate fluctuations, financial market conditions and general economic conditions;

uncertainties about environmental issues and the related impact of such issues;

impact of changes in weather upon the temperature-sensitive portions of the business;

impact of litigation;

impact of changes in prices on the margins achievable in the unregulated retail gas marketing business; and

other risks described in AGL Resources' documents on file with the SEC.

Any forward-looking statements should be considered in light of such important factors.

New factors that could cause actual results to differ materially from those described above emerge from time to time, and it is not possible to predict all of such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update the information contained in such statement to reflect subsequent developments or information except as required by law.

**AGL RESOURCES INC.**

**Overview**

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AGL Resources is an energy services holding company, headquartered in Atlanta, Georgia, whose principal business is the distribution of natural gas in Georgia, Tennessee and Virginia. AGL Resources operates three utilities which, combined, serve more than 1.8 million end-use customers. AGL Resources is also involved in various related businesses including the retail sale of natural gas to end-use customers in Georgia, natural gas asset management and optimization, producer services and wholesale marketing, gas storage and hub services, risk management activities and operating telecommunications conduit and fiber infrastructure within select metropolitan areas.

AGL Resources is a holding company with no independent business operations or source of income of its own. It conducts substantially all of its operations through its subsidiaries and, as a result, AGL Resources depends on the earnings and cash flow of and dividends or distributions from its subsidiaries to provide the funds necessary to meet its debt and contractual obligations. Furthermore, a substantial portion of AGL Resources consolidated assets, earnings and cash flow is derived from the operation of its regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to AGL Resources is subject to regulation.

AGL Resources' holding company status also means that the right of AGL Resources to participate in any distribution of the assets of any of its subsidiaries upon liquidation, reorganization or otherwise is subject to the prior claims of the creditors of each of the subsidiaries, except to the extent that the claims of AGL Resources itself as a creditor of a subsidiary may be recognized. Since this is true for AGL Resources, it is also true for the creditors of AGL Resources, including the holders of the debt securities. The right of AGL Resources' creditors, including the holders of the debt securities, to participate in any distribution of the stock owned by AGL Resources in its regulated subsidiaries is also subject to state and federal regulation applicable to regulated

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utilities, such as regulation by state public service commissions and the FERC and the SEC pursuant to the Public Utility Holding Company Act of 1935, as amended.

AGL Resources manages its business in three operating segments and one non-operating segment. The following chart shows AGL Resources, its business segments and principal subsidiaries:

### **Distribution Operations**

Our Distribution Operations segment consists of three wholly owned natural gas local distribution companies: Atlanta Gas Light, Chattanooga Gas and Virginia Natural Gas.

*Atlanta Gas Light*, or AGL, is a natural gas local distribution utility with distribution systems and related facilities serving 237 cities throughout Georgia, including Atlanta, Athens, Augusta, Brunswick, Macon, Rome, Savannah and Valdosta. AGL also has approximately 6.0 billion cubic feet, or Bcf, of liquefied natural gas, or LNG, storage capacity in three LNG plants to supplement the supply of natural gas during peak usage periods.

*Virginia Natural Gas*, or VNG, is a natural gas local distribution utility with distribution systems and related facilities serving southeastern Virginia. VNG is one of the most modern natural gas local distribution companies in the United States, with approximately 50% of its main piping installed after 1980. VNG also owns and operates approximately 155 miles of a separate high-pressure pipeline that provides delivery of gas to customers under firm transportation agreements within the state of Virginia. VNG also has approximately 5.0 million gallons of propane storage capacity in its two propane facilities to supplement the supply of natural gas during peak usage periods.

*Chattanooga Gas* is a natural gas local distribution utility with distribution systems and related facilities serving the Chattanooga and Cleveland areas of Tennessee. Chattanooga Gas has approximately 1.2 Bcf of LNG storage capacity in its LNG plant.

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### **Wholesale Services**

Our Wholesale Services segment is made up primarily of Sequent Energy Management, L.P., or Sequent, which is AGL Resources' gas asset management subsidiary. Sequent is primarily engaged in the management of natural gas assets for AGL Resources' three natural gas local distribution companies as well as for unaffiliated parties. These asset management activities include the marketing, transportation, and storage of natural gas, along with related services, primarily in the eastern half of the United States. Sequent's activities focus on capturing value from idle or underutilized natural gas assets typically by participating in transactions that balance the needs of various geographic markets and time horizons. Sequent's asset management customers, mainly utilities, must contract for transportation and storage services to meet their peak day demands. These customers typically contract for these services on a 365 day basis even though they may only need these services to meet their peak demands for a much shorter period. Sequent enters into agreements with these customers, either through contract assignment or agency arrangement, in order to utilize these transportation and storage services during the customers' off-peak periods. Sequent captures margin through the optimization of the purchasing, transporting, storing and selling of the natural gas and typically either shares the profits with the customer or pays a fee to the customer for using its assets.

Sequent also contracts for its own transportation and storage services by participating in transactions that combine the natural gas commodity and transportation costs that will result in the lowest cost path to serve its markets. Sequent then seeks to optimize this value chain on a daily basis as market conditions change by evaluating all of the natural gas supply, transportation and markets to which they have access and seeking out the lowest-cost alternatives to serve its markets. This enables Sequent to capture locational pricing differences as they change.

Sequent also focuses on aggregating gas supply from the major producing regions and market hubs primarily in the eastern and mid-continental United States. Sequent provides the natural gas producers price transparency and certain risk management services that gives the producers alternatives to the prices they can achieve for the commodity. By aggregating volumes of natural gas from these producers, Sequent is able to provide ready outlets to the producers who are interested in securing a reliable outlet for their natural gas production. Sequent captures value by being able to efficiently procure a reliable pool of natural gas at reasonable prices to service our marketing portfolio.

### **Energy Investments**

Our Energy Investments segment includes AGL Resources' investments in SouthStar Energy Services LLC, or SouthStar, Pivotal Jefferson Island Storage & Hub, LLC, or Pivotal Jefferson Island, Pivotal Propane of Virginia, Inc., or Pivotal Propane, and AGL Networks, LLC.

**SouthStar**, a joint venture formed in 1998, markets natural gas to retail, commercial and industrial customers, principally in Georgia. SouthStar, which operates under the trade name Georgia Natural Gas, is the largest marketer in Georgia, with a market share of approximately 35%. AGL Resources' wholly owned subsidiary, Georgia Natural Gas Company, owns a non-controlling 70% financial interest in SouthStar, and a subsidiary of Piedmont Natural Gas Company, or Piedmont, owns the remaining 30% interest. AGL Resources' 70% interest is non-controlling because all significant management decisions require approval by both owners. SouthStar's amended and restated partnership agreement provides that SouthStar's earnings, starting in 2004, will be allocated 75% to our subsidiary and 25% to Piedmont.

**Pivotal Jefferson Island**, a wholly owned subsidiary of AGL Resources, operates a storage and hub facility in Erath, Louisiana, approximately eight miles from the Henry Hub. Pivotal Jefferson Island completed the purchase of the storage and hub facility on October 1, 2004 for an adjusted purchase price of \$90.3 million, which included approximately \$9.0 million of working gas inventory. Pivotal Jefferson Island's facility consists of two salt dome gas storage caverns with 9.4 million dekatherms, or Dth, of total capacity and about 6.9 million Dth of working gas capacity. The facility has approximately 720,000 Dth/day withdrawal capacity and 240,000

Dth/day injection capacity.

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*Pivotal Propane*, a wholly owned subsidiary of AGL Resources, intends to complete the construction of a propane air facility in the VNG service area by the first quarter of 2005. The propane air facility will provide VNG with 28,000 Dth of propane air per day on a 10-day per year basis to serve its peaking needs.

*AGL Networks, LLC*, a wholly owned subsidiary of AGL Resources, is a provider of telecommunications construction and maintenance services and conduit and unused fiber optic cable, or dark fiber. AGL Networks leases and sells its fiber to a variety of customers in the Atlanta, Georgia and Phoenix, Arizona metropolitan areas, with a small presence in other cities in the United States. Its customers include local, regional and national telecommunications companies, internet service providers, educational institutions and other commercial entities. AGL Networks typically provides underground conduit and dark fiber to its customers under leasing arrangements with terms that vary from 1 to 20 years.

## **Corporate**

Our Corporate segment includes AGL Resources' non-operating business units, principally AGL Services Company and AGL Capital. AGL Services Company is a service company that provides business services to AGL Resources' various operations. AGL Capital provides for the ongoing financing needs of AGL Resources through a commercial paper program, the issuance of various debt and hybrid securities and other financing arrangements.

### **AGL CAPITAL CORPORATION**

AGL Capital Corporation is a wholly owned subsidiary of AGL Resources Inc. AGL Capital was established to provide for the ongoing financing needs of AGL Resources through a commercial paper program, the issuance of various debt and hybrid securities and other financing arrangements. All of AGL Capital's operating expenses are allocated to AGL Resources' operating segments in accordance with the Public Utility Holding Company Act of 1935, as amended.

### **AGL CAPITAL TRUST III**

The trust is a statutory trust formed under Delaware law pursuant to a trust agreement executed by AGL Capital, as sponsor, The Bank of New York (Delaware), as Delaware trustee and the administrative trustees named therein, and the filing of a Certificate of Trust with the Delaware Secretary of State on August 21, 2001. In order to provide for the operation of the trust and the issuance of the trust preferred securities, the trust agreement will be amended and restated among AGL Capital, as sponsor, The Bank of New York, as property trustee, The Bank of New York (Delaware), as Delaware trustee, and the administrative trustees. The trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended. The trust exists for the exclusive purposes of issuing and selling its trust preferred securities and common securities, using the proceeds from the sale of these securities to acquire junior subordinated debentures, unsecured debt obligations of AGL Capital, making distributions and engaging in only those other activities necessary, advisable or incidental to these purposes. The trust cannot borrow money, issue debt or reinvest proceeds derived from investments, mortgages or pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the trust not to be classified for U.S. federal income tax purposes as a grantor trust. The junior subordinated debentures will be the sole assets of the trust, and payments under the junior subordinated debentures and an Agreement as to Expenses and Liabilities will be the sole revenues of the trust. AGL Capital will own all of the trust's common securities.

The common securities will rank equal in priority, and payments will be made thereon pro rata, with the trust preferred securities, except that upon the occurrence and continuance of an event of default under the trust



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agreement, the rights of AGL Capital as holder of the common securities to payments in respect of distributions and payments upon liquidation, redemption or otherwise will be subordinated to the rights of the holders of the trust preferred securities. See Description of Trust Preferred Securities Subordination of Common Securities. AGL Capital will acquire common securities in a liquidation amount, which is the face value of the common securities and will be disclosed in a prospectus supplement, equal to at least 3% of the total capital of the trust. The liquidation amount is the value of the common securities on their face and is the value recorded on the trust's books. The trust has a term of 40 years, but may terminate earlier as provided in the trust agreement. The trust's business and affairs are conducted by its trustees, each appointed by AGL Capital as holder of the common securities. Except as disclosed below under Voting Rights; Amendment of the Trust Agreement, the holder(s) of common securities will have the exclusive voting power in all matters relating to a vote of the trust's security holders.

The trustees for the trust will be The Bank of New York, as the property trustee, The Bank of New York (Delaware), as the Delaware Trustee, and two individual trustees who are employees or officers of or affiliated with AGL Capital. The Bank of New York, as property trustee, will act as sole indenture trustee under the trust agreement. The Bank of New York will also act as indenture trustee under an indenture among AGL Capital, AGL Resources and The Bank of New York relating to the junior subordinated debentures. See Description of Junior Subordinated Debentures. The holder of the common securities of the trust or, if an event of default under the trust agreement has occurred and is continuing, the holders of a majority in liquidation amount of the trust preferred securities, will be entitled to appoint, remove or replace the property trustee and/or the Delaware Trustee. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the Administrative Trustees; such voting rights will be vested exclusively in the holder of the common securities.

The duties and obligations of each trustee are governed by the trust agreement, the Delaware Statutory Trust Act (Chapter 38 of Title 12 of the Delaware General Corporation Law, 12 Del. Code §§ 3801 et seq.) and the Trust Indenture Act of 1939. Unless otherwise disclosed in the applicable prospectus supplement, two of the trustees of the trust will be administrative trustees. The administrative trustees will be persons who are employees or officers of or otherwise affiliated with AGL Capital. One trustee of the trust will be the property trustee. The property trustee will be a financial institution that is not affiliated with AGL Capital, as sponsor of the trust, that has a minimum amount of combined capital and surplus of or less than \$50,000,000 and that will act as property trustee under the terms set forth in the applicable prospectus supplement. The property trustee will hold legal title to the debentures for the benefit of the holders of the trust preferred securities and the common securities. Unless otherwise disclosed in the applicable prospectus supplement, one trustee of the trust, which trustee will reside in or have its principal place of business in the State of Delaware, will be the Delaware trustee if required by the Delaware Business Trust Act. The Delaware trustee may be the property trustee, if it otherwise meets the requirements of applicable law. Pursuant to the trust preferred securities guarantee agreement, there will also be a guarantee trustee that holds the preferred securities guarantee for the benefit of the holders of the trust preferred securities. Pursuant to the trust agreement and the indenture relating to the junior subordinated debentures, AGL Capital will pay all fees, expenses, debts and obligations (other than the trust securities) related to the trust and the offering of the trust preferred securities and will pay, directly or indirectly, all ongoing costs, expenses and liabilities of the trust. The rights of the holders of the trust preferred securities, including economic rights, rights to information and voting rights, are as set forth in the declaration of trust, the Delaware Statutory Trust Act and the Trust Indenture Act. See Description of Trust Preferred Securities.

**FINANCIAL STATEMENTS OF THE TRUST AND ACCOUNTING TREATMENT**

If the trust issues and sells the trust securities, the financial statements of the trust are not expected to be consolidated with AGL Resources financial statements, with amounts payable to the trust classified as notes payable to trusts. There are no separate financial statements of the trust in this prospectus. We do not believe such financial statements would be helpful because:

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The trust is a wholly-owned subsidiary of AGL Capital or AGL Resources, which currently files consolidated financial information under the Exchange Act.

The trust does not have any independent operations other than issuing the trust preferred securities and common securities and purchasing the junior subordinated debentures.

The obligations of AGL Capital and AGL Resources under the junior subordinated debentures and trust preferred securities guarantee have the effect of providing a full, irrevocable and unconditional guarantee of the trust's obligations under the trust preferred securities. In the event that the trust fails to pay distributions on the trust preferred securities due to a failure of AGL Capital to pay interest or principal on the junior subordinated debentures, pursuant to the trust preferred securities guarantee, a holder of the trust preferred securities may institute a proceeding directly against AGL Capital or AGL Resources for enforcement of AGL Capital's payment obligations to such holder on the junior subordinated debentures.

The trust is not, and will not become, subject to the information reporting requirements of the Exchange Act.

**USE OF PROCEEDS**

Unless the prospectus supplement indicates otherwise, the net proceeds we receive from the sale of the securities described in this prospectus will be used for general corporate purposes, which may include financing future acquisitions, reducing outstanding short-term debt obligations (including debt incurred through our commercial paper program), financing the development and construction of new facilities, additions to working capital, reductions of the indebtedness of our subsidiaries, and financing of capital expenditures. We may invest funds not immediately required for such purposes in short-term investment grade securities. The amount and timing of sales of the securities described in this prospectus will depend on market conditions and the availability to us of other funds.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table shows our consolidated ratio of earnings to fixed charges for the periods indicated:

	Nine Months Ended	Fiscal Years Ended		Three Months Ended	Fiscal Years Ended		
	September 30,	December 31,		December 31,	September 30,		
	2004	2003	2002	2001	2001	2000	1999
Ratio of earnings to fixed charges	4.04	3.57	2.69	2.31	2.31	2.42	3.13

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**DESCRIPTION OF DEBT SECURITIES**

The debt securities and related guarantees will be issued by AGL Capital under an indenture dated as of February 20, 2001, as supplemented and modified, as necessary, among AGL Capital, AGL Resources and The Bank of New York, as trustee. The indenture provides for the issuance from time to time of debt securities in an unlimited dollar amount and an unlimited number of series. The debt securities will be guaranteed by AGL Resources under the guarantees described below.

The following description of the terms of the debt securities and the guarantees summarizes the material terms that will apply to the debt securities and the guarantees. The description is not complete, and we refer you to the indenture, a copy of which is an exhibit to the registration statement of which this prospectus is a part. For your reference, in several cases below, we have noted the section in the indenture that the paragraph summarizes. The referenced section of the indenture and the definitions of capitalized terms are incorporated by reference in the following summary.

Prospective purchasers of debt securities should be aware that special United States federal income tax, accounting and other considerations may be applicable to instruments such as the debt securities. Debt securities may be issued as Original Issue Discount Securities (as defined below). The special United States federal income tax and other considerations applicable to Original Issue Discount Securities will be described in detail in the applicable prospectus supplement or term sheet relating to an issue of such debt securities. Original Issue Discount Security generally means any debt security that (i) is issued at a price lower than its principal amount, (ii) does not require the payment of interest in cash or property (other than debt instruments of the issuer) at least annually throughout the term of the debt security or (iii) provides for interest that is below market rates. An Original Issue Discount Security provides that, upon acceleration of its maturity, an amount less than its principal amount will become due and payable. If a debt security is an Original Issue Discount Security, a portion of its principal amount may be treated as original issue discount. A holder of an Original Issue Discount Security generally must accrue original issue discount over the life of the debt security and generally is taxable on such accrued original issue discount as ordinary income similar to interest even if such holder is on the cash method of accounting. This means that a holder of an Original Issue Discount Security may be required to report and pay tax on original issue discount income before such holder receives the cash that corresponds to that income.

**General**

The indenture does not limit the aggregate principal amount of the debt securities that may be issued thereunder and provides that the debt securities may be issued from time to time in series. The debt securities will be unsecured and will rank on a parity with all of our other unsecured and unsubordinated indebtedness, unless otherwise provided in a prospectus supplement.

The prospectus supplement and any related pricing supplement will describe certain terms of the offered debt securities, including:

the title of the offered debt securities;

any limit on the aggregate principal amount of the offered debt securities;

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the person or persons to whom interest on the offered debt securities shall be payable on any interest payment date if other than the person in whose name the offered debt security is registered on the regular record date;

the date or dates on which the principal of the offered debt securities is payable;

the rate or rates (or manner in which interest is to be determined) at which the offered debt securities will bear interest, if any, and the date from which such interest, if any, will accrue and the regular record date for the interest payable on the offered debt securities on any interest payment date;

the periods within which, the prices at which and the terms and conditions upon which the offered debt securities may be redeemed, in whole or in part, at our option;

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our obligation, if any, to redeem or purchase the offered debt securities pursuant to any sinking fund or at the option of the holder and the price or prices at which and the terms and conditions upon which such offered debt securities will be redeemed or purchased;

whether the offered debt securities are to be issued in whole or in part in the form of one or more global notes and, if so, the identity of the depositary for such global notes; and

any events of default (in addition to those specified in the indenture) or other terms and conditions with respect to the offered debt securities that are not inconsistent with the terms of the indenture.

Unless otherwise provided in the prospectus supplement or a pricing supplement, the debt securities will be issued only in fully registered form, without coupons, in denominations of \$1,000 or any integral multiple thereof.

One or more series of debt securities may be issued as discounted debt securities (bearing no interest or interest at a rate which, at the time of issuance, is below market rates) to be sold at a substantial discount below their stated principal amount. Special federal income tax and other considerations applicable thereto will be described in the prospectus supplement relating thereto.

The indenture provides that all debt securities of any one series need not be issued at the same time and that we may, from time to time, issue additional debt securities of a previously issued series. In addition, the indenture provides that we may issue debt securities with terms different from those of any other series of debt securities and, within a series of debt securities, terms, such as interest rate or manner in which interest is calculated, original issue date, redemption provisions and maturity date, may differ.

### **Payment of Notes; Transfers; Exchanges**

Except as may be provided in the applicable prospectus supplement, interest, if any, on each debt security payable on each interest payment date will be paid to the person in whose name such debt security is registered as of the close of business on the regular record date relating to such interest payment date. However, if there has been a default in the payment of interest on any debt security, such defaulted interest may be payable to the holder of such debt security as of the close of business on a date selected by the trustee not more than 15 days and not less than 10 days prior to the date we propose for payment of such defaulted interest. (See Section 307.)

Principal of, and premium and interest, if any, on the debt securities will be payable at the office of the trustee designated for such purpose or at any paying agency we maintain for such purpose. We may appoint one or more paying agents and may remove any paying agent, all in our discretion. The applicable prospectus supplement will identify any paying agent appointed.

The transfer of the debt securities may be registered, and the debt securities may be exchanged for other debt securities of authorized denominations and of like tenor and aggregate principal amount at the office of the trustee designated for such purpose or at any paying agency we maintain for such purpose. We may appoint one or more additional security registrars or transfer agents and may remove any security registrar or transfer agent, all in our discretion. The applicable prospectus supplement will identify any additional security registrar or transfer agent appointed.

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No service charge will be made for any registration of transfer or exchange of the debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We will not be required:

to issue, register the transfer of or exchange debt securities during the period of 15 days prior to giving any notice of redemption or

to issue, register the transfer of or exchange any debt security selected for redemption in whole or in part, except the unredeemed portion of any debt security being redeemed in part. (See Section 305.)

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### **Redemption**

Any terms for the optional or mandatory redemption of the offered debt securities will be set forth in the applicable prospectus supplement. In accordance with the terms of the indenture, debt securities will be redeemable only upon notice, by mail, not less than 30 nor more than 60 days prior to the date fixed for redemption and, if less than all of the debt securities of any series are to be redeemed, the particular debt securities will be selected by the security registrar by such method as the trustee deems fair and appropriate. (See Sections 403 and 404.)

Any notice of optional redemption may state that such redemption shall be conditional upon the receipt by the trustee, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium and interest, if any, on such debt securities and that if such money has not been so received, such notice will be of no force or effect and we will not be required to redeem such debt securities. (See Section 404.)

### **Events of Default**

The following are events of default under the indenture with respect to debt securities of any series:

failure to pay any interest on any debt security within 30 days after the same becomes due and payable;

failure to pay principal of or any premium on any debt security within three (3) business days of when due;

failure to perform, or breach of, any other covenant or warranty in the indenture (other than a covenant or warranty included in the indenture solely for the benefit of one or more series of debt securities other than that series), continued for 90 days after written notice to us by the trustee or by the holders of at least 25% in principal amount of the outstanding debt securities to us and the trustee as provided in the indenture;

certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization; and

any other event of default provided with respect to the debt securities of that series. (See Section 801.)

No event of default with respect to the debt securities of one series necessarily constitutes an event of default with respect to the debt securities of any other series issued under the indenture.

If an event of default other than certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization occurs and is continuing, either the trustee or the holders of at least 33% in aggregate principal amount of the outstanding debt securities of that series may declare the principal amount of all the outstanding debt securities of that series to be due and payable immediately; provided, however, that if such an event of default occurs and is continuing with respect to more than one series of debt securities, the trustee or the holders of not less than 33% in aggregate principal amount of the outstanding debt securities of all such series, considered as one class, may make such declaration of acceleration and not the holders of the debt securities of any of such series. (See Section 802.)

The holders of a majority in aggregate principal amount of the outstanding debt securities of each series may, on behalf of all holders of the debt securities of that series, waive any past default under the indenture with respect to the debt securities of that series, except a default in the payment of principal or premium or interest, if any, or in respect of a provision of the indenture which cannot be amended or modified without the consent of the holder of each outstanding debt security of the series affected. (See Section 813.)

**Remedies**

At any time after the declaration of acceleration with respect to the debt securities of any series has been made, but before a judgment or decree based on acceleration has been obtained, the event or events of default

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giving rise to such declaration of acceleration shall, without further act, be deemed to have been waived, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled if:

we have paid or deposited with the trustee a sum sufficient to pay:

- (1) all overdue interest on all debt securities of such series;
- (2) the principal of and premium, if any, on any debt securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed hereof in such debt securities;
- (3) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such debt securities;
- (4) all amounts due to the trustee under the indenture; and

any other event or events of default with respect to the debt securities of such series, other than the nonpayment of the principal of the debt securities of such series which has become due solely by such declaration of acceleration, have been cured or waived as provided in the indenture. (See Section 802.)

The indenture provides that, subject to the duty of the trustee during the continuance of an event of default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders shall have offered to the trustee reasonable indemnity. Subject to such provisions for the indemnification of the trustee and subject to certain other limitations, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the debt securities of that series; provided, however, that if an event of default occurs and is continuing with respect to more than one series of debt securities, the holders of a majority in aggregate principal amount of the outstanding debt securities of all such series, considered as one class, will have the right to make such direction, and not the holders of the debt securities of any one of such series; and provided, further, that:

such direction will not be in conflict with any rule of law or with the indenture and would not involve the trustee in personal liability in circumstances where reasonable indemnity could not be adequate and

the trustee may take any other action it deems proper which is not inconsistent with such direction. (See Section 812.)

The right of a holder of any debt security of such series to institute a proceeding with respect to the indenture is subject to the following conditions precedent:

the holder shall have previously given written notice to the trustee of a continuing event of default;

the holders of not less than a majority in aggregate principal amount of the outstanding securities of all series in respect to which an event of default shall have occurred and be continuing shall have made a written request to the trustee to institute proceedings in

respect of the event of default;

the holders shall have offered to the trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

the trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings; and

the trustee shall have not received direction inconsistent with the written request during the 60 day period by the holders of a majority in aggregate principal amount of the outstanding securities of all series in respect of which an event of default shall have occurred. (See Section 807.)

However, each holder has an absolute right to receive payment of principal and premium and interest, if any, when due and to institute suit for the enforcement of any such payment. (See Section 808.) The indenture

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provides that the trustee, within 90 days after the occurrence of any default thereunder with respect to the debt securities of a series, is required to give the holders of the indenture securities of such series notice of any default known to it, unless cured or waived; provided, however, that, except in the case of a default in the payment of principal of or premium or interest, if any, on any debt securities of such series, the trustee may withhold such notice if the trustee determines that it is in the interest of such holders to do so; and provided, further, that in the case of an event of default of the character specified above in the third bullet point under Events of Default, no such notice shall be given to such holders until at least 75 days after the occurrence thereof. (See Section 902.)

The indenture requires us to annually furnish to the trustee a statement as to our performance of certain obligations and as to any default in such performance. The indenture also requires us to notify the trustee of any event of default within ten days after certain of our officers obtain actual knowledge thereof. (See Section 606.)

## **Modification, Waiver and Amendment**

Certain modifications and amendments of the indenture may be made by us and the trustee without the consent of the holders, including those which:

evidence the assumption by any of our successors of our obligations under the indenture or with respect to the debt securities;

add to our covenants or surrender any of our rights under the indenture;

add any events of default, in addition to those specified in the indenture, with respect to any series of outstanding debt securities;

change or eliminate any provision of the indenture or add any new provision to the indenture; provided, however, that if such change, elimination or addition will adversely affect the interests of holders of debt securities of any series in any material respect, such change, elimination or addition will become effective with respect to such series only when there is no debt security of such series remaining outstanding under the indenture;

provide collateral security for the debt securities;

establish the form or terms of debt securities of any series;

evidence the appointment of a successor trustee with respect to the debt securities of one or more series and to add to or change any of the provisions of the indenture as shall be necessary to provide for or to facilitate the administration of the trusts under the indenture by more than one trustee;

provide for the procedures required to permit the utilization of a noncertificated system of registration for any series of debt securities;

subject to certain conditions, change the place where debt securities may be transferred, exchanged or paid; or

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cure any ambiguity or inconsistency or make any other provisions with respect to matters and questions arising under the indenture, provided such provisions shall not adversely affect the interests of the holders of debt securities of any series in any material respect. (See Section 1201.)

Without limiting the generality of the foregoing, if the Trust Indenture Act of 1939, as amended, is amended after the date of the indenture to require changes to the indenture or the incorporation therein of additional provisions or permit changes to, or the elimination of, provisions which, at the date of the indenture or at any time thereafter, are required by the Trust Indenture Act to be contained in the indenture, the trustee and we may, without the consent of any holders, enter into one or more supplemental indentures to effect or reflect any such change, incorporation or elimination.

Modifications and amendments of the indenture may be made by the trustee and us with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of all series

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then outstanding under the indenture and affected by such modification or amendment, considered as one class; provided, however, that no such modification or amendment may, without the consent of the holders of each outstanding debt security affected thereby:

change the stated maturity of the principal of, or any installment of principal of or interest, if any, on, any debt security;

reduce the principal amount of, or premium or interest, if any, on, any debt security;

reduce the amount of principal of an original issue discount debt security payable upon acceleration of the maturity thereof;

change the currency in which any principal of, or premium or interest, if any, on, any debt security is payable;

impair the right to institute suit for the enforcement of any payment on or with respect to any debt security;

reduce the percentage in principal amount of the outstanding debt securities of any series, the consent of whose holders is required for modification or amendment of the indenture or for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults;

reduce the requirements for quorum or voting; or

amend provisions of the indenture relating to waivers of covenants affecting the amount of securities that may be authenticated and delivered, waivers of past defaults and supplemental indentures requiring the consent of the holders.

A supplemental indenture which changes or eliminates any covenant or other provision of the indenture which has expressly been included solely for the benefit of one or more particular series of debt securities, or which modifies the rights of the holders of debt securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under the indenture of the holders of any other debt securities. (See Section 1202.)

**Covenants; Consolidation, Merger and Sale of Assets**

We will cause (or, with respect to property owned in common with others, make reasonable effort to cause) all of our properties used or useful in the conduct of our business to be maintained and kept in good condition, repair and working order and will cause (or with respect to property owned in common with others make reasonable effort to cause) all necessary repairs, renewals, replacements, betterments and improvements thereof to be made, all as, in our judgment, may be necessary so that our business may be properly conducted; provided, however, that the foregoing will not prevent us from discontinuing, or causing the discontinuance of, the operation and maintenance of any of our properties if such discontinuance is, in our judgment, desirable in the conduct of our business and will not adversely affect the interests of the holders of debt securities of any series in any material respect. (See Section 605.)

Subject to the provisions described in the next paragraph, we will do or cause to be done all things necessary to preserve and keep in full force and effect our corporate existence and rights (charter and statutory) and our franchises; provided, however, that we will not be required to

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preserve any such right or franchise if, in our judgment, preservation thereof is no longer desirable in the conduct of our business and the failure to preserve any such right or franchise will not adversely affect the interests of the holders of debt securities of any series in any material respect. (See Section 604.)

We may, without the consent of the holders of any of the outstanding debt securities under the indenture, merge into, consolidate with, or sell, lease or convey all or substantially all of our assets to a successor company organized under the laws of the United States, any state thereof or the District of Columbia, provided, however,

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that such successor company assumes our obligations on the debt securities and under the indenture, that after giving effect to the transaction no event of default, and no event which, after notice or lapse of time or both would become an event of default, will have occurred and be continuing, and that we will have delivered to the trustee an opinion of counsel and an officer's certificate as provided in the indenture. (See Section 1101.) The term "substantially all" when used in reference to the sale, lease or conveyance of our assets has not been interpreted under governing law to represent a specific quantitative test as applied to us and, as a consequence, holders may not be able to determine when we have entered into a transaction that sells, leases or conveys substantially all of our assets. As a result of this uncertainty, it may be difficult for the holders to determine whether such sale, lease or conveyance has occurred and whether to declare an event of default and exercise acceleration rights. Further, there could be a disagreement between the holders and us over whether such a sale, lease or conveyance of our assets qualifies as substantially all of our assets. To the extent that the holders elect to exercise their rights under the indenture resulting from what the holders deem to be a sale, lease or conveyance of substantially all of our assets and we contest such an election, there can be no assurances as to how a court would interpret the meaning of substantially all of our assets.

## **Satisfaction and Discharge**

We may terminate our obligations (except for certain specified surviving obligations described below) under the indenture with respect to debt securities of any series on the terms and subject to the conditions contained in the indenture, by depositing in trust with the trustee cash or eligible obligations (as defined below) (or a combination thereof) sufficient to pay the principal of and premium and interest, if any, due and to become due on the debt securities of such series on or prior to their maturity or redemption date in accordance with the terms of the indenture and such debt securities. (See Section 701.)

The indenture, with respect to any and all series of debt securities (except for certain specified surviving obligations) will be discharged and cancelled upon the satisfaction of certain conditions, including:

the payment in full of the principal of (and premium, if any) and interest on all of the debt securities of such series or the deposit with the trustee of an amount in cash or eligible obligations (or a combination thereof) sufficient for such payment or redemption, in accordance with the indenture;

the payment by us of all other sums required under the indenture; and

the delivery of a certificate by us to the trustee stating that all conditions relating to the satisfaction and discharge of the indenture have been complied with. (See Section 702.)

Eligible obligations include:

with respect to debt securities denominated in United States dollars, government obligations (which include direct obligations of, or obligations unconditionally guaranteed by, the United States of America entitled to the benefit of the full faith and credit thereof and certificates, depositary receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof); and

with respect to debt securities denominated in a currency other than United States Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such debt securities, as contemplated by the indenture.

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Notwithstanding the satisfaction and discharge of our obligations under the indenture as described above, the following obligations of the Company and the trustee in respect of our debt securities shall survive:

the obligation to execute, authenticate and deliver temporary securities (Section 304.);

the obligation to maintain a security register to provide for the registration of the debt securities and the registration of their transfer and exchange (Section 305.);

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the obligation to execute, authenticate and deliver debt securities in exchange for mutilated securities surrendered to the trustee or in exchange for lost and stolen debt securities (Section 305.);

the obligation to requirement to proper notice of redemption (Section 404.);

the obligation to give notice of a sinking fund payment date for the debt securities (Section 503.);

the obligation to maintain an office or agency where the debt securities may be surrendered for registration of transfer or exchange and where notices and demands to or from the Company may be served (Section 602.);

the obligation for money for debt securities payments to be held in trust (Section 603.);

obligations regarding satisfaction and discharge of the debt securities and the indenture and the application of trust money (Article Seven);

obligations regarding compensation and reimbursement and indemnification of the trustee (Section 907.); and

the obligation of the trustee relating to the appointment of an authenticating agent (Section 914).

In order to terminate our obligations in respect of any series of debt securities, we must deliver to the trustee an opinion of counsel to the effect that the holders of that series of securities will not recognize income, gain or loss for federal income tax purposes as a result.

For federal income tax purposes, any deposit contemplated by the first two paragraphs of this section may be treated as a taxable exchange of the related debt securities for an issue of obligations of the trust or a direct interest in the cash and securities held in the trust. In that case, holders of such debt securities would recognize gain or loss as if the trust obligations or the cash or securities deposited, as the case may be, had actually been received by them in exchange for their debt securities. Such holders thereafter would be required to include in income a share of the income, gain or loss of the trust. The amount so required to be included in income could be different from the amount that would be includable in the absence of such deposit. Prospective investors are urged to consult their own tax advisors as to the specific consequences to them of such deposit.

**Governing Law**

The debt securities and the indenture will be governed by and construed in accordance with the laws of the State of New York.

**Description of the Guarantees**

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AGL Resources will fully and unconditionally guarantee to each holder of debt securities and to the trustee and its successors the due and punctual payment of the principal of and premium, if any, and interest, if any, on the debt securities. The guarantees apply whether the payment is due at the maturity date of the debt securities, on an interest payment date, or as a result of acceleration, an offer to purchase or otherwise. The guarantees include payment of interest on the overdue principal of and interest, if any, on the debt securities (if lawful) and all other obligations of the Issuer under the indenture.

The guarantees will remain valid even if the indenture is found to be invalid. AGL Resources is obligated under the guarantees to pay any guaranteed amount immediately after AGL Capital's failure to do so.

### **Concerning the Trustee**

The indenture and Section 311 of the Trust Indenture Act contain limitations on the right of the trustee, should it become our creditor, to obtain payment of claims, or to realize on property received in respect of any such claim as security or otherwise in cases where the trustee is, or has become, our direct or indirect creditor

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within three months prior to or subsequent to an event of default. In such cases, unless and until such event of default is cured, the trustee must set apart and hold as a special account for the benefit of the trustee and the holders of the debt securities, an amount equal any and all reductions in the amount due and owing to the trustee as a creditor calculated after the beginning of the three month period; and all property received by the trustee in respect of any claim as a creditor after the beginning of the three month period, or an amount equal to the proceeds of any such property, if the property has been disposed of. The trustee will be permitted to engage in other transactions with us; provided, however, that if the trustee acquires any conflicting interest, it must eliminate such conflict or resign.

The indenture provides that, in case an event of default shall occur and be continuing, the trustee will be required to use the degree of care and skill of a prudent person in the conduct of his or her own affairs in the exercise of its power.

## **DESCRIPTION OF TRUST PREFERRED SECURITIES**

### **General**

The trust preferred securities will be issued pursuant to the terms of a trust agreement and represent preferred undivided beneficial interests in the assets of the trust. The holders of the trust preferred securities will be entitled to a preference over the holders of the trust's common securities in certain circumstances with respect to Distributions and amounts payable on redemption of the trust preferred securities or liquidation of the trust. See Subordination of Common Securities. The trust agreement will be qualified under the Trust Indenture Act. The following description is a summary of the material aspects of the trust preferred securities, the common securities and the trust agreement.

The trust agreement authorizes the trustees, on behalf of the trust, to issue trust preferred securities, which represent preferred undivided beneficial interests in the assets of the trust, and common securities, which represent common undivided beneficial interests in the assets of the trust. All of the common securities will be owned by AGL Capital. The face value, or liquidation amount, for the trust preferred securities will be limited to a certain dollar amount established at the time that the specific trust preferred securities are authorized. The trust preferred securities will rank equal in priority, and payments will be made thereon pro rata, with the common securities except as described under Subordination of Common Securities. Legal title to the junior subordinated debentures will be held by the property trustee in trust for the benefit of the holders of the trust and the trust preferred securities and common securities. The trust preferred guarantee will not guarantee payment of distributions or amounts payable on redemption of the trust preferred securities or liquidation of the trust when the trust does not have funds on hand legally available for such payments. See Description of Trust Preferred Guarantee.

### **Distributions**

Distributions on the trust preferred securities will be cumulative and will be payable on the dates payable to the extent the trust has funds available for the payment of distributions. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which distributions are payable on the trust preferred securities is not a business day, payment of the distribution payable on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect to any such delay), in each case with the same force and effect as if made on such date. A business day means any day other than a Saturday or a Sunday, or a day on which banking institutions in the City of New York, New York or Atlanta, Georgia are authorized or required by law or executive order to remain closed.

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So long as no debenture event of default shall have occurred and be continuing, AGL Capital will have the right under the indenture to defer the payment of interest on the junior subordinated debentures at any time or

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from time to time for a period not exceeding 20 consecutive quarters with respect to each such extended interest payment period, provided that no extended interest payment period may extend beyond the stated maturity date. Upon any election, quarterly distributions on the trust preferred securities will be deferred by the trust during the extended interest payment period. Distributions to which holders of the trust preferred securities are entitled during the extended interest payment period will accumulate additional distributions at a specific rate per annum, compounded quarterly from the relevant distribution date. The term "Distributions," as used herein, shall include any such additional distributions.

Prior to the termination of any extended interest payment period, AGL Capital may further extend such extended interest payment period, provided that such extension does not cause the extended interest payment period to exceed 20 consecutive quarters or to extend beyond the stated maturity date. Upon the termination of any extended interest payment period and the payment of all amounts then due, and subject to the foregoing limitations, AGL Capital may elect to begin a new extended interest payment period. AGL Capital must give the property trustee, the administrative trustees and the debenture trustee notice of its election of an extended interest payment period at least one business day prior to the earlier of (i) the date the distributions on the trust preferred securities would have been payable except for the election to begin an extended interest payment period or (ii) the date the administrative trustees are required to give notice to any securities exchange or quotation system or to holders of such trust preferred securities of the record date or the date such distributions are payable but in any event not less than one business day prior to such record date. There is no limitation on the number of times that AGL Capital may elect to begin an extended interest payment period. See "Description of Junior Subordinated Debentures - Option to Extend Interest Payment Date" and "Certain Federal Income Tax Consequences - Interest Income and Original Issue Discount."

During any extended interest payment period, neither AGL Resources nor AGL Capital may:

declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of its capital stock (which includes common and preferred stock);

make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any of its debt securities that rank equal in priority with or junior in right of payment to, with respect to AGL Capital, the junior subordinated debentures or with respect to AGL Resources, debt that is subordinated to its senior indebtedness; or

make any guarantee payments with respect to any guarantee of the debt securities of any of their respective subsidiaries if such guarantees rank equal in priority with or junior in right of payment to, with respect to AGL Capital, the junior subordinated debentures or with respect to AGL Resources, debt that is subordinated to its senior indebtedness (other than (a) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, common stock, (b) any declaration of a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, (c) payments under the trust preferred guarantee and the junior subordinated debenture guarantee, (d) the purchase of fractional shares resulting from a reclassification of capital stock or the exchange or conversion of one class, or series of capital stock for another class or series of capital stock, and (e) the purchase of fractional interests in shares of capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged).

Although AGL Capital may in the future exercise its option to defer payments of interest on the junior subordinated debentures, AGL Capital has no such current intention.

The revenue of the trust available for distribution to holders of the trust preferred securities and common securities will be limited to payments under the junior subordinated debentures in which the trust will invest the proceeds from the issuance and sale of the trust preferred securities. See "Description of Junior Subordinated Debentures - General." If AGL Capital does not make interest payments on the junior subordinated debentures, the trust will not have funds available to pay distributions on the trust preferred securities and common securities.



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AGL Resources will guarantee on a junior subordinated basis the payment of the principal (and premium, if any) and interest on the junior subordinated debentures, except that no payment of interest will be made under the debenture guarantee for any period during which AGL Capital has exercised its right to defer interest payments on the junior subordinated debentures.

## **Redemption**

Upon the repayment on the stated maturity date or prepayment prior to the stated maturity date of the junior subordinated debentures, the proceeds from such repayment or prepayment shall be applied by the property trustee to redeem a like amount (as defined below) of the trust securities, upon not less than 10 nor more than 60 days' notice of a date of redemption, at the applicable redemption price, which shall be equal to:

in the case of the repayment of the junior subordinated debentures on the stated maturity date, the maturity redemption price (equal to the principal of, and accrued interest on, the junior subordinated debentures);

in the case of the optional prepayment of the junior subordinated debentures prior to a date to be specified in the trust agreement upon the occurrence and continuation of a tax event or an investment company act Event, the special event redemption price (equal to the special event prepayment price in respect of the junior subordinated debentures); and

in the case of the optional prepayment of the junior subordinated debentures on or after a date to be specified in the trust agreement, the optional redemption price (equal to the optional prepayment price in respect of the junior subordinated debentures). See Description of Junior Subordinated Debentures Optional Prepayment and Special Event Prepayment.

Like amount means:

with respect to a redemption of the trust preferred securities, trust preferred securities having a liquidation amount equal to the principal amount of junior subordinated debentures to be paid in accordance with their terms and

with respect to a distribution of junior subordinated debentures upon the liquidation of the trust, junior subordinated debentures having a principal amount equal to the liquidation amount of the trust preferred securities of the holder to whom such junior subordinated debentures are distributed.

The trust preferred securities and the common securities will be mandatorily redeemed in whole (but not in part) in the event that AGL Capital redeems the junior subordinated debentures in whole (but not in part). For information regarding AGL Capital's special redemption rights relating to the junior subordinated debentures, please see Description of Junior Subordinated Debentures Special Event Redemption.

## **Redemption Procedures**

If applicable, trust preferred securities shall be redeemed at the applicable redemption price with the proceeds from the contemporaneous repayment or prepayment of the junior subordinated debentures. Any redemption of trust preferred securities shall be made and the applicable

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redemption price shall be payable on the redemption date only to the extent that the trust has funds legally available for the payment of such applicable redemption price.

If the trust gives a notice of redemption in respect of the trust preferred securities, then, by 12:00 noon, New York City time, on the redemption date, to the extent funds are legally available, with respect to the trust preferred securities held by DTC or its nominees, the property trustee will deposit irrevocably with DTC funds sufficient to pay the applicable redemption price. See Form, Denomination, Book-Entry Procedures and Transfer. With respect to the trust preferred securities held in certificated form, the property trustee, to the extent funds are legally available, will irrevocably deposit with the paying agent for the trust preferred securities

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funds sufficient to pay the applicable redemption price and will give such paying agent irrevocable instructions and authority to pay the applicable redemption price to the holders thereof upon surrender of their certificates evidencing the trust preferred securities. See Payment and Paying Agency. Notwithstanding the foregoing, distributions payable on or prior to the redemption date shall be payable to the holders of such trust preferred securities on the relevant record dates for the related distribution dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of the holders of the trust preferred securities will cease, except the right of the holders of the trust preferred securities to receive the applicable redemption price, but without interest on such redemption price, and the trust preferred securities will cease to be outstanding. In the event that any redemption date of trust preferred securities is not a business day, then the applicable redemption price payable on such date will be paid on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day falls in the next calendar year, such payment will be made on the immediately preceding business day. In the event that payment of the applicable redemption price is improperly withheld or refused and not paid either by the trust or by AGL Resources pursuant to the trust preferred guarantee as described under Description of Trust Preferred Guarantee, distributions on trust preferred securities will continue to accumulate at the then applicable rate, from the redemption date originally established by the trust to the date such applicable redemption price is actually paid, in which case the actual payment date will be the redemption date for purposes of calculating the applicable redemption price.

Subject to applicable law (including, without limitation, United States federal securities law), we may at any time and from time to time purchase outstanding trust preferred securities by tender, in the open market or by private agreement.

Notice of any redemption will be mailed at least 10 days but not more than 60 days prior to the redemption date to each holder of trust preferred securities at its registered address. Unless AGL Resources defaults in payment of the applicable prepayment price on, or in the repayment of, the junior subordinated debentures, on and after the redemption date distributions will cease to accrue on the trust preferred securities called for redemption.

## **Liquidation of the Trust and Distribution of Junior Subordinated Debentures**

AGL Capital will have the right at any time to terminate the trust and cause the junior subordinated debentures to be distributed to the holders of the trust securities in liquidation of the trust. Such right is subject to AGL Capital having received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of trust preferred securities.

The trust shall automatically terminate upon the first to occur of:

certain events of bankruptcy, dissolution or liquidation of AGL Capital;

the distribution of a like amount of the junior subordinated debentures to the holders of the trust preferred securities, if AGL Capital, as sponsor, has given written direction to the Property Trustee to terminate the trust (which direction is optional and, except as described above, wholly within the discretion of AGL Capital, as sponsor);

redemption of all of the trust preferred securities as described under Redemption;

expiration of the term of the trust; and

the entry of an order for the dissolution of the trust by a court of competent jurisdiction.

If a termination occurs as described in the first, second, fourth or fifth bullet point above, the trust shall be liquidated by the Trustees as soon as practicable after the receipt of any required regulatory approval by distributing, after satisfaction of liabilities to creditors of the trust as provided by applicable law, to the holders of the trust preferred securities and common securities a like amount of the junior subordinated debentures, unless

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such distribution is determined by the Property Trustee not to be practicable, in which event such holders will be entitled to receive out of the assets of the trust legally available for distribution to holders, after satisfaction of liabilities to creditors of the trust as provided by applicable law, cash in an amount equal to the aggregate of the liquidation amount plus accumulated and unpaid distributions thereon to the date of payment. If such liquidation distribution can be paid only in part because the trust has insufficient assets on hand legally available to pay in full the aggregate liquidation distribution, then the amounts payable directly by the trust on the trust preferred securities and the common securities shall be paid on a pro rata basis, except that if a debenture event of default has occurred and is continuing, the trust preferred securities shall have a priority over the common securities. See Subordination of Common Securities.

After the liquidation date is fixed for any distribution of junior subordinated debentures to holders of the trust preferred securities:

the trust pref