

AGL CAPITAL CORP
Form 424B3
June 27, 2006
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FILED PURSUANT TO
RULE 424(B)(3)
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333-119921-02

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. We are not using this preliminary prospectus supplement and the accompanying prospectus to offer to sell these securities or to solicit offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated June 27, 2006

Preliminary Prospectus Supplement

(To Prospectus dated November 9, 2004)

AGL CAPITAL CORPORATION

\$

% Senior Notes Due

Interest payable and

Guaranteed fully and unconditionally by AGL Resources Inc.

Issue price:

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The senior notes will mature on _____, 20____. Interest will accrue from _____, 2006. We may redeem the senior notes in whole or in part at any time at the redemption price described on page S-11.

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

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

	Price to		Underwriting		Proceeds
	Public	%	Discounts	%	to Us
	\$		\$		\$
Per Senior Note					
Total					

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

We expect that delivery of the senior notes will be made to investors on or about June _____, 2006.

Joint Book-Running Managers

Calyon Securities (USA)

JPMorgan

RBS Greenwich Capital



Lazard Capital Markets

SunTrust Robinson Humphrey

June _____, 2006

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of senior notes. The second part is the accompanying prospectus, which contains a description of the senior notes and gives more general information, some of which will not apply to the senior notes.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus we send to you or file with the Securities and Exchange Commission. If the information in this prospectus supplement varies from the information contained or incorporated by reference in the accompanying prospectus, you should rely on the information in this prospectus supplement. No person is authorized to provide you with information that is different from the information provided or incorporated by reference in this prospectus supplement or to offer the senior notes in any jurisdiction where the offer is not permitted. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the information and documents incorporated by reference therein as well as any free writing prospectus we send to you or file with the SEC, in making your investment decision. See *Where You Can Find More Information* below. You should not assume that the information provided by this prospectus supplement, the accompanying prospectus, any such free writing prospectus or any document incorporated by reference is accurate as of any date other than the date of the document that contains the information.

Unless stated otherwise, references in this prospectus supplement to *AGL Capital*, *we*, *us* or *our* refer to AGL Capital Corporation. References in this prospectus supplement to *AGL Resources* refer to AGL Resources Inc. and its subsidiaries unless otherwise indicated or the context otherwise requires.

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FORWARD-LOOKING STATEMENTS

Certain expectations and projections regarding our future performance included or incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking statements. Forward-looking statements involve matters that are not historical facts, and because these statements involve anticipated events or conditions, forward-looking statements often include words such as anticipate, assume, can, could, estimate, expect, forecast, future, indicate, intend, may, predict, project, seek, should, target, will, would, or similar expressions. Our expectations are not guarantees and are based on currently available competitive, financial and economic data along with our operating plans. While we believe that our expectations are reasonable in view of the currently available information, our expectations are subject to future events, risks and uncertainties, and there are several factors - many beyond our control - that could cause results to differ significantly from our expectations. Such events, risks and uncertainties include, but are not limited to:

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

the impact of changes in state and federal legislation and regulation;

actions taken by government agencies on rates and other matters;

concentration of credit risk;

utility and energy industry consolidation;

the impact of acquisitions and divestitures;

direct or indirect effects on AGL Resources' business, financial condition or liquidity resulting from a change in AGL Resources' credit ratings 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;

the impact of changes in weather on the temperature-sensitive portions of AGL Resources' business;

the impact of natural disasters such as hurricanes on the supply and price of natural gas;

acts of war or terrorism; and

other factors that are described in detail in AGL Resources' filings with the SEC.

We caution readers that, in addition to the important factors described elsewhere in this prospectus supplement and the accompanying prospectus, the factors set forth in "Risk Factors" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of AGL Resources' Annual Report on Form 10-K/A for the year ended December 31, 2005, among others, could cause AGL Resources' business, results of operations or financial condition in 2006 and thereafter to differ significantly from those expressed in any forward-

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looking statements. There also may be other factors that we and AGL Resources cannot anticipate or that are not described herein or in AGL Resources Form 10-K/A that could cause results to differ significantly from our and AGL Resources expectations.

Forward-looking statements are only as of the date they are made, and we and AGL Resources do not undertake any obligation to update these statements to reflect subsequent circumstances or events.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to purchase our senior notes. You should read this entire prospectus supplement and the accompanying prospectus carefully, as well as the information incorporated by reference into these documents, before deciding to invest in our senior notes.

AGL Capital Corporation

We are a wholly owned subsidiary of AGL Resources Inc. We were 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. Our senior notes are guaranteed by AGL Resources Inc.

AGL Resources Inc.

Overview

AGL Resources is an energy services holding company, headquartered in Atlanta, Georgia, whose principal business is the distribution of natural gas in six states: Florida, Georgia, Maryland, New Jersey, Tennessee and Virginia. Our six utilities serve more than 2.2 million end-use customers, making us the largest distributor of natural gas in the southeastern and mid-Atlantic regions of the United States based on customer count. We also are involved in various related businesses, including retail natural gas marketing to end-use customers primarily in Georgia; natural gas asset management and related logistics activities for our own utilities as well as for other nonaffiliated companies; natural gas storage arbitrage and related activities; operation of high-deliverability underground natural gas storage assets; and construction and operation of telecommunications conduit and fiber infrastructure within selected metropolitan areas.

We manage these businesses through four operating segments—distribution operations, retail energy operations, wholesale services and energy investments—and a non-operating corporate segment.

Distribution Operations

The distribution operations segment consists of six natural gas local distribution utilities: Atlanta Gas Light Company, Elizabethtown Gas, Virginia Natural Gas, Inc., Florida City Gas, Chattanooga Gas Company and Elkton Gas.

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Atlanta Gas Light is the largest natural gas distributor in the Southeast in terms of customers, serving 237 communities in the state of Georgia. It provides gas delivery service to approximately 1.6 million residential, commercial and industrial customers and delivers approximately 232 million dekatherms (MMDth) of gas annually. It owns and operates more than 30,000 miles of pipeline and three liquefied natural gas (LNG) plants.

Elizabethtown Gas provides natural gas service to approximately 269,000 residential, commercial and industrial customers in northeastern and east central New Jersey. It delivers approximately 59 MMDth of gas annually through more than 4,900 miles of pipeline.

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Virginia Natural Gas provides natural gas service to approximately 266,000 residential, commercial and industrial customers in southeastern Virginia. It delivers approximately 36 MMDth of gas annually through more than 5,200 miles of pipeline. It also owns and operates a 156-mile high-pressure, large-diameter transmission pipeline serving major wholesale customers.

Florida City Gas provides natural gas service to approximately 104,000 residential, commercial and industrial customers in southeastern and east central Florida. It delivers approximately 10 MMDth of gas annually through more than 3,100 miles of pipeline.

Chattanooga Gas provides retail natural gas sales and transportation services to approximately 62,000 residential, commercial and industrial customers in Hamilton County and Bradley County, Tennessee. Chattanooga Gas delivers approximately 16 MMDth of gas annually. It also owns and operates more than 1,500 miles of pipeline and one LNG plant.

Elkton Gas provides natural gas service to approximately 6,000 residential, commercial and industrial customers in northeastern Maryland. Elkton Gas delivers approximately 1 MMDth of gas annually through more than 80 miles of pipeline.

The following table summarizes key statistics for the distribution operations segment as of March 31, 2006.

	AGLC	E town	VNG	FCG	CGC	Elkton	Total
Utility end-users (in 000s)	1,577	269	266	104	62	6	2,284
Miles of gas pipeline	30,284	4,978	5,235	3,161	1,521	87	45,266

Retail Energy Operations

SouthStar Energy Services LLC is a joint venture operating in Georgia under the trade name Georgia Natural Gas. This business markets natural gas and related services on an unregulated basis to more than 536,000 retail and commercial customers in Georgia and 300 industrial customers throughout the Southeast and, based on market share, is the largest marketer of natural gas in Georgia. 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. SouthStar's partnership agreement provides that SouthStar's earnings and distributions are to be allocated 75% to Georgia Natural Gas and 25% to Piedmont's subsidiary.

Wholesale Services

The wholesale services segment consists of **Sequent Energy Management, L.P.**, which is AGL Resources' subsidiary involved in asset management, transportation, storage, producer and peaking services and wholesale marketing. Sequent's asset management business focuses on capturing economic value from idle or underutilized natural gas assets, which are typically amassed by companies via investments in or contractual rights to natural gas transportation and storage assets. Margin is typically created in this business by participating in transactions that balance the needs of varying markets and time horizons.

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Sequent provides its customers with natural gas from the major producing regions and market hubs primarily in the eastern and mid-continental United States. Sequent also purchases transportation and storage capacity to meet its delivery requirements and customer obligations in the marketplace. Sequent's customers benefit from Sequent's logistics expertise and the ability to deliver natural gas at prices that are advantageous relative to the other alternatives available to its end-use customers.

Energy Investments

The energy investments segment consists of AGL Resources' subsidiaries Pivotal Jefferson Island Storage & Hub, LLC, Pivotal Propane of Virginia, Inc., and AGL Networks, LLC. Currently, substantially all of the revenues earned by the energy investments segment are generated by Pivotal Jefferson Island and AGL Networks.

Pivotal Jefferson Island operates a storage and hub facility in Louisiana, approximately eight miles from the Henry Hub, which is the largest centralized point for natural gas spot and futures trading in the United States. Pivotal Jefferson Island's facility consists of two salt-dome gas storage caverns with approximately 10 MMDth of total capacity and approximately 7.2 MMDth of working gas capacity. The facility has approximately 720,000 dekatherms/day withdrawal capacity and 360,000 dekatherms/day injection capacity.

AGL Networks leases telecommunications conduit and dark fiber to a variety of customers primarily in the Atlanta, Georgia and Phoenix, Arizona metropolitan areas. AGL Networks also offers telecommunications construction services to companies.

Corporate

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

The address of AGL Resources' principal executive offices is Ten Peachtree Place NE, Atlanta, Georgia 30309, and its telephone number is (404) 584-4000. AGL Capital Corporation's principal address is 2325-B Renaissance Drive, Las Vegas, Nevada 89119.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the senior notes, see "Description of the Senior Notes" in this prospectus supplement.

Issuer	AGL Capital Corporation.
Guarantor	AGL Resources Inc.
Aggregate Principal Amount	\$.
Interest Rate	% per year.
Maturity Date	, 20 .
Interest Payment Dates	and of each year, beginning , 2006.
Use of Proceeds	The net proceeds from the sale of the senior notes will be used to repay a portion of our existing short-term indebtedness.
Record Dates	and of each year.
Interest Calculations	Based on a 360-day year of twelve 30-day months.
Ranking	The senior notes will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.
Sinking Fund	None.
Form and Denomination	The senior notes initially will be issued in book-entry form and will be represented by one or more registered senior notes in global form deposited with or on behalf of, and registered in the name of, a nominee of The Depository Trust Company. The senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000.
Redemption	The senior notes may be redeemed, in whole or in part, at our option, at any time, at the redemption price described on page S-11.
Issuance of Additional Notes	We may, without the consent of the holders of the senior notes, increase the principal amount of the senior notes by issuing additional senior notes in the future on the

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same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional senior notes, and with the same CUSIP number as the senior notes offered hereby. The senior notes offered by this prospectus supplement and any additional senior notes would rank equally and ratably and would be treated as a single class for all purposes under the Indenture. No additional senior notes may be issued if any event of default has occurred with respect to the senior notes.

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Set forth in the table below are summary financial and other data about AGL Resources. We derived the data in the tables as of and for the years ended December 31, 2005, 2004 and 2003 from AGL Resources' audited financial statements, and the three-month periods ended March 31, 2006 and 2005 from AGL Resources' unaudited financial statements. The unaudited financial statements were prepared on the same basis as the audited financial statements and in management's opinion include all adjustments, consisting of normal recurring entries, which we consider necessary for a fair presentation of AGL Resources' financial position and results of operations for these periods. You should read the following financial information in conjunction with the consolidated financial statements and related notes that have been incorporated by reference in this prospectus supplement and the accompanying prospectus.

(Dollars in millions, except per share data)	Three Months Ended		Year Ended		
	March, 31		December, 31		
	2006	2005	2005	2004	2003(1)
Income Statement Data:					
Operating revenues	\$1,047	\$ 912	\$2,718	\$1,832	\$ 983
Operating expenses	819	731	2,276	1,500	741
One-time gain					16
Operating income	228	181	442	332	258
Equity in earnings of SouthStar					46
Other (expense) income	(2)	1	(1)		(6)
Minority interest	(19)	(13)	(22)	(18)	
Earnings before interest and taxes (EBIT) (2)	207	169	419	314	298
Interest expense	30	26	109	71	75
Income taxes	67	55	117	90	87
Income before cumulative effect of change in accounting principle	110	88	193	153	136
Cumulative effect of change in accounting principle, net of \$5 in income taxes					(8)
Net income	\$ 110	\$ 88	\$ 193	\$ 153	\$ 128
Balance Sheet Data:					
Total assets	\$5,736	\$5,500	\$6,313	\$5,637	\$3,972
Short-term debt (3)	472	38	522	334	383
Long-term debt	1,458	1,618	1,615	1,623	956
Total debt	\$1,930	\$1,656	\$2,137	\$1,957	\$1,340
Shareholders' equity	\$1,585	\$1,446	\$1,499	\$1,385	\$ 945
Other Data:					
Property, plant & equipment expenditures	\$ 47	\$ 81	\$ 267	\$ 264	\$ 158
Dividends per share	\$ 0.37	\$ 0.31	\$ 1.30	\$ 1.15	\$ 1.11
Dividend payout ratio	26%	27%	52%	50%	55%

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- (1) As of January 1, 2004, AGL Resources consolidated all of SouthStar's accounts with the accounts of AGL Resources' subsidiaries and eliminated any intercompany balances between segments in accordance with Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities. We record Piedmont's portion of SouthStar's earnings as a minority interest in our consolidated statements of income.
- (2) EBIT reflects a non-GAAP financial measure. As an indicator of AGL Resources' operating performance or liquidity, EBIT should not be considered as an alternative to, or more meaningful than, net income or cash flow as determined in accordance with GAAP. EBIT is reconciled to net income in the table above. AGL Resources' EBIT may not be comparable to a similarly titled measure of another company. AGL Resources believes EBIT is a useful measurement of its operating segments' performance because it provides information that can be used to evaluate the effectiveness of its businesses from an operational perspective, exclusive of costs to finance those activities and exclusive of income taxes, neither of which is directly relevant to the efficiency of those operations.
- (3) Short-term debt includes current portion of long-term debt.

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USE OF PROCEEDS

We estimate that the net proceeds to be received from the sale of the senior notes, after deducting the underwriting discount and our estimated offering expenses of \$, will be approximately \$ million. We intend to use the net proceeds from the sale of the senior notes to repay approximately \$ million of short-term indebtedness, of which \$150 million was incurred to redeem \$150 million principal amount of notes payable to trusts plus accrued interest on May 21, 2006. As of March 31, 2006, the short-term indebtedness being repaid had an interest rate of 4.9%.

RATIO OF EARNINGS TO FIXED CHARGES

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

	Three Months Ended	Year Ended		
		December 31,		
		2005	2004	2003
	March 31, 2006			
Ratio of earnings to fixed charges (1)	6.51	3.60	3.98	3.57

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of pretax income from continuing operations, before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, interest expense and the portion of rent expense deemed to represent interest. Fixed charges consist of interest incurred, whether expensed or capitalized, including amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest.

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The following table sets forth the consolidated capitalization of AGL Resources as of March 31, 2006:

on an actual basis;

on an as adjusted basis giving effect to the May 21, 2006 redemption of \$150 million principal amount of notes payable to trusts and the repayment of a related \$5 million note representing AGL Resources' investment in the trusts (all of which is reflected as current portion of long-term debt as of March 31, 2006) plus accrued interest in each case, all of which was funded through short-term indebtedness, as if the redemption, repayment and funding had occurred on March 31, 2006; and

on an as further adjusted basis giving effect to the application of the approximately \$ million estimated net proceeds from this offering to repay approximately \$ million of short-term indebtedness, as if the offering and debt repayment had occurred on March 31, 2006.

(Dollars in millions)

	As of March 31, 2006					
	Actual		As Adjusted		As Further Adjusted	
	Amount	Percent	Amount	Percent	Amount	Percent
Short-term debt	\$ 316(1)	9.0%	\$ 466	13.3%	\$	%
Current portion of long-term debt	156	4.4	1	0.0	1	0.0
Senior and medium term notes	1,182	33.6	1,182	33.7		
Gas facilities revenue bonds	199	5.7	199	5.7	199	5.7
Notes payable to trusts	77	2.2	77	2.2	77	2.2
Common shareholders' equity	1,585	45.1	1,585	45.1	1,585	45.1
	<u>\$ 3,515</u>	<u>100.0%</u>	<u>\$ 3,510</u>	<u>100.0%</u>	<u>\$</u>	<u>100.0%</u>

(1) Includes commercial paper of approximately \$291 million and Sequent lines of credit of \$25 million.

You should read this table in conjunction with the detailed information and financial statements appearing in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

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DESCRIPTION OF THE SENIOR NOTES

We will issue the senior notes under the Indenture, dated as of February 20, 2001, by and among AGL Capital Corporation, as Issuer, AGL Resources, as Guarantor, and The Bank of New York, as Trustee. The Indenture is more fully described under the caption *Description of Debt Securities* in the accompanying prospectus. The following description of the particular terms of the senior notes supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities included in the accompanying prospectus under the caption *Description of Debt Securities*. The senior notes comprise a portion of the \$1,500,000,000 aggregate principal amount of securities registered under the Securities Act of 1933.

General

The senior notes will bear interest at the annual rate stated on the cover page of this prospectus supplement. Interest will be payable on _____ and _____ of each year, beginning on _____, 2006. Interest on the senior notes will accrue from _____, 2006. Interest will be paid to the person in whose name a senior note is registered at the close of business on the preceding _____ and _____, respectively, subject to certain exceptions. The senior notes will mature on _____, 20____.

Denominations

The senior notes will be issued in global form in denominations of \$1,000 and integral multiples of \$1,000.

Ranking of Senior Notes

The senior notes will rank equally in right of payment with each other and our other unsecured and unsubordinated obligations from time to time outstanding. AGL Resources will fully and unconditionally guarantee the payment of the senior notes.

Issuance of Additional Senior Notes

We may, without the consent of the holders of the senior notes, increase the principal amount of the senior notes by issuing additional senior notes in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional senior notes, and with the same CUSIP number as the senior notes offered hereby. The senior notes offered by this prospectus supplement and any additional senior notes would rank equally and ratably and would be treated as a single class for all purposes under the Indenture. No additional senior notes may be issued if any event of default has occurred with respect to the senior notes.

Optional Redemption

We may redeem the senior notes, in whole or in part, at our option, at any time at a redemption price equal to the greater of:

100% of the principal amount of the senior notes to be redeemed, or

as determined by a Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued to the date of redemption) discounted to the redemption

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date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, as defined below, plus basis points;

plus, in each case, accrued and unpaid interest on the senior notes to the redemption date.

Adjusted Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) is equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by a Quotation Agent as having a maturity comparable to the remaining term of the senior notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such senior notes.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Primary Treasury Dealer means a primary U.S. Government securities dealer in New York City.

Quotation Agent means the Reference Treasury Dealer appointed by the Trustee after consultation with us.

Reference Treasury Dealer means each of (1) J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer; and (2) any other Primary Treasury Dealers selected by the Trustee after consultation with us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

We will give notice to The Depository Trust Company, or DTC, of any redemption we propose to make at least 30 days, but not more than 60 days, before the redemption date. If we redeem only some of the senior notes, it is the practice of DTC to determine by lot the amount of senior notes to be redeemed of each of its participating institutions. Notice by DTC to these participants and by participants to street name holders of indirect interests in the senior notes will be made according to arrangements among them and may be subject to statutory or regulatory requirements.

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Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the senior notes or portions of the senior notes called for redemption.

Information Concerning the Trustee

The Bank of New York is the Trustee under the Indenture and has been appointed by us as the paying agent and security registrar with regard to the senior notes.

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Book Entry System

The senior notes initially will be represented by one or more registered senior notes in global form. Upon issuance, each of such global notes will be deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC, which we refer to as DTC participants, or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

upon deposit of each global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the underwriters; and

ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in the global notes may not be exchanged for senior notes in certificated form except in the limited circumstances described below.

All interests in the global notes will be subject to the operations and procedures of DTC. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of DTC are controlled by DTC and may be changed at any time. Neither we nor the underwriters are responsible for those operations or procedures.

DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of the New York State Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered under Section 17A of the Securities Exchange Act of 1934.

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DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the underwriters; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global note, that nominee will be considered the sole owner or holder of the senior notes represented by that global note for all

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purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

will not be entitled to have senior notes represented by the global note registered in their names;

will not receive or be entitled to receive certificated senior notes; and

will not be considered the owners or holders of the senior notes under the Indenture for any purpose, including with respect to the giving of any direction, instruction, consent or approval to the Trustee under the Indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the Indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium (if any) and interest with respect to the senior notes represented by a global note will be made by the Trustee to DTC's nominee as the registered holder of the global note. Neither we nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

A global note will be exchangeable for senior notes in registered, certificated form if:

DTC notifies us at any time that it is unwilling or unable to continue as depository for the global notes and a successor depository is not appointed within 90 days;

DTC ceases to be registered as a clearing agency under the Securities Exchange Act of 1934 and a successor depository is not appointed within 90 days;

we, at our option, notify the Trustee that we elect to cause the issuance of certificated notes; or

there shall have occurred and be continuing an event of default under the Indenture.

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Any global note that is exchangeable as described in the preceding sentence will be exchangeable in whole for certificated senior notes in registered form, of like tenor and of an equal aggregate principal amount as the global note, in denominations of \$1,000 and integral multiples of \$1,000. The Trustee or the paying agent designated for such purpose will register the certificated senior notes in the name or names instructed by DTC. We expect that those instructions will be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the global note.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for its accuracy.

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UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement dated _____, 2006, each of the underwriters has severally agreed to purchase, and we have agreed to sell to each underwriter, the principal amount of senior notes set forth opposite the name of each underwriter:

Name	Principal Amount
Calyon Securities (USA) Inc.	\$ _____
J.P. Morgan Securities Inc.	_____
Greenwich Capital Markets, Inc.	_____
Lazard Capital Markets LLC	_____
SunTrust Capital Markets, Inc.	_____
	<hr/>
Total	\$ _____
	<hr/>

Under the terms and conditions of the underwriting agreement, if the underwriters take any of the senior notes, then they are obligated to take and pay for all of the senior notes.

The senior notes are a new issue of securities with no established trading market and will not be listed on any national securities exchange. The underwriters have advised us that they intend to make a market for the senior notes, but they have no obligation to do so and may discontinue market making at any time without providing any notice. No assurance can be given as to the liquidity of any trading market for the senior notes.

The underwriters initially propose to offer part of the senior notes directly to the public at the offering price described on the cover page of this prospectus supplement and part to certain dealers at a price that represents a concession not in excess of _____ % of the principal amount of the senior notes. The underwriters may allow, and any such dealer may reallow, a concession not in excess of _____ % of the principal amount of the senior notes to certain other dealers. After the initial offering of the senior notes, the underwriters may from time to time vary the offering price and other selling terms.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments that the underwriters may be required to make in respect of any such liabilities.

In connection with the offering of the senior notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the senior notes. Specifically, the underwriters may overalloc in connection with the offering of the senior notes, creating a short position. In addition, the underwriters may bid for, and purchase, senior notes in the open market to cover short positions or to stabilize the price of the senior notes. Any of these activities may stabilize or maintain the market price of the senior notes above independent market levels. The underwriters are not required to engage in any of these activities and may end any of them at any time.

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Our expenses associated with this offering, to be paid by us, are estimated to be \$ _____, excluding the underwriting discount.

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Lazard Capital Markets LLC has entered into an agreement with Mitsubishi UFJ Securities (USA), Inc., or MUS (USA), pursuant to which MUS (USA) provides certain advisory and/or other services to Lazard Capital Markets, including in respect of this offering. In return for the provision of such services by MUS (USA) to Lazard Capital Markets, Lazard Capital Markets will pay to MUS (USA) a mutually agreed upon fee.

Affiliates of the underwriters are currently agents and lenders under our credit facility. Specifically, JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc.; Calyon New York Branch, an affiliate of Calyon Securities (USA) Inc.; Royal Bank of Scotland, an affiliate of Greenwich Capital Markets, Inc.; The Bank of Tokyo-Mitsubishi, LTD, New York Branch, an affiliate of MUS (USA); and SunTrust Bank, an affiliate of SunTrust Capital Markets, Inc.; are lenders and agents under our credit facility. The underwriters and their affiliates perform various other financial advisory, investment banking and commercial banking services for us and our affiliates from time to time, for which they have received customary fees.

VALIDITY OF THE SENIOR NOTES

Legal matters regarding the validity of the senior notes offered by this prospectus supplement will be passed upon on behalf of us and AGL Resources by AGL Resources' counsel, Alston & Bird LLP, and with regard to the laws of the State of Nevada, Woodburn and Wedge. Various legal matters relating to the offering will be passed on for the underwriters by Simpson Thacher & Bartlett LLP.

EXPERTS

The financial statements, financial statement schedule, and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control Over Financial Reporting) of AGL Resources incorporated in this prospectus supplement by reference from AGL Resources' Annual Report on Form 10-K/A for the year ended December 31, 2005, except as they relate to SouthStar Energy Services LLC as of and for the years ended December 31, 2004 and 2003, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Ernst & Young LLP, independent registered public accounting firm, has audited the financial statements of SouthStar Energy Services LLC as of December 31, 2004 and 2003 and for each of the two years in the period ended December 31, 2004 and management's assessment of the effectiveness of SouthStar Energy Services LLC's internal control over financial reporting as of December 31, 2004, as set forth in their reports thereon. Such financial statements, management's assessment, and reports are included or incorporated by reference in AGL Resources' Annual Report on Form 10-K/A for the year ended December 31, 2005 and are incorporated by reference herein in reliance on the reports of such firm given on the authority of such firm as experts in accounting and auditing.

Table of Contents**WHERE YOU CAN FIND MORE INFORMATION****Available Information**

AGL Resources files reports, proxy statements and other information with the SEC. You may obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants like AGL Resources that file electronically. Reports, proxy statements and other information concerning AGL Resources may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. AGL Resources also maintains an Internet site at www.aglresources.com that contains information concerning AGL Resources and its affiliates. The information at AGL Resources' Internet site is not incorporated in this prospectus supplement and the accompanying prospectus by reference, and you should not consider it a part of this prospectus supplement and the accompanying prospectus.

Incorporation by Reference

SEC rules allow AGL Resources to incorporate by reference information into this prospectus supplement and the accompanying prospectus, which means that AGL Resources can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement and the accompanying prospectus, and later information that AGL Resources files with the SEC will automatically update and supersede that information. This prospectus supplement and the accompanying prospectus incorporate by reference the documents set forth below that AGL Resources has previously filed with the SEC.

SEC Filings (File No. 001-14174)	Period/Date
Annual Report on Form 10-K/A	Year ended December 31, 2005
Quarterly Report on Form 10-Q	Quarter ended March 31, 2006
Current Reports on Form 8-K	January 3, February 7, February 24, March 8, and May 8, 2006 (two reports)

We are also incorporating by reference additional documents that AGL Resources files with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this prospectus supplement and the termination of this offering of senior notes.

AGL Resources will provide without charge, to each person to whom a copy of this prospectus supplement and the accompanying prospectus has been delivered, a copy of any and all of these filings. You may request a copy of these filings by writing or telephoning AGL Resources at:

AGL Resources Inc.

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Ten Peachtree Place NE

Atlanta, Georgia 30309

Attention: Investor Relations

Telephone: (404) 584-3801

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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

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

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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

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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 preferred securities will no longer be deemed to be outstanding;

each registered global certificate, if any, representing trust preferred securities and held by DTC or its nominee will receive a registered global certificate or certificates representing the junior subordinated debentures to be delivered upon such distribution; and

any certificates representing trust preferred securities not held by DTC or its nominee will be deemed to represent junior subordinated debentures having a principal amount equal to the liquidation amount of such trust preferred securities, and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid distributions on such trust preferred securities until such certificates are presented to the administrative trustees or their agent for cancellation, whereupon AGL Capital will issue to such holder, and the debenture trustee will authenticate, a certificate representing such junior subordinated debentures.

There can be no assurance as to the market prices for the trust preferred securities or the junior subordinated debentures that may be distributed in exchange for the trust preferred securities if a dissolution and liquidation of the trust were to occur. Accordingly, the trust preferred securities that an investor may purchase, or the junior subordinated debentures that the investor may receive on dissolution and liquidation of the trust, may trade at a discount to the price that the investor paid to purchase the trust preferred securities offered hereby.

Subordination of Common Securities

Payment of distributions on, and the redemption price of, the trust preferred securities and common securities, as applicable, shall be made pro rata based on the liquidation amount of the trust preferred securities and common securities; provided, however, that if on any distribution date or redemption date an Event of Default shall have occurred and be continuing, no payment of any distribution on, or applicable redemption price of, any of the common securities, and no other payment on account of the redemption, liquidation or other acquisition of the common securities, shall be made unless payment in full in cash of all accumulated and unpaid distributions on all of the outstanding trust preferred securities for all distribution periods terminating on or prior thereto, or in the case of payment of the applicable redemption price the full amount of such redemption price, shall have been made or provided for, and all funds available to the property trustee shall first be applied to the payment in full in cash of all distributions on, or redemption price of, the trust preferred securities then due and payable.

In the case of any event of default, AGL Capital as holder of the common securities will be deemed to have waived any right to act with respect to such Event of Default until the effect of such event of default shall have been cured, waived or otherwise eliminated. Until any such event of default has been so cured, waived or otherwise eliminated, the property trustee shall act solely on behalf of the holders of the trust preferred securities and not on behalf of AGL Capital as holder of the common securities, and only the holders of the trust preferred securities will have the right to direct the property trustee to act on their behalf.

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Events of Default; Notice

The occurrence of a Debenture Event of Default (see Description of Junior Subordinated Debentures Junior Subordinated Debenture Events of Default) constitutes an event of default under the trust agreement. We refer to such an event as a Trust Enforcement Event. In addition, the following constitutes an event of default under the trust agreement:

default by the trust or the property trustee in the payment of any distribution when it becomes due and payable, and continuation of such default for a period of 30 days;

default by the trust or the property trustee in the payment of any redemption price of any trust preferred security when it becomes due and payable; or

default in the performance, or breach, in any material respect, of any other covenant or warranty of the trustees in the declaration of trust, and continuation of such default or breach for a period of 90 days after notice to the defaulting trustee or trustees.

Within 90 days after the occurrence of any event of default actually known to the property trustee, the property trustee shall transmit notice of such event of default to the holders of the trust preferred securities, the administrative trustees and AGL Capital, as sponsor, unless such event of default shall have been cured or waived.

If a debenture event of default has occurred and is continuing, the trust preferred securities shall have a preference over the common securities as described under Liquidation of the Trust and Distribution of Junior Subordinated Debentures and Subordination of Common Securities.

For more information on events of default under the indenture, see Description of Junior Subordinated Debentures Junior Subordinated Debentures Events of Default. Upon the occurrence and continuance of a trust enforcement event, the property trustee, as the sole holder of the junior subordinated debentures, will have the right under the indenture to declare the principal amount of the junior subordinated debentures due and payable.

If the property trustee fails to enforce its rights under the junior subordinated debentures, the holders of trust preferred securities may, to the extent permitted by applicable law, institute a legal proceeding against AGL Capital to enforce the property trustee's rights under the junior subordinated debentures and the indenture without first instituting legal proceedings against the property trustee or any other person. In addition, if a trust enforcement event is due to AGL Capital's failure to pay interest or principal on the junior subordinated debentures when due, then the registered holder of trust preferred securities may institute a direct action on or after the due date directly against AGL Capital for enforcement of payment to that holder of the principal of or interest on the junior subordinated debentures having a principal amount equal to the total liquidation amount of that holder's trust preferred securities. In connection with such a direct action, we will have the right to set off any payment to that holder by us.

Removal of Trustees

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Unless a debenture event of default shall have occurred and be continuing, any trustee may be removed at any time by the holders of the common securities. If a debenture event of default has occurred and is continuing, the property trustee and the Delaware trustee may be removed at such time by the holders of a majority in liquidation amount of the outstanding trust preferred securities. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees, which voting rights are vested exclusively in AGL Capital as the holder of the common securities. No resignation or removal of a property trustee or a Delaware trustee and no appointment of a successor trustee shall be effective until a written acceptance of appointment has been executed by the successor trustee and delivered to the administrative trustees and AGL Capital, as sponsor, in accordance with the provisions of the trust agreement.

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Merger or Consolidation of Trustees

Any corporation into which the property trustee or the Delaware trustee or any administrative trustee that is not a natural person, may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Delaware or property trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of such Delaware or property trustee, shall be the successor of such Delaware or property trustee under the trust agreement, provided such corporation shall be otherwise qualified and eligible.

Mergers, Consolidations, Amalgamations or Replacements of the Trust

The trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any corporation or other person, except as described below. The trust may, at the request of AGL Capital, as sponsor, with the consent of the administrative trustees but without the consent of the holders of the trust preferred securities, merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to, a trust organized as such under the laws of any State; provided, that:

such successor entity either (a) expressly assumes all of the obligations of the trust with respect to the trust preferred securities or (b) substitutes for the trust preferred securities other securities having substantially the same terms as the trust preferred securities so long as the successor securities rank the same as the trust preferred securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise;

AGL Capital expressly appoints a trustee of such successor entity possessing the same powers and duties as the property trustee as the holder of the junior subordinated debentures;

the trust preferred securities or any successor securities are listed, or any successor securities will be listed upon notification of issuance, on any national securities exchange, quotation system or other organization on which the trust preferred securities are then listed or quoted, if any;

such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the trust preferred securities (including any successor securities) to be downgraded by any nationally recognized statistical rating organization;

such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the trust preferred securities (including any successor securities) in any material respect;

such successor entity has a purpose identical to that of the trust;

prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, AGL Capital has received an opinion from independent counsel to the trust experienced in such matters to the effect that (a) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the trust preferred securities (including any successor securities) in any material respect, and (b) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the trust nor such successor entity will be required to register as an investment company under the Investment Company Act of 1940, as amended; and

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AGL Resources, AGL Capital or any permitted successor or assignee owns all of the common securities of such successor entity and guarantees the obligations of such successor entity under the successor securities at least to the extent provided by the guarantee.

Notwithstanding the foregoing, the trust shall not, except with the consent of holders of 100% in liquidation amount of the trust preferred securities, consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any other entity

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or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the trust or the successor entity not to be classified as a grantor trust for United States federal income tax purposes. The term substantially as an entirety in reference to the conveyance, transfer or lease of our properties and 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 conveys, transfers or leases our properties and assets substantially as an entirety. As a result of this uncertainty, it may be difficult for the holders to determine whether such conveyance, transfer or lease has occurred and whether to declare an event of default. Further, there could be a disagreement between the holders and us over whether such a conveyance, transfer or lease of our properties and assets reaches the threshold of substantially as an entirety. To the extent that the holders elect to exercise their rights under the trust agreement resulting from what the holders deem to be a conveyance, transfer or lease of our properties and assets substantially as an entirety and we contest such an election, there can be no assurances as to how a court would interpret the meaning of substantially as an entirety.

Voting Rights; Amendment of the Trust Agreement

Except as provided below and under Mergers, Consolidations, Amalgamations or Replacements of the Trust and Description of Guarantee Amendments and Assignment and as otherwise required by law and the trust agreement, the holders of the trust preferred securities will have no voting rights.

The trust agreement may be amended from time to time by the administrative trustees (and the Delaware trustee or property trustee, if affected by such amendment), without the consent of the holders of the trust preferred securities:

to cure any ambiguity, correct or supplement any provisions in the trust agreement that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the trust agreement, which shall not be inconsistent with the other provisions of the trust agreement; or

to modify, eliminate or add to any provisions of the trust agreement to such extent as shall be necessary to ensure that the trust will be classified for United States federal income tax purposes as a grantor trust at all times that any trust preferred securities are outstanding or to ensure that the trust will not be required to register as an investment company under the Investment Company Act provided, however, that such action shall not adversely affect in any material respect the interests of the holders of the trust securities, and any amendments of the trust agreement shall become effective when notice thereof is given to the holders of the trust preferred securities.

The trust agreement may be amended by the administrative trustees and AGL Capital:

with the consent of holders representing a majority (based upon liquidation amount) of the outstanding trust preferred securities; and

upon receipt by the administrative trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the administrative trustees in accordance with such amendment will not affect the trust's status as a grantor trust for United States federal income tax purposes or the trust's exemption from status as an investment company under the Investment Company Act.

However, without the consent of each holder of trust preferred securities, the trust agreement may not be amended to:

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change the amount or timing of any distribution on the trust preferred securities or otherwise adversely affect the amount of any distribution required to be made in respect of the trust preferred securities as of a specified date or

restrict the right of a holder of trust preferred securities to institute suit for the enforcement of any such payment on or after such date.

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So long as any junior subordinated debentures are held by the property trustee, the administrative trustees shall not:

direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee, or executing any trust or power conferred on such property trustee with respect to the junior subordinated debentures;

waive certain past defaults under the indenture;

exercise any right to rescind or annul a declaration of acceleration of the maturity of the principal of the junior subordinated debentures; or

consent to any amendment, modification or termination of the indenture or the junior subordinated debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of a majority in liquidation amount of all outstanding trust preferred securities provided, however, that where a consent under the indenture would require the consent of each holder of junior subordinated debentures affected thereby, no such consent shall be given by the property trustee without the prior approval of each holder of the trust preferred securities.

The administrative trustees shall not revoke any action previously authorized or approved by a vote of the holders of the trust preferred securities except by subsequent vote of such holders. The property trustee shall notify each holder of trust preferred securities of any notice of default with respect to the junior subordinated debentures. In addition to obtaining the foregoing approvals of such holders of the trust preferred securities, prior to taking any of the foregoing actions, the administrative trustees shall obtain an opinion of counsel experienced in such matters to the effect that the trust will not be classified as an association taxable as a corporation for United States federal income tax purposes on account of such action.

Any required approval of holders of trust preferred securities may be given at a meeting of such holders convened for such purpose or pursuant to written consent. The property trustee will cause a notice of any meeting at which holders of trust preferred securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each holder of record of trust preferred securities in the manner set forth in the trust agreement.

No vote or consent of the holders of trust preferred securities will be required for the trust to redeem and cancel the trust preferred securities in accordance with the trust agreement.

Notwithstanding that holders of the trust preferred securities are entitled to vote or consent under any of the circumstances described above, any of the trust preferred securities that are owned by AGL Resources, AGL Capital, the administrative trustees or any affiliate of AGL Resources or any administrative trustees, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Form, Denomination, Book-Entry Procedures and Transfer

Depositary Procedures

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The Depository Trust Company, or DTC, will act as securities depository for the trust preferred securities. DTC has advised the trust and AGL Capital that DTC is a limited-purpose trust company created to hold securities for its participating organizations, referred to as the participants, and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book-entry changes in accounts of its participants. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly which are referred to as indirect participants. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

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DTC is organized under the New York Banking Law, as a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC is owned by a number of participants and by the New York Stock Exchange, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

DTC has also advised the trust and AGL Capital that, pursuant to procedures established by it, (i) upon deposit of the global trust preferred securities, DTC will credit the accounts of participants designated by the initial purchasers with portions of the liquidation amount of the global trust preferred securities and (ii) ownership of such interests in the global trust preferred securities will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global trust preferred securities).

Investors in the global trust preferred securities may hold their interests therein directly through DTC if they are participants, or indirectly through organizations which are participants. All interests in a global trust preferred security may be subject to the procedures and requirements of DTC. The laws of some states require that certain persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a global trust preferred security to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having beneficial interests in a global trust preferred security to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the trust preferred securities, see Exchange of Book-Entry Trust Preferred Securities for Certificated Trust Preferred Securities and Exchange of Certificated Trust Preferred Securities for Book-Entry Trust Preferred Securities .

Except as described below, owners of interests in the global trust preferred securities will not have trust preferred securities registered in their name, will not receive physical delivery of trust preferred securities in certificated form and will not be considered the registered owners or holders thereof under the trust agreement for any purpose.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global trust preferred security.

Payments in respect of the global trust preferred security registered in the name of DTC or its nominee will be payable by the property trustee to DTC in its capacity as the registered holder under the trust agreement. Under the terms of the trust agreement, the property trustee will treat the persons in whose names the trust preferred securities, including the global trust preferred securities, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the property trustee nor any agent thereof has or will have any responsibility or liability for:

any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global trust preferred securities, or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global trust preferred securities or

any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

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DTC has advised the trust and AGL Capital that its current practice, upon receipt of any payment in respect of securities such as the trust preferred securities, is to credit the accounts of the relevant participants with the

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payment on the payment date, in amounts proportionate to their respective holdings in liquidation amount of beneficial interests in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on such payment date. Payments by the participants and the indirect participants to the beneficial owners of trust preferred securities will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the property trustee, the trust, AGL Capital or AGL Resources. Neither the trust, AGL Capital or AGL Resources nor the property trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the trust preferred securities, and the trust or AGL Capital and the property trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Secondary market trading activity in interests in the global trust preferred securities will settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised the trust and AGL Capital that it will take any action permitted to be taken by a holder of trust preferred securities only at the direction of one or more participants to whose account with DTC interests in the global trust preferred securities are credited and only in respect of such portion of the liquidation amount of the trust preferred securities as to which such participant or participants has or have given such direction. However, if there is an event of default under the trust agreement, DTC reserves the right to exchange the global trust preferred securities for legended trust preferred securities in certificated form and to distribute such trust preferred securities to its participants.

The information in this section concerning DTC and its book-entry systems has been obtained from sources that the trust and AGL Capital believe to be reliable, but neither the trust nor AGL Capital takes responsibility for the accuracy thereof.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interest in the global trust preferred securities among participants in DTC, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the trust or AGL capital nor the property trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Book-Entry Trust Preferred Securities for Certificated Trust Preferred Securities

A global trust preferred security is exchangeable for trust preferred securities in registered certificated form if:

DTC notifies the trust that it is unwilling or unable to continue as depositary for the global trust preferred security and the trust thereupon fails to appoint a successor depositary within 90 days or has ceased to be a clearing agency registered under the Exchange Act;

AGL Capital in its sole discretion elects to cause the issuance of the trust preferred securities in certificated form; or

there shall have occurred and be continuing an event of default or any event which after notice or lapse of time or both would be an event of default under the trust agreement.

Payment and Paying Agency

Payments in respect of the trust preferred securities held in global form shall be made to the depositary, which shall credit the relevant accounts at the depositary on the applicable distribution dates or in respect of the trust preferred securities that are not held by the depositary, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the register. The paying agent shall initially be the

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property trustee and any co-paying agent chosen by the property trustee and acceptable to the administrative trustees and AGL Capital. The paying agent shall be permitted to resign as paying agent upon 30 days written notice to the property trustee and AGL Capital. In the event that the property trustee shall no longer be the paying agent, the administrative trustees shall appoint a successor (which shall be a bank or trust company acceptable to the administrative trustees and AGL Capital) to act as paying agent.

Information Concerning the Property Trustee

The property trustee, other than during the occurrence and continuance of an event of default, undertakes to perform only such duties as are specifically set forth in the trust agreement and, after such event of default, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the property trustee is under no obligation to exercise any of the powers vested in it by the trust agreement at the request of any holder of trust preferred securities unless it is offered indemnity reasonably satisfactory to it against the costs, expenses and liabilities that might be incurred thereby. If no event of default has occurred and is continuing and the property trustee is required to decide between alternative causes of action, construe ambiguous provisions in the trust agreement or is unsure of the application of any provision of the trust agreement, and the matter is not one on which holders of the trust preferred securities or the common securities are entitled under the trust agreement to vote, then the property trustee shall take such action as is directed by AGL Capital and if not so directed, shall take such action as it deems advisable and in the best interests of the holders of the trust preferred securities and will have no liability except for its own bad faith, negligence or willful misconduct.

The Expense Agreement

We will, pursuant to an agreement as to expenses and liabilities entered into by us, AGL Capital and the trust, irrevocably and unconditionally guarantee to each person or entity to whom the trust becomes indebted or liable, the full payment of any costs, expenses or liabilities of the trust, other than obligations of the trust to pay to the holders of the trust preferred securities or other similar interests in the trust the amounts due to the holders pursuant to the terms of the trust preferred securities or other similar interests, as the case may be. Third party creditors of the trust may proceed directly against us and AGL Capital under the agreement as to expenses and liabilities, regardless whether they had notice of the agreement as to expenses and liabilities.

Miscellaneous

The administrative trustees are authorized and directed to conduct the affairs of and to operate the trust in such a way that the trust will not be deemed to be an investment company required to be registered under the Investment Company Act or classified as an association taxable as a corporation for United States federal income tax purposes and so that the junior subordinated debentures will be treated as indebtedness for United States federal income tax purposes. AGL Capital and the administrative trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the trust or the trust agreement, that AGL Capital and the administrative trustees determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially adversely affect the interests of the holders of the trust preferred securities.

Holders of the trust preferred securities have no preemptive or similar rights. The trust may not borrow money, issue debt, execute mortgages or pledge any of its assets.

Governing Law

The trust agreement will be governed by and construed in accordance with the laws of the State of Delaware.

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DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

The junior subordinated debentures are to be issued under an indenture, as supplemented from time to time, between AGL Capital and The Bank of New York, as debenture trustee. The indenture will be qualified under the Trust Indenture Act. The following description is a summary of the material aspects of the junior subordinated debentures and the indenture.

General

Concurrently with the issuance of the trust preferred securities, the trust will invest the proceeds thereof, together with the consideration paid by AGL Capital for the common securities, in junior subordinated debentures issued by AGL Capital. The junior subordinated debentures will bear interest at a specified annual percentage rate, and will be payable quarterly in arrears, (we refer to each quarterly payment date as an interest payment date), to the person in whose name each junior subordinated debenture is registered (unless the indenture supplement or officer certificate prior to the issuance of the junior subordinated debentures specifies payment to someone else) on the record date preceding the relevant payment date. It is anticipated that, until the liquidation, if any, of the trust, each junior subordinated debenture will be held in the name of the property trustee in trust for the benefit of the holders of the trust preferred securities. The amount of interest 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 interest is payable on the junior subordinated debentures is not a business day, then payment of the interest 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 of any such delay) with the same force and effect as if made on the date such payment was originally payable. The term "interest," as used herein, shall include quarterly interest payments, interest on quarterly payments not paid on the applicable interest payment date and additional sums (as described below), as applicable.

The junior subordinated debentures will rank equal in priority with all other debentures and will be unsecured and subordinate and junior in right of payment to the extent and in the manner set forth in the indenture to all senior indebtedness. See "Subordination." 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. AGL Capital is a wholly-owned finance subsidiary of AGL Resources. AGL Resources is a holding company and almost all of its operating assets are owned by its subsidiaries. AGL Resources relies primarily on dividends from such subsidiaries to meet its obligations. AGL Resources is a legal entity separate and distinct from its subsidiaries. The principal sources of AGL Resources' income are dividends and fees from its subsidiaries.

The right of AGL Resources and AGL Capital to participate in any distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization or otherwise, is subject to the prior claims of creditors of the subsidiary, except to the extent AGL Resources and AGL Capital may be recognized as a creditor of that subsidiary. Accordingly, the junior subordinated debentures will be effectively subordinated to all existing and future liabilities of AGL Capital's subsidiaries, and holders of junior subordinated debentures should look only to the assets of AGL Capital for payments on the junior subordinated debentures. The indenture does not limit the incurrence or issuance of other secured or unsecured debt of AGL Resources or AGL Capital, including senior indebtedness. See "Subordination."

The indenture does not contain provisions that afford holders of the junior subordinated debentures protection in the event of a highly leveraged transaction or other similar transactions involving AGL Resources or AGL Capital that may adversely affect such holders.

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Form, Registration and Transfer

If the junior subordinated debentures are distributed to the holders of the trust preferred securities, the junior subordinated debentures may be represented by one or more global certificates registered in the name of Cede & Co. as the nominee of DTC. The depositary arrangements for such junior subordinated debentures are expected to be substantially similar to those in effect for the trust preferred securities. For a description of DTC and the terms of the depositary arrangements relating to payments, transfers, voting rights, redemptions and other notices and other matters, see Description of Trust Preferred Securities Form, Denomination, Book-Entry Procedures and Transfer and Depositary Procedures.

Payment and Paying Agents

Payment of principal of (and premium, if any) and any interest on junior subordinated debentures will be made at the office of the Debenture Trustee in The City of New York or at the office of such paying agent or Paying Agents as AGL Capital may designate from time to time, except that at the option of AGL Capital payment of any interest may be made except in the case of junior subordinated debentures in global form, by:

check mailed to the address of the person entitled thereto as such address shall appear in the register for junior subordinated debentures or

by transfer to an account maintained by the person entitled thereto as specified in such register, provided that proper transfer instructions have been received by the relevant record date.

Payment of any interest on any junior subordinated debenture will be made to the person in whose name such junior subordinated debenture is registered at the close of business on the record date for such interest, except in the case of defaulted interest. AGL Capital may at any time designate additional paying agents or rescind the designation of any paying agent; however AGL Capital will at all times be required to maintain a paying agent in each place of payment for the junior subordinated debentures.

Any moneys deposited with the Debenture Trustee or any paying agent, or then held by AGL Capital in trust, for the payment of the principal of (and premium, if any) or interest on any junior subordinated debenture and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall, at the request of AGL Capital, be repaid to AGL Capital and the holder of such junior subordinated debenture shall thereafter look, as a general unsecured creditor, only to AGL Capital for payment thereof.

Option to Extend Interest Payment Date

So long as no event of default has occurred and is continuing, AGL Capital will have the right under the indenture at any time during the term of the junior subordinated debentures to defer the payment of interest at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each extended interest payment period, provided that no extended interest payment period may extend beyond the stated maturity date. At the end of such extended interest payment period, AGL Capital must pay all interest then accrued and unpaid (together with interest thereon at a specified annual percentage rate, compounded quarterly, to the extent permitted by applicable law).

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During any such 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); or

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

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make any guarantee payments with respect to any guarantee of the debt securities of any of their respective subsidiaries if such guarantee ranks 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).

Prior to the termination of any such extended interest payment period, AGL Capital may further extend such extended interest payment period, provided that such extension does not cause such extended interest payment period to exceed 20 consecutive periods including the first quarter during such extended interest payment period, or to extend beyond the stated maturity date. Upon the termination of any such extended interest payment period and the payment of all amounts then due on any interest payment date, AGL Capital may elect to begin a new extended interest payment period, subject to the above requirements. No interest shall be due and payable during an extended interest payment period, except at the end thereof, but AGL Capital may prepay at any time all or any portion of the interest accrued during an extended interest payment period. AGL Capital must give the property trustee, the administrative trustees and the debenture trustee notice of its election of any extended interest payment period (or an extension thereof) at least five business days prior to the earlier of:

the date the distributions on the trust preferred securities would have been payable except for the election to begin or extend such extended interest payment period or

the date the administrative trustees are required to give notice to any securities exchange or other quotation system or to holders of 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. The debenture trustee shall give notice of AGL Capital's election to begin or extend a new extended interest payment period to the holders of the trust preferred securities. There is no limitation on the number of times that AGL Capital may elect to begin an extended interest payment period.

Optional Redemption

The junior subordinated debentures will be prepayable, in whole or in part, at the option of AGL Resources on or after the initial optional redemption date at a redemption price, which we refer to as the optional redemption price, equal to the percentage of the outstanding principal amount of the junior subordinated debentures plus accrued and unpaid interest thereon to the date of prepayment.

Special Event Redemption

If a tax event or an Investment Company Act event shall occur and be continuing, AGL Capital may, at its option, redeem the junior subordinated debentures in whole (but not in part) and thereby cause the mandatory redemption of the trust preferred securities and the common securities in whole (but not in part) at any time and within 90 days following the occurrence of such tax event or Investment Company Act Event at the special event redemption price. Following a tax event or an Investment Company Act event, AGL Capital shall take such action as is necessary to promptly determine the special event redemption price. The special event redemption price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or such earlier time as AGL Capital determines, provided that AGL Capital shall deposit with the trustee an amount sufficient to pay the special event redemption price by 10:00 a.m., New York time, on the date such special event prepayment price is to be paid. The Company shall provide the debenture trustee with written notice of the special event redemption price promptly after the calculation thereof.

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A tax event means the receipt by AGL Capital and the trust of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement or decision is announced or made effective on or after the issue date, there is more than an insubstantial risk that:

the trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to all or part of the income received or accrued on the junior subordinated debentures or the trust preferred securities;

interest payable by AGL Capital on the junior subordinated debentures or the trust preferred securities is not, or within 90 days of the date of such opinion will not be, deductible by AGL Capital, in whole or in part, for United States federal income tax purposes; or

the trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

An Investment Company Act event means the receipt by AGL Capital and the trust of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the trust is or will be considered an investment company that is required to be registered under the Investment Company Act, which change becomes effective on or after the issue date of the trust preferred securities.

Notice of any prepayment will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of junior subordinated debentures to be prepaid at its registered address. Unless AGL Capital defaults in payment of the prepayment price, on and after the prepayment date interest ceases to accrue on such junior subordinated debentures called for prepayment.

Restrictions on Certain Payments

Neither AGL Capital nor AGL Resources may (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of its respective capital stock (which includes common and preferred stock) or (ii) make any payment of principal, interest or premium, if any, on or repay or 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 (iii) make any guarantees with respect to the debt securities of any of their respective subsidiaries if such guarantees rank equal in priority 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 stockholder's 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 capital stock or the exchange or conversion of one class or series of capital stock for another class or series 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), if at such time (1) there shall have occurred and be continuing a trust agreement event of default, (2) there shall have occurred and be continuing a debenture event of default, (3) there shall have occurred and be continuing a payment default under the trust agreement or the indenture, (4) if such junior subordinated debentures are held by the trust, AGL Capital shall be in default with respect to its payment of any obligations under the guarantee or

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(5) AGL Capital shall have given notice of its election of an extended interest payment period as provided in the Indenture and shall not have rescinded such notice, and such extended interest payment period, or any extension thereof, shall have commenced.

Modification of Indenture

From time to time AGL Capital and the debenture trustee may, without the consent of the holders of junior subordinated debentures, amend, waive or supplement the indenture for specified purposes, including, among other things, curing ambiguities, defects or inconsistencies (provided that any such action does not materially adversely affect the interest of the holders of junior subordinated debentures) and qualifying, or maintaining the qualification of, the indenture under the Trust Indenture Act. The indenture contains provisions permitting AGL Capital and the debenture trustee, with the consent of the holders of a majority in principal amount of junior subordinated debentures, to modify the indenture in a manner affecting the rights of the holders of junior subordinated debentures; provided, that no such modification may, without the consent of the holders of each outstanding junior subordinated debenture so affected:

extend the stated maturity, or reduce the principal amount of the junior subordinated debentures or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption, or impair or affect the right of any holder of junior subordinated debentures to institute suit for payment; or

reduce the percentage of principal amount of junior subordinated debentures, the holders of which are required to consent to any such modification of the indenture.

Junior Subordinated Debenture Events of Default

The indenture provides that any one or more of the following described events with respect to the junior subordinated debentures constitutes a debenture event of default (whatever the reason for such debenture event of default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

failure for 30 days to pay any interest on the junior subordinated debentures or any other debentures, when due (subject to the deferral of any due date in the case of an extended interest payment period); or

failure to pay any principal or premium, if any, on the junior subordinated debentures or any other debentures within three business days of when due whether at maturity, upon redemption, by declaration of acceleration of maturity or otherwise; or

failure to observe or perform in any material respect certain other covenants or warranties contained in the indenture for 90 days after written notice to AGL Capital from the debenture trustee or the holders of at least 25% in aggregate outstanding principal amount of junior subordinated debentures; or

certain events of bankruptcy, insolvency or reorganization of AGL Capital.

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The debenture trustee or the holders of not less than 33% in aggregate outstanding principal amount of the junior subordinated debentures may declare the principal due and payable immediately upon a debenture event of default. The holders of a majority in aggregate outstanding principal amount of the junior subordinated debentures may annul such declaration and waive the default if the default (other than the non-payment of the principal of the junior subordinated debentures which has become due solely by such acceleration) has been cured, waived or otherwise remedied and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee.

The holders of a majority in aggregate outstanding principal amount of the junior subordinated debentures affected thereby may, on behalf of the holders of all the junior subordinated debentures, waive any past default,

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except a default in the payment of principal (or premium, if any) on or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interest (and premium, if any) and principal due otherwise than by acceleration has been deposited with the debenture trustee) or a default in respect of a covenant or provision which under the indenture cannot be modified or amended without the consent of the holder of each outstanding junior subordinated debenture.

Guarantee of Junior Subordinated Debenture Payments by AGL Resources

If a debenture event of default shall have occurred and be continuing and shall be attributable to the failure of AGL Capital to pay interest (or premium, if any) on principal of the junior subordinated debentures on the due date, 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.

Consolidation, Merger, Sale of Assets and Other Transactions

The indenture provides that AGL Capital shall not consolidate with or merge into any other person or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any person, and no person shall consolidate with or merge into AGL Capital or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to AGL Capital, unless:

in case AGL Capital consolidates with or merges into another person or conveys or transfers its properties and assets substantially as an entirety to any person, the successor person is organized under the laws of the United States or any State or the District of Columbia, and such successor person expressly assumes AGL Capital's obligations on the junior subordinated debentures;

immediately after giving effect thereto, no debenture event of default, and no event which, after notice or lapse of time or both, would become a debenture event of default, shall have occurred and be continuing; and

certain other conditions as prescribed in the indenture are met.

The general provisions of the indenture do not afford holders of the junior subordinated debentures protection in the event of a highly leveraged or other transaction involving AGL Capital's that may adversely affect holders of the junior subordinated debentures. The term "substantially as an entirety" in reference to the conveyance, transfer or lease of our properties and 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 conveys, transfers or leases our properties and assets substantially as an entirety. As a result of this uncertainty, it may be difficult for the holders to determine whether such conveyance, transfer or lease has occurred and whether to declare an event of default. Further, there could be a disagreement between the holders and us over whether such a conveyance, transfer or lease of our properties and assets reaches the threshold of "substantially as an entirety." To the extent that the holders elect to exercise their rights under the Indenture resulting from what the holders deem to be a conveyance, transfer or lease of our properties and assets substantially as an entirety and we contest such an election, there can be no assurances as to how a court would interpret the meaning of "substantially as an entirety."

Satisfaction and Discharge

The indenture provides that when, among other things, all junior subordinated debentures not previously delivered to the Debenture Trustee for cancellation:

have become due and payable or

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will become due and payable at maturity within one year, and AGL Capital deposits or causes to be deposited with the Debenture Trustee funds, in trust, for the purpose and in an amount sufficient to pay and discharge the entire indebtedness on the junior subordinated debentures not previously delivered to the Debenture Trustee for cancellation, for the principal (and premium, if any) and interest to the date of the deposit or to the stated maturity date, as the case may be, then the indenture will cease to be of further effect (except as to AGL Capital's obligations to pay all other sums due pursuant to the indenture and to provide the officers certificates and opinions of counsel described therein), and AGL Capital will be deemed to have satisfied and discharged the indenture.

Subordination

The indenture provides that the junior subordinated debentures issued thereunder will be subordinate and junior in right of payment to all senior indebtedness of AGL Capital. No payment of principal (including redemption payments), premium, if any, or interest on the junior subordinated debentures may be made at any time when:

any senior indebtedness of AGL Capital is not paid when due;

any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist; or

the maturity of any senior indebtedness of AGL Capital has been accelerated because of a default.

Upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, debt restructuring or similar proceedings in connection with any insolvency or bankruptcy proceeding of AGL Capital, all senior indebtedness of AGL Capital must be paid in full before the holders of the junior subordinated debentures are entitled to receive or retain any payment in respect thereof.

In the event of the acceleration of the maturity of junior subordinated debentures, the holders of all senior indebtedness of AGL Capital outstanding at the time of such acceleration will first be entitled to receive payment in full before the holders of junior subordinated debentures will be entitled to receive or retain any payment in respect of the junior subordinated debentures.

Senior indebtedness shall mean with respect to an obligor, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor for money borrowed, and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business, (iv) all obligations of such obligor for the reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or ranks equal in priority with the Securities, and (2) all debt securities or guarantees in respect of those debt securities, issued to any other trust, or a trustee of such trust, partnership or other entity affiliated with AGL Capital that is a financing vehicle of AGL Capital in connection with the issuance by such financing entity of equity securities or other securities guaranteed by the Company pursuant to an instrument that ranks equal in priority with or junior in right of payment to the trust preferred guarantee.

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AGL Resources is a registered public utility holding company and almost all of the operating assets of AGL Resources are owned by AGL Resources subsidiaries. AGL Resources relies primarily on dividends from such subsidiaries to meet its obligations for payment of principal and interest on its outstanding debt obligations and corporate expenses. AGL Resources is a legal entity separate and distinct from its subsidiaries. The principal sources of AGL Resources income are dividends and fees from its subsidiaries. AGL Capital is a wholly-owned

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financing subsidiary of AGL Resources. The right of AGL Resources and AGL Capital to participate in any distribution of assets of any subsidiary, upon such subsidiary's liquidation or reorganization or otherwise, is subject to the prior claims of creditors of the subsidiary.

The indenture places no limitation on the amount of additional senior indebtedness that may be incurred by AGL Capital. AGL Capital expects from time to time to incur additional indebtedness constituting senior indebtedness.

Governing Law

The indenture and the junior subordinated debentures will be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of law thereof.

Information Concerning the Indenture Trustee

The indenture trustee shall have and be subject to all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to such provisions, the indenture trustee is under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of junior subordinated debentures, unless offered reasonably satisfactory to it indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The indenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

Miscellaneous

AGL Capital has agreed, pursuant to the indenture, for so long as trust securities remain outstanding:

to maintain directly or indirectly 100% ownership of the common securities of the trust (provided that certain successors which are permitted pursuant to the indenture may succeed to AGL Capital's ownership of the common securities);

not to voluntarily terminate, wind up or liquidate the trust, except in connection with a distribution of junior subordinated debentures to the holders of the trust preferred securities in liquidation of the trust; and

to use its reasonable efforts, consistent with the terms and provisions of the trust agreement to cause the trust to remain classified as (a) a business trust, except in connection with certain mergers, consolidations or amalgamations permitted by the trust agreement, and (b) a grantor trust and not as an association taxable as a corporation for United States federal income tax purposes.

DESCRIPTION OF TRUST PREFERRED GUARANTEE

The trust preferred guarantee will be executed and delivered by AGL Resources concurrently with the issuance by the trust of the trust preferred securities for the benefit of the holders of the trust preferred securities. The Bank of New York will act as indenture trustee under the trust preferred guarantee. The trust preferred guarantee will be qualified under the Trust Indenture Act. The following description is a summary of the material provisions of the trust preferred guarantee. The trust preferred guarantee trustee will hold the trust preferred guarantee for the benefit of the holders of the trust preferred securities.