AGL RESOURCES INC
Form DEF 14A
October 13, 2015
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

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

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

**AGL RESOURCES INC.**

**(Name of Registrant as Specified in its Charter)**

Payment of Filing Fee (Check the appropriate box):

x No fee required

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

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

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

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**Ten Peachtree Place**

**Atlanta, Georgia 30309**

October 13, 2015

Dear Shareholder:

A special meeting of shareholders of AGL Resources Inc., a Georgia corporation ( AGL Resources or the Company ), will be held on November 19, 2015, at 9:00 a.m. local time, at the Company s corporate headquarters, Ten Peachtree Place, Atlanta, Georgia 30309. You are cordially invited to attend.

On August 23, 2015, AGL Resources entered into an Agreement and Plan of Merger (the merger agreement ) with The Southern Company, a Delaware corporation ( Southern Company ), and AMS Corp., a newly formed Georgia corporation that is a wholly-owned direct subsidiary of Southern Company ( Merger Sub ), providing for, subject to the satisfaction or waiver (if permissible under applicable law) of specified conditions, the acquisition of AGL Resources by Southern Company at a price of $66.00 per share in cash. Subject to the terms and conditions of the merger agreement, Merger Sub will be merged with and into AGL Resources (the merger ), with AGL Resources surviving the merger as a wholly-owned direct subsidiary of Southern Company. At the special meeting, AGL Resources will ask you to approve the merger agreement.

At the effective time of the merger, each share of AGL Resources common stock, par value $5.00 per share ( Company common stock ), issued and outstanding immediately prior to the effective time, other than shares owned by AGL Resources as treasury stock, shares owned by a subsidiary of AGL Resources and shares owned by shareholders who have properly exercised and perfected dissenters rights under Georgia law, will be converted into the right to receive $66.00 in cash, without interest and less any applicable withholding taxes. This represents a 36.7% premium to the volume-weighted average stock price of Company common stock over the 30 trading days ended August 21, 2015, the last trading day prior to the announcement of the merger.

The proxy statement accompanying this letter provides you with more specific information concerning the special meeting, the merger agreement, the merger and the other transactions contemplated by the merger agreement. We encourage you to carefully read the accompanying proxy statement and the copy of the merger agreement attached as Annex A thereto.

The board of directors of AGL Resources (the Board ) carefully reviewed and considered the terms and conditions of the merger agreement, the merger and the other transactions contemplated by the merger agreement. The Board unanimously adopted the merger agreement, determined that the merger and the other transactions contemplated by the merger agreement are advisable and fair to and in the best interests of AGL Resources shareholders, directed that the merger agreement be submitted to AGL Resources shareholders for approval at a duly held meeting and resolved to recommend that the AGL Resources shareholders vote to approve the merger agreement. **Accordingly, the Board unanimously recommends a vote FOR the proposal to approve the merger agreement. The Board also unanimously recommends a vote FOR the nonbinding compensation proposal described in the accompanying proxy statement and FOR the adjournment of the special meeting proposal, if necessary or appropriate, described in the accompanying proxy statement.**

Whether or not you plan to attend the special meeting and regardless of the number of shares you own, your careful consideration of, and vote on, the proposal to approve the merger agreement is important and we encourage you to

vote promptly. The merger cannot be completed unless the merger agreement is approved by shareholders holding at least a majority of the outstanding shares of Company common stock as of the close of business on October 9, 2015. **The failure to vote will have the same effect as a vote against the proposal to approve the merger agreement.**

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After reading the accompanying proxy statement, please make sure to vote your shares by promptly voting electronically or telephonically as described in the accompanying proxy statement, or by completing, dating, signing and returning your proxy card, or attending the special meeting in person. Instructions regarding the methods of voting are provided on the proxy card. If you hold shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from it to vote your shares. If you have any questions or need assistance voting your shares, please contact Innisfree M&A Incorporated, AGL Resources proxy solicitor for the special meeting, toll-free at (877) 717-3936 (banks and brokers may call (212) 750-5833).

We encourage you to join us in voting to approve the merger that our management team and the Board view as highly beneficial to our shareholders.

Very truly yours,

John W. Somerhalder II

*Chairman and Chief Executive Officer*

**The merger has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the merits or fairness of the merger or upon the adequacy, accuracy or completeness of the information contained in this document or the accompanying proxy statement. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement is dated October 13, 2015 and is first being mailed to our shareholders on or about October 15, 2015.

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**Ten Peachtree Place**

**Atlanta, Georgia 30309**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**Time and Date:** 9:00 a.m. local time, on November 19, 2015

**Place:** AGL Resources Inc., Ten Peachtree Place, Atlanta, Georgia 30309

**Purpose:**

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated August 23, 2015 (the merger agreement ), by and among The Southern Company, a Delaware corporation ( Southern Company ), AMS Corp., a newly formed Georgia corporation that is a wholly-owned direct subsidiary of Southern Company ( Merger Sub ), and AGL Resources Inc., a Georgia corporation ( AGL Resources or the Company ).

2. To consider and vote on a nonbinding, advisory proposal to approve the compensation that may be paid or may become payable to the Company s named executive officers in connection with, or following, the consummation of the merger, which we refer to as the nonbinding compensation proposal .

3. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

**Your vote is very important. The merger cannot be completed unless the proposal to approve the merger agreement receives the affirmative vote of holders of a majority of all outstanding shares of Company common stock.**

**Record Date:** Only shareholders of record as of the close of business on October 9, 2015 are entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof.

**General:** For more information concerning the special meeting, the merger agreement, the merger and the other transactions contemplated by the merger agreement, please review the accompanying proxy statement and the copy of the merger agreement attached as Annex A thereto.

Holders of record of Company common stock are entitled to dissenters rights under the Georgia Business Corporation Code (the GBCC ) in connection with the merger if they meet certain conditions. See *Dissenters Rights of Shareholders* beginning on page 76. A copy of Article 13 of the GBCC is attached as Annex C to the proxy statement.

The board of directors of the Company (the Board ) carefully reviewed and considered the terms and conditions of the merger agreement, the merger and the other transactions contemplated by the merger agreement. The Board unanimously adopted the merger agreement, determined that the merger and the other transactions contemplated by the merger agreement are advisable and fair to and in the best interests of the Company s shareholders, directed that the merger agreement be submitted to the Company s shareholders for approval at a duly held meeting and resolved to recommend that the Company s shareholders vote to approve the merger agreement.

**The Board unanimously recommends a vote FOR the proposal to approve the merger agreement, FOR the nonbinding compensation proposal and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.**

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Please vote telephonically or electronically for the matters before our shareholders as described in the accompanying proxy statement, or promptly fill in, date, sign and return the enclosed proxy card in the accompanying pre-paid envelope to ensure that your shares are represented at the special meeting. You may revoke your proxy before it is voted. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

By Order of the Board of Directors,

Myra C. Bierria

*Corporate Secretary*

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**Ten Peachtree Place**

**Atlanta, Georgia 30309**

**SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 19, 2015**

## PROXY STATEMENT

This proxy statement contains information relating to a special meeting of shareholders of AGL Resources Inc., which we refer to as AGL Resources , the Company , we , us or our . The special meeting will be held on November 19, 2 at 9:00 a.m. local time, at the Company s corporate headquarters, Ten Peachtree Place, Atlanta, Georgia 30309. We are furnishing this proxy statement to shareholders of the Company as part of the solicitation of proxies by the Company s board of directors, which we refer to as the Board , for use at the special meeting and at any adjournments or postponements thereof. This proxy statement is dated October 13, 2015 and is first being mailed to our shareholders on or about October 15, 2015.

## SUMMARY TERM SHEET

This summary term sheet highlights selected information in this proxy statement and may not contain all of the information about the merger that is important to you. We have included page references in parentheses to direct you to more complete descriptions of the topics presented in this summary term sheet. You should carefully read this proxy statement in its entirety, including the annexes hereto and the other documents to which we have referred you, for a more complete understanding of the matters being considered at the special meeting. You may obtain, without charge, copies of documents incorporated by reference into this proxy statement by following the instructions under the section of this proxy statement entitled *Where You Can Find Additional Information* beginning on page 81.

### The Parties

**(page 17)**

AGL Resources is an Atlanta-based energy services holding company with operations in natural gas distribution, retail operations, wholesale services and midstream operations. AGL Resources serves approximately 4.5 million utility customers through its regulated distribution subsidiaries in seven states. The Company also serves over one million retail customers through its SouthStar Energy Services joint venture and Pivotal Home Solutions, which market natural gas and related home services. Other non-utility businesses include asset management for natural gas wholesale customers through Sequent Energy Management and ownership and operation of natural gas storage facilities. AGL Resources is a Fortune 500 company and a member of the S&P 500 Index.

The Southern Company, which we refer to as Southern Company , owns all of the outstanding common stock of Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company, each of which is an operating public utility company. These companies supply electric service in the states of Alabama, Georgia, Florida and Mississippi. In addition, Southern Company owns all of the common

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stock of Southern Power Company, which is also an operating public utility company. Southern Power Company constructs, acquires, owns and manages generation assets, including renewable energy projects and sells electricity at market-based rates in the wholesale market. Southern Company is a Fortune 500 company and a member of the S&P 500 Index.

AMS Corp., which we refer to as Merger Sub , is a wholly-owned direct subsidiary of Southern Company formed solely for the purpose of effecting the merger. Upon the consummation of the merger, Merger Sub will cease to exist.

**The Merger**

**(page 23)**

The Company, Southern Company and Merger Sub entered into an Agreement and Plan of Merger, which we refer to as the merger agreement , on August 23, 2015. A copy of the merger agreement is attached as Annex A to this proxy statement. Under the terms of the merger agreement, subject to the satisfaction or waiver (if permissible under applicable law) of specified conditions, Merger Sub will be merged with and into the Company, which we refer to as the merger . The Company will survive the merger as a wholly-owned direct subsidiary of Southern Company.

Upon the consummation of the merger, each share of the Company s common stock, par value $5.00 per share, which we refer to as Company common stock , that is issued and outstanding immediately prior to the effective time of the merger, which we refer to as the effective time , other than shares owned by the Company as treasury stock, shares owned by a subsidiary of the Company and shares owned by shareholders who have properly exercised and perfected dissenters rights under the Georgia Business Corporation Code, which we refer to as the GBCC , will be converted into the right to receive $66.00 in cash, which we refer to as the merger consideration , without interest and less any applicable withholding taxes.

**The Special Meeting**

**(page 18)**

The special meeting will be held on November 19, 2015, at 9:00 a.m. local time, at the Company s corporate headquarters, Ten Peachtree Place, Atlanta, Georgia 30309. At the special meeting, you will be asked to, among other things, vote for the approval of the merger agreement, the nonbinding compensation proposal (as described below under *Questions and Answers About the Special Meeting and the Merger What proposals will be considered at the special meeting?* ) and, if necessary or appropriate, the adjournment of the special meeting proposal. Please see the section of this proxy statement entitled *The Special Meeting* for additional information on the special meeting, including how to vote your shares of Company common stock.

**Shareholders Entitled to Vote; Vote Required to Approve the Merger Agreement**

**(page 19)**

You may vote at the special meeting if you owned any shares of Company common stock at the close of business on October 9, 2015, the record date for the special meeting. As of the close of business on the record date, there were 120,281,617 shares of Company common stock outstanding and entitled to vote, held by 21,567 shareholders of record. You may cast one vote for each share of Company common stock that you held on the record date on each of the proposals presented in this proxy statement. The approval of the merger agreement by the Company s shareholders requires the affirmative vote of the holders of a majority of all outstanding shares of Company common stock entitled

to vote at the special meeting, voting together as a single voting group.

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**Recommendation of the Board; Reasons for Recommending the Approval of the Merger Agreement**

**(page 18)**

After careful consideration, the Board unanimously adopted the merger agreement and resolved to recommend that the Company s shareholders vote to approve the merger agreement. Accordingly, the Board unanimously recommends a vote FOR the proposal to approve the merger agreement. The Board also unanimously recommends a vote FOR the nonbinding compensation proposal and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

The Board has determined that the merger and the other transactions contemplated by the merger agreement are advisable and fair to and in the best interests of the Company s shareholders. For a discussion of the material factors that the Board considered in resolving to recommend that the Company s shareholders vote to approve the merger agreement, please see the section of this proxy statement entitled *The Merger Reasons for Recommending the Approval of the Merger Agreement* beginning on page 29.

**Opinion of Financial Advisor**

**(page 34 and Annex B)**

Goldman, Sachs & Co., which we refer to as Goldman Sachs , delivered its opinion to the Board that, as of August 23, 2015 and based upon and subject to the factors and assumptions set forth therein, the $66.00 in cash per share of Company common stock to be paid to the holders (other than Southern Company and its affiliates) of the outstanding shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated August 23, 2015, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of the Board in connection with its consideration of the merger. The Goldman Sachs opinion does not constitute a recommendation as to how any holder of Company common stock should vote with respect to the merger or any other matter.

For a more complete description, please see the section of this proxy statement entitled *The Merger Opinion of Goldman Sachs* beginning on page 34.

**Certain Effects of the Merger**

**(page 40)**

Upon the consummation of the merger, Merger Sub will be merged with and into the Company, and the Company will continue to exist following the merger as a wholly-owned direct subsidiary of Southern Company.

Following the consummation of the merger, shares of Company common stock will no longer be traded on the New York Stock Exchange, which we refer to as the NYSE , or any other public market, and the registration of shares of Company common stock under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act , will be terminated.

**Effects on the Company if Merger is Not Completed**

**(page 41)**

In the event that the proposal to approve the merger agreement does not receive the required approval from the Company s shareholders, or if the merger is not completed for any other reason, the Company s shareholders will not receive any payment for their shares of Company common stock in connection with the merger. Instead,

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the Company will remain an independent public company and shareholders will continue to own their shares of Company common stock. Under certain circumstances, if the merger agreement is terminated, the Company may be obligated to pay to Southern Company a termination fee or to reimburse Southern Company for its expenses. Please see the sections of this proxy statement entitled *The Merger Agreement Termination Fee and Reimbursement of Expenses* beginning on page 71.

**Treatment of Equity Awards**

**(page 59)**

*Stock Options*

Each stock option of the Company granted under the Company s equity incentive plans that is vested and outstanding as of immediately prior to the effective time of the merger, will be cancelled at the effective time in exchange for a cash payment equal to the number of shares of Company common stock subject to such stock option multiplied by the excess, if any, of the merger consideration over the stock option s per-share exercise price. All outstanding Company stock options are vested as of the date of the filing of this proxy statement.

*Restricted Stock Awards and Restricted Stock Unit Awards*

Each restricted stock award and restricted stock unit award of the Company granted under the Company s equity incentive plans will become vested (with any applicable performance conditions deemed achieved) and will be cancelled at the effective time in exchange for a cash payment equal to the number of shares of Company common stock subject to such award multiplied by the merger consideration, together with any dividends credited to such awards in accordance with the terms of the applicable award agreement.

*Performance Share Unit Awards*

Each performance share unit award of the Company granted under the Company s equity incentive plans will be converted at the effective time into a time-based restricted stock unit award for shares of common stock of Southern Company, which award we refer to as an assumed Southern RSU , on the same vesting schedule and payment terms and similar other terms and conditions (but without continued performance-based vesting conditions), with respect to a number of shares of common stock (rounded to the nearest whole share) of Southern Company determined by multiplying the number of shares of Company common stock subject to such Company performance share unit award by a fraction, the numerator of which is the merger consideration and the denominator of which is the volume weighted average price per share of Southern Company common stock on the NYSE on each of the five consecutive trading days ending on (and inclusive of) the trading day that is two trading days prior to the closing date. For purposes of determining the number of shares of Company common stock subject to each Company performance share unit award, all applicable performance goals will be deemed achieved at the greater of 125% of target level and the actual performance level achieved as of immediately prior to the effective time (as adjusted to the extent equitably required), as determined by the Company. All assumed Southern RSUs will become vested on an accelerated, prorated basis in the event of certain types of terminations of employment at or within two years following the effective time.

*Deferred Stock Unit Awards*

Each deferred stock unit award of the Company credited to the account of a participant in the Company s Nonqualified Savings Plan or Common Stock Equivalent Plan for Non-Employee Directors will be cancelled at the effective time in exchange for the right to receive a cash payment equal to the number of shares of Company common stock subject to

such award multiplied by the merger consideration, together with any dividends credited to such awards and payable in accordance with the terms of the applicable plan.

See *The Merger Agreement Treatment of Equity Awards* beginning on page 59 for additional information.

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**Interests of Directors and Executive Officers in the Merger**

**(page 42)**

Details of the beneficial ownership of Company common stock of the Company s directors and executive officers are set out in the section of this proxy statement entitled *Security Ownership of Certain Beneficial Owners and Management* beginning on page 74. In addition to their interests in the merger as shareholders, certain of the Company s directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of the Company s shareholders generally. In considering the proposals to be voted on at the special meeting, you should be aware of these interests. The members of the Board were aware of and considered these interests, among other matters, in evaluating and reaching its decision to adopt the merger agreement and determining that the merger and the other transactions contemplated by the merger agreement are advisable and fair to and in the best interests of the Company s shareholders, and in resolving to recommend that the Company s shareholders vote to approve the merger agreement.

The Company s directors and executive officers also have the right to indemnification and insurance coverage following the closing of the merger. For more information, please see the section of this proxy statement entitled *The Merger Interests of the Company s Directors and Executive Officers in the Merger* beginning on page 42.

**Financing of the Merger**

**(page 41)**

There is no financing condition to the merger. In connection with the execution of the merger agreement, Southern Company entered into a commitment letter, which we refer to as the commitment letter , with Citigroup Global Markets, Inc., which we refer to as Citigroup , pursuant to which Citigroup committed to provide debt financing for the merger. On September 30, 2015, pursuant to the commitment letter, Southern Company entered into an unsecured bridge credit agreement, which we refer to as the bridge facility , with the lenders party thereto and Citibank, N.A., as administrative agent. Under the bridge facility, the lenders are providing a 364-day senior unsecured term loan bridge facility in an aggregate amount up to $8.1 billion, available to finance the cash portion of the merger consideration, other cash payments in connection with the consummation of the merger, other financing transactions related to the merger and fees and expenses in connection with the transactions contemplated by the merger agreement. The amount of the bridge facility available at closing is subject to reduction in accordance with the terms of the bridge facility, including, but not limited to, reduction from net cash proceeds from certain securities issuances by Southern Company and other specified amounts as provided therein. For more information, please see the section of this proxy entitled *The Merger Financing of the Merger* beginning on page 41.

**Conditions to the Merger**

**(page 69)**

Each party s obligation to effect the merger is subject to the satisfaction at or prior to the effective time of the merger of the following conditions:

- the approval of the merger agreement by the affirmative vote of the holders of a majority of all outstanding shares of Company common stock entitled to vote at the special meeting, voting together as a single voting

group;

(i) the waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which we refer to as the HSR Act , will have expired or been terminated and (ii) the approval of the California Public Utilities Commission, Georgia Public Service Commission, Illinois Commerce Commission, Maryland Public Service Commission, New Jersey Board of Public Utilities and Virginia State Corporation Commission and other approvals required

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under applicable state laws and the approval of the Federal Communications Commission, which we refer to as the FCC , for the transfer of control over the FCC licenses of certain subsidiaries of the Company and any other approval which Southern Company and the Company agree are required, in each case, has been obtained and such approvals have become final orders, which we collectively refer to as the regulatory approvals ; and

the absence of a judgment, order, decision, injunction, ruling or other finding or agency requirement of a governmental entity prohibiting the consummation of the merger.

Each party s obligation to consummate the merger is also subject to certain additional conditions, including:

subject to certain materiality qualifiers, the accuracy of the representations and warranties of the other party; and

performance in all material respects by the other party of its obligations under the merger agreement.

In addition, Southern Company s obligation to consummate the merger is also subject to the following condition:

since the date of the merger agreement, the absence of any fact, occurrence, change, effect or circumstance, individually or in the aggregate, that has had or would reasonably be expected to result in a material adverse effect on the Company.

Prior to the effective time, each of the Company and Southern Company may waive any of the conditions to its obligation to consummate the merger even though one or more of the conditions described above has not been met, except where waiver is not permissible under applicable law.

**Regulatory Approvals**

**(page 51)**

To complete the merger, the Company and Southern Company must obtain certain authorizations, approvals or consents from a number of federal and state public utility, antitrust and other regulatory authorities. The required regulatory approvals will include (i) expiration or termination of the waiting period under the HSR Act, (ii) approvals of the California Public Utilities Commission, Georgia Public Service Commission, Illinois Commerce Commission, Maryland Public Service Commission, New Jersey Board of Public Utilities and Virginia State Corporation Commission and other approvals required under applicable state laws, (iii) approval of the FCC and (iv) any other approval which Southern Company and the Company agree are required. We are not currently aware of any other material governmental filings, authorizations, approvals or consents that are required prior to the completion of the merger.

The merger agreement generally requires each party to use reasonable best efforts to resolve objections that may be asserted under any law that would delay, prevent, enjoin or otherwise prohibit the transactions contemplated by the merger agreement, subject to certain limitations (as described under *The Merger Agreement Efforts to Obtain Regulatory Approvals* ).

Subject to certain limitations, either party may terminate the merger agreement if the merger is not consummated by August 23, 2016 ( outside date ), which date may be extended by either party to February 23, 2017 if, on August 23, 2016, all conditions to closing other than those relating to (i) regulatory approvals or (ii) the absence of legal restraints preventing consummation of the merger (to the extent relating to regulatory approvals) have been satisfied.

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**No Solicitation by the Company**

**(page 63)**

The merger agreement generally restricts the Company s ability to solicit alternative proposals (as defined below under *The Merger Agreement No Solicitation by the Company* ) from (including by furnishing information to) third parties, or participate in discussions or negotiations with third parties regarding an alternative proposal. Under certain circumstances, however, and in compliance with certain obligations contained in the merger agreement, the Company is permitted to engage in negotiations with, and provide information to, third parties making an unsolicited alternative proposal that the Board determines in good faith, after consultation with its outside financial and legal advisors, constitutes or is reasonably likely to result in a superior proposal (as defined below under *The Merger Agreement No Solicitation by the Company* ). Under certain circumstances prior to the approval of the merger agreement by the Company s shareholders, the Board may effect a change in recommendation (as described below under *The Merger Agreement Changes in the Board s Recommendation* ) and the Company may terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal, upon payment by the Company of a $201,000,000 termination fee to Southern Company.

**Termination of the Merger Agreement**

**(page 71)**

The merger agreement may be terminated at any time prior to the effective time of the merger in the following circumstances:

by mutual written consent of the Company and Southern Company as duly authorized by each of their respective boards of directors;

by either the Company or Southern Company, if:

the merger is not consummated by the outside date (as it may be extended as described above under *Regulatory Approvals* ), provided that the right to terminate the merger agreement in accordance with the foregoing will not be available to a party if the inability to satisfy any closing condition is a result of a failure of such party to perform any of its obligations under the merger agreement or if the other party has filed an action seeking specific performance;

a judgment, order, decision, injunction, ruling or other finding or agency requirement of a governmental entity preventing the consummation of the merger is in effect and has become final and nonappealable; or

shareholder approval of the merger agreement is not obtained at the special meeting;

by Southern Company:

if the Company breaches any of its representations or warranties (or if any such representations or warranties fail to be true) or fails to perform any of its covenants or agreements, which breach or failure (a) would give rise to the failure of the applicable condition to consummate the merger and (b) is incapable of being cured or is not cured by the earlier of the outside date and 30 days after receiving written notice of such breach or failure; or

prior to the approval of the merger agreement by the Company s shareholders, if the Board has made a change of recommendation (as described below under *The Merger Agreement Changes in the Board s Recommendation* );

by the Company:

if either Southern Company or Merger Sub breaches any of its representations or warranties (or if any such representations or warranties fail to be true) or fails to perform any of its covenants or

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agreements, which breach or failure (a) would give rise to the failure of the applicable condition to consummate the merger and (b) is incapable of being cured or is not cured by the earlier of the outside date and 30 days after receiving written notice of such breach or failure; or

prior to shareholder approval of the merger agreement, if the Board makes a change of recommendation in response to a superior proposal and the Company is in compliance in all material respects with the no-shop provisions (subject to the payment of a termination fee to Southern Company as described below under *The Merger Agreement Termination Fee and Reimbursement of Expenses*).

**Termination Fee and Reimbursement of Expenses**

**(page 71)**

If the merger agreement is terminated under certain specified circumstances, the Company will be required to pay Southern Company a termination fee of $201,000,000. In certain circumstances, the Company would be required to reimburse Southern Company s expenses up to $5,000,000 (which reimbursement would reduce on a dollar-for-dollar basis any termination fee subsequently payable by the Company).

**Dissenters Rights**

**(page 76 and Annex C)**

Under the GBCC, any holder of record of Company common stock who objects to the merger, and who exercises its dissenters rights and fully complies with all of the provisions of Article 13 of the GBCC (but not otherwise), will be entitled to demand and receive payment of the fair value for all (but not less than all) of his or her shares of Company common stock if the merger is completed. See *Dissenters Rights of Shareholders* on page 76. A copy of Article 13 of the GBCC is attached as Annex C to this proxy statement.

**Litigation Relating to the Merger**

**(page 55)**

The Company and each member of the Board have been named as defendants in four purported shareholder class action lawsuits filed in the United States District Court for the Northern District of Georgia, Atlanta Division, which we refer to as the Court : *Patrick Baker v. AGL Resources Inc., et al.*, which we refer to as the Baker Action , *Jeff Morton v. AGL Resources Inc., et al.*, which we refer to as the Morton Action , and *Sarah Halberstam and Baruch Z. Halberstam (as custodian for Benjamin Halberstam) v. AGL Resources Inc., et al.*, which we refer to as the Halberstam Action , *Manuel Abt v. AGL Resources, Inc., et al.*, which we refer to as the Abt Action , filed on September 16, 2015, September 22, 2015, September 28, 2015 and October 9, 2015, respectively. Southern Company and Merger Sub were also named as defendants in the Baker Action and the Morton Action. We refer to the Baker Action, the Morton Action and the Halberstam Action, collectively, as the Actions . The Actions allege that the preliminary proxy statement, which we refer to as the Preliminary Proxy , filed by the Company with the Securities and Exchange Commission, which we refer to as the SEC , on September 11, 2015 contains false and misleading statements and omits material information in violation of Section 14(a) of the Exchange Act and SEC Rule 14a-9 promulgated thereunder. The Actions also allege that the Board defendants are liable for those alleged misstatements and omissions under Section 20(a) of the Exchange Act. The Morton Action further alleges that the Board defendants breached their fiduciary duties owed to the public shareholders of the Company in connection with the merger and that Southern Company and Merger Sub aided and abetted such breaches. The Actions seek, among other things,

preliminary and permanent injunctive relief enjoining the merger, rescission or rescissory damages in the event the merger is implemented and an award of attorneys and experts fees and costs. The defendants have not yet responded to the complaint. The Company and its Board believe that the claims in the Actions are without merit, and intend to vigorously defend all of the Actions.

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**Material U.S. Federal Income Tax Consequences**

**(page 48)**

The receipt of cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. Generally, for U.S. federal income tax purposes, if you are a U.S. holder (defined below in the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences of the Merger*), you will recognize gain or loss equal to the difference, if any, between the amount of cash you receive pursuant to the merger (including any cash required to be withheld for tax purposes) and your adjusted tax basis in the shares of Company common stock converted into cash pursuant to the merger. If you are a non-U.S. holder (defined below in the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences of the Merger*), the receipt of cash pursuant to the merger will generally not be a taxable transaction to you under U.S. federal income tax laws unless you have certain connections to the United States, but may be a taxable transaction to you under non-U.S. federal income tax laws, and you are encouraged to seek tax advice regarding such matters. Because individual circumstances may differ, we recommend that you consult your own tax advisor to determine the particular tax effects of the merger to you.

You should read the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences of the Merger* beginning on page 48 for a more complete discussion of the material U.S. federal income tax consequences of the merger.

**Additional Information**

**(page 81)**

You can find more information about the Company in the periodic reports and other information we file with the SEC. The information is available at the SEC s public reference facilities and at the website maintained by the SEC at *www.sec.gov*. See *Where You Can Find Additional Information* beginning on page 81.

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## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

*The following questions and answers are intended to briefly address some commonly asked questions regarding the special meeting and the merger. These questions and answers may not address all the questions that may be important to you as a shareholder. You should read the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.*

**Q: Why am I receiving this proxy statement?**

A: On August 23, 2015, the Company entered into the merger agreement with Southern Company and Merger Sub. You are receiving this proxy statement as a shareholder of the Company in connection with the solicitation of proxies by the Board in favor of the proposal to approve the merger agreement and the other matters to be voted on at the special meeting described below under *What proposals will be considered at the special meeting*? The merger cannot be completed unless the merger agreement is approved by shareholders holding at least a majority of the outstanding shares of Company common stock.

**Q: As a shareholder, what will I receive in the merger?**

A: If the merger is completed, you will be entitled to receive $66.00 in cash, without interest and less any applicable withholding taxes, for each share of Company common stock that you own immediately prior to the effective time of the merger.

The exchange of shares of Company common stock for cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. Please see the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences of the Merger* beginning on page 48 for a more detailed description of the United States federal income tax consequences of the merger. You should consult your own tax advisor for a full understanding of how the merger will affect your federal, state, local or non-U.S. taxes.

**Q: What will happen to outstanding Company equity compensation awards in the merger?**

A: For information regarding the treatment of the Company s equity awards, please see the section of this proxy statement entitled *The Merger Agreement Treatment of Equity Awards* beginning on page 59.

**Q: When and where is the special meeting of our shareholders?**

A: The special meeting will be held on November 19, 2015, at 9:00 a.m. local time, at the Company s corporate headquarters, Ten Peachtree Place, Atlanta, Georgia 30309.

If you plan to attend the meeting, please note that you will need to present government-issued identification showing your name and photograph (*i.e.*, a driver s license or passport), and, if you are an institutional investor, evidence showing your representative capacity for such entity, in each case to be verified against our shareholder list as of the record date for the meeting. In addition, if your shares are held in the name of a broker, you will need a valid proxy from such entity or a recent brokerage statement or letter from such entity reflecting your stock ownership as of the record date for the meeting.

**Q: Who is entitled to vote at the special meeting?**

A: Only holders of record of Company common stock as of the close of business on October 9, 2015, the record date for the special meeting, are entitled to vote the shares of Company common stock they held on the record date at the special meeting. As of the close of business on the record date, there were 120,281,617 shares of Company common stock outstanding and entitled to vote, held by 21,567 shareholders of record. Each shareholder is entitled to one vote for each share of Company common stock held by such shareholder on the record date on each of the proposals presented in this proxy statement.

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**Q: What proposals will be considered at the special meeting?**

A: At the special meeting, you will be asked to consider and vote on the following proposals:

a proposal to approve the merger agreement;

a nonbinding, advisory proposal to approve the compensation that may be paid or may become payable to the Company s named executive officers in connection with, or following, the consummation of the merger, which we refer to as the nonbinding compensation proposal ; and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

**Q: Why am I being asked to consider and vote on the nonbinding compensation proposal?**

A: Under Section 14A of the Exchange Act, the SEC requires the Company to conduct a nonbinding, advisory vote of shareholders regarding the compensation that may be paid or may become payable to the Company s named executive officers in connection with, or following, the consummation of the merger.

**Q: What constitutes a quorum for purposes of the special meeting?**

A: The Company s Bylaws provide that the presence, in person or by proxy, of holders of a majority of the votes entitled to be cast at the special meeting constitutes a quorum for the transaction of business. Abstentions will be counted for purposes of determining the presence of a quorum. Broker non-votes (as described under *The Special Meeting Quorum* ) will not be counted for purposes of determining the presence of a quorum unless the broker, bank, trust, custodian or other nominee (we refer to those organizations collectively as broker ) has been instructed to vote on at least one of the proposals presented in this proxy statement.

**Q: What vote of our shareholders is required to approve each of the proposals?**

A: The approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Company common stock entitled to vote at the special meeting, voting together as a single voting group. Under the merger agreement, the receipt of such required vote is a condition to the consummation of the merger. **Abstentions, failures to vote and broker non-votes will have the same effect as a vote AGAINST the proposal to approve the merger agreement**.

The approval of the nonbinding compensation proposal requires that the number of votes cast in favor of the proposal exceeds the votes cast opposing the proposal. Assuming a quorum is present at the special meeting, abstentions,

failures to vote and broker non-votes will have no effect on the outcome of the nonbinding compensation proposal.

The approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement, requires that the number of votes cast in favor of the proposal exceed the votes cast opposing the proposal. Assuming a quorum is present at the special meeting, abstentions, failures to vote and broker non-votes will h