

## AGL Resources Merger with Nicor Inc. on December 9, 2011

### Tax Consequences Examples

Please read these examples in conjunction with the Tax Reporting Statement Under Section 6045B of the Internal Revenue Code which is posted at <http://ir.aglr.com/phoenix.zhtml?c=79511&p=irol-faq>.

As a reorganization under 368(a), Nicor shareholders will be treated as follows for Federal income tax purposes:

**1) If the tax basis of the Nicor stock held is less than the sum of the fair market value of the AGL stock received plus the cash received (Potential Gain):** In this case, the Nicor shareholder will recognize a capital gain. The amount of taxable gain recognized is the lesser of the Potential Gain or the cash received. The tax basis in the AGL stock received will equal the tax basis of the Nicor Stock surrendered less any cash received in excess of the Potential Gain.

**2) If the tax basis of the Nicor stock held is more than the sum of the fair market value of the AGL stock received plus the cash received (Potential Loss):** In this case, the Nicor shareholder will NOT recognize any taxable gain or loss. The tax basis in the AGL stock received will equal the tax basis of the Nicor Stock surrendered less the cash received.

For shares received under the Employee Stock Purchase Plan (ESPP) a portion of the Potential Gain or Potential Loss may have to be recognized as ordinary taxable income. *Please refer to the ESPP plan documents or your tax advisor.*

**The following examples illustrate the above principles: In each case, for each share of Nicor stock surrendered, the shareholder receives 0.8382 shares of AGL stock valued at \$33.23 plus a cash payment of \$21.20 for a total value received of \$54.43.**

**1) Investor owns Nicor stock with a tax basis of \$40 a share:** The investor has a Potential Gain of \$14.43 per share (\$54.43 value received less \$40 tax basis in Nicor stock). Because the per share cash received (\$21.20) is greater than the Potential Gain, the investor recognizes capital gain equal to the Potential Gain of \$14.43 per share. The tax basis of the AGL stock received is \$33.23 per 0.8382 share (or \$39.64 per share for a full share of AGL stock).

**2) Investor owns Nicor stock with a tax basis of \$20 a share:** The investor has a Potential Gain of \$34.43 per share (\$54.43 value received less \$20 tax basis in Nicor stock). Because the Potential Gain of \$34.43 per share is greater than the per share cash received (\$21.20), the investor recognizes capital gain of \$21.20 per share (Gain recognized is limited by the cash received). The tax basis of the AGL stock received is \$20 per 0.8382 shares. This is equal to the tax basis of the Nicor Stock surrendered since the cash received is less than the Potential Gain. (The \$20 per 0.8382 share equates to a tax basis of \$23.86 per share for a full share of AGL stock).

**3) Investor owns Nicor stock with a tax basis of \$60 a share:** Because there is a Potential Loss, no taxable gain or loss is recognized. The tax basis of the AGL 0.8382 stock received will equal \$38.80 (the tax basis of the Nicor Stock surrendered (\$60), less the per share cash received (\$21.20)). The 38.80 per 0.8382 share equates to a tax basis of \$46.29 per share for a full share of AGL stock.

If a shareholder owns multiple lots of Nicor stock, each with different per-share tax basis, the above analysis should be done separately for each lot of stock.

The state income tax impact will ordinarily follow the Federal impact as outlined above. However, there are certain instances when a different result may occur.

**\*\*\*\*\*The above is not intended as tax advice. United States shareholders are urged to consult their own tax advisors with respect to the determination of gain recognized on the exchange of their shares of Nicor common stock (as well as their basis in the shares of AGL Resources common stock received in the transaction) taking into account their particular circumstances.\*\*\*\*\***