

Section 285.4040 Schedule D-4: Embedded Cost of Preferred Stock

e) Provide the following work papers or documents supporting Schedule D-4:

- 1) For each variable and adjustable rate preferred stock issue, provide the following:

Nicor Gas does not have variable or adjustable rate preferred stock issues.

- 2) Sinking fund schedule for each issue having such a requirement. This schedule shall include the following data:

There are no sinking fund requirements for non-redeemable preferred stock. A sinking fund schedule is provided in for mandatorily redeemable preferred stock supporting D-3.

- 3) For gains and losses included in Schedule D-4, provide the following by stock issue:

No gains or losses apply to Schedule D-4.

NICOR GAS
EMBEDDED COST OF PREFERRED STOCK
Annual

2003

| | Dollar Amount | Premium (291110-140) (286200-210) | Capital Stk Expense (292650 - 80) (288300-310) | Net Proceeds (d) | Annual Dividends/ Int. Expense (e) |
|--------------------------|------------------|---|--|---------------------|--|
| | (a) | (b) | (c) | (a + b - c) | |
| 5.00 % 5% Series (A) | 1,400,000 | 14,000 | 34,033 | 1,379,967 | 70,000 |
| 5.00 % 5% Conv. Series | 525,800 | 89 | 2,694 | 523,195 | 26,290 |
| 4.48 % 4.48% Series (A) | 4,200,000 | 2,935 | 11,860 | 4,191,075 | 188,160 |
| 4.50 % 4.6% Conv. Series | 875,000 | | 2,297 | 872,703 | 40,250 |
| | <u>7,000,800</u> | <u>17,024</u> | <u>50,884</u> | <u>6,966,940</u> | <u>324,700</u> |

Embedded Cost of Preferred (e / d) 4.66%

(e) for rate case method - June 03-May 04

| | Annual Dividends/Interest Expense | | | | Interest Accounts |
|--------------------------|-----------------------------------|---------|---------|---------|-------------------|
| | 2Q 2003 | 3Q 2003 | 4Q 2003 | 1Q 2004 | |
| 5.00 % 5% Series (A) | 17,500 | 17,500 | 17,500 | 17,500 | 70,000 |
| 5.00 % 5% Conv. Series | 6,573 | 6,573 | 6,573 | 6,573 | 26,292 |
| 4.48 % 4.48% Series (A) | 47,040 | 47,040 | 47,040 | 47,040 | 188,160 |
| 4.50 % 4.6% Conv. Series | 10,063 | 10,063 | 10,063 | 10,063 | 40,252 |

Note A:

Mandatorily redeemable preferred stock is classified as long-term debt according to SFAS 150.

2002

| | Dollar Amount | Premium (291110-140) | Capital Stk Expense (292650 - 80) | Net Proceeds (d) | Annual Dividends (e) |
|-------------------|------------------|-------------------------|--------------------------------------|---------------------|-------------------------|
| | (a) | (b) | (c) | (a + b - c) | |
| 5% Series | 1,800,000 | 16,000 | 38,895 | 1,577,105 | 77,500 |
| 5% Conv. Series | 525,800 | 89 | 2,694 | 523,195 | 26,290 |
| 4.48% Series | 4,500,000 | 3,144 | 12,707 | 4,490,437 | 198,240 |
| 4.6% Conv. Series | 875,000 | | 2,297 | 872,703 | 40,250 |
| | <u>7,500,800</u> | <u>19,233</u> | <u>56,593</u> | <u>7,463,440</u> | <u>342,280</u> |

Embedded Cost of Preferred (e / d) 4.59%

(e) for rate case method - June 02-May 03

2001

| | Dollar Amount | Premium (291110-140) | Capital Stk Expense (292650 - 80) | Net Proceeds (d) | Annual Dividends (e) |
|-------------------|------------------|-------------------------|--------------------------------------|---------------------|-------------------------|
| | (a) | (b) | (c) | (a + b - c) | |
| 5% Series | 1,800,000 | 18,000 | 43,757 | 1,774,243 | 90,000 |
| 5% Conv. Series | 525,800 | 89 | 2,694 | 523,195 | 26,290 |
| 4.48% Series | 4,800,000 | 3,354 | 13,555 | 4,789,799 | 215,040 |
| 4.6% Conv. Series | 875,000 | 0 | 2,297 | 872,703 | 40,250 |
| | <u>8,000,800</u> | <u>21,443</u> | <u>62,303</u> | <u>7,959,940</u> | <u>371,580</u> |

Embedded Cost of Preferred (e / d) 4.67%

(e) for rate case method - June 01-May 02

NICOR GAS
EMBEDDED COST OF PREFERRED STOCK
Annual

| 2005 | | | | | | Annual Dividends/Interest Expense | | | | | |
|------------------------------------|---|---|---------------------|--|---------|-----------------------------------|---------|---------|---------|--------|---------|
| Dollar Amount | Premium (291110-140) (286200-210) | Capital Stk Expense (292650 - 80) (286300-310) | Net Proceeds (d) | Annual Dividends/ Int. Expense (e) | | 2Q 2005 | 3Q 2005 | 4Q 2005 | 1Q 2006 | Total | |
| (a) | (b) | (c) | (a + b - c) | | | | | | | | |
| 5% Series | 1,000,000 | 10,000 | 24,309 | 985,691 | 50,000 | (10,000) | 12,500 | 12,500 | 12,500 | 12,500 | 50,000 |
| 5% Conv. Series | 525,800 | 89 | 2,694 | 523,195 | 26,290 | | 6,573 | 6,573 | 6,573 | 6,573 | 26,292 |
| 4.48% Series | 3,600,000 | 2,515 | 10,166 | 3,592,349 | 161,280 | (13,440) | 40,320 | 40,320 | 40,320 | 40,320 | 161,280 |
| 4.6% Conv. Series | 875,000 | | 2,297 | 872,703 | 40,250 | | 10,063 | 10,063 | 10,063 | 10,063 | 40,252 |
| | 6,000,800 | 12,604 | 39,466 | 5,973,938 | 277,920 | | | | | | |
| Embedded Cost of Preferred (e / d) | | | | | 4.65% | | | | | | |

(e) for rate case method - June 05-May 06

| 2004 | | | | | | Annual Dividends/Interest Expense | | | | | |
|------------------------------------|---|---|---------------------|--|---------|-----------------------------------|---------|---------|---------|--------|---------|
| Dollar Amount | Premium (291110-140) (286200-210) | Capital Stk Expense (292650 - 80) (286300-310) | Net Proceeds (d) | Annual Dividends/ Int. Expense (e) | | 2Q 2004 | 3Q 2004 | 4Q 2004 | 1Q 2005 | Total | |
| (a) | (b) | (c) | (a + b - c) | | | | | | | | |
| 5% Series | 1,200,000 | 12,000 | 29,171 | 1,182,829 | 60,000 | (10,000) | 15,000 | 15,000 | 15,000 | 15,000 | 60,000 |
| 5% Conv. Series | 525,800 | 89 | 2,694 | 523,195 | 26,290 | | 6,573 | 6,573 | 6,573 | 6,573 | 26,292 |
| 4.48% Series | 3,900,000 | 2,725 | 11,013 | 3,891,712 | 174,720 | (13,440) | 43,680 | 43,680 | 43,680 | 43,680 | 174,720 |
| 4.6% Conv. Series | 875,000 | | 2,297 | 872,703 | 40,250 | | 10,063 | 10,063 | 10,063 | 10,063 | 40,252 |
| | 6,500,800 | 14,814 | 45,175 | 6,470,439 | 301,260 | | | | | | |
| Embedded Cost of Preferred (e / d) | | | | | 4.66% | | | | | | |

(e) for rate case method - June 04-May 05

| 2003 | | | | | | Annual Dividends/Interest Expense | | | | | |
|------------------------------------|---|---|---------------------|--|---------|-----------------------------------|---------|---------|---------|--------|---------|
| Dollar Amount | Premium (291110-140) (286200-210) | Capital Stk Expense (292650 - 80) (286300-310) | Net Proceeds (d) | Annual Dividends/ Int. Expense (e) | | 2Q 2003 | 3Q 2003 | 4Q 2003 | 1Q 2004 | Total | |
| (a) | (b) | (c) | (a + b - c) | | | | | | | | |
| 5% Series | 1,400,000 | 14,000 | 34,033 | 1,379,967 | 70,000 | | 17,500 | 17,500 | 17,500 | 17,500 | 70,000 |
| 5% Conv. Series | 525,800 | 89 | 2,694 | 523,195 | 26,290 | | 6,573 | 6,573 | 6,573 | 6,573 | 26,292 |
| 4.48% Series | 4,200,000 | 2,935 | 11,860 | 4,191,075 | 188,160 | | 47,040 | 47,040 | 47,040 | 47,040 | 188,160 |
| 4.6% Conv. Series | 875,000 | | 2,297 | 872,703 | 40,250 | | 10,063 | 10,063 | 10,063 | 10,063 | 40,252 |
| | 7,000,800 | 17,024 | 50,884 | 6,966,940 | 324,700 | | | | | | |
| Embedded Cost of Preferred (e / d) | | | | | 4.66% | | | | | | |

(e) for rate case method - June 03-May 04

FORM L.

STATEMENT OF RESOLUTION
ESTABLISHING SERIES
ADOPTED BY BOARD OF DIRECTORS

(Do not write in this space)

Date Paid 4-30-76
Filing Fee \$5.00
Clerk

To MICHAEL J. HOWLETT,
Secretary of State,
Springfield, Illinois 62706

The undersigned corporation, for the purpose of establishing series and fixing and determining the relative rights and preferences of the shares of such series, and pursuant to the provisions of Section 15 of "The Business Corporation Act" of the State of Illinois, hereby executes the following statement:

1. The name of the corporation is **NORTHERN ILLINOIS GAS COMPANY.**

2. The following resolution was adopted by the Board of Directors, establishing and designating a series of Preferred Stock and fixing and determining the relative rights and preferences of the shares of such series:

RESOLVED, that pursuant to the authority expressly vested in the Board of Directors by the Company's Articles of Incorporation, there be and there hereby is established an additional series of the Preferred Stock, par value \$100 per share, of the Company, the designation of such series, the number of shares to be issuable therein, and certain of the terms and provisions thereof to be as follows:

I. *Designation of Series and Number of Shares to be Issuable Therein.* Such series of the Preferred Stock shall be designated 4.60% Convertible Preferred Stock (hereinafter called the "4.60% Convertible Series"), in which not more than 17,500 shares shall be issuable.

II. *Annual Amount of Dividends.* Dividends shall be payable on the shares of the 4.60% Convertible Series in the amount of \$4.60 per share per annum, and no more.

III. *Redemption.* None of the shares of the 4.60% Convertible Series may be redeemed prior to January 1, 1986, unless cash dividends in a total amount of not less than \$4.60 shall have been paid during the twelve calendar months immediately preceding the first day of the month in which such redemption is to be effected on the number of shares of the Common Stock equal to the number issuable, on the last day of such twelve months period, on conversion of one share of the 4.60% Convertible Series. Subject to the foregoing, the shares of the 4.60% Convertible Series may be called for redemption and redeemed, at the option of the Company, in whole at any time or in part from time to time, upon the notice and in the manner provided in subdivision (d) of Division I of Paragraph 2 of Article Five of the Articles of Incorporation of the Company.

The redemption prices of the shares of the 4.60% Convertible Series shall be: \$103 per share if redeemed prior to January 1, 1981; \$101.50 per share if redeemed during the five-year period beginning January 1, 1981; and \$100 per share if redeemed on or after January 1, 1986; in each case plus the amount of accrued and unpaid dividends, if any, thereon to the redemption date.

IV. *Liquidation Prices.* The amount payable on shares of the 4.60% Convertible Series in the event of voluntary dissolution, liquidation or winding up of the Company shall be an amount equal to the redemption price thereof applicable at the date fixed for payment, and no more, or \$103 per share in case such shares shall not at the time be redeemable, plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more. The amount payable on each share of the 4.60% Convertible Series in the event of involuntary dissolution, liquidation or winding up of the Company shall be \$100 per share, plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more.

V. *Conversion Provisions.* (a) The shares of the 4.60% Convertible Series shall be convertible, at the option of the respective holders thereof, into fully paid and nonassessable shares of the Common Stock of the Company at the conversion price of \$53.63 per share, in each case taking the shares of the 4.60% Convertible Series at \$100 per share, that is, at the rate of 1.86463 shares of Common Stock for each share of the 4.60% Convertible Series; provided, however, that:

(1) as provided in subdivisions (b) and (c) of this division V, such conversion price shall be subject to adjustment or change in certain cases, and, as provided in said subdivision (c), the number of shares of Common Stock issuable upon conversion of shares of the 4.60% Convertible Series shall be subject to increase or decrease in certain cases;

(2) as provided in subdivisions (d) and (e) of this division V, shares or other securities, other than shares of the Common Stock, may in certain cases become issuable upon conversion of shares of the 4.60% Convertible Series;

(3) whenever the Company shall call for redemption any shares of the 4.60% Convertible Series, the conversion rights of the holders thereof shall terminate at the close of business on the fifth day prior to the redemption date (except that if the funds necessary for such redemption shall not be set aside or deposited on or before the redemption date, as provided in the Articles of Incorporation of the Company, such conversion rights shall be reinstated on the redemption date); and

(4) in case of any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or in case the Company shall be required, by order or regulation of any commission or other governmental agency having jurisdiction in the premises, to consolidate with or merge into another corporation and such order or regulation shall not permit the provisions of subdivision (e) of this division V to become effective, then and in any such case the conversion rights of the holders of the shares of the 4.60% Convertible Series shall terminate on such

date as shall be fixed by the Board of Directors, but not earlier than the close of business on the thirtieth day following the mailing by the Company to the holders of record of the shares of the 4.60% Convertible Series of the statement required by subdivision (h) of this division V to be so mailed.

(b) In case the Company shall at any time or from time to time issue any shares of the Common Stock in addition to the shares issued pursuant to the Agreement and Plan of Merger and Reorganization to which the Company is a party, dated January 20, 1976 (other than (i) additional shares issued upon conversion of shares of the 4.60% Convertible Series or shares of the Company's 5% Convertible Preferred Stock or \$1.90 Convertible Preference Stock, (ii) additional shares which may be issued by the Company pursuant to any employe stock purchase, stock option or similar plan or plans heretofore or hereafter adopted, and (iii) shares issued pursuant to subdivision (c) of this division V) and such additional shares shall be so issued without consideration or for a consideration per share less than the "minimum price" per share (such price being \$55 per share, subject to adjustment as provided in subdivision (c) of this division V), then upon such issue such conversion price shall (until a further adjustment thereof shall be required by the provisions of this subdivision (b)) be reduced to a price, calculated to the nearest (or if there shall be no nearest, then to the next lower) cent, determined by dividing:

(1) an amount equal to the sum of (i) the number of shares of the Common Stock outstanding (determined as hereinafter provided) immediately prior to such issue multiplied by the then effective per share conversion price of the Common Stock, and (ii) the consideration (determined as hereinafter provided) received by the Company upon such issue; by

(2) the total number of shares of the Common Stock outstanding (determined as hereinafter provided) immediately after such issue;

provided, however, that if such conversion price would, by the application of the foregoing formula, be reduced by an amount less than 50 cents, no adjustment of such conversion price shall be made, but in that event the adjustment which, except for this provision, would be required to be made shall be carried forward and made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to a reduction of the then effective conversion price by 50 cents or more.

In determining, for the purposes of this subdivision (b), the number of shares of the Common Stock outstanding at any particular time, there shall be included, without limiting the generally accepted meaning of the term "outstanding" (1) any shares issued on conversion of shares of the 4.60% Convertible Series or the Company's 5% Convertible Preferred Stock or \$1.90 Convertible Preference Stock, (2) any shares which, pursuant to paragraph (A) of this subdivision (b) shall be deemed to have been issued but which shall not actually have been issued, or into which the \$1.90 Convertible Preference Stock of the Company's predecessor, Northern Illinois Gas Company ("NI-Gas") was initially convertible when issued by NI-Gas, but which had not been issued by NI-Gas, up to and including the effective date of the merger pursuant to the Agreement and Plan of Merger and Reorganization to which the Company is a party dated January 20, 1976, and (3) any shares owned or held by the Company; and there shall be excluded any shares of the Common Stock which may have been issued by the Company or by NI-Gas pursuant to any employe stock purchase, stock option or similar plan or plans of the Company or NI-Gas heretofore (in the case of the Company or NI-Gas) or hereafter (in the case of the Company) adopted.

In determining, for the purposes of this subdivision (b), what constitutes the issue of additional shares of the Common Stock by the Company and the consideration received therefor, the following provisions shall be applicable:

(A) In case the Company shall issue any shares (other than shares of the 4.60% Convertible Series or the Company's 5% Convertible Preferred Stock or \$1.90

Convertible Preference Stock) convertible into shares of the Common Stock or any obligations so convertible, all shares of the Common Stock into which such convertible shares or obligations shall be initially convertible shall, on the earliest date on which such convertible shares or obligations shall by their terms be convertible, be deemed to be additional shares of the Common Stock issued as of such date, and the Company shall be deemed to have received, as of such date, for such shares of the Common Stock so deemed to have been issued an aggregate consideration equal to the sum of (i) the consideration received by the Company for such convertible shares or obligations, and (ii) such additional consideration, if any, as would be receivable by the Company for or upon issuance of such shares of the Common Stock so deemed to have been issued if issued on the earliest date on which such convertible shares or obligations shall by their terms be convertible.

(B) In case the Company shall issue any rights to subscribe for or purchase, or any options to purchase, shares of the Common Stock, and if any of such rights or options shall be exercised and shares of the Common Stock shall be issued upon such exercise, the Company shall be deemed to have received for such shares of the Common Stock so issued an aggregate consideration equal to the sum of (i) the consideration received by the Company for such shares upon the issuance thereof, and (ii) such additional consideration, if any, as shall have been received by the Company for such rights or options; provided, however, that if such rights or options shall be exercisable over a stated period of time, a recomputation of the conversion price by reason of the exercise thereof need not be made upon each such exercise but may be made at such time or times as shall be determined by the Board of Directors, subject only to the conditions that if the period of time during which such rights or options shall be exercisable shall not exceed 30 days, such recomputation shall be made within 10 days following the expiration of such period, and that if such period shall exceed 30 days, such recomputation shall be made at least once in each month next succeeding a month, within such period, during which any such exercise shall occur.

(C) In case the Company shall issue or sell, for cash, any additional shares of the Common Stock or any shares (other than shares of the 4.60% Convertible Series or the Company's 5% Convertible Preferred Stock or \$1.90 Convertible Preference Stock) convertible into shares of the Common Stock or any obligations so convertible, or any rights to subscribe for or purchase, or any options to purchase, shares of the Common Stock, the consideration received by the Company therefor shall be deemed to be the amount of cash received therefor, plus the amount of any discount (below the public or other offering price) at which such issue or sale shall have been made by the Company, and before deducting the amount of any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, such issue or sale. In case the Company shall issue or sell, for a consideration other than cash, any such additional shares of the Common Stock or any such convertible shares or obligations or any such rights or options, the consideration received by the Company therefor shall be deemed to be the fair value of such consideration as determined by the Board of Directors.

(c) In case (i) any shares of the Common Stock shall be issued by the Company as a dividend on the then outstanding Common Stock or on shares of stock of any other class ranking junior to the Preferred Stock with respect to the payment of dividends or the distribution of assets, or (ii) the shares of the Common Stock at any time outstanding shall be subdivided, by reclassification or otherwise, into a greater number of shares, the per share conversion price and the per share minimum price of the Common Stock shall be decreased proportionately and the number of shares of the Common Stock issuable upon the conversion of each share of the 4.60% Convertible Series increased proportionately. In case the shares of the Common Stock at any time outstanding shall

be combined, by reclassification or otherwise, into a lesser number of shares, the per share conversion price and the per share minimum price of the Common Stock shall be increased proportionately and the number of shares of the Common Stock issuable upon conversion of each share of the 4.60% Convertible Series decreased proportionately.

(d) In case of any reclassification of the Common Stock or any capital reorganization of the Company involving a change in the Common Stock, other than a reclassification or reorganization involving merely a subdivision or combination of outstanding shares of the Common Stock, the shares of the 4.60% Convertible Series shall thereafter be convertible into the number and class of shares or other securities of the Company to which the shares of the Common Stock otherwise issuable upon conversion of the shares of the 4.60% Convertible Series would have been entitled upon such reclassification or reorganization if outstanding at the time thereof; and in any such case appropriate adjustment, as determined by the Board of Directors, shall be made in the application of the provisions of this division V with respect to the conversion rights thereafter of the holders of the shares of the 4.60% Convertible Series, to the end that such provisions shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares or other securities thereafter issuable or deliverable upon the conversion of shares of the 4.60% Convertible Series.

(e) Subject to the limitation hereinafter stated in this subdivision (e), in case of any consolidation of the Company with or its merger into another corporation, the shares of the 4.60% Convertible Series (or any shares issued in exchange therefor upon such consolidation or merger) shall thereafter be convertible into the number and class of shares or other securities of the corporation resulting from such consolidation or merger to which the shares of the Common Stock otherwise issuable upon conversion of the shares of the 4.60% Convertible Series would have been entitled upon such consolidation or merger if outstanding at the time thereof; and in any such case appropriate adjustment shall be made in the application of the provisions of this division V with respect to the conversion rights thereafter of the holders of the shares of the 4.60% Convertible Series, to the end that such provisions shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares or other securities thereafter issuable or deliverable upon the conversion of shares of the 4.60% Convertible Series (or any shares issued in exchange therefor upon such consolidation or merger); and appropriate provision, as determined by the Board of Directors, shall be made as a part of the terms of any such consolidation or merger whereby the conversion rights of the holders of the shares of the 4.60% Convertible Series shall be protected and preserved in accordance with the provisions of this subdivision (e); provided, however, that in case of any such consolidation or merger which may be required by order or regulation of any commission or other governmental agency having jurisdiction in the premises, the provisions of this subdivision (e) shall be effective only if permitted by such order or regulation.

(f) No payment or adjustment with respect to dividends on shares of the 4.60% Convertible Series or on the Common Stock shall be made in connection with any conversion.

(g) Whenever the per share conversion price of the Common Stock shall be adjusted or changed as provided in subdivision (b) or (c) of this division V, the Company shall promptly file with each Transfer Agent for the shares of the 4.60% Convertible Series and, as soon as practicable after such adjustment or change and in no event later than 10 full business days thereafter, shall mail to the holders of record of such shares at their respective addresses then appearing on the records of the Company a statement signed by an officer of the Company, setting forth the adjusted or changed conversion price determined as provided in said subdivision (b) or (c), as the case may be, and setting forth in reasonable detail the facts requiring such adjustment or change, and, in case of an increase or decrease in the number of shares of the Common Stock issuable upon conversion of each share of the 4.60% Convertible Series, setting forth such increased or

decreased number of shares. Each Transfer Agent for the shares of the 4.60% Convertible Series shall be fully protected in relying on such statement and shall be under no duty to examine into the accuracy thereof. If any question shall at any time arise with respect to an adjusted or changed conversion price or the minimum price, such question shall be determined by a firm of independent certified public accountants selected by the Company and acceptable to the Transfer Agents for the shares of the 4.60% Convertible Series, and such determination shall be binding upon the Company and the holders of such shares.

(h) In case:

(1) the Company shall propose to pay any dividend on the Common Stock payable in shares of the Common Stock or to make any other distribution, other than cash dividends, to the holders of the Common Stock; or

(2) the Company shall propose to offer for subscription to the holders of the Common Stock any additional shares of any class or any other rights or options; or

(3) the Company shall propose to effect any reclassification of the Common Stock or any capital reorganization involving a change in the Common Stock, other than a reclassification or reorganization involving merely a subdivision or combination of outstanding shares of the Common Stock; or

(4) the Company shall propose to consolidate with or merge into another corporation, or to sell or transfer its property and business as or substantially as an entirety, or shall propose to dissolve, liquidate or wind up;

then, in each such case, the Company shall file with each Transfer Agent for the shares of the 4.60% Convertible Series and shall mail to the holders of record of such shares at their respective addresses then appearing on the records of the Company a statement, signed by an officer of the Company, with respect to the proposed action, such statement to be so filed and mailed at least 10 days, if paragraph (1) or (2) of this subdivision (h) shall be applicable, and at least 40 days, if paragraph (3) or (4) of this subdivision (h) shall be applicable, prior to the date of the taking of such action or the record date for holders of the Common Stock for the purposes thereof, whichever is earlier. If such statement relates to any proposed action referred to in paragraph (3) or (4) of this subdivision (h), it shall set forth such facts with respect thereto as shall reasonably be necessary to inform each Transfer Agent for the shares of the 4.60% Convertible Series and the holders of such shares as to the effect of such action upon the conversion rights of such holders.

(i) In order to effect the conversion of shares of the 4.60% Convertible Series the holder of the certificate or certificates therefor shall surrender such certificate or certificates to the Chicago Transfer Agent (acting as the Conversion Agent) for the shares of the 4.60% Convertible Series, with request for conversion. If the shares of the Common Stock issuable upon such conversion are to be issued in a name other than that in which the shares of the 4.60% Convertible Series to be converted are registered, such certificate or certificates shall be duly endorsed for transfer or accompanied by a duly executed stock transfer power, and shall be accompanied by all necessary stock transfer stamps or equivalent funds.

Upon such surrender of such certificate or certificates, the Company shall issue and deliver or cause to be issued and delivered to the person entitled thereto a certificate or certificates for the number of full shares of the Common Stock issuable upon such conversion, together with, if the shares of the 4.60% Convertible Series represented by the certificate or certificates therefor surrendered for conversion are not evenly convertible, cash in the amount obtained by multiplying the resulting fraction by the per share conversion price of the Common Stock then effective. In no event shall the Company be required to issue a fraction of a share of the Common Stock upon any

conversion of shares of the 4.60% Convertible Series. If the per share conversion price of the Common Stock effective at the time of any conversion is such that the shares of the 4.60% Convertible Series are not evenly convertible into full shares of the Common Stock, the number of shares of the Common Stock to be issuable upon such conversion shall be calculated to the nearest (or if there shall be no nearest, then to the next higher) 1/100 of a share. The Company shall pay all original issue taxes, if any, payable upon the issue of shares of the Common Stock issued upon any conversion.

Such conversion shall be deemed to have been effected on the date of the surrender of such certificate or certificates for shares of the 4.60% Convertible Series, and the person in whose name the certificate or certificates for the shares of the Common Stock issuable upon such conversion are to be issued shall be deemed to be the holder of record of such shares as of such date.

(j) The Company shall at all times have authorized but unissued, or in its treasury, a number of shares of the Common Stock sufficient for the conversion of all shares of the 4.60% Convertible Series from time to time outstanding.

VI. *Status of Shares of 4.60% Convertible Series Redeemed or Purchased.* No shares of the 4.60% Convertible Series redeemed, purchased or otherwise reacquired by the Company may be reissued as shares of the same series, but such shares shall have the status of authorized and unissued shares of Preferred Stock, subject to later issuance as shares of one or more other series hereafter established.

- 3. The date of adoption of such resolution was April 20, 1976.
- 4. Such resolution was duly adopted by the Board of Directors.

IN WITNESS WHEREOF, the undersigned corporation has caused this statement to be executed in its name by its Chairman and President, attested by its Secretary, this 30th day of April, A.D. 1976.

NORTHERN ILLINOIS GAS COMPANY

By /s/ C. J. GAUTHIER
Its Chairman and President

(Corporate Seal)

Attest:

 /s/ J. M. QUIGLEY
Its Secretary

STATE OF ILLINOIS }
 COUNTY OF DU PAGE } ss.

I, E. S. Anderson, a Notary Public, do hereby certify that on the 30th day of April, A.D. 1976, personally appeared before me C. J. Gauthier, who declared that he is Chairman and President of the corporation executing the foregoing document and, being first duly sworn, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

/s/ E. S. ANDERSON

Notary Public

(Notarial Seal)

FORM L.

Box _____ File _____

STATEMENT OF RESOLUTION
 ESTABLISHING SERIES
 ADOPTED BY BOARD OF DIRECTORS
 OF
 NORTHERN ILLINOIS GAS COMPANY

File in Duplicate
 Filing Fee \$5.00

NOTE:

This form is applicable only where the articles of incorporation expressly vest authority in the Board of Directors to establish series and to fix and determine the relative rights and preferences thereof. In such case series may be established and rights and preferences fixed and determined by resolution of the Board of Directors only to the extent provided in Section 15 of "The Business Corporation Act" and only to the extent not already established, fixed and determined by the articles of incorporation.

FORM L.

STATEMENT OF RESOLUTION
ESTABLISHING SERIES
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(Do not write in this space)

Date Paid 4-30-76
 Filing Fee \$5.00
 Clerk

To MICHAEL J. HOWLETT,
 Secretary of State,
 Springfield, Illinois 62706

The undersigned corporation, for the purpose of establishing series and fixing and determining the relative rights and preferences of the shares of such series, and pursuant to the provisions of Section 15 of "The Business Corporation Act" of the State of Illinois, hereby executes the following statement:

1. The name of the corporation is **NORTHERN ILLINOIS GAS COMPANY.**

2. The following resolution was adopted by the Board of Directors, establishing and designating a series of Preferred Stock and fixing and determining the relative rights and preferences of the shares of such series:

RESOLVED, that pursuant to the authority expressly vested in the Board of Directors by the Company's Articles of Incorporation, there be and there hereby is established an additional series of the Preferred Stock, par value \$100 per share, of the Company, the designation of such series, the number of shares to be issuable therein, and certain of the terms and provisions thereof to be as follows:

I. Designation of Series and Number of Shares to be Issuable Therein. Such series of the Preferred Stock shall be designated 5% Convertible Preferred Stock (hereinafter called the "5% Convertible Series"), in which not more than 12,694 shares shall be issuable.

II. Annual Amount of Dividends. Dividends shall be payable on the shares of the 5% Convertible Series in the amount of \$5.00 per share per annum, and no more.

III. Redemption. The shares of the 5% Convertible Series may be called for redemption and redeemed, at the option of the Company, in whole at any time or in part from time to time, upon the notice and in the manner provided in subdivision (d) of Division I of Paragraph 2 of Article Five of the Articles of Incorporation of the Company.

The redemption prices of the shares of the 5% Convertible Series shall be \$104 per share if redeemed prior to January 1, 1978; \$103 per share if redeemed during the five-year period beginning January 1, 1978; \$102 per share if redeemed during the five-year period beginning January 1, 1983; \$101 per share if redeemed during the five-year period beginning January 1, 1988; and \$100 per share if redeemed on or after January 1, 1993;

in each case plus the amount of accrued and unpaid dividends, if any, thereon to the redemption date.

IV. *Liquidation Prices.* The amount payable on shares of the 5% Convertible Series in the event of voluntary dissolution, liquidation or winding up of the Company shall be an amount equal to the redemption price thereof applicable at the date fixed for payment, and no more, or \$100 per share in case such shares shall not at the time be redeemable, plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more. The amount payable on each share of the 5% Convertible Series in the event of involuntary dissolution, liquidation or winding up of the Company shall be \$100 per share plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more.

V. *Conversion Provisions.* (a) The shares of the 5% Convertible Series shall be convertible, at the option of the respective holders thereof, into fully paid and nonassessable shares of the Common Stock of the Company at the conversion price of \$32.76 per share, in each case taking the shares of the 5% Convertible Series at \$100 per share, that is, at the rate of 3.0525 shares of Common Stock for each share of the 5% Convertible Series; provided, however, that:

- (1) as provided in subdivisions (b) and (c) of this division V, such conversion price shall be subject to adjustment or change in certain cases, and, as provided in said subdivision (c), the number of shares of Common Stock issuable upon conversion of shares of the 5% Convertible Series shall be subject to increase or decrease in certain cases;
- (2) as provided in subdivisions (d) and (e) of this division V, shares or other securities, other than shares of the Common Stock, may in certain cases become issuable upon conversion of shares of the 5% Convertible Series;
- (3) whenever the Company shall call for redemption any shares of the 5% Convertible Series, the conversion rights of the holders thereof shall terminate at the close of business on the fifth day prior to the redemption date (except that if the funds necessary for such redemption shall not be set aside or deposited on or before the redemption date, as provided in the Articles of Incorporation of the Company, such conversion rights shall be reinstated on the redemption date); and
- (4) in case of any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or in case the Company shall be required, by order or regulation of any commission or other governmental agency having jurisdiction in the premises, to consolidate with or merge into another corporation and such order or regulation shall not permit the provisions of subdivision (e) of this division V to become effective, then and in any such case the conversion rights of the holders of the shares of the 5% Convertible Series shall terminate on such date as shall be fixed by the Board of Directors, but not earlier than the close of business on the thirtieth day following the mailing by the Company to the holders of record of the shares of the 5% Convertible Series of the statement required by subdivision (h) of this division V to be so mailed.

(b) In case the Company shall at any time or from time to time issue any shares of the Common Stock in addition to the shares issued pursuant to the Agreement and Plan of Merger and Reorganization to which the Company is a party, dated January 20, 1976 (other than (i) additional shares issued upon conversion of shares of the 5% Convertible Series or the Company's 4.60% Convertible Preferred Stock or \$1.90 Convertible Preference Stock, and (ii) additional shares which may be issued by the Company pursuant to any employe stock purchase, stock option or similar plan or plans heretofore or hereafter adopted) and such additional shares shall be so issued without consideration or for a consideration per share less than the per share conversion price of

the Common Stock in effect immediately prior to the time of such issue, then upon such issue such conversion price shall (until a further adjustment thereof shall be required by the provisions of this subdivision (b)) be reduced to a price, calculated to the nearest (or if there shall be no nearest, then to the next lower) cent, determined by dividing:

- (1) an amount equal to the sum of (i) the number of shares of the Common Stock outstanding (determined as hereinafter provided) immediately prior to such issue multiplied by the then effective per share conversion price of the Common Stock, and (ii) the consideration (determined as hereinafter provided) received by the Company upon such issue; by
- (2) the total number of shares of the Common Stock outstanding (determined as hereinafter provided) immediately after such issue;

provided, however, that if such conversion price would, by the application of the foregoing formula, be reduced by an amount less than 50 cents, no adjustment of such conversion price shall be made, but in that event the adjustment which, except for this provision, would be required to be made shall be carried forward and made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to a reduction of the then effective conversion price by 50 cents or more.

In determining, for the purposes of this subdivision (b), the number of shares of the Common Stock outstanding at any particular time, there shall be included, without limiting the generally accepted meaning of the term "outstanding" (1) any shares issued on conversion of shares of the 5% Convertible Series or the Company's 4.60% Convertible Preferred Stock or \$1.90 Convertible Preference Stock, (2) any shares which, pursuant to paragraph (A) of this subdivision (b), shall be deemed to have been issued but which shall not actually have been issued, or into which the 4.60% Convertible Preferred Stock or \$1.90 Convertible Preference Stock of the Company's predecessor, Northern Illinois Gas Company ("NI-Gas") was initially convertible when issued by NI-Gas, but which had not been issued by NI-Gas, up to and including the effective date of the merger pursuant to the Agreement and Plan of Merger and Reorganization to which the Company is a party dated January 20, 1976, and (3) any shares owned or held by the Company; and there shall be excluded any shares of the Common Stock which may have been issued by the Company or by NI-Gas pursuant to any employee stock purchase, stock option or similar plan or plans of the Company or NI-Gas heretofore (in the case of the Company or NI-Gas) or hereafter (in the case of the Company) adopted.

In determining, for the purposes of this subdivision (b), what constitutes the issue of additional shares of the Common Stock by the Company and the consideration received therefor, the following provisions shall be applicable:

- (A) In case the Company shall issue any shares (other than shares of the 5% Convertible Series or the Company's 4.60% Convertible Preferred Stock or \$1.90 Convertible Preference Stock) convertible into shares of the Common Stock or any obligations so convertible, all shares of the Common Stock into which such convertible shares or obligations shall be initially convertible shall, on the earliest date on which such convertible shares or obligations shall by their terms be convertible, be deemed to be additional shares of the Common Stock issued as of such date, and the Company shall be deemed to have received, as of such date, for such shares of the Common Stock so deemed to have been issued an aggregate consideration equal to the sum of (i) the consideration received by the Company for such convertible shares or obligations, and (ii) such additional consideration, if any, as would be receivable by the Company for or upon issuance of such shares of the Common Stock so deemed to have been issued if issued on the earliest date on which such convertible shares or obligations shall by their terms be convertible.

- (B) In case the Company shall issue any rights to subscribe for or purchase, or any options to purchase, shares of the Common Stock, and if any of such rights or options shall be exercised and shares of the Common Stock shall be issued upon such exercise, the Company shall be deemed to have received for such shares of the Common Stock so issued an aggregate consideration equal to the sum of (i) the consideration received by the Company for such shares upon the issuance thereof, and (ii) such additional consideration, if any, as shall have been received by the Company for such rights or options; provided, however, that if such rights or options shall be exercisable over a stated period of time, a recomputation of the conversion price by reason of the exercise thereof need not be made upon each such exercise but may be made at such time or times as shall be determined by the Board of Directors, subject only to the conditions that if the period of time during which such rights or options shall be exercisable shall not exceed 30 days, such recomputation shall be made within 10 days following the expiration of such period, and that if such period shall exceed 30 days, such recomputation shall be made at least once in each month next succeeding a month, within such period, during which any such exercise shall occur.
- (C) In case the Company shall issue or sell, for cash, any additional shares of the Common Stock or any shares (other than shares of the 5% Convertible Series or the Company's 4.60% Convertible Preferred Stock or \$1.90 Convertible Preference Stock) convertible into shares of the Common Stock or any obligations so convertible, or any rights to subscribe for or purchase, or any options to purchase, shares of the Common Stock, the consideration received by the Company therefor shall be deemed to be the amount of cash received therefor, plus the amount of any discount (below the public or other offering price) at which such issue or sale shall have been made by the Company, and before deducting the amount of any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, such issue or sale. In case the Company shall issue or sell, for a consideration other than cash, any such additional shares of the Common Stock or any such convertible shares or obligations or any such rights or options, the consideration received by the Company therefor shall be deemed to be the fair value of such consideration as determined by the Board of Directors.
- (D) In case any shares of the Common Stock shall be issued by the Company as a dividend on the then outstanding Common Stock or on shares of stock of any other class ranking junior to the Preferred Stock with respect to the payment of dividends or the distribution of assets, the shares so issued shall be deemed to have been issued without consideration.
- (e) In case the shares of the Common Stock at any time outstanding shall be subdivided, by reclassification or otherwise, into a greater number of shares, the per share conversion price of the Common Stock shall be decreased proportionately and the number of shares of the Common Stock issuable upon conversion of each share of the 5% Convertible Series increased proportionately. In case the shares of the Common Stock at any time outstanding shall be combined, by reclassification or otherwise, into a lesser number of shares, the per share conversion price of the Common Stock shall be increased proportionately and the number of shares of the Common Stock issuable upon conversion of each share of the 5% Convertible Series decreased proportionately.
- (d) In case of any reclassification of the Common Stock or any capital reorganization of the Company involving a change in the Common Stock, other than a reclassification or reorganization involving merely a subdivision or combination of outstanding shares of the Common Stock, the shares of the 5% Convertible Series shall thereafter be convertible into the number and class of shares or other securities of the

Company to which the shares of the Common Stock otherwise issuable upon conversion of the shares of the 5% Convertible Series would have been entitled upon such reclassification or reorganization if outstanding at the time thereof; and in any such case appropriate adjustment, as determined by the Board of Directors, shall be made in the application of the provisions of this division V with respect to the conversion rights thereafter of the holders of the shares of the 5% Convertible Series, to the end that such provisions shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares or other securities thereafter issuable or deliverable upon the conversion of shares of the 5% Convertible Series.

(e) Subject to the limitation hereinafter stated in this subdivision (e), in case of any consolidation of the Company with or its merger into another corporation, the shares of the 5% Convertible Series (or any shares issued in exchange therefor upon such consolidation or merger) shall thereafter be convertible into the number and class of shares or other securities of the corporation resulting from such consolidation or merger to which the shares of the Common Stock otherwise issuable upon conversion of the shares of the 5% Convertible Series would have been entitled upon such consolidation or merger if outstanding at the time thereof; and in any such case appropriate adjustment shall be made in the application of the provisions of this division V with respect to the conversion rights thereafter of the holders of the shares of the 5% Convertible Series, to the end that such provisions shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares or other securities thereafter issuable or deliverable upon the conversion of shares of the 5% Convertible Series (or any shares issued in exchange therefor upon such consolidation or merger); and appropriate provision, as determined by the Board of Directors, shall be made as a part of the terms of any such consolidation or merger whereby the conversion rights of the holders of the shares of the 5% Convertible Series shall be protected and preserved in accordance with the provisions of this subdivision (e); provided, however, that in case of any such consolidation or merger which may be required by order or regulation of any commission or other governmental agency having jurisdiction in the premises, the provisions of this subdivision (e) shall be effective only if permitted by such order or regulation.

(f) No payment or adjustment with respect to dividends on shares of the 5% Convertible Series or on the Common Stock shall be made in connection with any conversion.

(g) Whenever the per share conversion price of the Common Stock shall be adjusted or changed as provided in subdivision (b) or (c) of this division V, the Company shall promptly file with each Transfer Agent for the shares of the 5% Convertible Series and, as soon as practicable after such adjustment or change and in no event later than 10 full business days thereafter, shall mail to the holders of record of such shares at their respective addresses then appearing on the records of the Company a statement signed by an officer of the Company, setting forth the adjusted or changed conversion price determined as provided in said subdivision (b) or (c), as the case may be, and setting forth in reasonable detail the facts requiring such adjustment or change, and, in case of an increase or decrease in the number of shares of the Common Stock issuable upon conversion of each share of the 5% Convertible Series, setting forth such increased or decreased number of shares. Each Transfer Agent for the shares of the 5% Convertible Series shall be fully protected in relying on such statement and shall be under no duty to examine into the accuracy thereof. If any question shall at any time arise with respect to an adjusted or changed conversion price, such question shall be determined by a firm of independent certified public accountants selected by the Company and acceptable to the Transfer Agents for the shares of the 5% Convertible Series, and such determination shall be binding upon the Company and the holders of such shares.

(h) In case:

(1) the Company shall propose to pay any dividend on the Common Stock payable in shares of the Common Stock or to make any other distribution, other than cash dividends, to the holders of the Common Stock; or

(2) the Company shall propose to offer for subscription to the holders of the Common Stock any additional shares of any class or any other rights or options; or

(3) the Company shall propose to effect any reclassification of the Common Stock or any capital reorganization involving a change in the Common Stock, other than a reclassification or reorganization involving merely a subdivision or combination of outstanding shares of the Common Stock; or

(4) the Company shall propose to consolidate with or merge into another corporation, or to sell or transfer its property and business as or substantially as an entirety, or shall propose to dissolve, liquidate or wind up;

then, in each such case, the Company shall file with each Transfer Agent for the shares of the 5% Convertible Series and shall mail to the holders of record of such shares at their respective addresses then appearing on the records of the Company a statement, signed by an officer of the Company, with respect to the proposed action, such statement to be so filed and mailed at least 10 days, if paragraph (1) or (2) of this subdivision (h) shall be applicable, and at least 40 days, if paragraph (3) or (4) of this subdivision (h) shall be applicable, prior to the date of the taking of such action or the record date for holders of the Common Stock for the purposes thereof, whichever is earlier. If such statement relates to any proposed action referred to in paragraph (3) or (4) of this subdivision (h), it shall set forth such facts with respect thereto as shall reasonably be necessary to inform each Transfer Agent for the shares of the 5% Convertible Series and the holders of such shares as to the effect of such action upon the conversion rights of such holders.

(i) In order to effect the conversion of shares of the 5% Convertible Series the holder of the certificate or certificates therefor shall surrender such certificate or certificates to the Chicago Transfer Agent (acting as the Conversion Agent) for the shares of the 5% Convertible Series, with request for conversion. If the shares of the Common Stock issuable upon such conversion are to be issued in a name other than that in which the shares of the 5% Convertible Series to be converted are registered, such certificate or certificates shall be duly endorsed for transfer or accompanied by a duly executed stock transfer power, and shall be accompanied by all necessary stock transfer stamps or equivalent funds.

Upon such surrender of such certificate or certificates, the Company shall issue and deliver or cause to be issued and delivered to the person entitled thereto a certificate or certificates for the number of full shares of the Common Stock issuable upon such conversion, together with, if the shares of the 5% Convertible Series represented by the certificate or certificates therefor surrendered for conversion are not evenly convertible, cash in the amount obtained by multiplying the resulting fraction by the per share conversion price of the Common Stock then effective. In no event shall the Company be required to issue a fraction of a share of the Common Stock upon any conversion of shares of the 5% Convertible Series. If the per share conversion price of the Common Stock effective at the time of any conversion is such that the shares of the 5% Convertible Series are not evenly convertible into full shares of the Common Stock, the number of shares of the Common Stock to be issuable upon such conversion shall be calculated to the nearest (or if there shall be no nearest, then to the next higher) 1/100 of a share. The Company shall pay all original issue taxes, if any, payable upon the issue of shares of the Common Stock issued upon any conversion.

STATE OF ILLINOIS
COUNTY OF DU PAGE } ss.

I, E. S. Anderson, a Notary Public, do hereby certify that on the 30th day of April, A. D. 1976, personally appeared before me C. J. Gauthier, who declares that he is Chairman and President of the corporation executing the foregoing document and, being first duly sworn, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

/s/ E. S. ANDERSON

Notary Public

(Notarial Seal)

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